



Altyngold plc (formerly Altyn plc)  
Annual Report and Consolidated Financial Statements  
for the Year Ended 31 December 2020



# WELCOME TO ALTYN GOLD PLC (formerly ALTYN PLC)

AltynGold Plc (LSE: ALTN) is an exploration and development company, which listed on the main market segment of the London Stock Exchange in December 2014. To read more about AltynGold Plc please visit our website [www.altyngold.uk](http://www.altyngold.uk)

## At a glance

AltynGold's main asset is its 100% interest in the Sekisovskoye gold mine and its exploration site at Teren-Sai in North East Kazakhstan. In the most recent CPR in 2019 (page 14 of the Annual Report) the Sekisovskoye site has Proved reserves of 3.47Moz and Probable reserves of 0.33Moz. At Teren-Sai the Proved reserves amount to 0.8Moz and Probable reserves of 0.65Moz based in one area that contains 4 breccia bodies known as area No2. The Teren- Sai Project is made up of 15 targets based on historical exploration. Of these 15 targets, AltynGold has identified a number of areas for exploration, consisting of various identified targets. Altyn is currently principally focussed on exploration and development of one of these 15 targets.

The Company received new mining equipment during the year and is progressing its plans to significantly increase the planned production from the underground mine at Sekisovskoye.

The mining licence for Sekisovskoye is valid until 17 July 2029.

The Company was awarded the subsoil exploration contract for the Teren-Sai ore field for a 6-year term in 2016 with the right to extend for another 5 years if there is a commercial discovery of resources. The site encompasses an area of approximately 198km<sup>2</sup>, and geological data purchased by the Company indicates that there are fifteen mineralised target zones, each with the potential to contain significant gold resources. It is currently targeting its efforts on one of the sites. The results of the CPR are as noted above and in the mineral resources statement contained within the Annual Report on page 16.

## Key achievements in 2020

The key highlights are documented below:

### Financial highlights

- ▲ Turnover increased in the year to US\$30m (2019: US\$14.9m).
- ▲ 16,535oz of gold sold (2019: 10,500oz), an increase of 57%.
- ▲ Average gold price achieved (including silver), US\$1,816oz, (2019: US\$1,390oz).
- ▲ The Company made a profit before tax of US\$3.3m (2019: loss US\$1.04m).
- ▲ Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation) of US\$13.5m (2019: US\$3.3m).
- ▲ The Company finalised the listing of the balance of the US\$10m 9% bonds on the Astana International Exchange (AIX).
- ▲ The balance of the facility with JSC Bank Center Credit of US\$8m was drawn down during the year.
- ▲ A share placing with JSC Freedom Finance raised US\$1.5m in the year.
- ▲ New facility taken out in December 2020 with Bank Center Credit of US\$5.5m, (2.3bln Tenge), of this US\$973,000 was drawn down before the year end.

### Operational highlights

- ▲ Gold poured 17,028oz, (2019: 10,537oz) a 61% increase year-on-year.
- ▲ Mined gold grade 1.57g/t, (2019: 1.92g/t), decreased due to ore dilution - new equipment is now increasing to the target grade.
- ▲ Operating cash cost US\$800/oz, (2019: US\$854/oz).
- ▲ Gold recovery rate 80.44% (2019: 82.31%).

### Underground development & exploration

- ▲ Subsoil use contract at Sekisovskoye extended to July 2029.
- ▲ Production of test ore at Teren-Sai, average grade 1.8g/t at 81% recovery.
- ▲ Total 5,657 linear metres developed at Sekisovskoye.
- ▲ Transport declines further developed, decline No.1 352 linear metres, decline No. 2 353 linear metres.
- ▲ 750,000t of ore made accessible from declines 1 and 2.
- ▲ Areas No. 1, 2 and new Area 5 developed in Teren-Sai - drill holes and core samples extracted,



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## Areas of exploration



### 1 Sekisovskoye

The Sekisovskoye deposit is the Company's flagship asset and is located close to the village of Sekisovka, approximately 40km from the North East Kazakhstan regional capital, Ust Kamenogorsk. The current licence expires in July 2029.

The mineral rights at Sekisovskoye are held by a 100% owned subsidiary of the Company, DTOO GRP Baurgold, and the processing plant is owned by the 100% owned subsidiary of the Company TOO GMK Altyn MM.

The Sekisovskoye deposit was discovered in 1833 with surface mining taking place during the periods 1833 to 1847, 1932 to 1935, and 1943 to 1946. From 1975 to 1986, a range of exploration work was carried out. Between 1978 and 1982 "AltaiZoloto" of the Ministry of Non-Ferrous Industry, KazSSR, mined the oxidised area of the ore body. In 2003, under Hambledon Mining's ownership (subsequently renamed to AltynGold Plc), further exploration work was undertaken and gold production from the mine and processing plant commenced in 2008.

In 2019, the Company released the findings of the mining consultant, Ernst and Young's Competent Persons Report on the mine, which demonstrated substantial JORC reserves and resources, see page 14 for further details. With new plant acquired in 2020 the Company is ramping to significantly increase production. This will significantly increase the number of oz of gold produced, with the aim of achieving 100,000oz annually, in the future, which is to be achieved by increasing output and accessing higher grade reserves through the continued development of the underground mine.

### 2 Teren-Sai Ore Fields

In May 2016, the Company was awarded the subsoil exploration contract to conduct further testing at the Teren-Sai ore field for the 6 year term with the right to extend for another 5 years in case of commercial discovery of resources.

The Teren-Sai Project is made up of 15 targets based on historical exploration. Of these 15 targets, Altyn has identified a number of areas for exploration, consisting of various identified targets. Altyn is currently focused on exploration and development of one of these 15 targets, namely Area No.2. Area No.2 consists of four breccia bodies, however Altyn is only targeting one of these breccias for development at this stage.

The geological data that the Company acquired indicates that there are at least fifteen mineralised zones at Teren-Sai and this leads the Company to believe that this project has the potential to contain significant gold resources, a CPR was conducted in 2019 in one of the areas see the report on page 14. The Company is continuing to validate the geological data by twinning previous drill holes and undertaking additional metallurgical testing on the other sites.

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# CHAIRMAN'S STATEMENT

“Even against the backdrop of COVID-19 the Company managed to grow, attracting funding from a range of sources and delivering on its capital investment plan.”

This year has been very different for many reasons, the effects of the COVID-19 pandemic have been felt around the world, causing economic and social havoc. One year later the crisis is still ongoing, with governments, companies and individuals still facing uncertainty on how the pandemic will evolve and its aftermath.

From our perspective as a mining Company focused on mining operations in Kazakhstan, we have been insulated to a large extent from the fallout of the pandemic, as mining operations were a protected industry and the Company has been able to continue to operate throughout the pandemic. While cooperating with the authorities, the Company has quickly adapted its new operational working practices to ensure that the staff were able to continue working in a safe environment at the mine site, organising special shift patterns for production. Office workers at both the mine site and head office were largely able to work remotely, as the lock down has eased the staff were able to resume their duties at the offices during March 2021. The country is still organising measures to contain the transmission of COVID-19, and in April 2021 a limited lockdown was introduced in the country. The imposition of the most recent lockdown has not resulted in any issues in relation to the current operations of the Company.

Supply chains and the important sale of dore to the refinery were carefully monitored and potential issues resolved as soon as they arose.

Against this background the Company managed to grow, attracting funding from a range of sources and delivering on its capital investment plan. The resultant increase in production combined with the favorable gold price led to a substantially higher revenue stream.

While the gold price has increased given its hedge characteristic against the downturn in the global outlook for economies, a higher gold price level should be sustained by the expectation of increased inflation levels resulting from global monetary policies that are increasing the money supply, and a deteriorating fiscal outlook. With the production levels budgeted to increase, the management is upbeat about the Company's future growth outlook.

With its strong financial position and additional funding raised, the Company has also continued its exploration program at Teren-Sai. The test production run as reported in the RNS news release in 2021 yielded good results in terms of grade, and the expected low cash cost of production will have a positive impact on the results of the Company in the future.

In summary against the backdrop of uncertainty caused by the COVID-19 crisis the Company has managed to emerge in a much stronger position at the end of the year. It has secured its required level of funding, utilising it to good effect as demonstrated by the increased production levels. The Board has also been strengthened by the appointment of a new non-executive director Thomas Gallagher who will bring important qualities and experience to the team, and we welcome him to the Company.

I would like to conclude with a heartfelt thank you to all the staff from the top management and to those who only work on a part-time basis for their dedication to the Company and support in minimising the effect of the pandemic on our business.

**Kanat Assaubayev**  
Chairman

30 April 2021

# CHIEF EXECUTIVE OFFICER'S REVIEW

"A significant amount of underground plant and equipment has been purchased leading to a 98% increase in ore extraction in the year."

## Overview

The Company has been able to implement its medium term plan, following successful rounds of financing completed in late 2019 and 2020. As such, a significant amount of underground plant and equipment (details below) has been purchased leading to a 98% increase in ore extraction in the year to 505,000t. Timely maintenance of the processing plant and the overhaul of other equipment allowed a swift increase in processed ore which grew 82% from 231,000t to 420,000t leading to a 61% increase in gold produced from 10,537oz to 17,028oz. With the introduction of more specialised drilling rigs in 2021, the Company is also targeting a lower level of dilution of extracted ore which should result in a noticeable improvement of grades in Q2 2021.

Due to careful planning and co-operation with the relevant authorities there was little impact on the operations of the Company from COVID-19. Indeed, the trend and momentum of production at Sekisovskoye continue to be very encouraging. These positive developments set the stage for the company to achieve its first major target of 850,000t ore extraction per annum.

The Company has also invested additional funds to expand the exploration program at Teren-Sai. The Teren-Sai area is large, covering in excess of 198km which the Company has split this into a

number of areas. After initially concentrating on Area No. 2, the Company has now expanded its exploration programs into Areas No. 1 and 5.

## Sekisovskoye underground mine

### Plant and equipment

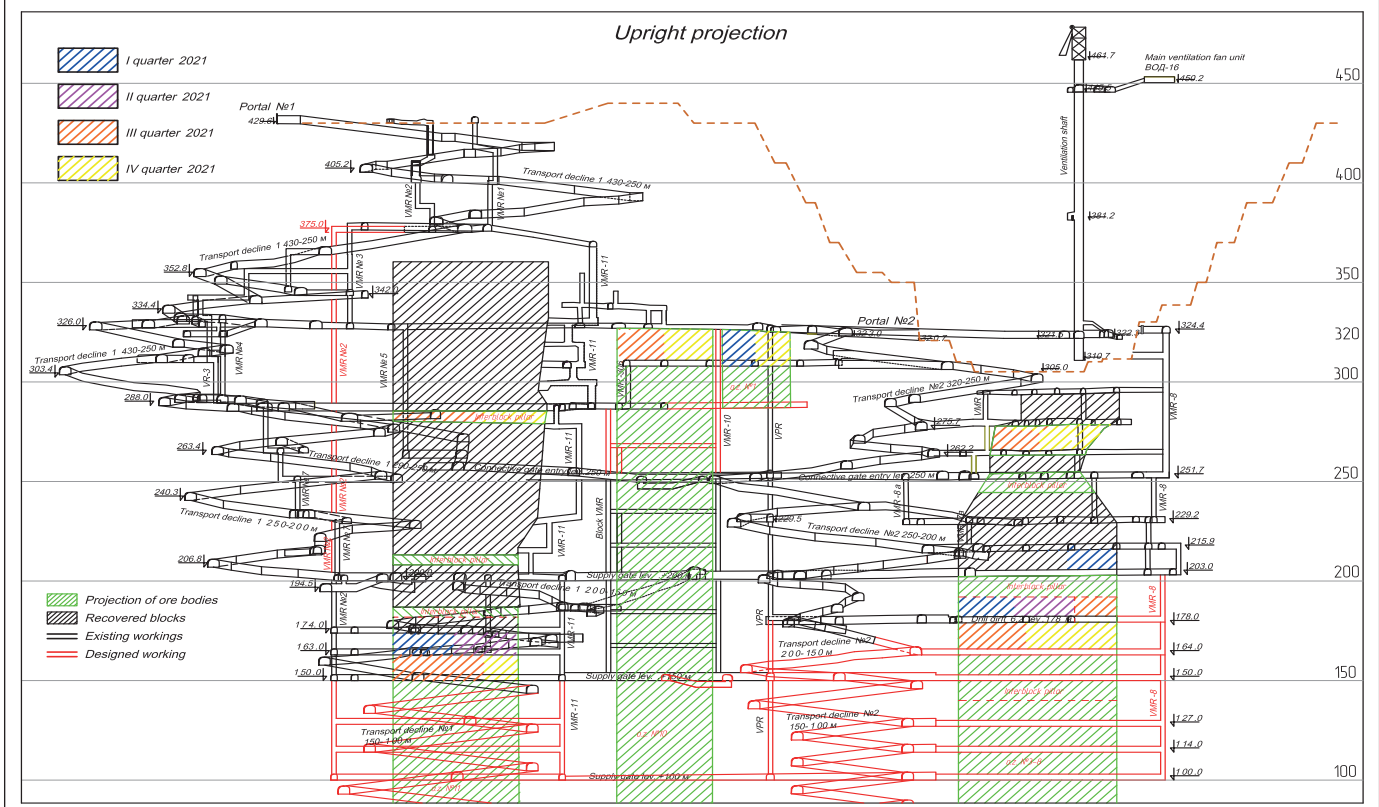
There was a significant investment in plant and machinery during 2020 and to date in 2021, these are summarised below:

- ▲ Front-end loader ZL 50G
- ▲ Dump truck 25t Chaicman
- ▲ Material handling trucks CAT R1300 - 3 units
- ▲ Underground haulers CAT AD30 - 3 units
- ▲ Face drilling rig Atlas Copco T1D
- ▲ Ring drilling rig Atlas Copco T1D
- ▲ Exploration drilling rig Atlas Copco Diamec U4
- ▲ Boomer T1D drilling rig with a capacity of 400m/month
- ▲ Boomer T1D long-hole production drill
- ▲ Diamec U4 Smart exploration drill rig
- ▲ JSB Crawler with a capacity of 1.8cu.m
- ▲ Korfmann AL18-2500 ventilator with a capacity of 100m3/s
- ▲ Lupamit LKV 250 compressors, each compressor with a capacity of 45m3/min
- ▲ 100 CFO flower heaters

The following was achieved with regards to the underground mine in the year:

- ▲ There was a substantial development of tunneling amounting to 5,657 linear metres, including 353 metres on transport decline No 2

## Underground development



# CHIEF EXECUTIVE OFFICER'S REVIEW continued

allowing access to 640,000 tons of reserves at levels +161, +164 and +178; and 352 metres on transport decline No 1 allowing access to 110,000 tons at levels +150 and +163.

- ▲ With the purchase of heaters, compressors and a Korfman AL18-2500 ventilator, the company was able to complete necessary works on the main ventilation shaft required for the continuation of operations until 2029 in line with the mine plan.
- ▲ Thanks to additional equipment, ore stockpiles were increased substantially at portal No 2, allowing for an increase in the daily ore production to 1,800t/day.
- ▲ In addition to 48,000m<sup>3</sup> of back and cavity filling, works are ongoing for the development of the general site including renovation and expansion of the offices and other amenities.
- ▲ Ore mined at Sekisovskoye during 2020 was 506,000t (2019: 255,000t), with the new equipment on site this is budgeted to increase.
- ▲ The average gold grade was 1.58g/t (2019: 1.76 g/t) in line with the Company budget. The average grade for the year was affected by lower grades during Q1 at 1.49g/t (1.43g/t budgeted) due to high level of developmental ore. The introduction of additional equipment in particular the Boomer T1D LHD drilling rigs has led to a steady improvement in grades to its current level of 1.75g/t. Further improvement expected in the future as more ore bodies become accessible.

## Exploration – Teren-Sai

The Teren-sai exploration program has been expanded and accelerated during 2020. The Company views the site as a very valuable asset that will add substantially to the production capacity of the Company once it is fully functional.

In area No.2 the Company continued pneumatic drilling conducting 16 profiles for verification analysis against existing data. Additional drilling was also carried out to fully delineate the extent and boundaries of the ore body resulting in 14 completed drill holes and 4,183m drilled meterage.

In order to build up a reliable profile of the site, verification results are being constantly mapped against existing data. During 2020 the Company successfully processed the first batch of test ore amounting to 1,794t, resulting in an average grade of 1.8g/t and a recovery rate of 81%. These were very encouraging results and a significant step in moving forward with the project. It is expected that the initial extraction of ore will be via open pit workings, with the use of some of the existing open pit equipment which has been mothballed at Sekisovskoye, and further equipment being purchased as necessary. The ore extracted is expected to be processed by a separate plant to be built at Teren-Sai, thus avoiding transport costs to Sekisovskoye and keeping the unit cost of production at a reasonable level.

In addition to Area No.2 exploration work was expanded to Area No.1 and new zone identified as Area No.5. In Area No.1, 13 prospective drilling profiles were conducted, the analysis of the results was encouraging and further core drilling is to be undertaken in 2021. In relation to Area No. 5, the meterage drilled was 3,886m with 17 drill holes

Mining results ore extraction			
		2020	2019
Ore mined	T	506,050	255,134
Gold grade	g/t	1.57	1.92
Silver grade	g/t	1.08	1.37
Contained gold	oz	25,555	15,760
Contained silver	oz	17,525	11,239

Mining results processing			
		2020	2019
Crushing	T	421,040	239,046
Mining	T	420,256	230,966
Gold grade	g/t	1.58	1.76
Silver grade	g/t	1.13	1.37
Gold recovery	%	80.44	82.31
Silver recovery	%	72.81	69.88
Contained gold	oz	21,355	12,981
Contained silver	oz	15,253	9,819
Gold Poured	oz	17,028	10,537
Silver poured	oz	11,180	6,760

Projected capital expenditure			
	Total US\$m	2021 US\$m	2022 US\$m
Prospect drilling	1.7	0.9	0.8
Underground development	6.8	4.5	2.3
Infrastructure	0.1	–	0.1
Ore handling facilities	3.7	3.4	0.3
Process plant incremental expansion	3.4	2.6	0.8
<b>Total</b>	<b>15.7</b>	<b>11.4</b>	<b>4.3</b>

which identified 11 ore intersections. Sampled grades over four of the holes ranged from 1.4g/t to 2.4g/t and further work is planned in this area in 2021.

The Company also commenced topographic work over 50km<sup>2</sup> to gain a better understanding of the site and the potential to develop the area, the work will be completed during 2021.

## Capital requirements

The capex requirements for the next two years are detailed in the table below. The budgeted plans foresee the Company expanding ore extraction and production to 850,000t per annum for Sekisovskoye, and the development of its prospective resource at Teren-Sai. The Company is constantly reviewing and refining its plans to adapt to changing circumstances.

## Longer term plan

The long term plan still consists in operating the Sekisovskoye Mine at 850kt annual capacity for three years then ramping up production to 2Mtpa over a six year period. The initial target is an important milestone and with the purchase of the new equipment this is now progressing as planned. The longer term plan

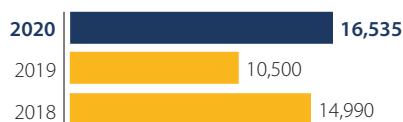
involves obtaining further funding and the Board is constantly looking at the best way to finance the business going forward. In this regard, the Company has recently appointed Renaissance Capital to operate as a Corporate Broker as well as produce independent research on the Company in order to increase its profile with potential investors. In order to achieve the longer term goal outlined, the Company has estimated that it will require an initial funding of US\$40m-US\$50m to attain 1Mtpa target. Further funding will be required for the secondary 2Mtpa target.

Mining operations at Teren- Sai are planned to run in parallel to Sekisovskoye development and will initially include surface mining at Area No.2 before moving underground at a later stage. It is envisaged that at the initial costs of open pit operations can be kept low by making use of the existing equipment as far as possible. The significant expenditure relates to the planned Teren-Sai processing plant which will be a conventional carbon-in-leach ("CIL") gold recovery plant, similar to the existing one at the neighbouring Sekisovskoye Mine.

# FINANCIAL PERFORMANCE

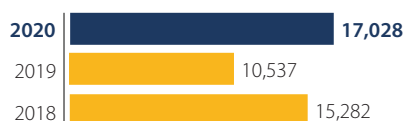
## Annual gold sales (oz)

**16,535oz**



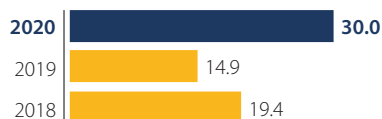
## Annual gold poured (oz)

**17,028oz**



## Revenue (US\$m)

**US\$30m**



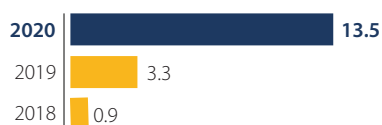
## Operating cash cost of production (US\$/oz)

**US\$800oz**



## Adjusted EBITDA (US\$m)

**US\$13.5m**



## Net assets (US\$m)

**US\$35.3m**



The Company raised significant funds in the year, mainly bank borrowings and a bond placement on the Astana International Exchange. The raised funds have mainly been used for the purchase of new underground equipment, infrastructure and capital development at Sekisovskoye, exploration drilling at Teren-Sai and funding expanded working capital requirements.

In terms of output, the investment in the new equipment and the refurbishment of plant and machinery has had a direct and immediate effect on production levels in the year. Gold poured has increased by 61.6% from the prior year to 17,028oz the highest it has been for a number of years. Budgeted levels in the forthcoming periods are set to increase further as the full effect of the investments made flow through.

During 2020, the Company sold 16,535oz of gold (2019: 10,500oz). The average price achieved per oz in 2020 was US\$1,816 (2019: US\$1,390) a significant uplift from the prior year. While consensus analysts' forecasts expect the gold price to remain in the region of US\$1,800 the Company conservatively uses a lower price of gold in its forward modelling. Further, the outlook for the business is expected to remain positive given the anticipation of dollar strength against the local currency in which a significant level of expenses are payable.

There were no changes to the sales off-take agreement currently in place with the Kazakh national refinery, which continues to take all of the Company's output. As in the prior year, sales are translated at the spot US\$ market rate at the point the gold is sold.

The total cash cost of production, which includes administrative costs but excludes depreciation and provisions, amounted to US\$970/oz, (2019: US\$1,104/oz). The operating cash cost excluding administrative costs amounted to US\$800/oz (2019: US\$854/oz). The cash cost of production is expected to fall in future periods with expanded economies of scale and improved grades. The administrative costs are being closely monitored and there has only been a small increase from the prior year, which is expected to be maintained in future periods.

The Group has reported a net profit of US\$3.3m before tax (2019: loss US\$1.04m) with a gross profit of US\$11.9m (2019: US\$2.5m), this was after a one off charge in the year relating to a share based payment of US\$2.4m in connection with share options issued. While the increase in gold price of 30% had a positive effect, the principal driving factor for the increase in profitability was the 57% increase in output. The Adjusted EBITDA increased to US\$13.5m (2019: US\$3.3m) after adjusting for depreciation of US\$3.9m (2019: US\$3.4m), and the share based payment noted above. A reconciliation of Adjusted EBITDA to the net profit is shown in note 13 of the financial statements. The operating profit as a consequence rose to US\$7.2m (2019: US\$0.025m). Net profit has been reduced by the effect of the borrowing costs which increased

from US\$1.2m to US\$2.3m. The effect of foreign exchange losses in the subsidiaries also had the effect of decreasing profits, in 2020 this is US\$1.5m (2019: US\$116,000 gain), principally as a result of the revaluation of the borrowings.

Management are keenly aware that funding should be on the most attractive terms and are exploring new avenues to achieve this.

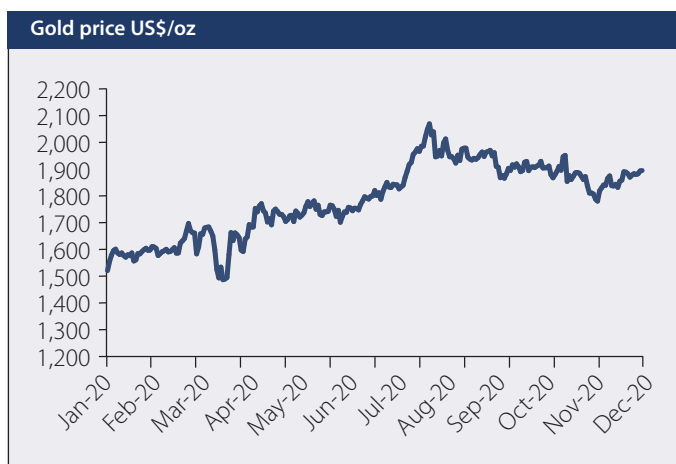
Cash at year-end was US\$7.2m (2019: US\$1.9m), the increase was driven by fund raising, including the issue of shares for a consideration of US\$1.5m in the year. Current resources are sufficient to meet the current working capital requirements and purchase of capital equipment in the current budget. In December 2020 the Company agreed additional bank facilities with Bank Center Credit of US\$5.5m, of this amount US\$1.9m is available to fund working capital and the balance will be used for investment into new machinery. Of this facility US\$1.0m was drawn down in December 2020.

The main financing commitments during the year were payment of interest on the bonds and repayment of principal and interest on the bank borrowings, in total these amounted to US\$4.1m in 2020 (2019: US\$1.4m).

The consolidated net assets of the Group are US\$35.3m (2019: US\$33.3m).

During the year the Company operated successfully through the restrictions and lock downs as stipulated by the Kazakh authorities and is pleased to confirm it safely guarded the wellbeing of its staff. The Government imposed a number of lockdowns beginning in March 2020 ranging from a full national lockdown and containment of the major cities to less stringent limited ones that are currently operating. The Company experienced minimal operational disruption from the COVID-19 pandemic that commenced in 2020 and expects operations to continue uninterrupted.

# MARKET REVIEW AND SHARE PRICE PERFORMANCE



## Commentary

From the base level of the prior year, the share price of the Company has gathered significant momentum all be it with some volatility. Indeed the Company's share price more than doubled over the year, increasing from around £0.60 at the beginning of the year to £1.30 towards the end of the year after reaching a high of £2.80 in August 2020. In addition to increasing gold price, the share price reacted positively to a successful debt raising, which accelerated the investment program and significantly increased production.

Given solid fundamentals, the Directors expect further rerating of the share price. At the company level, continued production growth and improving grades should support revenues while tighter costs should expand profitability. At the macro level, consensus forecasts show gold price stabilising at US\$1,700-1,800/oz range in the foreseeable future. The KazakhTenge exchange rate is forecast to depreciate putting a cap on the cost base.

Finally, the Directors believe that the company is on track to deliver on the business plan outlined on page 7 and are actively planning the next stage of development in order to move the Company towards its longer terms objectives. Given a low balance sheet gearing, the Company has been funded predominantly with debt in 2020. Further, the Directors are looking to optimise the funding mix with the aim of growing the business, achieving good return for shareholders while managing risk.



# OUR STRATEGY AND BUSINESS MODEL

Our strategy is to continue to grow and develop our underground mine at Sekisovskoye and the exploration target at Teren-Sai, targeting initially an annual ore extraction of 850,000t and eventually rising to 2mt in the future, the funding and capital improvements in 2020 are moving the Company towards this target.

In parallel, the highly prospective Teren-Sai Ore Fields, adjacent to the Sekisovskoye mine, has the potential to significantly expand the business beyond our core asset.

Additionally since our progression to the Main Board of the London Stock Exchange in December 2014 we maintain our commitment to shareholder value creation and best governance practice..



Our business model is two-pronged consisting in continued development of the flagship high grade underground Sekisovskoye mine, while seeking further growth opportunities at the adjacent Teren-Sai Ore Fields. Out of 15 targets in this area, the Company is focusing initially on 3 in Area No2. In combination our strategy aims a longer term target of 100,000oz annual gold production. In addition the Company is selectively looking to complement existing operations with selective acquisitions.

The business strategy rests on four pillars:



**Mining** – The Company has a proven track record with its development of the mine at Sekisovskoye, we intend to continue development of the underground Sekisovskoye mine in the most cost effective and efficient manner as well as developing operations at Teren-Sai.

**Development** – we are in the process of further developing the underground Sekisovskoye mine in order to access significant ore reserves at increased depth. Additional reserves should extend the life of mine, which in addition to the development of open pit operations and subsequent underground operations at Teren-Sai should allow an increase in production towards 100,000oz annual gold production target.

**Exploration** – The Company has been conducting extensive exploration at the Teren-Sai site. With the recently completed CPR and extraction of test production yielding good results the Company is moving towards the development stage.

**Growth** – We are committed to adding value to our shareholders by setting solid foundations for future production growth. As such we frequently evaluate investment opportunities in Kazakhstan and Central Asia in case of potentially synergetic additions to our core assets.

# PRINCIPAL RISKS AND UNCERTAINTIES

The Company has reviewed the principal risks associated with the development of the Company, there has been no material changes in the level or likelihood of the risks. The Company has considered the current situation in relation to COVID-19 and the effect of environmental factors, details of which are noted below:

Risk	Mitigation
Technical difficulties developing the underground mine at Sekisovskoye and exploration site at Teren-Sai	<p>Encountering technical difficulties in further developing the underground mine at Sekisovskoye and developing the site at Teren-Sai to bring the prospective exploration site into production, would be negative for the future of the Company. To mitigate this, the Company has sought external consultants to provide an update on the technical work which has been undertaken to date. The Company is in discussions with international consultants to ensure that the most appropriate development methods are utilised. The current test production at Teren-Sai indicates that the production of dore from the site is technically feasible.</p>
Failure to achieve production estimates	<p>Failure to achieve production estimates could arise due to various circumstances, not the least mining issues, processing plant issues and breakdowns, and political and other disruptions, and in the current situation COVID-19 uncertainties see details elaborated on separately. Given that Company revenues are dependent on producing gold and silver from the Sekisovskoye mine, failure to achieve production targets would adversely affect the Company's profitability and ability to generate cash. The Company mitigates this risk by careful operational planning and detailed technical appraisal work, as well as regular maintenance work</p> <p>The Company's management has analysed the risks and uncertainties and has in place control systems that monitor daily the performance of the business via key performance indicators. Certain factors are beyond the control of the Company such as the fluctuations in the price of gold and possible political upheaval. However, the Company is aware of these factors and tries to mitigate these as far as possible. In relation to the gold price the Company is pushing to achieve a lower cost base in order to minimise possible downward pressure of gold prices on profitability. In addition it maintains close relationships with the Kazakhstan authorities, in order to minimise bureaucratic delays and problems.</p>
Fiscal changes in Kazakhstan	<p>Given that AltynGold operates solely in Kazakhstan, the Company is naturally at risk of adverse changes to the fiscal regime in the country. Kazakhstan is a relatively young country and there have been fiscal changes in recent years, in some cases related to the mining industry. However, the country is outward looking and committed to attracting direct foreign investment. Kazakhstan has hosted international exhibitions and sporting events, and is positively encouraging investment, including relaxing visa requirements. We therefore believe that the Kazakh government is aligned with potential foreign investors and would be very cautious in implementing any fiscal changes which could deter investment. Recent tax audits of the subsidiary companies have not revealed any material discrepancies, the Company has consulted with the tax authorities and provided all necessary information as and when required, and will seek expert tax advice as and when necessary.</p>
No access to capital	<p>Funding Sekisovskoye – in order to continue with the underground development at Sekisovskoye, the Company must incur additional capital expenditure. It currently has sufficient funds available to complete the capital work program until 2022. The Company is therefore dependent on cash from external sources to develop the mine after this point and therefore its future is at risk if funds from these external sources are unavailable. While the required level of funding has not been secured, the Assaubayev family, which owns 65.5% of the Altyn shares through its vehicle, African Resources, has invested in and provided loans to the Company in the past and is keen to see the Company succeed. However, without further external funding to complete the underground mine, production would proceed at a much slower pace. The Company has recently engaged corporate brokers and other consultants in order to raise further funding as necessary.</p>

Risk	Mitigation
Commodity price risk	<p>The Company generates its revenue from the sale of gold and silver that it has produced. While the Company has no control over commodity prices, it is in a fortunate position to have a very robust mine and development project in Sekisovskoye that can withstand prolonged weak precious metals prices. The Company is significantly increasing production, once further equipment is obtained. The lower resulting cash cost of production will provide a significant buffer from falling commodity prices.</p>
Currency risk	<p>The US Dollar has been appreciating against the Kazakh Tenge moving from last year's closing level of KZT382 to this year's closing level of KZT 421. The appreciation is a result of the coronavirus pandemic and the fundamentals underlying each currency. The Kazakh Tenge is expected to remain in this range in the foreseeable future. As the revenue is generated in US Dollars any strengthening of the US Dollar against the Kazakh Tenge will favour the Company, in addition as the Company has a relatively low cost of production, local price inflation is not expected to have a significant impact.</p>
Reliance on operating in one country	<p>Currently all of the Company's mining assets are in Kazakhstan. The Company believes that Kazakhstan has significant future mineral potential, hence the choice of jurisdiction. The Company makes it its business to be well informed of any in-country changes which may adversely affect the business. While the Company knows and understands Kazakhstan well and hence has a strong position in-country, it has stated that it would look at other opportunities in the future within the Central Asia region and this may mitigate risk.</p>
Altyn's reliance on one operation	<p>Currently, the Company only generates revenue from one mine – Sekisovskoye. The Group is actively exploring its adjacent property, Teren-Sai, with a view to developing this asset to achieve production in the future, and in this respect recently completed a CPR on one area known as area No.2 within the exploration site containing 4 breccias, and also recently obtained the results of the test production which were positive.</p>
COVID-19 uncertainties	<p>The COVID-19 crisis is still ongoing one year after its initial outbreak, the situation remains dynamic as governments around the globe continue to take unprecedented measures to slow the spread and mitigate the human tragedy. The Company having assessed the situation has taken and continues to take the steps as necessary in order to mitigate as far as reasonably possible the impact on the Company. At the date of these financial statements there has been little impact on the ability of the Company to operate as planned. The Company operates in a protected industry and the government has ensured that it is able to continue to trade throughout any lockdowns or restrictions imposed nationally. The Company has adapted and changed allowing office workers to work remotely as necessary with minimal disruption, and changing working patterns at the mine to maintain production as well as keeping the employees safe. External supplies and requirements are closely monitored and the Company has been advance ordering in order to avoid any delays arising from supply chain disruptions.</p> <p>The Company will keep the situation under review.</p>
Health, safety and environmental issues	<p>The Company is aware of its obligations to all stakeholders in relation to maintaining a safe work environment. It liaises on a regular basis with the authorities and monitors and reports on a regular basis key environmental indicators such as air and water quality. There were no reporting incidences of accidents in the year at the mine.</p> <p>The Company is also aware of its longer term obligations in relation to reducing its carbon footprint and aims to ensure that this is considered in its decision making processes and the impact and costs to the wider environment.</p>

# DIRECTORS' SECTION 172 STATEMENT

## Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006.

The Board of Directors of AltynGold Plc both individually and collectively act in the way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and considerations set out in s172 (1) (a-f) of the Act). In decisions taken to the year ended 31 December 2020, we would reference our approach to our business plan, social and corporate responsibility and the supporting control environment which deliver good outcomes for the company and wider stakeholders. In achieving this, the following areas are highlighted:

In light of the COVID-19 pandemic the plans and operational procedures of the Company have been adapted in order to comply with revised working requirements to ensure the safety of employees and other stakeholders, whilst maintaining the continuity of the business.

- a) Our Company's plans were designed to have a long-term beneficial impact on the company and to contribute to the success in delivering the business of exploration and developing and operating a mine to produce gold and other precious metals as outlined in our strategy and business model on page 7, and in relation to our longer term plan in the Chief Executive Officer's review on page 3. We continue to operate our business within a structured control environment and comply with all necessary regulated requirements necessary to maintain the operating licences.

The Board made the following key decisions:

In making their decisions the Board carefully assessed the future long term aim of growing the Company to achieve its target level of production of moving initially up to 100,000oz per annum. It has made its decisions balanced against the need to maintain safe working practices for its employees, achieving the increase in production capacity at a reasonable cost of capital to obtain a good return to shareholders. The Board has maintained regular contact with its principal customer and suppliers, as well as cooperating with the national and regional authorities to ensure all regulatory and legal requirements were met. The recent COVID-19 pandemic has limited the ability to meet regularly in person. But regular contact has been maintained with bankers and suppliers and its refiner via online portals and regular calls, meetings have been held monthly when possible with employees. Shareholders have been communicated with through the online messaging services and the Company is intending to hold an AGM where shareholders should be able to physically attend this year.

- ▲ Working practices were reorganised in order to ensure the operations of the Company continued in a safe working environment,

enabling production to be maintained at the mine with office workers performing their duties remotely.

- ▲ In order to raise the necessary funding to invest in the Company's operations, the management authorised the draw down of further funding from the bank and the placing of bonds on the Astana International Exchange (AIX).
- ▲ Key equipment purchases were authorised.
- ▲ The Board was strengthened by the appointment of another Independent Non-Executive Director.
- ▲ It was agreed by the Board in March 2021 that a Corporate broker and analyst would be appointed to market and promote the Company.
- b) Our employees are fundamental to the delivery of our business. AltynGold wants to build teams that are loyal and committed to the long term success of the Company and create a pleasant work environment where all employees can thrive. We have put steps in place for workforce engagement, training and development, employee networks, and regular communication updates with senior management. During the year the company has worked closely with its employees and local authorities at both head office and the mine site to ensure that the staff were able to engage in the Company's activities in safe working environment.

The company will be reviewing the work practices in the future to ensure where the changes were beneficial to the Company/employees these are retained.

- c) At AltynGold, we think about the implications of our decisions on everyone in our Group, our industry and our community, because we are committed to building a sustainable business with a legacy we can all be proud of. Our success depends on our relationships with employees, a network of experts, customers and suppliers beyond our business. The majority of the workforce live and work in Sekisovska village located next to the mine, the Company is aware of the need to foster good relationships with the local community and try to engage them, keeping them informed of the business activities. All of our activities are informed by appropriate engagement with stakeholders to gain an understanding of our operating environment and the market in which we operate. At present, the Company has a single customer for its gold output as regulated by the Kazakh authorities and it complies with all requirements for timings and deliveries as appropriate. We value our suppliers and maintain regular communication with them.

The Board has regular meetings with key equipment suppliers, principal consumable suppliers and its sub-contractors to agree contract terms and to discuss any issues that may have arisen. It has also established a good line of communication with its principal finance providers at the bank and AIX, to ensure that operations run

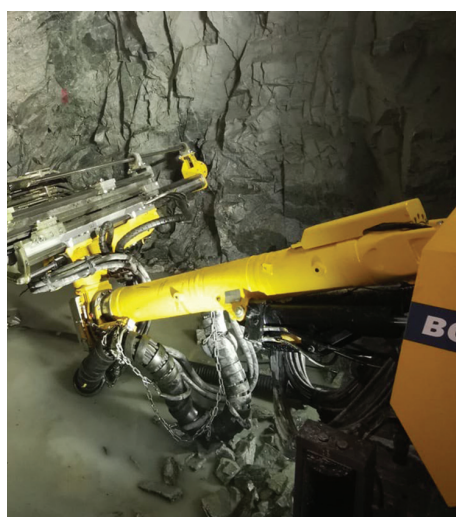
smoothly and they are kept abreast of Company developments. During the period of the COVID-19 restrictions, it has been necessary for meetings to be arranged on a remote contact basis using internet contact platforms such as teams and zoom.

- d) Our plans take into account the impact of the company's operations on the community, the environment and wider societal responsibilities, some of which are mandated by government legislation and others are taken up by the Company voluntarily. The plans and procedures were adapted as necessary for the COVID-19 pandemic. The Company was able to grow employee numbers, aiding and supporting the local community in which the mine is the key employer. Further details on this and the Company's impact on the environment are as detailed in the Corporate Social Responsibility report on page 11. AltynGold aims to ensure that it plays a responsible part in society as a whole. We also evolve and adapt as regulation changes and public interest in emerging issues grow. The plans the Company has developed helps it to stay focused and make an impact, it is keenly aware of the mines environmental impact and the dangers of not staying focused given the previous history with the Company, in relation to the failure of the tailings dam a number of years ago that had a material impact on the Company and the environment. It ensures we are pragmatic and consistent, and using local resources and people as necessary. There are regular checks made on the environmental parameters by independent third parties and government departments. No issues were highlighted in the year. See further details in the Corporate Social Responsibility Report on page 11.
- e) The Board of Directors' intention is to behave responsibly and ensure that the business operates in a responsible manner within the high standards of business conduct and good governance. Our Company ensures that we meet standards expected by our Regulators in order to ensure that our license to operate is maintained. The Company has regular contact with the environmental authorities to ensure the Company complies in all aspects with the government standards required for the operation of the mine in Kazakhstan.

There is a policy in place for whistle blowing and this ensures that employees feel empowered to raise concerns in confidence and without fear of unfair treatment. The Audit Committee as a whole ensures that the processes in place are adequate.

- f) We aim to act fairly between members and act for all shareholders. The Company does have a controlling shareholder; however their conduct is controlled by a relationship agreement which aims to ensure that they act in a fair, transparent and responsible manner. All shareholders are welcome at the Annual General Meeting to express their views. The Company website has a facility to obtain regular feedback from all shareholders.

# CORPORATE SOCIAL RESPONSIBILITY



## Human resources

The Company has expanded its workforce as a result of the increased investment at the Sekisovskoye mine site, with the total number of employees now at 389 (2019: 297), an increase of 92, the majority relating to the employment of staff in production. The company is well aware of its social responsibilities employing 80% of the population of the Glubokov district in East Kazakhstan region in which the Sekisovskoye and the Teren-Sai deposits are located. The Company is expecting to expand its workforce in the future, and will be taking advantage of incentives as provided by the government by obtaining support from the Ministry of Industry and Development.

The increased investment and resultant increased production necessitated an increase in labour, which is being recruited and managed in a responsible way. Outsourced labour is still being utilised, but their role is now being limited to specific operations related to the development of the mine. The Company operates in a protected industry in Kazakhstan which the government see as essential in maintaining the economic stability of the country, and has been insulated to a large extent from the effects of the COVID-19 pandemic, but which has necessitated a change in work patterns and more home working.

## Human rights

Whilst the Company does not have a specific human rights policy, it does have policies such as Equal Opportunities and an Anti-bribery policy that adhere to internationally proclaimed human rights principles.

## Employment policies and diversity

The Company has an equality and diversity policy and communicated it to its employees in a formal manner after consultation with the local authorities. It is fully supported by senior management and employee representatives. The policy is monitored and reviewed annually to ensure that equality and diversity is continually promoted in the workplace.

The Company is conscious there are no female Directors in the very top position and are keeping this under review.

The aim is to ensure that all employees and job applicants are given equal opportunity and that our organisation is representative of all sections of society. Each employee will be respected and valued and able to give their best as a result. This policy reinforces our commitment to providing equality and fairness to all in our employment and not provide less favorable facilities or treatment on the grounds of age, disability, gender, marriage and civil partnership, pregnancy and maternity, race, ethnic origin, colour, nationality, national origin, religion or belief, and sexual orientation.

The Company provides the following to staff:

- ▲ A medical station available to all employees.

- ▲ Free provision of canteen facilities.
- ▲ Bonuses/awards to staff as merited.

The Company is opposed to all forms of unlawful and unfair discrimination. All employees, no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. The Company will enforce current work practice and work within the spirit of the law. When selecting candidates for employment, promotion, training, or any other benefit, it will be on the basis of their aptitude and ability.

The policy has the following aims:

- ▲ To create an environment in which individual differences and the contributions of all team members are recognised and valued.
- ▲ To create a working environment that promotes dignity and respect for every employee.
- ▲ To not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach this policy.
- ▲ To make training, development, and progression opportunities available to all staff.
- ▲ To promote equality in the workplace.
- ▲ To encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures.
- ▲ To encourage employees to treat everyone with dignity and respect.
- ▲ To regularly review all our employment practices and procedures so that fairness is maintained at all times.

## Employee involvement

Members of the management team regularly visit subsidiaries and discuss matters of current interest and concern with members of staff.

## Gender diversity

	Male	Female	Total
2020	292	97	389
2019	207	90	297

The table above shows the staff employment by gender. The Company places a great deal of emphasis on gender equality and diversity. At present there are 16 women in senior management positions (2019: 12), male senior managers in 2020 were 44 including Directors (2019: 23, including Directors).

## Environmental considerations

During 2020 as in the prior year each of the Company's facilities as required by the government authorities was environmentally monitored on a quarterly basis by accredited outsourced companies. This included the following checks which were all within environmental standards set:

CORPORATE SOCIAL RESPONSIBILITY continued

- ▲ Checks were made on the water at surface and sub-surface levels to ensure that it was within safe limits, within both the production site and the tailings dump site – no incidences were noted during the year and as at the date of this report.
- ▲ Checks were regularly made on the air quality at the production site, to include testing of the air extraction systems at the crushing and grinding plant, laboratory and transfer conveyors. Appropriate repairs were carried out in the year if there was any deviation from the accepted norms – no incidences noted.
- ▲ Soil samples were analysed at the tailings dumps to ensure that there was no adverse effects on the environment – no incidences noted.

Of primary importance to the Company is to ensure that the tailings dam and water discharges are within environmentally safe limits. The facility has a system in place that provides treatment and discharge of mine water into the surface reservoir – quarterly testing is done to ensure all required standards are met. This is reported to the authorities on a quarterly basis, again no incidences to report.

The Company has systems to control the processing of waste in a controlled and environmentally complaint manner. All household waste produced is disposed of at specialised landfill sites. Tyres are temporarily stored prior to removal to a specialised site. Hazardous waste such as Mercury is carefully sent for recycling as are plastic waste from plastic packaging and other plastic waste from pipes cuttings and geomembrane to reduce the amount being sent to the landfill sites. Metal scraps and exhausted oils are recycled as far as possible on the production site.

It is in the Company's plans to further refine and develop its environmental management systems. Further development of the tailings dump and future

ways of dealing with this waste in the most efficient and environmentally manner remain a key objective of the Company. This is an ongoing process and the Company is well aware of the impact on the environment of carbon dioxide emissions.

#### Health and safety

Altyn is pleased to report that during 2020 as in 2019, there were no accidents at the Sekisovskoye mine. The Company maintains its first aid rooms to the highest standards and ensures that rescue contracts are in place for employees in the event of an emergency.

#### Our community

The support of the local community is key to the success of the Company, and the various initiatives and projects have been undertaken to ensure that the success of the mine is of a benefit to all parties. This is regarded as an ongoing commitment by the Company to the local community and has been formalised in a memorandum of co-operation by the Company with the authorities of the rural district. The company regularly contributes to local projects and participates in local events. Some of the activities that the Company participated in the year are as noted below:

- ▲ The Sekisovskoya region in winter has very large snow drifts, the Company regularly clears the road and access paths at Sekisovska village.
- ▲ Assisting in the regeneration of the local area and redevelopment of green spaces.
- ▲ Assisting in anti- flood measures and clean up operations.
- ▲ Participating and providing gifts for children of the local community and two orphanages in the local area.
- ▲ Assisting and providing food for the elderly and pensioners in the local community.



### Our approach to the environment

The Company's policies outline our commitment to environmental responsibility. Safeguarding the environment and training our employees to minimise the environmental impact of our activities are important aspects of our business. We remain committed to achieving the highest environmental standards. The calculations are prepared by an external consultancy and are approved by the Minister of Environmental Protection in Kazakhstan, which has strict guidelines and statutory requirements in relation to the measurement of emissions.

The emissions as recorded below relate entirely to the Company's activities in Kazakhstan, the head office function in the UK has a very small carbon footprint.

### Climate change

Climate change is high on the agenda for governments, regulators and investors, the UN climate change conference is taking place in the Glasgow in November 2021, and is being seen as key decision making conference. It is clear that many companies will be affected either directly or indirectly by climate-related risks or government or stakeholder actions aimed at addressing their causes in the transition to a low-carbon economy. The UK Government announced in July 2019 that it expects listed companies to provide disclosures in line with the recommendation of the taskforce on climate related Financial Disclosures which is headed lead by Mark Carney. In line with this the Financial Conduct Authority has proposed changes to listing rules to effect the changes by 2022. The company takes it responsibilities seriously and is reviewing the actions it needs to take in this regard.

### Greenhouse gas reporting

Greenhouse gas emissions (GHG), are classified as either direct or indirect and which are divided further into Scope 1, Scope 2 and Scope 3 emissions. Direct GHG emissions are emissions from sources that are owned or controlled by the Company. Direct GHG emissions are emissions that are a consequence of the activities of the Company but that occur at sources owned or controlled by other entities.

#### Scope 1 emissions

Direct emissions controlled by the Company arising from plant.

#### Scope 2 emissions

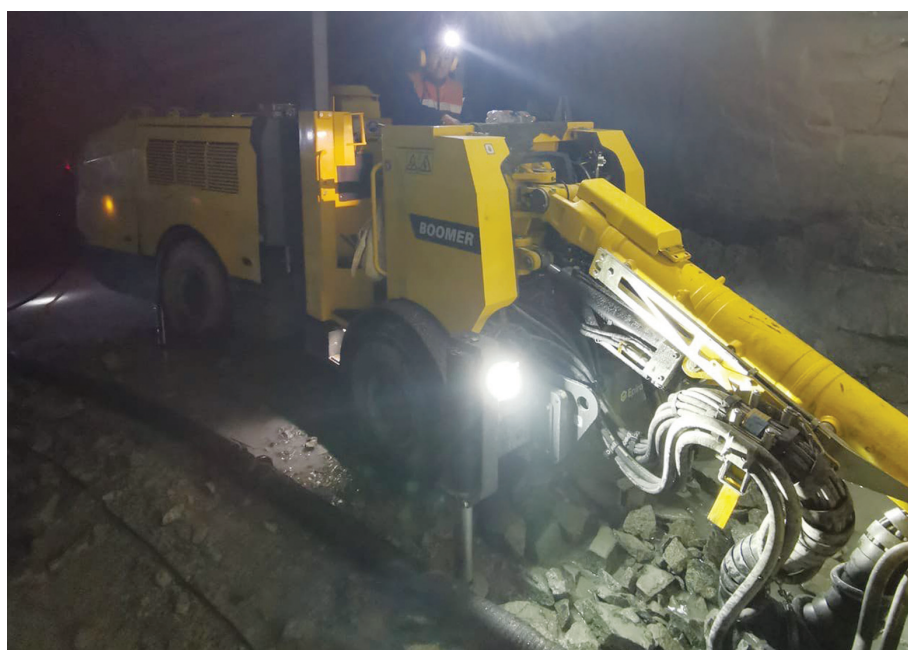
Indirect emissions attributable to the Company due to its consumption of purchased electricity.

#### Scope 3 emissions

Other indirect emissions associated with activities that support or supply towards the Company's operations.

## The Company's emissions by scope

The Company's emissions by scope				
Scope	Source	Tonnes CO <sub>2</sub> 2020	Tonnes CO <sub>2</sub> 2019	
Scope 1	Plant	3,131	777	
Scope 2	Electricity	1,666	1,694	
Scope 3	Other equipment	8	-	
<b>Total</b>		<b>4,805</b>	<b>2,471</b>	
Intensity 1	Tonnes per CO <sub>2</sub>	Per US\$ of revenue	<b>0.00016001</b>	0.0001657
Intensity 2	Tonnes Per CO <sub>2</sub>	Per oz of gold produced	<b>0.2906</b>	0.2345



# MINERAL RESOURCES STATEMENT

## Overview

Ernst and Young Advisory Services (Pty) Ltd ("EY") were commissioned by the directors of AlтынGold Plc ("Altyn") in 2019 to prepare Independent Competent Persons' Reports ("CPR") on the Sekisovskoye Gold Mine ("the Sekisovskoye Mine") and Teren- Sai gold project ("the Teren- Sai Project").

Both the Sekisovskoye Mine which is an operating mine targeting gold and silver, and Teren-Sai which is an exploration licence area are located in eastern Kazakhstan, adjacent to the Sekisovka village.

EY has compiled the reports in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition ("the JORC Code"). In the case of the Sekisovskoye mine it is an update of the CPR completed in 2014, entitled "Independent Competent Persons' Report on the Sekisovskoye Gold Project prepared for Goldbridges Global Resources Plc, (subsequently renamed AlтынGold Plc)" as at 31 May 2014 by Venmyn Deloitte (Pty) Ltd ("Venmyn Deloitte") referred to as "the 2014 CPR". In the case of Teren-Sai this will be a maiden Mineral Resource and Ore Reserve estimate for the Project based on exploration completed by AlтынGold since granting of the subsoil use contract in 2016.

The report describes reviews and documents the technical and economic parameters of the Sekisovskoye mine and Teren- Sai Project, in order to identify all factors of a technical and economic nature that would influence the future viability of the project.

## Geological Setting

The sites are located in a complex geological setting that has been subject to much alteration and metamorphism. The projects are exploiting gold that is hosted in a number of pipe-like breccia bodies that have intruded into the Rudny Altai poly-metallic belt, which is part of the larger Central Asian Orogenic Belt.

Ten breccias have been mapped in and around the Sekisovskoye Mine. Of these, seven breccias fall within the Sekisovskoye Mine licence boundary. Mineralisation is hosted in the breccia bodies and includes free gold and gold sulphides. Gold is embedded in the cement of the explosive hydrothermal breccias and is smeared across the lithology. The breccias are cut by barren igneous dykes that are typically planar and dip steeply to the northeast.

The Teren- Sai Project is made up of 15 targets based on historical exploration. Of these 15 targets, AlтынGold has identified 4 areas for exploration, namely Areas No.1 to No.4, consisting of various identified targets. AlтынGold is currently focused on exploration and development of one of these 15 targets, namely Area No.2. Area No.2 consists of four breccia bodies.





## Exploration

### Sekisovskoye

Recent exploration refers to all exploration carried out since the project was acquired by AltynGold (then known as Hambledon). The Sekisovskoye Mine has undergone numerous exploration programmes including geophysics, trenching and diamond drilling. Recent exploration has consisted of several drilling campaigns and a total of 1,490 drillholes have been completed. These drillholes include both surface and underground drilling but exclude all drilling prior to acquisition of the Sekisovskoye Mine by Hambledon. Of these drillholes, a total of 982 holes have been drilled between 2011 and 2019 and these form the basis of the orebody modelling and underground resource estimation used in the CPR. Exploration and orebody modelling has focused increasingly on delineation of the orebody at depth and on infill drilling to improve geological confidence in the underground Mineral Resources since closure of the open pit. More recent exploration campaigns have consisted of almost exclusively underground drilling.

### Teren-Sai

Recent exploration refers to all exploration carried out since the project was acquired by Altyn in 2016. Recent exploration carried out by AltynGold includes pitting, trenching and diamond drilling. Exploration has focused on the two breccias within Area No.2 and includes a total of 41 drillholes completed by AltynGold. A further 12 historical drillholes are included in the geological database.

These historical holes were drilled in 1993. The 53 drillholes drilled in Area No.2 form the basis of the geological modelling and resource estimation used in this CPR. Drilling has been completed to a depth of approximately 465m below surface.

### Mineral Resource Estimates

Mineral Resource classification is based on the level of geoscientific confidence and primarily, drilling density. Due to the nature of the deposit, which is generally narrow and extending in a pipe-like deposit at depth, drilling and the resultant number of samples is denser near surface and becomes less dense with depth.

### Sekisovskoye

Measured and Indicated Resources are estimated from the current working depth of -185masl to a depth of -400masl. Inferred Mineral Resources have been estimated from -400masl to -800masl. An Exploration Result has been estimated from -800masl to -1,500masl.

### Teren-Sai

Measured Resources from surface (approximately +490masl) to a depth of +260masl and Indicated Resources from +260masl to a depth of +25masl. No Inferred Mineral Resources have been estimated. An Exploration Result has been estimated from +25masl to -375masl. The open pit to underground boundary is at +350masl.

### Mineral asset valuation

The assumption of no selective mining was informed by both the mining method and by guidance included in the Kazakhstan mining legislation, which does not allow for the selective mining of blocks above the cut-off grade approved by the Committee of Geology of Kazakhstan. Therefore, no pay limit was used for mining selectivity and the definition of Ore Reserves.

The key modifying factors used are as follows:

- ▲ long term prices for gold and silver of USD1,280/oz and USD17/oz, respectively; the current prices are above US\$1,600/oz and the in the short-term the Company is using US\$1,400 in modelling;
- ▲ a processing recovery of 83% for gold and 73% for silver, this is in line with the current production;
- ▲ an average underground mining cost of USD425/oz, this is based on a longer term projection based on an increased level of ore mined the current cash cost is in the range of US\$850/oz.

EY estimated the preferred value of Sekisovskoye Mine as the average value between the Income-based approach and the Market-based approach. Therefore, the preferred value for Sekisovskoye Mine is estimated between US\$383m to US\$415m and that of Teren-Sai as estimated as between US\$92m and US\$104m.



MINERAL RESOURCES STATEMENT continued

The following tables show the total mineral resources:

Sekisovskoye							
31 May 2019							
Resource Classification	Level Masl	Tonnage (Mt)	Cut-off Grade (g/t)	Average gold grade (g/t)	Contained Gold (Moz)	Average Silver Grade (g/t)	Contained Silver (Moz)
Measured	+250 to -400	29.03	1.50	3.76	3.51	6.20	5.79
Indicated	+250 to -400	3.48	1.50	3.03	0.34	5.08	0.57
Sub-total		32.51	1.50	3.68	3.85	6.08	6.35
Inferred	-400 to -800	37.15	1.50	2.37	2.83	3.99	4.77
<b>Total mineral resources</b>		<b>69.66</b>	<b>1.50</b>	<b>2.98</b>	<b>6.68</b>	<b>4.97</b>	<b>11.12</b>

The previous mineral resource estimate in 2014 by Venmyn Deloitte estimated Mineral Resources for the underground operations at the Sekisovskoye Mine. The estimation was based on the C1, C2 and P2 of the GKZ classification system, which were then re-classified in accordance with the JORC Code. The 2014 Ore Reserves were also estimated to a depth of -800masl. The Sekisovskoye 2014 Mineral Resources estimated by Venmyn Deloitte are shown in the table below.

As of 31 December 2020 the measured resources at Sekisovskoye were 28.4Mt.

Sekisovskoye							
31 May 2014							
Resource Classification	Level Masl	Tonnage (Mt)	Cut-off Grade (g/t)	Average gold grade (g/t)	Contained Gold (Moz)	Average Silver Grade (g/t)	Contained Silver (Moz)
Indicated	0 to -400	15.7	3.0	5.32	2.67	6.99	3.52
Inferred	0 to -400	3.5	2	4.21	0.48	No Estimate	
Inferred	-400 to -800	14.7	2	4.21	1.99	No Estimate	
Sub-total – inferred		18.2	2	4.21	2.46	No Estimate	
<b>Total mineral resources</b>		<b>33.9</b>	<b>2.46</b>	<b>4.72</b>	<b>5.14</b>	<b>6.99</b>	<b>3.52</b>

The difference between the 2014 and the 2019 Mineral Resource estimates is primarily due to the lowering of the cut-off grades used. The increased tonnage is also based on additional drilling completed since 2014, which also resulted in the upgrading of a portion of the Indicated Mineral Resources into the Measured Resources category.

The change in cut-off grade led to an increase in Mineral Resource tonnages of 35.75 million tonnes ("Mt") and a lowering of the average gold grade from 4.72g/t to 2.97g/t. Increasing geoscientific confidence based on the results of additional drilling that was completed to a maximum depth of -400masl has allowed for Indicated Resources to be converted to Measured Resources. There has been no change to Mineral Resources below -400masl, which have remained Inferred Resources as no additional drilling or exploration has been completed below -400masl.

Teren-Sai							
31 May 2019							
Resource Classification	Level Masl	Tonnage (Mt)	Cut-off Grade (g/t)	Average gold grade (g/t)	Contained Gold (Moz)	Average Silver Grade (g/t)	Contained Silver (Moz)
Measured – open pit	+490 to +350	5.99	0.50	1.89	0.36	3.25	0.63
Measured – Underground	+350 to +25	3.80	1.50	3.75	0.46	6.13	0.75
Sub-total		9.79		2.61	0.82	4.37	1.37
Indicated – underground	+350 to +25	6.06	1.50	3.38	0.66	5.52	1.07
<b>Total mineral resources</b>		<b>15.84</b>		<b>2.91</b>	<b>1.48</b>	<b>4.81</b>	<b>2.45</b>

The Teren-Sai CPR has measured Resources from surface (approximately +490masl) to a depth of +260masl and Indicated Resources from +260masl to a depth of +25masl. No Inferred Mineral Resources have been estimated. An Exploration Result has been estimated from +25masl to -375masl. The open pit to underground boundary is at +350masl.

## Exploration Target Estimate

### Sekisovskoye

31 May 2019							
Resource Classification	Level Masl	Tonnage (Mt)	Cut-off Grade (g/t)	Average gold grade (g/t)	Contained Gold (Moz)	Average Silver Grade (g/t)	Contained Silver (Moz)
Exploration	-800 to -1,500	22.79	1.5	2.37	1.74	no estimate	no estimate

### Sekisovskoye

31 May 2014							
Resource Classification	Level Masl	Tonnage (Mt)	Cut-off Grade (g/t)	Average gold grade (g/t)	Contained Gold (Moz)	Average Silver Grade (g/t)	Contained Silver (Moz)
Exploration	-800 to -1,500	24.4	2.0	4.21	3.30	no estimate	no estimate

The Exploration Target for the Sekisovskoye Mine has been updated from 2014 to reflect a cut-off grade of 1.5g/t and an average grade of 2.37g/t based on the Inferred Mineral Resources. No further exploration has been completed or planned for this estimate and the cut-off grade has also remained unchanged.

### Teren-Sai

31 May 2019							
Resource Classification	Level Masl	Tonnage (Mt)	Cut-off Grade (g/t)	Average gold grade (g/t)	Contained Gold (Moz)	Average Silver Grade (g/t)	Contained Silver (Moz)
Exploration	+25 to -375	9.28	1.50	3.46	1.03	no estimate	no estimate

## Ore Reserve Estimate

### Sekisovskoye

The Ore Reserves have been estimated from surface (approximately +430masl) to a depth of -400masl. All the Mineral Resource blocks that are above the Mineral Resource cut-off grade were included in the Ore Reserve, as no selective mining has been assumed for the Ore Reserve estimation. The Ore Reserve calculation includes a 5% dilution factor, 2% mining loss and 100% extraction factor. Based on the estimated Ore Reserves.

### Sekisovskoye

31 May 2019						
Resource Classification	Tonnage (Mt)	Average gold grade (g/t)	Contained Gold (g/t)	Average Silver Grade (Moz)	Contained Silver (g/t)	
Proved	29.87	3.61	3.47	5.88	5.65	
Probable	3.58	2.91	0.33	4.81	0.55	
<b>Total</b>	<b>33.45</b>	<b>3.53</b>	<b>3.80</b>	<b>5.77</b>	<b>6.20</b>	

As of 31 December 2020 the proved reserves at Sekisovskoye were 29.21Mt.

### Sekisovskoye

31 May 2014					
Resource Classification	Tonnage (Mt)	Average gold grade (g/t)	Contained Gold (g/t)	Average Silver Grade (Moz)	Contained Silver (g/t)
Probable	17.25	2.60	4.09	5.37	2.98

MINERAL RESOURCES STATEMENT continued**Teren-Sai**

31 May 2019

Resource Classification	Tonnage (Mt)	Average gold grade (g/t)	Contained Gold (g/t)	Average Silver Grade (Moz)	Contained Silver (g/t)
Proved – open pit	6.29	1.71	0.35	2.94	0.59
Proved – underground	3.91	3.60	0.45	5.87	0.74
Sub-total	10.20	2.43	0.80	4.06	1.33
Probable	6.23	3.25	0.65	5.33	1.07
<b>Total</b>	<b>16.43</b>	<b>2.74</b>	<b>1.45</b>	<b>4.54</b>	<b>2.40</b>

For Teren-Sai the ore reserve calculation includes a dilution factor, mining loss and extraction factor. The average estimated losses and dilution are mining losses of 5% for the open pit and 2% for the underground and mining dilution of 10% for the open pit and 5% for the underground. An average mining extraction factor of 90% has been utilised for the Ore Reserve estimation.

**Summary**

JORC gold mineral resources total 6.68Moz (2014 CPR – 5.14Moz). In addition, a further 1.74Moz (2014 CPR – 3.30Moz) have been identified as an Exploration Result below the -800masl. While these will require further exploration drilling to be potentially upgraded to Mineral Resources, this result does highlight the potential for a larger Mineral Resource than is currently estimated. Assuming that this potential were to be realised, the current projects as developed would contain approximately 8.42Moz (2014 CPR – 8.4Moz) of gold.

In addition the JORC gold resources at Teren-Sai total 1.48Moz with a further 1.03Moz as an exploration target.

Strategic report approved by the Board on 30 April 2021 and signed on its behalf by:

**Mr Aidar Assaubayev**

(Chief Executive Officer)

Director

# CORPORATE GOVERNANCE STATEMENT

I am pleased to introduce our Corporate Governance Statement, which explains how AltynGold's governance framework supports the principles of integrity, strong ethical values and professionalism integral to our business. The Board recognises that we are accountable to shareholders for good corporate governance, and this report, together with the Reports of the Audit and Remuneration Committees, seeks to demonstrate our commitment to high standards of governance that are recognised and understood by all.

The Company is keenly aware of its obligations under the London Stock Exchange disclosure and transparency rules and is reviewing its corporate structure, given the size of the Company it has not adopted the 2018 UK Corporate Governance Code, however the Company believes that the policies in place ensures that there are high standards of accountability and corporate governance.

During the year the Company appointed an Independent Non- Executive Director on 9 December, his skills and background as a lawyer and dealing with financial institutions will provide valuable expertise to the Company.

Full details in relation to the composition of the Board are given on pages 22 - 23. There are now in total three Non-Executive Directors on the Board, and two Executive Directors together with a Chairperson. The Company will continue to keep under review the composition of the Board and its committees to ensure that we have the right balance of skills, independence, experience and diversity.

In the opinion of the Directors these Annual Financial Statements present a fair, balanced and understandable assessment of the Group's position and prospects and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This is presented in more detail in the Chief Executive Officer's review and review of financial performance on pages 3 - 4.

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are explained in the Statement of Directors' Responsibilities and the Auditor's Report.

The Board delegates specific responsibilities to the Audit and Remuneration Committees, full details of their responsibilities are detailed below. The Company currently does not have a Nomination Committee, and given its stage of development does not believe it is appropriate. Full details of the responsibilities of the committees are detailed below.

Day-to-day management and the implementation of strategies agreed by the Board are delegated to the Executive Directors. The Group's reporting structure below Board level is designed so that decisions are made by the most appropriate people in a timely manner. Management teams report to members of the Executive Committee. The Executive Directors and other managers give regular briefings to the Board in relation to business issues and developments. Clear and measurable KPIs are in place to enable the Board to monitor progress. These policies and procedures enable the Board to make informed decisions on key issues including strategy and risk management.

The Chairperson leads the Board and is responsible for its overall effectiveness, ensuring adequate time is available for discussion of all agenda items, in particular strategic issues, promoting openness and debate, ensuring all Directors, particularly the Non-Executive Directors, are able to contribute, and facilitating a constructive relationship between the Executive and Non-Executive Directors. The current Chairperson is not independent as he together with the two Executive Directors are the controlling shareholders of the Company. Their conduct is controlled by a relationship agreement that will ensure that they act in a way for the benefit of shareholders as a whole. The Non-Executive Directors will also ensure that the principals of the agreement are adhered to.

The Chief Executive Officer has responsibility for all operational matters which include the implementation of strategy and policies approved by the Board. The senior Independent Non-Executive Director provides a sounding board for the Chairperson and also acts as an intermediary for other Directors and shareholders.

In terms of culture and engagement the Executive Directors liaise on a regular basis with the workforce and key suppliers and customer and reports back to the Board. The human resources department has been strengthened and has developed a framework to improve the way in which employee views are communicated to the Board, how employees engage with values and culture, and how we align strategy with our workforce development and reward policies. Details in relation to the Company's corporate social responsibility are given on pages 11 to 13, and engagement with other stakeholders in the Directors S172 Statement on page 10.

The Board has adopted procedures for the identification, authorisation (where appropriate) and monitoring of situations which may give rise to a conflict of interest. There is a relationship agreement with the major shareholder which defines their responsibility if a situation arises. The Board has reviewed the procedures and is satisfied that they are operating effectively.

The Company's Articles of Association contain powers of removal, appointment, election and re-election of Directors and provide that at least one-third of the Board must retire at each Annual General Meeting and each Director must retire by rotation every 3 years.

There is a no formal induction programme for new Directors, however they are given a full briefing and familiarised with all aspects of the Company's operations.

The Company maintains directors' and officers' liability insurance to cover legal proceedings against Directors and Officers acting in that capacity.

The Group has a comprehensive financial review process, including detailed annual budgets, business plans and regular forecasting. There are a range of performance indicators which are tracked by management on a daily, weekly and monthly basis, and addressed through a programme of operational meetings and action plans. All Directors receive regular and timely information to enable them to perform their duties, including information on the Group's operational and financial performance, customer service, health and safety performance and forward trends. At each regular Board meeting the financial results are reviewed, taking account of performance indicators and the detailed annual business plan and budget. The Board also considers forward trends and performance against other key indicators, including areas where performance departs from forecasts, and contingency plans. The Board reviews medium and long-term strategy on a regular basis. In this way, the Board assesses the prospects of the Group using all the information at its disposal, and considering historical performance, forecast

# CORPORATE GOVERNANCE STATEMENT continued

performance for the current year and longer-term forecasts over the 3-year business planning cycle as appropriate. Details of the Company's strategy and business model are given on page 7 of the Annual Report.

The Board has responsibility for determining the nature and extent of the principal risks the Company is willing to take to achieve its strategic objectives, and for the Group's internal control framework. The Board has a well-established procedure to identify, monitor and manage risk, and has carried out reviews of the Group's risk management and internal control systems and the effectiveness of all material controls, including financial, operational and compliance controls. The principal risks facing the Group are detailed on pages 8 - 9.

The Board places great emphasis on communication and engagement with the Company's shareholders. It is an area of focus that the Board wishes to strengthen in the future. The principal forum at present to engage with the shareholders given the stage of development of the Company is at the Annual General Meeting details of which are on page 72.

In relation to engaging with our stakeholders the Board recognises the importance of our wider stakeholders in delivering our strategy and business sustainability and are conscientious on the responsibilities and duties to the stakeholders under section 172 of the Companies Act 2006.

We believe that effective corporate governance is critical to delivering our strategy and creating long-term value for our shareholders.

## Board structure

The Board is comprised of the Executive Chairman, the Chief Executive Officer, an Executive Director and three Non-Executive Directors, one of which is non-independent as he holds shares in the Company. Their details appear on pages 22 to 23, which lists their experience and expertise. Although none of the Directors have had any formal training in finance they have all had a great deal of experience operating at the top level of management in a number of companies dealing with all aspects of operating a business and will call in experts as and when required. Thomas Gallagher, an Independent Non-Executive Director, was appointed during the year, whose expertise in dealing with financial institutions and fund raising will be invaluable.

The Board is responsible to shareholders for the proper management of the Company. The statement of Directors' responsibilities in respect of the accounts is set out on page 27.

The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Company. The Board has a formal schedule of matters reserved to it, and meets on a regular basis.

The Board is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

## Audit Committee

The Audit Committee is currently comprised of Ashar Qureshi and Vladimir Shkolnik. The Board reviews the composition of the Audit Committee on a regular basis, and will make changes as appropriate.

Audit Committee's prime tasks are to review the scope of the external audit, to receive regular reports from the Company's auditor and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgement and estimation. The Committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems and processes.

The Audit Committee also undertakes a formal assessment of the auditors' independence each year which includes:

- ▲ a review of non-audit services provided to the Company and related fees;
- ▲ discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
- ▲ a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- ▲ obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 10 on page 55 of the financial statements.

## Remuneration Committee

The Remuneration Committee currently comprises of two Directors - Ashar Qureshi and Vladimir Shkolnik, which meets as required, it is responsible for determining the contract terms, remuneration and other benefits of the Executive Directors. The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the articles of association. None of the Committee members has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-Directorships, or any day-to-day involvement in running the business. The Committee has access to professional advice from inside and outside the Company at the Company's expense. There were no Remuneration Committee meetings held during the year, there were no changes in the remuneration of the Executive Directors from the prior year.

### Company Secretary

The Company Secretary is responsible for the scheduling and administration of Company meetings, updating of the statutory information, filing requirements at Companies House, and liaising with the relevant authorities at the FCA and London Stock Exchange as directed by the Board.

### Board and Board committee meetings

The number of meetings during 2020 and attendance at regular Board meetings and Board committees was as follows:

	Meeting	Number held	Number attended
Kanat Assaubayev	Board	9	9
Aidar Assaubayev	Board	9	9
Sanzhar Assaubayev	Board	9	9
Ashar Qureshi	Board	9	7
	Audit Committee	2	2
Vladimir Shkolnik	Board	9	7
	Audit Committee	2	1
Thomas Gallagher*	Board	–	–

\*Thomas Gallagher was appointed to the Board on 9 December 2020.

### Kanat Assaubayev

Chairman  
30 April 2021

# BOARD OF DIRECTORS

## Non-independent Chairman



**Kanat Assaubayev**

### Appointment

Kanat Assaubayev was appointed to the Board as Chairman on 23 October 2013.

### Experience

Kanat Assaubayev is one of Kazakhstan's leading entrepreneurs in the natural resources sector. Mr Assaubayev was the first Kazakh to get a doctorate in metallurgy. His early career was in academia where he was the Chairman of the Metallurgy and Mining Department of Kazakh National Polytechnic University. He subsequently began his business career in the 1990s and has led a number of natural resources enterprises to national and international success.

## Non-Independent Executive Director



**Aidar Assaubayev**

### Appointment

Aidar Assaubayev was appointed to the Board as Chief Executive Officer on 25 February 2013.

### Experience

Aidar Assaubayev was formerly Executive Vice Chairman of KazakhGold Limited, the gold mining corporation, and he was also formerly Vice-President and a director of JSC MMC Kazakhaltyn. Mr. Assaubayev graduated from the Kazakh National Technical University in Almaty and he also holds a degree in Economics from the Institute of Systemic Analysis in Moscow.

## Non-Independent Executive Director



**Sanzhar Assaubayev**

### Appointment

Sanzhar Assaubayev was appointed to the Board as Executive Director on 29 February 2016.

### Experience

Sanzhar Assaubayev was formerly Director of International Affairs of JSC MMC Kazakhaltyn and an Executive Director of KazakhGold Group Limited, the gold mining corporation. He was educated at the Leysin American School in Switzerland, where he specialised in management, and the American University in the United Kingdom. Sanzhar Assaubayev is the son of Kanat Assaubayev.



**Non-Independent  
Non-Executive Director**



**Ashar Qureshi**

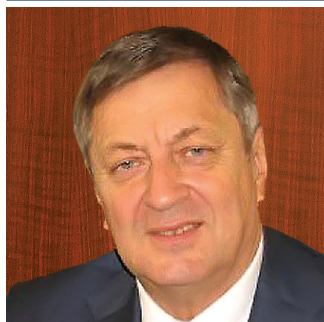
**Appointment**

Ashar Qureshi was appointed to the Board as Non-Executive Director on 7 December 2012.

**Experience**

Ashar Qureshi is a London based US-qualified lawyer. He was formerly the Vice Chairman of Renaissance Group, where his position was a senior investment-banking role, and prior to that he worked with international firm Cleary Gottlieb Steen & Hamilton LLP. He is currently a partner at Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Qureshi holds a Juris Doctorate and is a graduate of Harvard Law School and Harvard College.

**Independent Non-Executive  
Director**



**Vladimir Shkolnik**

**Appointment**

Vladimir Shkolnik was appointed to the Board as Non-Executive Director on 21 November 2017.

**Experience**

Vladimir Shkolnik has held a number of high profile positions in the Kazakhstan government, and is currently advising the Kazakhstan government on industrial and energy matters. His previous positions included the office of Minister of Energy, Minister of Trade and Industry, and also Deputy Head of Presidential administration, reporting directly to the President. He is an academic with a doctorate in physics and has written a number of papers and books in the field of energy, natural resources and other scientific fields. He has been influential in setting up academic institutions, in the areas of mineral processing and also nuclear power in Kazakhstan, working with a number of leading Companies from Japan, France and Russia in setting up joint enterprises.

**Independent Non-Executive  
Director**



**Thomas Gallagher**

**Appointment**

Thomas Gallagher was appointed to the Board as Non-Executive Director on 9 December 2020.

**Experience**

Mr. Gallagher brings a wealth of knowledge experience to the Company, and a brief resume of his experience is given below.

He received an LLM from the Law School of Yale University, and also is a graduate of Villanova University, and of Loyola University School of Law (New Orleans). In addition, he is a member of the Bar Associations of Washington D.C., New York, New Jersey & Pennsylvania. Working extensively in the legal and finance sector for a number of years, including as Legislation Attorney for the Joint Committee on Taxation of the Congress of the United States, he has built up an extensive knowledge in the sector and a has large number of contacts.

He is currently a Member of the Board of Trident Acquisition Corporation, quoted on the NASDAQ, a position he has held since 2016.

During the past five years he has served on the Boards of Exchequer Capital based in Switzerland, and the Exchequer Trust Company Limited based in New Zealand. He has worked with banks and other financial institutions organising all aspects of fundraising, and has an extensive knowledge of banking products.

# DIRECTORS' REPORT

for the Year Ended 31 December 2020

The directors present their report and the consolidated financial statements for the year ended 31 December 2020.

## Change of name

The Company changed its name on 9 December 2020, in order to highlight to the market and potential shareholders the trade of the Company.

## Principal activity and business review

The principal activity of the Company is that of a holding company and a provider of support and management services to its operating subsidiaries. Together with its subsidiaries, it is involved in the production of gold and other precious metals from its mine sites in Kazakhstan, together with the development of further suitable investment opportunities.

A review of the activities of the business throughout the year and up to April 2021 is set out in the Strategic report on pages 1 to 18 which includes information on the Company's risks, uncertainties and performance indicators. The Company accounts are prepared on a going concern basis.

## Results and dividends

The Group's profit for the year after taxation amounts to US\$2.9m (2019 loss: US\$1.3m). The results of the year are set out on page 41 in the consolidated income statement.

The Directors do not recommend the payment of a dividend for the year (2019: nil).

## Financial instruments

Details in relation to the Company's borrowings are as disclosed in note 22. The principal loan held by the Company is a credit line with JSC Bank Center Credit for US\$17m, at rates ranging initially at 6% and subsequently rising to 7%. The Company has also issued US\$10m 9% bonds on the Astana International Exchange in Kazakhstan repayable in December 2022. The other principal borrowing relates to US\$2m 10% convertible bonds raised in 2016 which are due for repayment in May 2021. In December 2020 the Company agreed additional bank facilities with Bank Center Credit in the amount of US\$5.5m, of which US\$1.9m is available to fund working capital and the balance is required to be used for investment into new machinery. Of this facility US\$1.0m was drawn down in December 2020.

The total Company borrowings as at 31 December 2020, including accrued interest is US\$29.1m (2019: US\$17.6m).

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, foreign exchange risk and interest rate risk. Further details are provided in note 25 on pages 67 - 71 of the Company's financial statements.

Share capital details of the Company's issued share capital, are set out in note 25 on page 65.

The Company has one class of ordinary share and they carry no right to fixed income. Each ordinary share carries the right to one vote at the general meetings of the Company. All issued ordinary shares are fully paid. There are no specific restrictions on the size of the holding or on the transfer of the ordinary shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's ordinary shares that may result in restrictions on the transfer of securities or on voting rights. Certain Directors have an interest in the ordinary shares in the Company and these are disclosed below.

## Qualifying indemnity provision

The Company has entered into an insurance policy to indemnify the Directors of the Company against any liability when acting for the Company.

## Charitable donations

The Company has made no charitable or political donations during the year (2019: Nil).

## Annual General Meeting

The Annual General Meeting of the Company will be held at Langham Court Hotel, 31-35 Langham Street, London W1W 6BU, United Kingdom on Thursday 24 June 2021 at 11.00am. Due to the current Covid-19 situation if the timing location or other details change the Company will notify shareholders as appropriate.

The details of the resolutions are given on pages 72 - 77. The Directors consider that all of the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The Board recommends that shareholders vote in favour of all resolutions.

## Takeover directive

The Company has one class of share capital, which are ordinary shares. Each ordinary share carries one vote. All the ordinary shares rank *pari passu*. There are no securities issued in the Company which carry special rights with regard to control of the Company. The identity of all substantial direct or indirect holders of securities in the Company and the size and nature of their holdings is shown under the "Substantial interests" section of this report above.

A relationship agreement (the "Relationship Agreement") that controls the conduct and voting restrictions was entered into between the Company and African Resources Limited in regard to the arrangements between them whilst African Resources Limited is a controlling shareholder of the Company.

There are no restrictions on voting rights or on the transfer of ordinary shares in the Company. The rules governing the appointment and replacement of Directors. Alteration of the articles of association of the Company and the powers of the Company's Directors accord with usual English company law provisions. The Directors are re-elected on a rotational basis each year. The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

#### Directors' Section 172 statement'

Information on the Directors' Section 172 statement is given on page 10.

#### Environmental matters

Information on greenhouse emissions is shown on page 13. The Company has minimal emissions during the period in the UK and thus no Streamlined Energy and Carbon Reporting (SECR) disclosures are included.

#### Social and community issues

The Corporate Social Responsibility performance of the Company is detailed on pages 11 to 13.

#### Future developments and post balance sheet events

The Company's future plans are detailed in the Chief Executive Officer's review on pages 3 to 4.

Details of events after the end of the financial year are set out in note 27 on page 71 of the financial statements.

#### Communication with shareholders

Communications with shareholders are considered important by the Directors. The Directors regularly speak to investors and analysts during the year. Press releases have been issued throughout the year; the Company's website [www.altyngold.uk](http://www.altyngold.uk) is regularly updated and contains a wide range of information about the Company. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are dealt with informatively and promptly. The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

#### Internal control

The Directors are responsible for the Group's system of internal control and review of its effectiveness annually. The Board has designed the Group's system of internal control in order to provide the Directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period.

The key elements of the control system in operation are:

- ▲ The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority;
- ▲ There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;
- ▲ UK Financial reporting is closely monitored by members of the Board to enable them to assess risk and address the adequacy of measures in place for its monitoring and control. The Kazakh operations are closely supervised by the Board reviewing monthly, half yearly and annual financial reports from the Directors and senior officers in Kazakhstan. This is normally supplemented by regular visits of the UK based finance officer to Kazakh operations which include checking the integrity of financial information supplied to the UK. During the current year this process was performed remotely by teleconference calls with the accounts teams based in Kazakhstan. The financial officer is ultimately responsible for the preparation of the consolidated financial statements that are then reviewed by the Directors.

During the period, the Audit Committee has reviewed the effectiveness of internal controls as described above.

There are no significant issues disclosed in the Annual Report for the year ended 31 December 2020 (and up to the date of approval of the report) concerning material internal control issues. The Directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.

#### Going concern

During the year the Group obtained additional funding principally from a mixture of placing bonds on the Astana International Exchange, an additional US\$7.4m and obtaining further funds from the term loans from a Kazakhstan based bank that were agreed in 2019 of US\$8.3m. In total these increased the loans and

# DIRECTORS' REPORT continued

borrowings from US\$17.6m in 2019 to the current level of US\$29.1m. The funds were utilised to purchase equipment and to provide working capital to expand and develop the mining site at Sekisovskoye. The Group increased sales from US\$14.9m to US\$30.0m during 2020, with a result in increase in adjusted EBITDA from US\$3.4m to US\$13.5m. This provided positive funding to the Group in the year, and is expected to continue at increasing levels in the future.

At the year-end the Group had cash resources of US\$7.2m (2019: US\$1.9m) available. In December 2020 the Company agreed additional bank facilities with Bank Center Credit in the amount of US\$5.5m, of which US\$1.9m is available to fund working capital and the balance is required to be used for investment into new machinery. Of this facility US\$1.0m was drawn down in December 2020.

The Board have reviewed the Group's forecast cash flows for the period to June 2022, which include the capital and interest repayments to be made in relation to the Group's borrowings. Capital and operating costs are based on approved budgets and latest forecasts in the case of 2021 and current development plans in the case of 2022. Based on the Group's cash flow forecasts, the Directors believe that the combination of its current cash balances, net cash flows from operations, and increased production based on projections of future growth, are sufficient for the Company to achieve its current plans and meet its cash flow requirements.

The Company has operated in the most difficult time of the COVID-19 pandemic, and experienced little impact on its ability to trade and grow the business. However the management are keenly aware that the situation may change and have factored any potential impacts into its future business plans. The initial impact of COVID-19 was felt in March 2020 when Kazakhstan and the UK went into lockdown, the Group was quick to adapt and allowed office workers to use remote technology to perform their duties. In relation to the mine, mining operations were designated by the government to be a key industry, this ensured that production and transport of dore to the refinery could continue as normal. The Group adapted working conditions and patterns of working, to ensure that production continued in a safe working environment. The Group has also ensured that adequate stocks are being maintained of parts and consumables in order to prevent any disruption to production. COVID-19 is still an ongoing issue in Kazakhstan and indeed many countries, however the Management believe the procedures they have in place, such as shift working at the mine, remote working, advance ordering of supplies and consumables, together with the support of the government will ensure that future production will continue.

The Board have considered possible stress case scenarios that they consider may be likely to impact on the Group's operations, financial position and forecasts. Factors considered are operational disruptions, such as illness amongst the workforce, disruption to supply chain and possible impact on the price of gold if this was to fall to pre COVID-19 levels. From the analysis undertaken the Board have concluded that Group will be able to continue to trade by the careful management of its existing resources. The stress tests included the following scenarios amongst others, a fall in the gold price by 18% from current levels, a drop in budgeted production by 20% or a combination of both factors together. In each case the Group would not experience a cash shortfall in either scenario if required the Group would manage its resources, reducing investment and managing its payables in order to maintain liquidity.

Based on the Group's cash flow forecasts, the Board believe that the combination of its current cash balances, net cash flows from operations, and an increased production based on projected future growth, will be sufficient for the Group to achieve its current plans and meet its liabilities and commitments as they fall due across the forecast period.

The Board therefore considers it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

## Directors interest in shares and substantial shareholdings

The following information in relation to shareholdings has been audited.

The interests of the Directors in the shares of the Company are shown below:

	Number	% owned
Ashar Qureshi	78,800	0.30

Neither Vladimir Shkolnik nor Thomas Gallagher hold any interests in the shares of the Company.

The following have advised that they have an interest in 3% or more of the issued share capital of the Company as at 29 April 2021.

	Number	% owned
African Resources Limited	17,917,545	65.6
JSC Freedom Finance	1,578,422	5.8

Kanat, Aidar and Sanzhar Assaubayev are Directors and shareholders of African Resources Limited.

## Reappointment of auditors

All Directors that are in office at the date of this report being approved have confirmed that they are aware that there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed they have taken all reasonable steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor. BDO LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed in the forthcoming Annual General Meeting.

Approved by the Board on 30 April 2021 and signed on its behalf by:

**Mr Aidar Assaubayev**  
(Chief Executive Officer)  
Director

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements and have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group for that period.

In preparing these financial statements, the directors are required to:

- ▲ select suitable accounting policies and then apply them consistently;
- ▲ make judgements and accounting estimates that are reasonable and prudent;
- ▲ state whether they have been prepared in accordance with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- ▲ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- ▲ prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

## Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- ▲ The group financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) in conformity with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- ▲ The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.
- ▲ The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.
- ▲ Company law requires the directors to prepare financial statements for each financial year.

Under that law, the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- ▲ select suitable accounting policies and apply them consistently;
- ▲ make judgements and accounting estimates that are reasonable and prudent;
- ▲ state whether applicable International Financial Reporting Standards (IFRSs) are in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- ▲ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# AUDIT COMMITTEE REPORT

The Committee's terms of reference have been approved by the Board and follow published guidelines, which are available from the Company Secretary. The Audit Committee comprises the Non-Executive Directors, Ashar Qureshi and Vladimir Shkolnik.

The Audit Committee's prime tasks are to:

- ▲ review the scope of external audit, to receive regular reports from the auditor and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgement and estimation;
- ▲ review key areas of the financial statements which are assessed as being the carrying values of the intangible and tangible assets;
- ▲ monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;
- ▲ assess key risks and to act as a forum for discussion of risk issues and contribute to the Board's review of the effectiveness of the Group's risk management control and processes;
- ▲ act as a forum for discussion of internal control issues and contribute to the Board's review of the effectiveness of the Group's internal control and risk management systems and processes;
- ▲ consider each year the need for an internal audit function;
- ▲ advise the Board on the appointment of external auditors and rotation of the audit partner every five years, and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;
- ▲ participate in the selection of a new external audit partner and agree the appointment when required;
- ▲ undertake a formal assessment of the auditors' independence each year which includes:
  - a review of non-audit services provided to the Group and related fees;
  - discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
  - a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
  - obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

## Meetings

The Committee meets prior to the annual audit with the external auditors to discuss the audit plan and again prior to the publication of the annual results. These meetings are attended by the external audit partner and Company Secretary. Prior to bi-monthly Board meetings the members of the Committee meet on an informal basis to discuss any relevant matters which may have arisen. Additional formal meetings are held as necessary.

## During the past year the Committee:

- ▲ met with the external auditors, and discussed their report to the Audit Committee;
- ▲ approved the publication of annual and half-year financial results;
- ▲ considered and approved the annual review of internal controls;
- ▲ decided that due to the size and nature of operation there was not a current need for an internal audit function;
- ▲ agreed the independence of the auditors and approved their fees for both audit and non-audit services as set out in note 10 on page 55 of the financial statements.

## External auditors

BDO LLP held office throughout the year, and are assisted by a local office in Kazakhstan.

## Ashar Qureshi

Chairman – Audit Committee

30 April 2021

# REMUNERATION COMMITTEE – CHAIRMAN’S STATEMENT

The Remuneration Committee presents its report for the year ended 31 December 2020 which is presented in two parts.

The first part is the annual remuneration report which details remuneration awarded to Directors and Non-Executive Directors during the year. The shareholders will be asked to approve the annual remuneration report as an ordinary resolution (as in previous years) at the Annual General Meeting. Details in relation to voting at last year’s AGM in relation to approval of the remuneration report and also the remuneration policy of the Company, (which is voted on tri-annually – to be voted on in 2021) are detailed on pages 30 to 33.

The second part is the remuneration policy report which details the remuneration policy for Directors.

The policy is very much in line with the previous policy. The Remuneration Committee reviewed the existing policy and deemed no changes necessary to the current arrangements.

Both of the above reports have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2018.

The Company’s auditors, BDO LLP are required by law to audit certain disclosures and where disclosures have been audited, they are indicated as such.

## **Ashar Qureshi**

Chairman – Remuneration Committee

30 April 2021

# ANNUAL REMUNERATION REPORT

## Remuneration Committee

The Remuneration Committee currently comprises of two Directors - Ashar Qureshi and Vladimir Shkolnik. The Committee, which meets as required, is responsible for determining the contract terms, remuneration and other benefits of the Executive Directors. The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the articles of association. None of the Committee members has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-Directorships, or any day-to-day involvement in running the business. The Committee has access to professional advice from inside and outside the Company at the Company's expense. The remuneration committee considered and recommended the appointment of Thomas Gallagher in the year.

Details of the remuneration paid in the year are shown below.

## Approach to recruitment remuneration

All appointments to the Board are made on merit. The components of a new Director's remuneration package (who is recruited within the life of the approved remuneration policy) would comprise at present a base salary. The Company will pay such levels of remuneration to new Directors that would enable the Company to attract appropriately skilled and experienced individuals that is not in the opinion of the Remuneration Committee excessive

## Service contracts

All Executive Directors have full-time contracts of employment with the Company. Non-Executive Directors have contracts of service. No Director has a contract of employment or contract of service with the Company, its joint venture or associated companies with a fixed term which exceeds three years. Directors' notice periods are set in line with market practice and of a length considered sufficient to ensure an effective handover of duties should a Director leave the Company.

All Directors' contracts as amended from time to time, have run from the date of appointment. Service contracts are kept at the registered office.

## Summary of Directors' terms

	Date of contract	unexpired term	Notice period months
<b>Executive Directors</b>			
Kanat Assaubayev	23 October 2017	Continuing	3
Aidar Assaubayev	20 February 2013	Continuing	3
Sanzhar Assaubayev	29 February 2017	Continuing	3
<b>Non-Executive Directors</b>			
Ashar Qureshi	7 December 2015	Continuing	3
Vladimir Shkolnik	21 November 2018	Continuing	3
Thomas Gallagher	9 December 2020	Continuing	3

## Policy on payment for loss of office

There are no contractual provisions agreed that could impact on a termination payment. Termination payments will be calculated in accordance with the existing contract of employment or service contract. It is the policy of the Remuneration Committee to issue employment contracts to Executive Directors with normal commercial terms and without extended terms of notice which could give rise to extraordinary termination payments.

## Consideration of employment conditions elsewhere in the Group

In setting this policy for Directors' remuneration the Remuneration Committee has been mindful of the Company's objective to reward all employees fairly according to their role, performance and market forces. In setting the policy for Directors' remuneration the Remuneration Committee has considered the pay and employment conditions of the other employees within the Group. No formal consultation has been undertaken with employees in drawing up the policy. The Remuneration Committee has not used formal comparison measures.

## Consideration of shareholder views

Shareholder views have been taken into account when formulating this policy, and was approved at the Annual General Meeting in 2018.



## Remuneration

The total Directors fees and salaries of US\$111,406 (2019 US\$122,360) shown in the table below has been audited.

Directors salaries and fees	2020 US\$	2019 US\$
<b>Executive Directors</b>		
Kanat Assaubayev	–	–
Aidar Assaubayev	38,400	38,400
Sanzhar Assaubayev	–	–
<b>Non-Executive Directors</b>		
Ashar Qureshi	34,560	34,560
Vladimir Shkolnik	34,560	35,000
Neil Herbert*	–	14,400
Thomas Gallagher (appointed 9 December 2020)	3,886	–
<b>Total</b>	<b>111,406</b>	<b>122,360</b>

\*Neil Herbert resigned on 9 July 2019. During the year Neil Herbert was allotted shares totalling 10,429,930 at a value of US\$75,000 in order to settle the balance of his outstanding remuneration.

The total amount remaining unpaid with respect to Directors' remuneration amounted to US\$52,000 (2019: US\$149,000). The total directors' remuneration for 2020 and 2019 includes only salaries and fees.

The remuneration levels will be in the range of US\$140,000 in the forthcoming year.

### Statement of implementation of remuneration policy in the following year

The policy was approved at the Annual General Meeting in June 2018, the policy is reviewed tri-annually.

The vote on the remuneration policy is binding in nature. The Company may not then make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a Director of the Company unless that payment is consistent with the approved remuneration policy, or has otherwise been approved by a resolution of members.

### Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee considered the Executive Directors' remuneration and the Board considered the Non-Executive Directors' remuneration in the year ended 31 December 2020. No increases were awarded and no external advice was taken in reaching this decision.

### Shareholder voting

At the Annual General Meeting (AGM), in June 2021, there will be a vote on the resolution to approve the remuneration report, the Directors remuneration policy is considered on a tri-annual basis with the next vote to be conducted in the year 2021. Details of the Directors remuneration policy can be found on the Company's website [www.AltynGold.uk](http://www.AltynGold.uk). The results of shareholder voting at the AGM's on the 26 June 2020 and 27 June 2019 are shown below:

	Votes in favour No 000's 2020	Votes against No 000's 2020	No 000's Maximum votes	Votes in favour No 000's 2019	Votes against No 000's 2019	No 000's Maximum votes
Voting to approve the Directors' remuneration	1,794,081	278	2,579,264	1,953,033	732	2,567,675
Voting to approve the Directors' remuneration policy	n/a	n/a	n/a	n/a	n/a	n/a

### Members of the Remuneration Committee

The following Directors are members of the Remuneration Committee:

Ashar Qureshi and Vladimir Shkolnik.

### Pension schemes and incentives

The Company does not operate a pension scheme.

### Share option schemes

There are no share option schemes currently in the company.

### Payments to past Directors

No payments were made to past Directors, except for the settlement of outstanding remuneration that was satisfied by the issue of shares as noted in the remuneration table above.

### Payments for loss of office

No payments for loss of office were made in the year ended 31 December 2020.

### Statement of Directors' shareholding and share interest

The interests of the Directors in the shares of the Company, including family and trustee holdings are disclosed on page 26 of the Annual Report.

### Performance targets

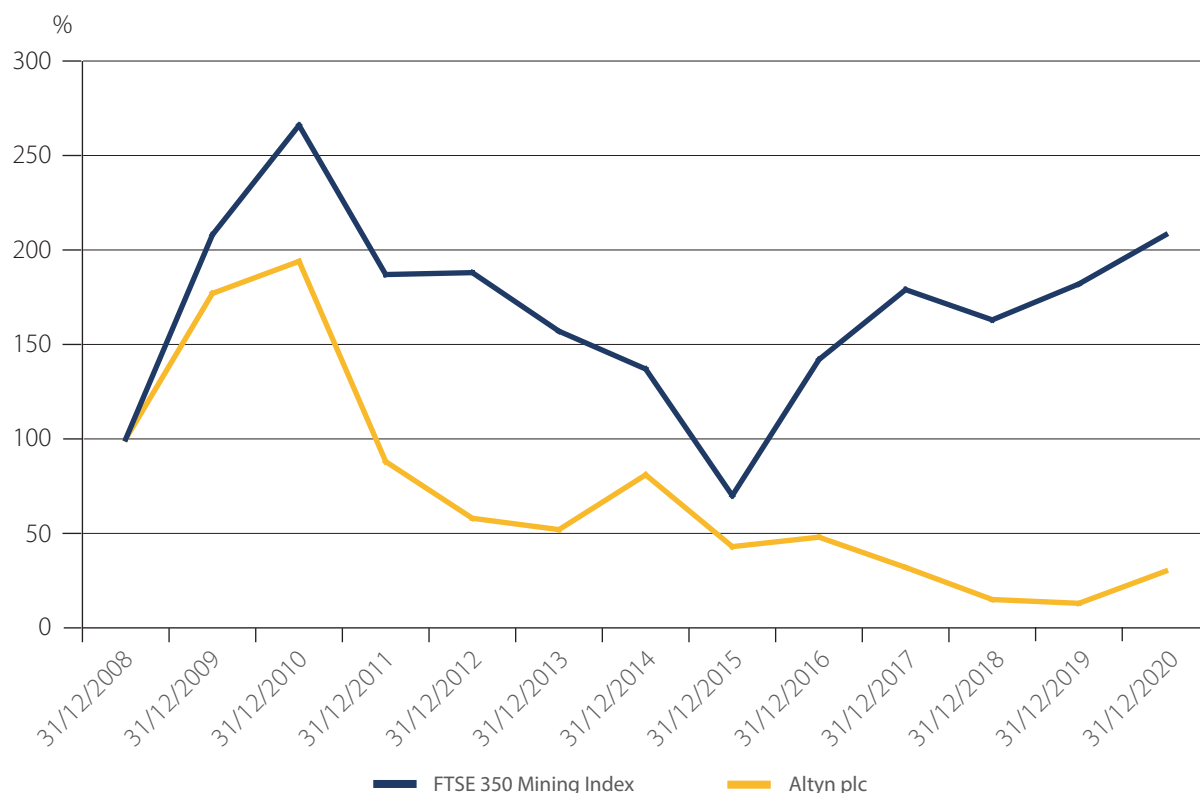
There are no performance measure targets associated with the Directors Remuneration.

# ANNUAL REMUNERATION REPORT continued

## Performance graph

The following information is unaudited.

Shown below is Altyn's performance against the FTSE 350 mining index, which the Directors believe is the most appropriate market measure to judge the performance of the Company against.



## Directors interest in shares and substantial shareholdings

The information which has been audited is disclosed on page 26 of the Directors' Report.

## Remuneration of the Chief Executive Officer over the last ten years

Aidar Assaubayev was appointed on 20 February 2013, replacing Timothy Daffern who was appointed on 5 November 2009. Included in the remuneration of Timothy Daffern for the year 2013 is an amount of US\$307,432 relating to a payment in respect of a change of control of the Company.

The table below demonstrates the remuneration of the Chief Executive Officer for the last ten years.

Year	Chief Executive Officer	Total remuneration US\$000
2020	Aidar Assaubayev	38
2019	Aidar Assaubayev	38
2018	Aidar Assaubayev	83
2017	Aidar Assaubayev	201
2016	Aidar Assaubayev	215
2015	Aidar Assaubayev	175
2014	Aidar Assaubayev	82
2013	Timothy Daffern	626
2012	Timothy Daffern	282
2011	Timothy Daffern	271
2010	Timothy Daffern	535

### Annual change in compensation for members of the Board and the remuneration of average employees over the last five years

In order to show a fair comparable of changes over the five year period the remuneration is presented in Pound Sterling.

	2016 £	2017 £	2018 £	2019 £	2020 £
Remuneration fees Aidar Assaubayev	156,000	156,000	61,500	30,000	30,000
– appointed 25 February 2013					
– Year-on-year difference – GBP£	–	–	(94,500)	(31,500)	–
– Year-on-year difference – %	–	–	(61)	(51)	–
Remuneration fees Neil Herbert					
– appointed 29 February 2016, resigned 9 July 2019	27,000	77,983	22,500	11,250	–
– Year-on-year difference – GBP£	–	50,983	(55,483)	(11,250)	–
– Year-on-year difference – %	–	189	(71)	(50)	–
Remuneration of average employees	91,278	36,486	48,344	–	–
– Year-on-year difference – GBP£	–	(54,792)	11,858	–	–
– Year-on-year difference – %	–	(60)	33	–	–

The following directors received remuneration of £27,000 per annum (pro-rata) from the date of their appointment to resignation if applicable:

- ▲ Ashar Qureshi (appointed 7 December 2012)
- ▲ Vladimir Shkolnik (appointed 22 November 2017)
- ▲ Alain Balian (appointed 23 October 2013, resigned 29 December 2017)
- ▲ Ken Crichton (appointed 23 October 2013, resigned 29 February 2016)
- ▲ William Trew (appointed 20 February 2013 resigned 14 July 2016)

Kanat Assaubayev and Sanzhar Assaubayev received no remuneration over the five year period.

### Relative importance of spend on pay

The total expenditure of the Company on remuneration to all employees is shown in note 7 to the financial statements and in the table below.

Remuneration	2020 US\$	2019 US\$
Directors emoluments	111	122
Employee salaries	1,909	1,829
Employer social tax and national insurance	528	217
<b>Total</b>	<b>2,548</b>	<b>2,168</b>

As the Company is currently not making distributions the relative importance of pay has been measured against debt repayments included in the consolidated cash flow in the year. In 2020 the salaries represented 0.74 times the amount paid back in loan repayments in the year (2019:1.4 times).

# REMUNERATION POLICY REPORT

The remuneration policy of the Company was approved by a binding vote at the Annual General Meeting held on 29 June 2018, see details on page 31. As the policy is determined tri-annually the next vote to determine the remuneration policy of Company will be in 2021.

At present the only remuneration payable to the Directors is that of a base salary, in setting the policy the Remuneration Committee has taken the following into account:

- ▲ the need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the Company;
- ▲ the Company's general aim of seeking to reward all employees fairly according to the nature of their role and their performance;
- ▲ remuneration packages offered by similar companies in the same sector;
- ▲ the need to align the interests of the shareholders with the long term growth and interests of the Company;
- ▲ the need to be flexible and adjust with operational changes throughout the term of the policy.

The remuneration of the Non-Executive Directors is determined by the Board, and takes into account additional remuneration for services outside the scope of the ordinary duties of the Non-Executive Directors.

The details in relation to the Directors remuneration policy are available on the website [www.altyngold.uk](http://www.altyngold.uk).

# INDEPENDENT AUDITOR'S REPORT

to the members of AltynGold Plc

## Opinion on the financial statements

In our opinion:

- ▲ the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- ▲ the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- ▲ the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- ▲ the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- ▲ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of AltynGold Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the parent company statement of financial position, the consolidated statement of changes in equity, the parent company statement of changes in equity, the consolidated statement of cash flows, the parent company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

## Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 26 March 2013 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 9 years, covering the years ending 31 December 2012 to 31 December 2020. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- ▲ Reviewing cash flow forecasts for the period to June 2022 and challenging management on the key operating assumptions based on 2020 and 2021 actual results and external data, where possible.
- ▲ Testing the integrity of the forecast model checking the accuracy and completeness of the model, including challenging the appropriateness of estimates and assumptions with reference to empirical data and external evidence with specific focus on the following assumptions: gold price, production, costs, gold grade, recoveries and foreign exchange rates and assessed their consistency with approved budgets and the mine development plan, as applicable.
- ▲ Comparing budgets to actual figures achieved to assess the reliability of management's forecasts.
- ▲ Discussing the potential impact of COVID-19 with management and the Audit Committee including their assessment of risks and uncertainties. We formed our own assessment of risks and uncertainties based on our understanding of the business and mining sector.
- ▲ Evaluating management's sensitivity analysis and performing our own sensitivity analysis in respect of the key assumptions underpinning the forecasts. We assessed the validity of any mitigating actions identified by Management.
- ▲ Confirming the terms of all borrowing facilities in place and reviewing the repayments to check these are accurately reflected in the cash flow forecast.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# INDEPENDENT AUDITOR'S REPORT continued

to the members of AltynGold Plc

## Overview

<b>Coverage</b>	100% (2019: 100%) of Group profit before tax 100% (2019: 100%) of Group revenue 99% (2019: 99%) of Group total assets		
<b>Key audit matters</b>		2020	2019
	Carrying value of intangible assets	✓	✓
	Carrying value of property, plant & equipment	✓	✓
	Going concern	–	✓
<b>Materiality</b>	<i>Group financial statements as a whole</i> \$1.07m (2019: \$0.92m) based on 1.4% (2019: 1.4%) of total assets		

## An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our group audit scope focused on DTOO Gornorudnoe Predpriatie Baurgold, which holds Sekisovskoye mine and TOO GMK Altyn MM, which holds the Teren-Sai exploration project and contracts the sale of the Group's gold, which were subject to a full scope audit with the audit work performed by overseas component auditors under our direction and supervision. Together with the Parent company, which was also subject to a full scope audit, these represent the significant components of the Group. The remaining component of the Group, Hambledon Mining Company Limited, was considered non-significant and we completed analytical procedures for this intermediate holding company on an entity only basis to confirm there are no significant risks of material misstatements within this entity.

All of the audits were conducted by BDO LLP and the BDO member firm in Kazakhstan. The BDO member firm performed the full scope audit of the significant components in Kazakhstan, under the direction and supervision of the Group auditor.

## Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- ▲ Detailed group reporting instructions were sent to the component auditor, which included the significant areas to be covered by the audit (including areas that were considered to be key audit matters as detailed above), and set out the information required to be reported to the group audit team.
- ▲ The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes along with the consideration of findings and determination of conclusions drawn. The Group audit team performed additional procedures in respect of certain of the significant risk areas that represented Key Audit Matters in addition to the procedures performed by the component auditor.
- ▲ As part of our audit strategy, the senior manager of the Group audit team visited each of the principal operating locations in the year and met with management in Kazakhstan.
- ▲ The Group audit team reviewed the component auditor's work papers remotely, including review of group reporting documents, attended clearance meetings virtually for the significant component and engaged with the component auditor regularly during their fieldwork and completion phases.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<p><b>Carrying value of intangible assets</b></p> <p>As detailed in note 4 and 14, the Group's intangible assets represent historical geological data of \$4.4m and exploration and evaluation costs of \$8.5m pertaining to the Teren-Sai ore fields, adjacent to the Group's current mining licence area and production facilities at Sekisovskoye, which are significant assets and total \$12.9m at 31 December 2020.</p> <p>Management was required to assess whether there was any indication that this asset may be impaired in accordance with accounting standards. Management have carried out an assessment of impairment indicators during the year and concluded that there are no indicators of impairment.</p> <p>There are a number of estimates and judgements used by the management in assessing the indicators of impairment including non-financial and financial data. Therefore, given the subjectivity involved in determining whether there is an indication of impairment, the carrying value of the intangible assets is considered to be a key audit matter.</p>
<b>How the scope of our audit addressed the key audit matter</b>	<ul style="list-style-type: none"> <li>▲ We obtained and examined management's assessment of impairment indicators in accordance with accounting standards, including their use of an economic model and reference to an independent Competent Person's Report, and challenged the assumptions made by management in the economic model with reference to empirical data and external evidence. We compared the assumptions to the independent Competent Person's report and obtained the rationale behind them.</li> <li>▲ We read the correspondence, contracts and other documents regarding the subsoil exploration contract to confirm that the Group has a contractual right for exploration in the Teren-Sai area. We considered the appropriateness of management's judgement that the subsoil exploration contract would be extended upon expiry in May 2022. We made inquiries of management on the extension process and verified its consistency with the current subsoil use regulations.</li> <li>▲ We considered other potential impairment triggers, such as the impact of COVID-19, noting that the exploration activities continued through the period.</li> <li>▲ We obtained and examined the exploration and evaluation results to date and ensured that drilling results indicated that the area remains prospective and supports the geological data expectation.</li> <li>▲ We reviewed management's plans and budgets and ensured the Group is committed to the development of the project and substantive expenditure on further exploration for and evaluation of mineral resources in the area is budgeted and planned.</li> <li>▲ We assessed the Group's amortisation policy and useful life assessment.</li> <li>▲ We compared the reserves included in the models to the independent Competent Person's report and performed procedures to assess their independence and competence. We met with the Competent Person as part of this process and ascertained there had been no limitations placed on them.</li> <li>▲ We reviewed the economic model of the project and the forecast NPV of the Teren-Sai ore field project, which amounts to \$230m providing headroom over the carrying value of the asset. We undertook sensitivity analysis on the NPV model, over gold grade, production volume, mining and processing costs, gold prices and discount rate and ensured that under each scenario there is headroom above the carrying value.</li> </ul> <p><b>Key observations:</b></p> <p>Our work did not indicate that management's assessment that there are no indicators of impairment in respect of the carrying value of intangible assets was unreasonable.</p>

# INDEPENDENT AUDITOR'S REPORT continued

to the members of AlтынGold Plc

<b>Key audit matter</b>	<p><b>Carrying value of property, plant and equipment</b></p> <p>As detailed in note 4 and 15, the Group's property, plant and equipment represents its most significant assets and totals \$32.1m at 31 December 2020.</p> <p>Management was required to assess whether there was any indication that the assets may be impaired in accordance with accounting standards. Management have carried out an assessment of impairment indicators during the year and concluded that there are no indicators of impairment.</p> <p>Management's assessment of the impairment indicators contained a number of key assumptions that required estimation and judgements, including gold prices, gold reserves and production level, gold grade, exchange rates, cost assumptions and discount rates. Given the subjectivity involved, the carrying value of property, plant and equipment is considered to represent a key audit matter.</p>
<b>How the scope of our audit addressed the key audit matter</b>	<ul style="list-style-type: none"> <li>▲ We obtained and examined management's assessment of impairment indicators in accordance with accounting standards, including their use of an economic model and reference to an independent Competent Person's Report, and challenged the assumptions made by management in the economic model with reference to empirical data and external evidence. We compared the assumptions to the independent Competent Person's report and obtained the rationale behind them.</li> <li>▲ We compared the actual performance with the economic model and investigated material deviations and considered whether these represented an indicator of impairment.</li> <li>▲ We compared the actual performance during 2020 to budgets in order to assess the quality of management's forecasting.</li> <li>▲ We visited the Sekisovskoye mine, observed and discussed the operations, operational results and mining processes with the mine management and the chief geologist. We discussed the mine plan with the chief geologist who confirmed that the reasons for the changes in production and gold grade in 2020 were in line with management's assumptions provided to us.</li> <li>▲ Additionally, we compared the proven and probable reserves included in the models to the independent Competent Person's report and performed procedures to assess their independence, competence and scope. We met with the Competent Person as part of this process and ascertained there had been no limitations placed on them.</li> <li>▲ We reviewed the economic model of the project and the NPV of the Sekisovskoye mine, which amounts to \$332m providing headroom over the carrying value of the asset. We undertook sensitivity analysis on the NPV value over gold grade, production volume, mining and processing costs, gold prices and discount rate and ensured that under each scenario there is headroom above the carrying value.</li> <li>▲ We assessed the reasonableness of the factors explained above and confirmed that in the ore bodies where there was sufficient targeting and drilling equipment in place, the operational results met the expectations and supported the model in place.</li> <li>▲ We considered other potential impairment triggers, such as the impact of COVID-19, noting the mine continued to operate during the period.</li> <li>▲ We read the key licence agreements and confirmed that the Group holds valid licence. We assessed and obtained evidence regarding the licence terms and minimum work programme requirements and considered the Group's ability to meet the requirements. We read correspondence with the authorities and discussed with management any instances of non-compliance that could impact on legal title.</li> </ul> <p><b>Key observations:</b></p> <p>Our work did not indicate that management's assessment that there are no indicators of impairment in respect of the carrying value of property, plant and equipment was unreasonable.</p>

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.



Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Materiality	1.07	0.92	0.80	0.69
Basis for determining materiality	1.4% of total assets		75% of group materiality	
Rationale for the benchmark applied	We have determined an assets based measure is appropriate as the Group is currently developing an underground mining project that requires significant capital expenditure. It is consistent with our approach adopted in previous years.			
Performance materiality	0.64	0.55	0.48	0.41
Basis for determining performance materiality	60% of materiality considering the nature of activities and historic audit adjustments			

### Component materiality

We set materiality for each component of the Group based on a percentage of between 53% and 75% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from \$565,000 to \$800,000. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of \$21,000 (2019: \$18,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>▲ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>▲ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>▲ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>▲ the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or</li> <li>▲ certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>▲ we have not received all the information and explanations we require for our audit.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT continued

to the members of AltynGold Plc

## Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

## Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- ▲ We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group that were contrary to applicable laws and regulations, including fraud. These included, but were not limited to compliance with Companies Act 2006 and international accounting standards.
- ▲ We held discussions with management and the audit committee to understand the laws and regulations relevant to the Group and company. These included elements of the significant laws and regulations relating to the industry, financial reporting framework, listing rules, tax legislation and environmental regulations in the UK and Kazakhstan;
- ▲ We held discussions with management and the audit committee to determine any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- ▲ Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- ▲ Performing a detailed review of the Group's year-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- ▲ For significant and unusual transactions, particularly those occurring at or near year-end, obtaining evidence for the rationale of these transactions and the sources of financial resources supporting the transactions;
- ▲ Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements (refer to key audit matters above);
- ▲ Extending inquiries to individuals outside of management and the accounting department to corroborate management's ability and intent to carry out plans that are relevant to developing the estimate set out in the key audit matters section above;
- ▲ Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations;
- ▲ Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit; and
- ▲ Directing the auditors of the significant components to ensure an assessment is performed on the extent of the components compliance with the relevant local and regulatory framework.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Laura Pingree (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
London, UK

30 April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020

	Note	2020 \$000	2019 \$000
<b>Revenue</b>	5	<b>30,032</b>	14,908
Cost of sales		<b>(17,610)</b>	(12,390)
<b>Gross profit</b>		<b>12,422</b>	2,518
Administrative expenses		<b>(2,826)</b>	(2,600)
Share based payment	23	<b>(2,400)</b>	–
Impairments	8	<b>(34)</b>	107
<b>Operating profit</b>		<b>7,162</b>	25
Foreign exchange		<b>(1,508)</b>	116
Finance expense		<b>(2,324)</b>	(1,183)
<b>Total finance cost</b>	9	<b>(3,832)</b>	(1,067)
Profit/(loss) before tax	10	<b>3,330</b>	(1,042)
Taxation expense	11	<b>(392)</b>	(214)
<b>Profit/(loss) for the year attributable to the equity holders of the parent</b>		<b>2,938</b>	(1,256)
<b>Profit/(loss) per ordinary share</b>			
Basic		<b>11.27c</b>	(5.00c)*
Diluted	12	<b>10.97c</b>	–

\*The earnings per share calculation for 2019 has been restated to reflect the 100:1 consolidation of shares in 2020 see note 23 of the financial statements.

The notes on pages 48 to 71 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	2020 \$000	2019 \$000
Profit/(loss) for the year		<b>2,938</b>	(1,256)
<b>Items that may be reclassified subsequently to the income statement</b>			
Currency translation differences arising on translations of foreign operations		<b>(3,846)</b>	129
Currency translation differences on translation of foreign operations relating to tax		<b>(1,011)</b>	(461)
		<b>(4,857)</b>	(332)
Total comprehensive loss for the year		<b>(1,919)</b>	(1,588)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the parent		<b>(1,919)</b>	(1,588)

The notes on pages 48 to 71 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

Registration number: 05048549	Note	2020 \$000	2019 \$000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	14	12,849	12,943
Property, plant and equipment	15	32,092	30,316
Deferred tax assets	11	5,311	7,356
Trade and other receivables	18	6,700	6,048
Restricted cash		13	–
		<b>56,965</b>	56,663
<b>Current assets</b>			
Inventories	17	5,468	3,631
Trade and other receivables	18	7,182	3,615
Cash and cash equivalents		7,154	1,934
		<b>19,804</b>	9,180
<b>Total assets</b>		<b>76,769</b>	65,843
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	(6,705)	(7,553)
Provisions	21	(151)	(130)
Loans and borrowings	22	(5,833)	(2,550)
		<b>(12,689)</b>	(10,233)
<b>Non-current liabilities</b>			
Vat payable	19	(230)	(964)
Other payables	19	(492)	(1,333)
Provisions	21	(4,763)	(5,007)
Loans and borrowings	22	(23,260)	(15,027)
		<b>(28,745)</b>	(22,331)
<b>Total liabilities</b>		<b>(41,434)</b>	(32,564)
<b>Equity</b>			
Share capital	23	(4,267)	(4,055)
Share premium		(152,839)	(151,476)
Merger reserve		282	282
Other reserves		(333)	(333)
Foreign currency translation reserve		52,959	48,102
Accumulated losses		68,863	74,201
Equity attributable to owners of the company		<b>(35,335)</b>	(33,279)
<b>Total equity and liabilities</b>		<b>(76,769)</b>	(65,843)

Approved by the Board on 30 April 2021 and signed on its behalf by:

**Mr Aidar Assaubayev (Chief Executive Officer)**  
Director

**Mr Sanzhar Assaubayev (Executive Director)**  
Director

The notes on pages 48 to 71 form an integral part of these financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

Registration number: 05048549	Note	2020 \$000	2019 \$000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	–	67
Investments in subsidiaries	16	50,339	41,448
Loans due from subsidiaries	16	59,640	53,874
		<b>109,979</b>	<b>95,389</b>
<b>Current assets</b>			
Trade and other receivables	18	76	13
Cash and cash equivalents		6,316	1,787
		<b>6,392</b>	<b>1,800</b>
<b>Total assets</b>		<b>116,371</b>	<b>97,189</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	(297)	(334)
Loans and borrowings	22	(2,917)	(616)
		<b>(3,214)</b>	<b>(950)</b>
<b>Non-current liabilities</b>			
Bonds	22	(9,317)	(6,511)
Loans due to subsidiary		(27,232)	(16,975)
		<b>(36,549)</b>	<b>(23,486)</b>
<b>Total liabilities</b>		<b>(39,763)</b>	<b>(24,436)</b>
<b>Equity</b>			
Share capital	23	(4,267)	(4,055)
Share premium		(152,839)	(151,476)
Other reserves		(333)	(333)
Foreign currency translation reserve		16,338	16,338
Accumulated losses		64,493	66,773
<b>Total equity</b>		<b>(76,608)</b>	<b>(72,753)</b>
<b>Total equity and liabilities</b>		<b>(116,371)</b>	<b>(97,189)</b>

The parent Company is claiming the exemption under the Companies Act 2006 s408 not to present its individual income statement. The Company made a loss of US\$120,000 in the year (2019: profit of US\$5.4m).

Approved by the Board on 30 April 2021 and signed on its behalf by:

**Mr Aidar Assaubayev (Chief Executive Officer)**  
Director

**Mr Sanzhar Assaubayev (Executive Director)**  
Director

The notes on pages 48 to 71 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital \$000	Share premium \$000	Merger reserve \$000	Currency translation reserve \$000	Share based payment reserve \$000	Other reserves \$000	Accumulated losses \$000	Total equity \$000
<b>At 1 January 2019</b>	4,054	151,470	(282)	(47,770)	–	333	(72,945)	34,860
Loss for the year	–	–	–	–	–	–	(1,256)	(1,256)
Other comprehensive loss	–	–	–	(332)	–	–	–	(332)
<b>Total comprehensive loss</b>	–	–	–	(332)	–	–	(1,256)	(1,588)
<b>New share capital subscribed</b>	1	6	–	–	–	–	–	7
<b>At 31 December 2019</b>	4,055	151,476	(282)	(48,102)	–	333	(74,201)	33,279
<b>At 1 January 2020</b>	4,055	151,476	(282)	(48,102)	–	333	(74,201)	33,279
Profit for the year	–	–	–	–	–	–	2,938	2,938
Other comprehensive income	–	–	–	(4,857)	–	–	–	(4,857)
<b>Total comprehensive loss</b>	–	–	–	(4,857)	–	–	2,938	(1,919)
<b>New share capital subscribed</b>	13	62	–	–	–	–	–	75
<b>Share based payment charge</b>	–	–	–	–	2,400	–	–	2,400
<b>Share options exercised</b>	199	1,301	–	–	(2,400)	–	2,400	1,500
<b>At 31 December 2020</b>	<b>4,267</b>	<b>152,839</b>	<b>(282)</b>	<b>(52,959)</b>	<b>–</b>	<b>333</b>	<b>(68,863)</b>	<b>35,335</b>

## Group Reserves

Share capital	Amount of the contributions made by shareholders in return for issue of shares at their nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Reserve created on application of merger accounting under a previous GAAP.
Currency translation reserve	Gains/losses arising on re-translating the net assets of overseas operations into US Dollars.
Other reserve	Amount of proceeds on issue of convertible debt relating to the equity component.
Share based payment reserve	Amount relating to fair value on grant of share options.

The notes on pages 48 to 71 form an integral part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital \$000	Share premium \$000	Currency translation reserve \$000	Share based payment reserve \$000	Other reserves \$000	Accumulated losses \$000	Total \$000
<b>At 1 January 2019</b>	4,054	151,470	(16,338)	–	333	(72,143)	67,376
Profit for the year	–	–	–	–	–	5,370	5,370
<b>Total comprehensive income</b>	–	–	–	–	–	5,370	5,370
<b>New share capital subscribed</b>	1	6	–	–	–	–	7
<b>At 31 December 2019</b>	4,055	151,476	(16,338)	–	333	(66,773)	72,753
<b>At 1 January 2020</b>	4,055	151,476	(16,338)	–	333	(66,773)	72,753
Loss for the year	–	–	–	–	–	(120)	(120)
<b>Total comprehensive income</b>	–	–	–	–	–	(120)	(120)
<b>New share capital subscribed</b>	13	62	–	–	–	–	75
<b>Share based payment charge</b>	–	–	–	2,400	–	–	2,400
<b>Share options exercised</b>	199	1,301	–	(2,400)	–	2,400	1,500
<b>At 31 December 2020</b>	<b>4,267</b>	<b>152,839</b>	<b>(16,338)</b>	<b>–</b>	<b>333</b>	<b>(64,493)</b>	<b>76,608</b>

## Company Reserves

Share capital	Amount of the contributions made by shareholders in return for the issue of shares at their nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Currency translation reserve	Gains/losses arising on re-translating the net assets of overseas operations into US Dollars.
Other reserve	Amount of proceeds on issue of convertible debt relating to the equity component.
Share based payment reserve	Amount relating to fair value on grant of share options.

The notes on pages 48 to 71 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	2020 \$000	2019 \$000
<b>Cash flows from operating activities</b>			
Net cash flow from operating activities	24	<b>4,245</b>	(2,832)
<b>Cash flows from investing activities</b>			
Acquisitions of property plant and equipment		<b>(8,559)</b>	(7,180)
Proceeds from sale of property plant and equipment		<b>–</b>	20
Acquisition of intangible assets	14	<b>(1,271)</b>	(552)
Proceeds from test production		<b>165</b>	–
<b>Net cash flows from investing activities</b>		<b>(9,665)</b>	(7,712)
<b>Cash flows from financing activities</b>			
Loans received		<b>16,903</b>	14,089
Proceeds of share issue		<b>1,500</b>	–
Interest paid	24	<b>(3,740)</b>	(193)
Loans repaid		<b>(3,431)</b>	(1,523)
Commission charge		<b>(588)</b>	–
<b>Net cash flows from financing activities</b>		<b>10,644</b>	12,373
<b>Net increase in cash and cash equivalents</b>		<b>5,224</b>	1,829
<b>Cash and cash equivalents at 1 January</b>		<b>1,934</b>	105
Effect of exchange rate fluctuations on cash held		<b>(4)</b>	–
<b>Cash and cash equivalents at 31 December</b>		<b>7,154</b>	1,934

The notes on pages 48 to 71 form an integral part of these financial statements.



# COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	2020 \$000	2019 \$000
<b>Cash flows from operating activities</b>			
Net cash outflow from operating activities	24	(749)	(860)
<b>Net cash flow from operating activities</b>		<b>(749)</b>	<b>(860)</b>
<b>Cash flows from investing activities</b>			
Loans paid to subsidiaries		(700)	(398)
Loans repaid by subsidiaries		500	354
<b>Net cash flows from investing activities</b>		<b>(200)</b>	<b>(44)</b>
<b>Cash flows from financing activities</b>			
Loans received		8,578	3,054
Proceeds from issue of ordinary shares, net of issue costs		1,500	–
Interest repaid		(2,233)	(160)
Loans repaid		(1,779)	(268)
Commission charge		(588)	–
<b>Net cash flows from financing activities</b>		<b>5,478</b>	<b>2,626</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,529</b>	<b>1,722</b>
<b>Cash and cash equivalents at 1 January</b>		<b>1,787</b>	<b>65</b>
Cash and cash equivalents at 31 December		6,316	1,787

The notes on pages 48 to 71 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

## 1 General information

AltynGold Plc (the "Company") is a Company incorporated in England and Wales under the Companies Act 2006. The address of its registered office, and place of business of the Company and its subsidiaries is set out within the Company information on page 78 of this annual report. The principal activities of the Company and subsidiaries are set out on page 24 and the strategic review within this annual report.

## 2 Basis of preparation

The annual report is for the year ended 31 December 2020 and includes the consolidated and parent company's financial statements prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared using accounting policies set out in note 4 which are consistent with all applicable IFRSs and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. For these purposes, IFRSs comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. The financial statements have been prepared under the historical cost convention, except for the adjustment in relation to the fair value of the derivative element included in the bond raised with African Resources Limited see note 22 loans and borrowings, and on a going concern basis.

## Going concern

During the year the Group obtained additional funding principally from a mixture of placing bonds on the Astana International Exchange, an additional US\$7.4m and obtaining further funds from the term loans from a Kazakhstan based bank that were agreed in 2019 of US\$8.3m. In total these increased the loans and borrowings from US\$17.6m in 2019 to the current level of US\$29.1m. The funds were utilised to purchase equipment and to provide working capital to expand and develop the mining site at Sekisovskoye. The Group increased sales from US\$14.9m to US\$30.0m during 2020, resulting in an increase in adjusted EBITDA from US\$3.4m to US\$13.5m. This provided positive funding to the Group in the year, and is expected to continue at increasing levels in the future.

At the year-end the Group had cash resources of US\$7.2m (2019: US\$1.9m) available. In December 2020 the Company agreed additional bank facilities with Bank Center Credit in the amount of US\$5.5m, of which US\$1.9m is available to fund working capital and the balance is required to be used for investment into new machinery. Of this facility US\$1.0m was drawn down in December 2020.

The Board have reviewed the Group's forecast cash flows for the period to June 2022, which include the capital and interest repayments to be made in relation to the Group's borrowings. Capital and operating costs are based on approved budgets and latest forecasts in the case of 2021 and current development plans in the case of 2022. Based on the Group's cash flow forecasts, the Directors believe that the combination of its current cash balances, net cash flows from operations, and increased production based on projections of future growth, are sufficient for the Company to achieve its current plans and meet its cash flow requirements.

The Group has operated in the most difficult time of the COVID-19 pandemic, and experienced little impact on its ability to trade and grow the business. However management are keenly aware that the situation may change and have factored any potential impacts into its future business plans. The initial impact of COVID-19 was felt in March 2020 when Kazakhstan and the UK went into lockdown. The Group was quick to adapt and allowed office workers to use remote technology to perform their duties. In relation to the mine, mining operations were designated by the government to be a key industry. This ensured that production and transport of ore to the refinery could continue as normal. The Group adapted working conditions and patterns of working, to ensure that production continued in a safe working environment. The Group has also ensured that adequate stocks are being maintained of parts and consumables in order to prevent any disruption to production. COVID-19 is still an ongoing issue in Kazakhstan and indeed in many countries, however the Management believe the procedures they have in place, such as shift working at the mine, remote working, advance ordering of supplies and consumables, together with the support of the government will ensure that future production will continue.

The Board have considered possible stress case scenarios that they consider may be likely to impact on the Group's operations, financial position and forecasts. Factors considered are operational disruptions, such as illness amongst the workforce, disruption to supply chain and possible impact on the price of gold if this was to fall to pre COVID-19 levels. From the analysis undertaken the Board have concluded that Group will be able to continue to trade by the careful management of its existing resources. The stress tests included the following scenarios amongst others, a fall in the gold price by 18% from current levels, a drop in budgeted production by 20% or a combination of both factors together. In each case the Group would not experience a cash shortfall in either scenario. If required the Group would manage its resources, reducing investment and managing its payables in order to maintain liquidity.

The Board therefore considers it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

## 3 Adoption of new and revised standards

A number of new standards, amendments to standards and interpretations, are effective for annual periods beginning on or after 1 January 2020. They have been adopted and applied in preparing these financial statements.

The new standards include:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting
- IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).

### 3 Adoption of new and revised standards continued

The adoption of the standards has not had an impact on the Company's financial statements.

The following new standards, and amendments to standards, are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements:

The following amendments are effective for the period beginning 1 January 2022:

- ▲ Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- ▲ Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- ▲ Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- ▲ References to Conceptual Framework (Amendments to IFRS 3).

The Company is reviewing the new standards, amendments to standards and interpretations as noted above which are effective from 1 January 2022 to assess the potential impact on the financial statements. They have not been applied in preparing these financial statements.

### 4 Accounting policies

#### Basis of consolidation

Where a company has control over an investee, the investee is classified as a subsidiary. A company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are de-consolidated from the date on which control ceases.

#### Revenue recognition

Revenue represents amounts received for goods provided in the normal course of business, net of VAT and any other sales related taxes.

The Company's revenue is generated entirely from the sale of the gold and silver ("Precious Metal") content of doré. The doré was delivered to a precious metal refiner, based in Kazakhstan during 2020 and 2019, which also purchased all precious metal that was refined. Title of the precious metal passes upon acceptance of the delivery from the Company to the refiner. Sales of precious metal are only recognised when the delivery has been accepted and title for the precious metal has accordingly been passed to the refiner. The Company does not hedge or otherwise enter into any derivatives in respect of its sales of doré. Sales are recorded at the actual selling price of the doré which is based on current market prices. The Company receives 90% less fees of the revenue on delivery of the doré to the refiner based on the spot dollar and gold and silver prices on the day of delivery. The balance is paid once the doré is refined into gold or silver and is usually paid within 14 days, based on the original gold price or silver price and spot price of the US dollar on the day of settlement.

#### Foreign currencies

The Company has prepared its financial statements in United States Dollars (US\$). The functional currency of the companies in Kazakhstan is the Kazakhstan Tenge (KZT). The functional currency of the Company and Hambleton Mining Company Limited is the United States Dollars (US\$).

The rates used to convert Pound Sterling and Kazakhstan Tenge into United States Dollar in these financial statements are as follows:

US\$ to Pound Sterling closing 1.37 (2019: 1.33) average 1.28 (2019: 1.28),

US\$ to Kazakh Tenge closing 420.91 (2019: 382.59) average 412.95 (2019: 382.75).

The year end and average rates used for the Kazakh Tenge have been obtained from the National Bank of Kazakhstan.

Transactions denominated in currencies other than the functional currency of each respective entity are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities are translated into the relevant functional currency at the closing rates of exchange at the reporting date. Exchange differences arising from the restatement of monetary assets and liabilities at the closing rate of exchange at the reporting date or from the settlement of monetary transactions at a rate different from that at which the asset or liability was recorded are dealt with through the statement of profit or loss.

On consolidation, the results of overseas operations are translated into US dollars, the presentation currency, at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at the opening rate and the results of overseas operations at the actual rate are recognised directly in the consolidated statement of other comprehensive income. The intercompany loans form a part of the Company's investment in a foreign operation. The exchange difference arising on the intercompany loans on translation in the company income statement is being recognised in other comprehensive income which on consolidation is recognised in a separate component of equity until disposal of the foreign operations.

In the individual parent company financial statements foreign exchange losses are recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS continued

## for the year ended 31 December 2020

### 4 Accounting policies continued

#### Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their expected economic life. In the Directors' opinion of 10 years from May 2016, being the licenced period of the Teren-Sai exploration project. There is no effect on the income statement as amortisation costs of the geological data are capitalised in line with the accounting policy on exploration and evaluation costs.

#### Exploration and evaluation costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. All costs associated with mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses. If an exploration project is successful and the project is determined to be commercially viable, the related costs will be transferred to mining assets and amortised over the estimated life of the mineral reserves on a unit of production basis. Where a project is relinquished, abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off. Impairment reviews performed under IFRS 6 'Exploration for and evaluation of mineral resources' are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

- ▲ sufficient data exists that render the resource uneconomic and unlikely to be developed
- ▲ title to the asset is compromised
- ▲ budgeted or planned expenditure is not expected in the foreseeable future
- ▲ insufficient discovery of commercially viable resources leading to the discontinuation of activities.

#### Property, plant and equipment

Mining properties comprise previously capitalised exploration, evaluation and development expenditure incurred during the exploration and development stages of the Company's mining projects.

Other items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost include directly attributable costs and estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Assets under construction represent assets under development that are not at the stage that can be used commercially to generate revenues, no depreciation is applied to these assets.

#### Depreciation

Depreciation of property, plant and equipment is calculated on a straight line or units of production basis, as appropriate. Assets are fully depreciated over their economic lives, or over the remaining life of the mine if shorter.

Assets under construction and freehold land are not depreciated.

Asset class	Depreciation method and rate
Buildings	8-10 per cent per annum
Equipment, fixtures and fittings	10-40 percent per annum
Plant, machinery and vehicles	7-30 per cent. per annum
Mining properties	Unit of production based on the proven reserves

#### Impairment of non-current assets

Property, plant and equipment and intangible assets are assessed for impairment at each reporting date when events or a change in circumstances suggest that the carrying amount of an asset may exceed the recoverable amount.

Where there has been an indication of a possible impairment, management assesses the recoverability of the carrying value of the asset by comparing it with the estimated discounted future net cash flows generated by the asset based on management's expectation of future production and selling prices. Any identified impairment is charged to the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss is recognised in the profit or loss immediately.

#### 4 Accounting policies continued

##### Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Spare parts and consumables	– Purchase costs on a first in, first out basis
Ore stockpiles, work in progress and finished gold	– Dependent on the current stage in the production cycle, the cost will reflect cost of direct materials, power, labour and a proportion of overhead, to bring the product to its current state

##### Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for by using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged to other comprehensive income or credited directly to equity, in which case the deferred tax is also dealt within equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

##### Trade and other receivables

Trade and other receivables are recognised initially at their transaction price in accordance with IFRS 9 and are subsequently measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables measured on a collection basis. Expected credit losses are assessed on a forward looking basis, using information such as the expected future currency, commodity and inflation rates. The loss allowance is measured at initial recognition and throughout its life at an amount equal to lifetime ECL. Any impairment is recognised in the income statement.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments with original maturities of less than three months and which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value; for the purposes of statement of cash flow.

##### Investments

Investment in subsidiaries are included at cost less impairment.

##### Loans and receivables from subsidiaries

Loans to subsidiary undertakings are subject to IFRS 9 expected credit loss model. The intercompany loans are repayable on a deferred basis, and a three year notice of repayment can only be given after full repayment of the Bank Center Credit loan, which is repayable on October 2026. The earliest the loans can be repaid is October 2029.

The intercompany loans at present are considered to be in stage 2, and have been assessed as indicated in the IFRS 9 ECL model, with extensions being made on the repayment terms of the original loans that were given. As the loans are considered to be in stage 2 a lifetime ECL is determined using all relevant, reasonable and supportable historical, current and forward-looking information that provides evidence about the risk that the subsidiaries will default on the loan and the amount of losses that would arise as a result of that default.

# NOTES TO THE FINANCIAL STATEMENTS continued

## for the year ended 31 December 2020

### 4 Accounting policies continued

#### Financial liabilities

The Group classifies its financial liabilities into one of two categories discussed below, depending on the purpose for which the liability was acquired.

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise only the conversion option related to \$10m loan note classified as derivative financial liability. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated income statement. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

#### Other financial liabilities

Other financial liabilities comprise borrowings, trade payables and other short-term monetary liabilities. These are initially measured at fair value and subsequently recognised at amortised cost using effective interest rate method.

#### Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled, or they expire.

#### Fair value measurement hierarchy

The Group classifies its financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- ▲ quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- ▲ inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
- ▲ inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3);
- ▲ the level in the fair value hierarchy within the financial asset or financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

#### Compound instruments

The component parts of compound instruments (convertible notes and loans with detachable warrants) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non convertible instruments. This amount is subsequently recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option or detachable warrant classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. Gains or losses are recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the fair value of the debt and equity components. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the compound instruments using the effective interest method.

#### Share capital

Financial instruments used by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments and are recorded at proceeds received, net of direct issue costs.

#### Provision for commitments and contingencies

Provisions are recognised when the Company has a present obligation at the reporting date, which occurred as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount of the obligation can be reliably estimated.

Possible obligations that are less than probable, and commitments to make purchases and incur expenditure in future periods, are not recognised as provisions but are disclosed as commitments and contingencies.

Provision for site rehabilitation and decommissioning costs and the associated asset is recorded at the present value of the expected expenditure required to settle the Company's future obligations. Actual outcomes may vary. Details regarding the provision for site rehabilitation and decommissioning costs are set out in note 21 to the financial statements.

#### 4 Accounting policies continued

##### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors have made judgements and estimates that may have a significant effect on the amount recognised in the financial statements. These include:

- ▲ carrying value of property, plant and equipment, including estimates made in respect of reserves and resources, discount rate and future gold prices (note 15):  
Costs capitalised as mining assets in property, plant and equipment are assessed for impairment when circumstances suggest that the carrying value may exceed its recoverable value. As part of this assessment, management has not carried out an impairment test, as no indicators of impairment have been identified. This test compares the carrying value of the assets at the reporting date with the expected discounted cash flows. For the discounted cash flows to be calculated, management has used a production profile based on its best estimate of proven and probable reserves of the assets and a range of assumptions, including an estimated price of gold and a discount rate which, taking into account other assumptions used in the calculation, management considers to be reflective of the risks. This assessment involves judgement as to (i) the likely commerciality of the asset, (ii) proven, probable reserves which are estimated, (iii) future revenues and estimated development costs pertaining to the asset, (iv) the discount rate to be applied for the purposes of deriving a recoverable value, (v) the likelihood of the licence being revoked due to outstanding obligations under license commitments as detailed in note 21.

There were no impairment indicators identified, therefore a full impairment test was not carried out.

- ▲ recoverability of inventories (note 17):  
The recoverability of inventories is dependent upon the future production of the Company, and future prices achievable, which will determine if any provision is required against inventories. The directors have assessed the impairment indicators, and made judgements in reflection to future prices achievable and production and make impairments as appropriate.
- ▲ carrying value of provisions (note 21):  
Estimates of the cost of future decommissioning and restoration of production facilities are based on current legal and constructive requirements, technology and price levels, while estimates of when decommissioning will occur depend on assumptions made regarding the economic life of fields which in turn depend on such factors as gold prices, decommissioning costs, discount rates and inflation rates. The management reviewed the estimation process and the basis for the principal assumptions underlying the cost estimates, noting in particular the reasons for any major changes in estimates as compared with the previous year. The Company was satisfied that the approach applied was fair and reasonable. The Company was also satisfied that the discount and inflation rates used to calculate the provision were appropriate.
- ▲ recognition of deferred taxation assets (note 11):  
Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised that can result in a charge or credit in the period in which the change occurs.
- ▲ carrying value of intangible assets (note 14):  
The carrying value for intangible exploration and evaluation assets, represent the costs of active exploration projects the commerciality of which is unevaluated until reserves can be appraised. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made. The recoverability of intangible exploration assets is assessed by comparing the carrying value to estimates of the present value of projects where indicators of impairment have been identified on an asset. The present values of intangible exploration assets are inherently judgmental. Exploration and evaluation costs will be written off to the income statement unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

There were no impairment indicators identified, therefore a full impairment test was not carried out.

- ▲ Provision for taxation (note 11 and 18)  
Management make judgements in relation to the recognition of various taxes payable by the Group and VAT recoverability for which the recoverability and timing of recovery is assessed. The Group operates in jurisdictions which necessarily require judgement to be applied when assessing the applicable tax treatment for transactions and the Group obtains professional advice where appropriate to ensure compliance with applicable legislation.
- ▲ Estimation of credit losses (note 16)  
The management make judgements in relation to the future recoverability of receivables, in relation to the parent Company there are substantial loans to the subsidiaries. The management has used the guidance as noted in IFRS9 to make judgements in relation to the future risk of default, the ability of the Company to achieve its production targets and achieve a sufficient level of profits to repay the loans, inherent in this model are a number of judgements. The management has estimated that a provision was required of US\$31.7m at the year end (2019: US\$31.9m).
- ▲ Extension of Teren-Sai licence (note 14)  
The management will make an application to extend the exploration licence at Teren-Sai, which is to be extended by 5 years to 2027, however the likelihood of the licence ultimately being extended is dependent on the Company satisfying the conditions required for renewal. Inherent in this process for the application for renewal and beyond are judgements of determining if the conditions can be satisfied.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2020

## 5 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2020 \$000	2019 \$000
Sale of gold and silver	29,790	14,623
Other sales	242	285
	<b>30,032</b>	14,908

Included in revenues from sale of gold and silver are revenues of US\$29,790,000 (2019: US\$14,623,000) which arose from sales of precious metals to one customer based Kazakhstan. Other sales amounted to US\$242,000 (2019: US\$285,000) and related to lease and rental income.

## 6 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decision, has been identified as the Board of Directors.

The Board of Directors consider there to be two operating segments, the exploration and development of mineral resources at Sekisovskoe and at Teren-Sai, both based in one geographical segment, being Kazakhstan. All sales were made in Kazakhstan from the mine at Sekisovskoye. However in relation to Teren-Sai as there is discrete financial information available and the assets account for greater than 10% of the combined total assets of all segments it is considered to be a separate operating segment.

Teren-Sai is an exploration asset, details of the carrying value of the asset are shown in note 14.

## 7 Staff number and costs

### Group

The aggregate remuneration comprised:

	2020 US\$000	2019 US\$000
Directors' emoluments	111	122
Employee wages and salaries	1,909	1,829
Employer social tax and national insurance	528	217
	<b>2,548</b>	2,168

The average number of employees (including Directors) was

	2020	2019
Production	301	239
Administration	88	58
	<b>389</b>	297

### Company

The average number of employees (including Directors) was:

	2020	2019
Administration	6	6

The aggregate remuneration comprised:

	2020 US\$000	2019 US\$000
Directors' emoluments	111	122
Employee wages and salaries	-	5
Employer social tax and national insurance	2	8
	<b>113</b>	135



## 8 Impairments

	2020 US\$000	2019 US\$000
Impairments (reversed) – ore and other inventory	(32)	(138)
Impairment provided – other	66	31
	<b>34</b>	<b>(107)</b>

The reversal of impairment in 2019 relates to ore that is less than 1g/t, which was still being used in processing for operational reasons and was fully provided against in prior years.

## 9 Finance income and costs

	2020 US\$000	2019 US\$000
<b>Finance costs</b>		
Foreign exchange (loss)/gain	(1,508)	116
Unwinding of discount on provisions	(390)	(142)
Interest expense	(1,657)	(419)
Unwinding of discount other financial liabilities	(277)	(622)
Total finance costs	<b>(3,832)</b>	<b>(1,067)</b>

## 10 Loss before taxation

The loss on ordinary activities before taxation is stated after (crediting/charging):

	2020 US\$000	2019 US\$000
Staff costs (note 7)	2,548	2,168
Depreciation of tangible assets	3,950	3,353
Share based payment	2,400	–
(Profit) on disposal on tangible assets	–	(15)
Cost of inventories recognised as an expense	2,449	1,382
Provision of impairment of receivables	66	31
Reversal of impairment of inventory	(32)	(138)
Irrecoverable VAT written off	128	233
Penalties and fines	318	247
Fees payable to the Company's auditors for the audit of the Company financial statements	54	51
Fees payable to the Company's auditors for the audit of the Group financial statements	125	120
Fees payable to the auditors of the Company's Subsidiaries pursuant to legislation	29	33

## 11 Income tax

Tax charged in the income statement

	2020 US\$000	2019 US\$000
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<b>392</b>	<b>214</b>

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2020

## 11 Income tax continued

The differences are reconciled below:

	2020 US\$000	2019 US\$000
Profit/(loss) before tax	3,330	(1,042)
Corporation tax at standard rate	633	(198)
Decrease from effect of different UK tax rates on some earnings	(83)	(30)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	1,202	463
Tax decrease from utilisation of tax losses	–	(480)
Current year tax losses and other temporary differences not recognised	914	459
Foreign exchange allowable losses in subsidiary	(2,274)	–
Total tax charge	392	214

## Deferred tax Group

Deferred tax assets and liabilities are offset where they arise within the subsidiaries in Kazakhstan. The Group has recognised the deferred tax asset only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference can be utilised. The future tax profits are expected to derive from the gold mining operations in Kazakhstan. The tax losses arising in the prior periods will reduce the Company's and its subsidiaries' future tax liabilities. Deferred tax assets are recognised as the Directors believe that sufficient taxable profits will be made against which the carried forward losses can be utilised.

Unutilised taxation losses arising in Kazakhstan of US\$61.5m (2019: US\$68.1m) are available to carry forward for a maximum of 10 years. It is estimated that the tax losses available to carry forward will be utilised by 2030. Unutilised tax losses arising in the UK amount to US\$6.4m (2019: US\$6m).

## Expiry of tax losses in Kazakhstan

	2021 US\$000	2022 US\$000	2023 US\$000	2024 US\$000	2025 US\$000	2026 US\$000	2027 US\$000	2028 US\$000	2029 US\$000	2030 US\$000	Total US\$000
Expiry	–	–	–	–	1,300	33,700	500	1,800	18,700	5,500	61,500

## Unrecognised deferred taxation assets

	2020 US\$000	2019 US\$000
Taxation losses	7,454	6,965

Included within the unrecognised taxable losses above is an amount of US\$1.2m (2019: US\$1.1m) in relation to the Company, and US\$6.3m (2019: US\$5.8m) in relation to the Kazakh subsidiaries. This amount has been carried forward as the Directors are uncertain if there will be sufficient taxable profits in the foreseeable future to offset the losses incurred.

	Taxation losses US\$000	Accelerated taxation depreciation US\$000	Other timing differences US\$000	Total US\$000
1 January 2019	8,185	(315)	129	7,999
Debit to income	–	(13)	(201)	(214)
Credit to other comprehensive income	(461)	–	–	(461)
Currency translation	34	(2)	–	32
31 December 2019 and 1 January 2020	7,758	(330)	(72)	7,356
Debit to income	–	(202)	(190)	(392)
Debit to other comprehensive income	(1,011)	–	–	(1,011)
Currency translation	(686)	33	11	(642)
<b>31 December 2020</b>	<b>6,061</b>	<b>(499)</b>	<b>(251)</b>	<b>5,311</b>

## 12 Profit/(loss) per ordinary share

The calculation of basic and diluted earnings per share from continuing operations is based upon the retained profit from continuing operations for the financial year of US\$2.9m (2019: loss of US\$1.3m).

The weighted average number of ordinary shares for calculating the basic loss in 2020 and 2019 is shown below. As explained in the share capital note 23, the company consolidated its shares on a 100:1 basis during the year, the comparative figure of the number of shares has been adjusted accordingly.

The diluted earnings per share in 2020 arises as the convertible loan notes have conversion rights, which would result in an additional 702,650 shares being issued.

## 12 Profit/(loss) per ordinary share continued

As the Company was loss making in 2019, the impact of the potential ordinary shares outstanding from the conversion of the convertible loan notes would be anti-dilutive, and as such the basic and diluted earnings per share are the same.

	2020 No.	2019 No.
Basic	26,070,079	25,677,720
Diluted	26,772,729	n/a

## 13 Adjusted EBITDA

The Directors of the Company have presented the performance measure adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) as they monitor this performance measure at a consolidated level, and the Directors believe it is relevant to measuring the Group's performance. Adjusted EBITDA is calculated by adjusting the net profit for interest, tax, depreciation, amortisation and exceptional items. In the current year, exceptional item relates to the share based payment transaction (see note 23).

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures as disclosed by other entities.

### Reconciliation of adjusted EBITDA to profit after tax

	2020 US\$000	2019 US\$000
Profit/(loss) after tax	2,938	(1,256)
Income tax expense	392	214
Finance expense	2,324	1,183
Foreign exchange	1,508	(116)
Depreciation and amortisation	3,950	3,353
Share based payment	2,400	–
Adjusted EBITDA	13,512	3,378

## 14 Intangible assets Group

	Teren-Sai geological data US\$000	Exploration and evaluation costs US\$000	Total US\$000
<b>Cost or valuation</b>			
At 1 January 2019	9,889	5,919	15,808
Additions	–	552	552
Amortisation capitalised	–	992	992
Currency translation	42	25	67
At 31 December 2019	9,931	7,488	17,419
At 1 January 2020	9,931	7,488	17,419
Additions	–	1,271	1,271
Amortisation capitalised	–	608	608
Currency translation	(905)	(717)	(1,622)
<b>At 31 December 2020</b>	<b>9,026</b>	<b>8,650</b>	<b>17,676</b>
<b>Amortisation</b>			
At 1 January 2019	3,470	–	3,470
Amortisation charge	992	–	992
Currency translation	14	–	14
<b>At 31 December 2019</b>	<b>4,476</b>	<b>–</b>	<b>4,476</b>
At 1 January 2020	4,476	–	4,476
Amortisation charge	608	–	608
Currency translation	(422)	–	(422)
Revenue relating to test production	–	165	165
<b>At 31 December 2020</b>	<b>4,662</b>	<b>165</b>	<b>4,827</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>4,364</b>	<b>8,485</b>	<b>12,849</b>
<b>At 31 December 2019</b>	<b>5,455</b>	<b>7,488</b>	<b>12,943</b>
<b>At 1 January 2019</b>	<b>6,419</b>	<b>5,919</b>	<b>12,338</b>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2020

The intangible assets relate to the historic geological information pertaining to the Teren-Sai ore fields. The ore fields are located in close proximity to the current open pit and underground mining operations of Sekisovskoye. The Company obtained a contract for exploration and evaluation on the site in May 2016 from the Kazakh authorities. The contract is valid for a period of 6 years, with a right to extend over a further 5 years.

The value of the geological data purchased is in the opinion of the Directors the value that would have been incurred if the drilling had been undertaken by a third party (or internally). The Company has continued to develop the site with a CPR completed in 2019, and confirmatory drilling and further exploration work continuing on the site. Full details are given in the mineral resources statement included as part of the Annual Report.

The directors consider that no impairment is required taking into account the CPR results, exploration and planned production in the future. The write off of the geological data over the period of the licence to the end of the extended licence period in 2027 is appropriate. After that period the costs amortised are capitalised in line with the Company's accounting policy within the subsidiary TOO GMK Altyn MM LLP, there are no impairment indicators.

**15 Property, plant and equipment**

Group	Mining properties US\$000	Freehold Land and buildings US\$000	Equipment, fixtures and fittings US\$000	Plant, machinery and buildings US\$000	Assets under construction US\$000	Total US\$000
<b>Cost or valuation</b>						
At 1 January 2019	11,730	24,481	9,701	5,047	978	51,937
Additions	2,140	71	239	2,469	301	5,220
Disposals	–	(4)	(34)	(41)	–	(79)
Transfers	–	134	–	–	(134)	–
Currency translation	79	104	39	26	(78)	170
At 31 December 2019	13,949	24,786	9,945	7,501	1,067	57,248
At 1 January 2020	13,949	24,786	9,945	7,501	1,067	57,248
Additions	1,622	166	2,838	2,717	1,246	8,589
Disposals	–	–	(70)	(180)	–	(250)
Transfers	(764)	1,383	(26)	18	(471)	140
Transfer from inventories	–	–	–	–	241	241
Currency translation	(1,543)	(2,285)	(907)	(734)	(110)	(5,579)
<b>At 31 December 2020</b>	<b>13,264</b>	<b>24,050</b>	<b>11,780</b>	<b>9,322</b>	<b>1,973</b>	<b>60,389</b>
<b>Depreciation</b>						
At 1 January 2019	2,220	8,291	8,501	4,534	–	23,546
Charge for year	209	2,133	794	217	–	3,353
Eliminated on disposal	–	(3)	(30)	(40)	–	(73)
Currency translation	12	35	40	19	–	106
Transfers	–	107	(101)	(6)	–	–
At 31 December 2019	2,441	10,563	9,204	4,724	–	26,932
At 1 January 2020	2,441	10,563	9,204	4,724	–	26,932
Charge for the year	520	1,885	773	772	–	3,950
Eliminated on disposal	–	–	(70)	(180)	–	(250)
Currency translation	(232)	(997)	(805)	(441)	–	(2,475)
Transfers	140	(80)	80	–	–	140
<b>At 31 December 2020</b>	<b>2,869</b>	<b>11,371</b>	<b>9,182</b>	<b>4,875</b>	<b>–</b>	<b>28,297</b>
<b>Carrying amount</b>						
<b>At 31 December 2020</b>	<b>10,395</b>	<b>12,679</b>	<b>2,598</b>	<b>4,447</b>	<b>1,973</b>	<b>32,092</b>
<b>At 31 December 2019</b>	<b>11,508</b>	<b>14,223</b>	<b>741</b>	<b>2,777</b>	<b>1,067</b>	<b>30,316</b>
<b>At 1 January 2019</b>	<b>9,510</b>	<b>16,190</b>	<b>1,200</b>	<b>513</b>	<b>978</b>	<b>28,391</b>

Capitalised cost of mining property are amortised over the life of the licence from commencement of production on a unit of production basis. This basis uses the ratio of production in the period compared to the mineral reserves at the end of the period. Mineral reserves estimates are based on a number of underlying assumptions, which are inherently uncertain. Mineral reserves estimates take into consideration estimates by independent geological consultants. However, the amount of mineral that will ultimately be recovered cannot be known until the end of the life of the mine.

Any changes in reserve estimates are, for amortisation purposes, treated on a prospective basis. The recovery of the capitalised cost of the Company's property, plant and equipment is dependent on the development of the underground mine.

The Directors are required to consider whether the non-current assets comprising, mineral properties, plant and equipment have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The directors considered entity specific factors such as available finance, cost of production, grades achievable, and sales price. The directors have concluded that no adjustment is required for impairment.

**15 Property, plant and equipment** continued  
**Company**

	Other property, plant and equipment US\$000	Total US\$000
<b>Cost or valuation</b>		
At 1 January 2019	467	467
At 31 December 2019	467	467
At 1 January 2020	467	467
At 31 December 2020	467	467
<b>Depreciation</b>		
At 1 January 2019	330	330
Charge for year	70	70
At 31 December 2019	400	400
At 1 January 2020	400	400
Charge for the year	67	67
<b>At 31 December 2020</b>	<b>467</b>	<b>467</b>
<b>Carrying amount</b>		
<b>At 31 December 2020</b>	<b>–</b>	<b>–</b>
At 31 December 2019	67	67
At 1 January 2019	137	137

**16 Investments**

**Summary of the company investments**

Name	Percentage held	Country of registration & operation
<b>Directly held</b>		
Hambledon Mining Company Limited	100	British Virgin Islands
TOO GMK Altyn MM	100	Kazakhstan
<b>Indirectly held</b>		
DTOO Gornorudnoe Predpriatie Baurgold	100	Kazakhstan

The principal activity of all companies relates to gold mining and production with the exception of Hambledon Mining Company Limited which is an investment holding Company and is currently dormant, its registered address is Palm Grove House, P O Box 438, Road Town, Tortola, British Virgin Islands.

Both Companies trade from 10 Novostroyevsaya Street, Glubokovskoye district, Sekisovka village East Kazakhstan.

	Shares US\$000	Contribution to investment adjustment US\$000	Subsidiaries loans US\$000	Total US\$000
1 January 2019	225	10,090	61,407	71,722
Net cash movements	–	–	44	44
Management charges and interest	–	–	5,566	5,566
Impairment reversal – IFRS9	–	–	1,015	1,015
Transfer of loans from subsidiaries	–	–	16,975	16,975
Adjustment as a result of loan repayment terms	–	31,133	(31,133)	–
31 December 2019	225	41,223	53,874	95,322
Net cash movements	–	–	200	200
Management charges and interest	–	–	5,685	5,685
Impairment reversal - IFRS9	–	–	279	279
Adjustment as a result of loan repayment terms	–	8,891	(398)	8,493
<b>31 December 2020</b>	<b>225</b>	<b>50,114</b>	<b>59,640</b>	<b>109,979</b>

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2020

## 16 Investments continued

	Total US\$000
<b>Movement of expected credit loss</b>	
1 January 2019	32,970
Impairment reversal – IFRS9	(1,015)
31 December 2019	31,955
Impairment reversal – IFRS9	(279)
<b>31 December 2020</b>	<b>31,676</b>

The investments together with the loans which are denominated in US Dollars represent the investments into the subsidiaries and in the opinion of the directors the aggregate value of the investments in the subsidiaries is not less than the amount shown in these financial statements. The directors review the intercompany borrowings on a regular basis, together with the associated cash flows of each company, and assess under the expected credit loss (ECL) model as required by IFRS 9.

The loans to subsidiaries are charged at interest rates ranging from interest free to a range of 5-7%. The intercompany loans are repayable at the earliest October 2029 as the parent Company needs to give a three year formal request for repayment after the Bank Center Credit loan has been repaid which is due for payment in October 2026.

The Company has applied IFRS 9 in the current period and estimates that there is a reversal of an ECL calculated of US\$279,000 (2019: US\$1m) on the receivables from the subsidiaries. The total ECL as at 31 December 2020 is US\$31.7m (2019: US\$31.9m).

The intercompany loans at present are considered to be in stage 2, and have been assessed as indicated in the IFRS 9 ECL model, with extensions being made on the repayment terms of the original loans that were given. As the loans are considered to be in stage 2 a lifetime ECL is determined using all relevant, reasonable and supportable historical, current and forward-looking information that provides evidence about the risk that the subsidiaries will default on the loan and the amount of losses that would arise as a result of that default. The Company applied a spread of sensitivities ranging from full recovery of the loans estimated at 10%, to a recovery of 80% of the loans at a 75% probability, based on a weighted average of the probabilities the Company estimated a total ECL to be provided of US\$31.7m. If the probability of recoverability worsened by 10% the ECL would increase by US\$8.5m from the prior year.

The reversal of impairment for the year is recognised in the income statement within administrative expenses.

## 17 Inventories

	2020 US\$000	Group 2019 US\$000
Ore	3,752	1,794
Raw materials and consumables	997	1,068
Work in progress	263	408
Finished goods and goods for resale	456	361
	<b>5,468</b>	<b>3,631</b>

The value of inventories above is stated net of a provision for low grade ore made in prior periods of US\$1.1m (2019: US\$1.2m). A provision was made in the year against spare parts and consumables that are assessed as being slow moving that may not be required for future repairs or production of US\$327,000 (2019: US\$359,000), resulting in a write back in the year of US\$32,000.

The movement in inventory recognised as an expense in the income statement is US\$2.5m (2019: US\$1.4m).

## 18 Trade and other receivables

### Non-current

	Group 2020 US\$000	Group 2019 US\$000	Company 2020 US\$000	Company 2019 US\$000
Other receivables	1,705	1,856	–	–
Prepayments – advances for equipment	4,995	4,192	–	–
	<b>6,700</b>	<b>6,048</b>	<b>–</b>	<b>–</b>

**18 Trade and other receivables** continued

**Current**

	Group		Company	
	2020 US\$000	2019 US\$000	2020 US\$000	2019 US\$000
Vat recoverable	3,549	2,061	71	10
Prepayments	2,826	659	5	3
Other receivables – recoverable	823	895	–	–
Other receivables – provision	(16)	–	–	–
	<b>7,182</b>	<b>3,615</b>	<b>76</b>	<b>13</b>

The trade receivables are stated at full carrying value and their ageing is less than 30 days old. The Directors consider that the carrying value of trade receivables approximates to their fair value.

Prepayments have increased as a result of increased advance payments to suppliers for parts and consumables.

Other receivables included within non-current assets for 2020 and 2019 relate to an amount recoverable in relation to Value Added Tax, this is expected to be recovered by offset against VAT payable in future periods.

**19 Trade and other payables**

**Non-current**

	Group	Group	Company	Company
	2020 US\$000	2019 US\$000	2020 US\$000	2019 US\$000
VAT payable	230	964	–	–
Other taxes payable	492	1,333	–	–
	<b>722</b>	<b>2,297</b>	<b>–</b>	<b>–</b>

**Current**

	Group		Company	
	2020 US\$000	2019 US\$000	2020 US\$000	2019 US\$000
Trade payables	2,161	4,652	100	2
Other taxes payable	2,050	342	1	–
Other creditors	492	1,371	196	332
VAT payable	2,002	1,188	–	–
	<b>6,705</b>	<b>7,553</b>	<b>297</b>	<b>334</b>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases of goods and services. The majority of the trade creditors relate to the Company's trading subsidiaries in Kazakhstan. For most suppliers, interest is not charged on trade payables. The Company regularly reviews all outstanding payables to ensure they are paid within the appropriate time frame.

VAT payable relates to amounts due and payable and scheduled for payment with the Kazakh tax authorities.

The Company has agreed a payment plan with the Kazakh authorities in relation to the payment of royalties which are due. The portion agreed to be paid within one year is US\$1,899,000 (2019:US\$342,000), and an amount due of US\$446,000 is payable in more than one year, (2019 US\$1,333,000).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2020

## 20 Related party transactions

### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 – “Related Party Disclosures”. The total amount remaining unpaid with respect to remuneration of key management personnel amounted to US\$52,000 in the current year (2019: US\$149,000). Further information about the remuneration of the individual directors is set out in the audited section of the report on directors’ remuneration on page 31.

	Group 2020 US\$000	Group 2019 US\$000	Company 2020 US\$000	Company 2019 US\$000
Short term employee benefits	111	122	111	122
Social security costs	2	7	2	7
	<b>113</b>	129	<b>113</b>	129

### Related party transactions

The transactions between the Company and the subsidiaries are disclosed in Note 16. These relate to management and interest charges on services/loans from the parent to the subsidiaries in Kazakhstan.

During the year the following transactions were conducted with the Companies controlled by the Assaubayev family:

- ▲ Asia Mining Group (AMG), a company controlled by the Assaubayev family supplied equipment and spares to the Company in prior years. At the year end an amount of US\$85,982 (2019 US\$165,000) is due to AMG and is included within other trade payables;
- ▲ Director fees in the amount of US\$34,560 to Vladimir Shkolnik has been paid by Amrita Investments Limited on behalf of the Company and has remained in the outstanding balance of the payable at year end.
- ▲ Amounts due by the Group to Amrita Investments Limited a company controlled by the Assaubayev family, total US\$45,000 (US\$1,047,000) this includes interest repayable of US\$nil (2019: US\$421,000). No interest is being charged on the balance outstanding as at 31 December 2020 which is repayable on demand. In addition in February 2020 Amrita Investments Limited a company controlled by the Assaubayev family made a payment to acquire the US\$1.5m convertible loan note from the previous institutional bondholders who went into liquidation, on the same terms and conditions of the original loan note. The payments in the Consolidated and Company statements of cash flows were shown gross as the Company was facilitating the settlement of the convertible loan note between the previous bondholder and Amrita Investments Limited. As of 31 December 2020, the outstanding balance with the accrued interest amounted to \$1,525,747. Further details on the movements and the closing balances in relation to Amrita Investments Limited are shown in note 24.
- ▲ An interest free loan was received from Chartmile of US\$81,000, in 2019 this was repaid in the year;
- ▲ In 2016 the Company issued US\$10m of convertible bonds to African Resources Limited which is an immediate controlling party (see note 25), a company controlled by the Assaubayev family. The bonds carry a coupon of 10% per annum, payable semi-annually in arrears on 29 July and 28 February each year, see note 22. The balance of the principal on the bond was repaid in March 2021.
- ▲ The Company received an interest free loan from Bolat Assaubayev, a relative of the Assaubayev family during 2019. Of the total received of US\$1,045,000 an amount of US\$673,000 was outstanding at the end of December 2019 this was repaid during 2020, see note 24.



## 21 Provisions

	Abandonment & restoration US\$000	Holiday pay US\$000	Total US\$000
<b>Group</b>			
1 January 2019	4,412	94	4,506
Change in estimate of provision	–	176	176
Unwinding of discount	576	–	576
Paid during the year	–	(140)	(140)
Currency translation reserve	19	–	19
31 December 2019 & 1 January 2020	5,007	130	5,137
Change in estimate of provision	(171)	119	(52)
Unwinding of discount	390	–	390
Paid during the year	–	(87)	(87)
Currency translation adjustment	(463)	(11)	(474)
31 December 2020	4,763	151	4,914
<b>31 December 2020</b>			
Current	–	151	151
Non-current	4,763	–	4,763
	4,763	151	4,914
<b>31 December 2019</b>			
Current	–	130	130
Non-current	5,007	–	5,007
	5,007	130	5,137

### Abandonment and restoration costs

In accordance with the provisions of the subsoil use contract (the "Contract"), DTOO GRP Baurgold is liable for site restoration costs upon completion of production activities. It is not possible to predict accurately the amount which might ultimately be payable for site restoration as it includes assumptions such as inflation in Kazakhstan over the life of the Contract which are inherently uncertain. An estimate of the future cost of restoration has been discounted and a provision recognised. The discounted amount for cost of restoration has been capitalised as a tangible fixed asset (note 15) and will be amortised using the unit of production method over the life of the mine.

In accordance with the subsoil use agreement, DTOO GRP Baurgold has established a cash fund to pay for the cost of restoration. The cash fund is maintained in a separate bank account in the name of DTOO GRP Baurgold. DTOO GRP Baurgold is required to contribute each year an amount equal to 1% of its operating expenses (being the cost of sales of DTOO GRP Baurgold in extracting the ore) to this fund. Any transfers from the bank account require the authorisation of the Government of Kazakhstan. This fund will be used to pay for the costs of restoration as and when they become due. If the funds in the account are insufficient to pay for the costs, DTOO GRP Baurgold will be required to pay any deficit. If there are funds surplus to those required for restoration these will be returned to DTOO GRP Baurgold.

At the year end the amount in the fund amounted to US\$13,000 (2019: US\$nil). The Company has an obligation to contribute to the restricted cash fund as stipulated in its licence, and has been in communication with the relevant authorities to restore the fund to the required level in 2021. The failure to comply in the year with certain administrative requirements of the licence including the maintenance of the cash fund may result in a penalty estimated to be less than US\$2,000.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2020

## 22 Loans and borrowings

	Group 2020 US\$000	Group 2019 US\$000	Company 2020 US\$000	Company 2019 US\$000
<b>Current loans and borrowings</b>				
Bonds	2,882	–	2,882	–
Bank loans	2,906	–	–	–
Related party loans (see note 20)	45	1,801	35	616
Other borrowings	–	749	–	–
	<b>5,833</b>	2,550	<b>2,917</b>	616
<b>Due one – two years</b>				
Bonds	9,317	4,171	9,317	4,171
Bank loans	2,997	1,470	–	–
	<b>12,314</b>	5,641	<b>9,317</b>	4,171
<b>Due two – five years</b>				
Bonds	–	2,340	–	2,340
Bank loans	8,990	4,411	–	–
	<b>8,990</b>	6,751	–	2,340
<b>Due more than five years</b>				
Bank loans	1,956	2,635	–	–
<b>Total non-current loans and borrowings</b>	<b>23,260</b>	15,027	<b>9,317</b>	6,511

### Convertible bonds

#### US\$10m convertible bond

In 2016 the Company secured a total of US\$10m proceeds from a convertible loan with the major shareholder, African Resources Limited. The loan bears a coupon of 10% per annum, payable semi-annually. In January 2018 the bond holders elected to convert US\$9.72m of the bond into ordinary shares of the Company at the conversion price of 3p per share, resulting in the issue of 233,333,333 new ordinary shares being issued to African Resources Limited at that time.

As further discussed in the note 4 the total value of the conversion option was determined at fair value on inception to be US\$1.9m, as at 31 December 2020 the fair value of the conversion option is US\$nil (2019: US\$nil). The part relating to the conversion of the bond into shares has been recognised in equity. The residual value was assigned to the debt host liability and accounted for at amortised cost using the effective interest rate of 17%, the total liability is US\$652,000 (2019: US\$2.1m) and includes accrued interest US\$375,000 and applicable taxes (2019: US\$1.9m). The bond was repaid in March 2021.

#### US\$2m convertible bond

In 2016 the Company entered into US\$2m convertible loans with institutional investors. The loans bear a coupon rate of 10% per annum, payable semi-annually and are due for repayment in May 2021. The Notes can be converted into Ordinary Shares of the Company at a price of 2.15p per share any time prior to maturity. The exchange rate of US\$1.466 for £1 shall be used to determine the number of conversion shares. The number of shares to be issued if the conversion option was exercised is 634,538.

In February 2020 Amrita Investments Limited made a payment to assume US\$1.5m of the convertible bonds from the previous institutional bondholders who went into liquidation.

The conversion option meets the fixed-for-fixed criteria and therefore has been classified as equity instrument in the other reserves. On initial recognition Management have assessed the value of the contractual cash flows discounted at the interest rate of 15% being the market interest rate for the similar instruments without a conversion feature. The value of liability component is US\$2.2m including interest and applicable taxes (2019 US\$2.06m). The remaining balance initially calculated of \$0.3m is allocated to the residual equity component.

### Other bonds

#### Bond Listed on Astana International Exchange

In December 2019 the Company issued bonds to the value of US\$2,340,000, net of expenses amounting to US\$263,000. In March and July 2020 the balance of the bonds were issued raising US\$6.8m after expenses US\$588,000. The total number of bonds at the year end amounts to US\$10m at a coupon rate of 9% repayable in December 2022. At the year end the carrying value approximates to their fair value.

### Other loans

#### Related party loans

The total comprises amounts that are payable to Amrita Investments Limited amounting to US\$45,000 (2019: US\$1.047m), together with the US\$2m convertible bond (note 20 above) of US\$1.5m. Both amounts are due for repayment within one year.

In 2020 the loans payable to Chartmile Resources Inc. of US\$81,000, and the balance due to a relative of the Assaubayev family of US\$673,000 were repaid in the year.

## 22 Loans and borrowings continued

### Bank loans

In September 2019 the Company agreed a facility with JSC Bank Center Credit (BCC) for an amount of US\$17m. The amount was divided into US\$7m relating to a general working capital loan and US\$10m to be used specifically for capital expenditure. The Company had a facility remaining of US\$8.0m as at the end of 2019, this was drawn down during 2020.

The bank loan is repayable in instalments over a term of 7 years and bears interest at 6%-7%, capital repayments commenced during the year in October 2020.

In December 2020 the Company agreed a new facility with BCC of US\$5.5m (2.3bn Tenge), of this amount US\$3.6m has to be utilised to purchase equipment and the balance of US\$1.9m for working capital purposes. US\$973,000 was drawn down in December 2020. The loan is denominated in Kazakh Tenge with interest at 15.5% repayable in instalments over 5 years with a 6 month capital repayment holiday.

The bank loans are secured over the assets of the Group.

The total borrowings of the Group disclosing the scheduled repayments of capital and interest are disclosed in note 25.

## 23 Share capital

### Issued and fully paid

	Number	US\$000
<b>At 31 December 2020 – Ordinary shares of £0.10 each</b>	27,332,933	4,267
<b>At 31 December 2019 – Ordinary shares of £0.001 each</b>	2,568,834,400	4,055

In June 2020 10,429,930 shares were issued for a total consideration of US\$75,000 in order to settle outstanding remuneration due to a former Director of the Company.

In October 2020 a further 154,028,981 shares were issued for a consideration of US\$1.5m under an option agreement that was granted in June 2020 to the broker that arranged the listing of the US\$10m 9% bonds on the Astana Stock Exchange.

The fair values on the grant date was determined using the Black-Scholes option pricing model. The following key assumptions were used in determining the share options' fair value at the grant date, market stock price 2.2p, option strike price 0.75p, volatility 71.6%, risk free rate 0.82%.

In November 2020 the Company consolidated its shares on a 100:1 basis, this resulted in the nominal value of the shares being revalued from £0.001 to £0.10.

The rights attaching to the shares are detailed in the Directors report on page 24.

## 24 Notes to the cash flow statement

	Group 2020 US\$000	Group 2019 US\$000	Company 2020 US\$000	Company 2019 US\$000
Profit/(loss) before taxation	3,330	(1,042)	(120)	5,370
Adjusted for:				
Finance income	–	–	(2,775)	(2,766)
Finance expenses	1,657	419	1,665	387
Unwinding of discount	667	764	(1,668)	(2,707)
Depreciation of tangible fixed assets	3,950	3,353	67	70
Impairments and provisions (reversal)/provided	(52)	70	(279)	(1,015)
Provision of impairment receivable	66	–	–	–
(Increase) in inventories	(2,409)	(2,115)	–	–
(Increase) in trade and other receivables	(4,901)	(1,495)	(156)	(89)
Share based payment transaction	2,400	–	2,400	–
(Decrease) in other financial liabilities	–	(122)	82	–
(Increase)/decrease in trade and other payables	(1,971)	(2,533)	35	(110)
Profit on disposal of property, plant and equipment	–	(15)	–	–
Foreign currency translation	1,508	(116)	–	–
<b>Cash inflow/(outflow) from operations</b>	<b>4,245</b>	<b>(2,832)</b>	<b>(749)</b>	<b>(860)</b>
Income taxes payable	–	–	–	–
<b>Net cash inflow/(outflow) from operations</b>	<b>4,245</b>	<b>(2,832)</b>	<b>(749)</b>	<b>(860)</b>



24 Notes to the cash flow statement continued

Company	Cashflow		Cash changes		Non-Cash changes			31 December 2019 C/fwd US\$000
	1 January 2019 B/fwd US\$000	New loans US\$000	Loans repaid US\$000	Interest repaid US\$000	Interest charges and unwinding of discount US\$000	Foreign exchange US\$000	Unwinding of discount US\$000	
Loan element of US\$10m convertible bond	2,090	–	–	–	21	–	–	2,111
Loan element of US\$2m convertible bond	1,873	–	–	(160)	347	–	–	2,060
Loan element of Kazakhstan listed bond	–	2,321	–	–	19	–	–	2,340
Chartmile Resources Inc	–	81	–	–	–	–	–	81
Amrita Investments Limited	151	652	(268)	–	–	–	–	535
<b>Net cash outflow from financing activities</b>	<b>4,114</b>	<b>3,054</b>	<b>(268)</b>	<b>(160)</b>	<b>387</b>	<b>–</b>	<b>–</b>	<b>7,127</b>
<b>Due within one year</b>	151							616
<b>Due after one year</b>	3,963							6,511
	<b>4,114</b>							<b>7,127</b>

25 Financial instruments

Financial instruments by category

Financial assets	Group 2020 US\$000	Group 2019 US\$000	Company 2020 US\$000	Company 2019 US\$000
Cash and cash equivalents	7,154	3,615	6,316	1,787
Other receivables and advance payments	779	4,869	5	3
	<b>7,933</b>	<b>8,484</b>	<b>6,321</b>	<b>1,790</b>

Financial instruments by category

Financial liabilities	Group 2020 US\$000	Group 2019 US\$000	Company 2020 US\$000	Company 2019 US\$000
Trade and other payables	2,653	6,023	297	334
Loans and borrowings	29,093	17,577	12,234	7,127
	<b>31,746</b>	<b>23,600</b>	<b>12,531</b>	<b>7,461</b>

Financial assets and liabilities are measured at amortised cost.

Policy on financial risk management

The Company's principal financial instruments comprise cash and cash equivalents, trade receivables, trade and other payables, other financial liabilities and borrowings. The Company's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 4 - "accounting policies". The Company does not use financial instruments for speculative purposes. The carrying value of all financial assets and liabilities approximates to their fair value.

Capital risk management

The Company's primary objective when managing risk is to ensure there is sufficient capital available to support the Company's funding requirements, including capital expenditure, in a way that optimises the cost of capital. Maximises shareholders' returns and ensures the Company's ability to continue as a going concern. There were no changes to the Company's capital management approach in the year.

The Company may make adjustments to the capital structure as opportunities arise, as and when borrowings mature or as and when funding is required. This may take the form of raising equity, debt finance, equipment supplier credit or a combination thereof.

The Company monitors capital on the basis of the gearing ratio, which is defined as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. While the Company does not set absolute limits on the ratio, the Company believes that a ratio of 30%-40% is acceptable as the Company continues the construction and development of the underground of the Sekisovskoye mine, and that optimally this should reduce to and remain below 25% thereafter. The Company's policy in respect of capital risk management is the same as that of the Group.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2020

## 25 Financial instruments continued

	2020 US\$000	2019 US\$000
<b>Group</b>		
Total borrowings	29,093	17,577
Less: cash and cash equivalents	(7,154)	(1,934)
<b>Net debt</b>	<b>21,939</b>	15,643
Total equity	35,335	33,279
<b>Total Capital</b>	<b>57,274</b>	48,922
Gearing ratio	<b>38.30%</b>	31.98%
<b>Company</b>		
Total borrowings	12,234	7,127
Less: cash and cash equivalents	(6,316)	(1,787)
Net debt	5,918	5,340
Total equity	76,608	72,753
<b>Total Capital</b>	<b>82,526</b>	78,093
Gearing ratio	<b>7.20%</b>	6.8%

### Derivatives, financial instruments and risk management

The Company does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

### Foreign currency risk management

The Company and its subsidiaries have transactional currency exposures. Such exposures arise from sales or purchases by the Company's two subsidiaries in Kazakhstan, in currencies other than the Company's functional currency. The functional currency of TOO GMK Altyn MM and DTOO Gornorudnoe Predpriatie Baurgold is the Kazakh Tenge. The currency transactions giving rise to this foreign currency risk are primarily USD denominated revenues, USD denominated borrowings and other financial liabilities and certain USD denominated trade payables. The Company and its subsidiaries do not enter into hedging positions in respect of its exposure to foreign currency risk.

The carrying amounts of the Groups foreign currency denominated net monetary assets and monetary liabilities at 31 December, are as follows:

Group	2020 US\$000			2019 US\$000		
	US\$	Functional currency KZT	Total	US\$	Functional currency KZT	Total
Currency of monetary asset/liability						
US Dollar	(5,937)	(15,994)	(21,931)	(5,355)	(9,573)	(14,928)
British Pound	(274)	-	(274)	(312)	-	(312)
Kazakhstan Tenge	-	(1,540)	(1,540)	-	(4,258)	(4,258)
Russian Rouble		(71)	(71)		-	-
Net Monetary position			<b>(23,816)</b>			(19,498)
<b>Company</b>						
Currency of monetary asset/liability						
US Dollar		(5,898)	(5,898)	(5,355)		(5,355)
British Pound		(274)	(274)	(312)		(312)
Net Monetary position			<b>(6,172)</b>			(5,667)

## 25 Financial instruments continued

### Sensitivity analysis

A 10% (2019: 20%) strengthening, or weakening, of any one of the above currencies against the US Dollar which the Directors consider to be a reasonable possible change, based on future predictions of currency movements for the purpose of sensitivity analysis, is shown below:

Group	2020 US\$000	2019 US\$000
10% (2019: 20%) weakening/strengthening of Kazakh Tenge against the US Dollar	<b>(1,760)</b>	(1,915)

### Commodity price risk

The Company is exposed to the effect of fluctuations in the price of gold and silver which are quoted in US Dollars on the international markets. The Company prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of prices of these metals.

The Company's only significant sales during the years ended 31 December 2020 and 2019 were sales of gold doré containing gold and silver. The sales proceeds for gold doré is fixed by reference to the gold and silver prices on the day of sale. The Company does not plan in the future to hedge its exposure to the risk of fluctuations in the price of gold or silver and therefore it held no financial instruments that are sensitive to commodity price changes at either reporting date.

### Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Company. The Group has adopted a policy of only dealing with creditworthy counter-parties. The Group's exposure and the credit ratings of its counter-parties are monitored by the Board of Directors to ensure that the aggregate value of transactions is spread amongst approved counter-parties. In the current climate due the COVID-19 pandemic, the Company is aware that there may be issues in relation to recoverability and safe guarding of its assets and has built this into their assessments of the creditworthiness of counter-parties.

The Group's principal financial assets are cash and cash equivalents, trade debtors and other accounts receivables. Cash equivalents include amounts held on deposit with financial institutions.

The Group is mainly exposed to credit risk on its cash equivalents and trade and other receivables as per the balance sheet. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet which at the year end amounted to Cash and cash equivalents US\$7.2m (2019: US\$1.9m), and other receivables (excluding VAT and other taxes) of US\$779,000 (2019: US\$5.7m).

Although the full scope tax audit which was completed in the prior year showed no material issues, there is always the possibility of fiscal change in the country. Kazakhstan is a relatively young country and there have been a number of fiscal changes in recent years, which in some cases related to the mining industry.

The credit risk on liquid funds held in current accounts and available on demand is limited because the Group's counter-parties are mainly banks with high credit ratings assigned by international credit-rating agencies.

It is often impractical in Kazakhstan to carry out a check of creditworthiness of suppliers before making the contracted prepayments. There were no significant balances at 31 December 2020 and 2019 in respect of which suppliers had defaulted on their obligations.

The Company's maximum exposure to credit risk is limited to the carrying amount of loans recorded in the financial statements. The majority of the loans are on fixed repayment terms in relation to intercompany borrowings the Company has applied IFRS 9 which resulted in a significant impairment in the prior periods. The recoverability of the loans has been reassessed in the current year which resulted in a decrease in the provision by US\$279,000 see note 16.

### Liquidity risk

During the year ended 31 December 2020, the Company was financed by internally generated funds, and other borrowings principally from bank borrowings and the bond raised on the Astana Stock Exchange. The Company manages its liquidity risk. The Directors monitor cash flow and cash flow forecasts on a regular basis and ensure that the loan commitments and working capital commitments are adequately funded.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2020

## 25 Financial instruments continued

The following tables detail the Group and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company and its subsidiaries can be required to pay. The table includes both interest and principal cash flows.

Group	Borrowings US\$000	Trade and other payables US\$000	Total US\$000
<b>31 December 2020</b>			
Due after more than five years	2,088	–	2,088
From two to five years	10,604	–	10,604
From one to two years	14,855	–	14,855
Due after more than one year	27,547	–	27,547
Due within one year	7,243	2,653	9,896
	<b>34,790</b>	<b>2,653</b>	<b>37,443</b>

Group	Borrowings US\$000	Trade and other payables US\$000	Total US\$000
<b>31 December 2019</b>			
Due after more than five years	9,391	–	9,391
From two to five years	3,499	–	3,499
For one to two years	3,547	–	3,547
Due after more than one year	16,437	–	16,437
Due within one year	2,287	6,365	8,652
	18,724	6,365	25,089

Company	Intercompany loan US\$000	Borrowings US\$000	Trade and other payables US\$000	Total US\$000
<b>31 December 2020</b>				
Due after more than five years	47,995	–	–	47,995
For one to two years	–	10,878	–	10,878
Due after more than one year	47,995	10,878	–	58,873
Due within one year	–	3,285	297	3,582
	<b>47,995</b>	<b>14,163</b>	<b>297</b>	<b>62,455</b>

Company	Intercompany loan US\$000	Borrowings US\$000	Trade and other payables US\$000	Total US\$000
<b>31 December 2019</b>				
Due after more than five years	33,100	–	–	33,100
From two to five years	–	2,540	–	2,540
From one to two years	–	2,587	–	2,587
Due after more than one year	33,100	5,127	–	38,227
Due within one year	–	1,076	334	1,410
	33,100	6,203	334	39,637



## 25 Financial instruments continued

### Borrowings and interest rate risk

There is no exposure to interest rate risk as the current principal borrowings in the Company and its subsidiaries are at fixed rates. The bonds at a fixed coupon rate of 9 - 10%, and the other borrowings at an average interest rate of 6 - 7%, see note 22.

The significant commitments and contingencies in relation to the group are as noted below.

#### (a) Contractual liabilities

Subsoil use rights are not provided to the Company on an indefinite basis, and each renewal shall be approved before the current contract or license expires. These rights can be cancelled by the Government of the Republic of Kazakhstan (hereinafter referred to as "the Government") if the Company does not fulfil contractual liabilities.

#### Deposit development costs

In accordance with the subsoil use contract, the Company has an approved working programme which may be reviewed and reconsidered depending on the economic viability and operational conditions of the deposit. The management of the Company believes it has fulfilled the requirements of the Contract.

#### Training for Kazakhstani specialists

In accordance with the terms of the contract the Company is liable for the annual costs incurred in respect of the professional training of the Kazakhstani personnel involved in the work. The costs are estimated to be at least 1% of the operational costs during the development and operational process.

#### Development of the social sphere of the region

According to the terms of the contract, the Company is liable for supporting the development and ensuring social support for the activity of the communities near the area of operations of the Company. As at 31 December 2020, the Company has met all the conditions of the Contract.

#### Liabilities on the restoration of the mine

Within eighty calendar days upon the expiration of the contract the Company is liable for the development of the mine restoration programme and its inspection by the competent authority of the Government of the Republic of Kazakhstan. The Company is liable for implementation of the programme upon its approval.

#### (b) Taxation risks

The tax system of Kazakhstan, being relatively new, is characterised by frequent changes to the legal norms, official interpretations and court decisions, which are often not explicit and can be contradictory. This leads to differing interpretations by the tax authorities. The examination and investigations of the accounts to ensure that the tax payable is accurate are carried out by several regulatory bodies. These bodies have the power to impose heavy fines and penalties. The accuracy of the tax computation can be investigated five calendar years after the end of the accounting period. In certain circumstances this period can be increased.

#### (c) Insurance

In accordance with the subsoil use contract the Company is liable for the development of the insurance programme and its submission for approval by the competent authority. The Company has several contracts of obligatory insurance including insurance of the vehicle owners, the employer's liability and insurance of the subsoil users' liability where the activity of such subsoil users is connected to the damage to third parties.

#### (d) Court proceedings

The claims on the Company are periodically set out in the courts along with the Company's activities. As at the reporting date, there are no material claims against the Company.

As part of the settlement in relation to the tailings dam restoration programme, the Company has a memorandum signed with the local authorities, whereby the Company is liable for arranging the construction of the paste plant for US\$1.4m (US\$600m Tenge). It has been agreed that the Company will use its best endeavors to have this completed once all necessary permits are obtained, the necessary permits have not been obtained at the date of this report. Other than the paste plant as at the reporting date the Company has fulfilled all of its obligations in relation to the outstanding works which required in relation to the tailings dam restoration program.

## 26. Parent and ultimate parent undertaking

The controlling party and parent entity of the Company is African Resources Limited, by virtue of the fact that at the date of this report it owns 65.5% (2019: 69.8%) of the voting rights in the Company. There is no requirement to prepare consolidated accounts for African Resources Limited, which is registered in the British Virgin Islands.

The ultimate controlling party are the Assaubayev family, by virtue of the fact that they are the controlling party of African Resources Limited.

## 27. Non adjusting events after the financial period

On 22 April 2021 a contract for the purchase of mining equipment was cancelled due to delays as a result of COVID-19. The full amount of prepayment for this equipment of US\$3.6m was repaid to the Group on 27 April 2021. An alternative supplier will be sought.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the AltynGold Plc (the "Company") will be held at Langham Court Hotel, 31-35 Langham Street, London W1W 6BU, United Kingdom on 24 June 2021 at 11.00am in order to consider and, if thought fit, pass resolutions 1 to 7 as ordinary resolutions and resolution 8 as a special resolution:

## ORDINARY RESOLUTIONS

1. To receive the audited accounts and the reports of the Directors and auditors for the year ended 31 December 2020.
2. To approve the Directors' remuneration policy and report.
3. To re-elect Sanzhar Assaubayev as a Director of the Company.
4. To confirm the appointment of Thomas Gallagher as a Director (Non-Executive) of the Company.
5. To reappoint BDO LLP as the Company's auditors to hold office until the conclusion of the next general meeting at which the annual accounts are to be laid before the Company.
6. To authorise the Audit Committee of the Board to determine the auditors' remuneration.
7. That, in accordance with section 551 of the Companies Act 2006 (as amended) (the "Act") the directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this Notice):
  - a. comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £1,738,005 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 7b. below) in connection with an offer by way of a rights issue:
    - i. to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - b. in any other case, up to an aggregate nominal amount of £869,003 (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph 7a. above in excess of £869,003), provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 18 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

#### SPECIAL RESOLUTION

8. That, conditional on the passing of Resolution 7, the directors be given the general power to allot equity securities (as defined by section 560 of the Companies Act 2006 (as amended) (the "Act") for cash, either pursuant to the authority conferred by resolution 7 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- a. the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under 7b., by way of a rights issue only):
  - i. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
  - ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- b. the allotment (otherwise than pursuant to paragraph 8a. above) of equity securities up to an aggregate nominal amount of £260,700.

The power granted by this resolution will expire on the date which is 18 months after the date on which this resolution is passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities

By order of the Board

**Rajinder Basra**  
Company Secretary

Registered Office:  
28 Eccleston Square  
London  
SW1V 1NZ

Dated 30 April 2021

Company Number: 05048549

# NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

**Relevant Securities** means:

- ▲ Shares in the Company other than shares allotted pursuant to:
  - an employee share scheme (as defined by section 1166 of the Act);
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
- ▲ Any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

## Entitlement to attend and vote

1. Only those shareholders registered in the Company's register of members at:

- ▲ 6.00 pm on Tuesday 22 June 2021; or,
- ▲ if this meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

## Appointment of proxies

2. If you are a shareholder who is entitled to attend and vote at the meeting, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
4. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, each proxy must be appointed on a separate proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
5. Shareholders can:
  - ▲ appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see note 7);
  - ▲ register their proxy appointment electronically (see note 8);
  - ▲ if a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see note 9).
 Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

## Appointment of proxy by post

7 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- ▲ completed and signed;
- ▲ sent or delivered to Neville Registrars (the "Registrar"), at Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD; and
- ▲ received by the Registrar no later than 11.00am on 22 June 2021.

In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact the Registrar on +44 (0) 121 585 1131.

## Appointment of proxies electronically

8. As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically online at [www.sharegateway.co.uk](http://www.sharegateway.co.uk) and completing the authentication requirements as set out on the proxy form. For an electronic proxy appointment to be valid, your appointment must be received by the Registrar no later than 11.00am on 22 June 2021.

## Appointment of proxies through CREST

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Registrar ID 7RA11 no later than 11.00am on 22 June 2021, or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001..

#### Appointment of proxy by joint members

10. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### Changing proxy instructions

11. Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Registrar on +44 (0) 121 585 1131.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### Termination of proxy appointments

12. A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by:

- ▲ Sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars, at Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Registrar no later than 11.00am on 22 June 2021.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified, your original proxy appointment will remain valid unless you attend the meeting and vote in person.

#### Corporate representatives

13. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

#### Issued shares and total voting rights

14. As on 6pm at 30 April 2021, the Company's issued share capital comprised 27,332,934 ordinary shares of £ 0.10 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company is 27,332,934.

The Company's website, [www.altyngold.uk](http://www.altyngold.uk) will include information on the number of shares and voting rights.

#### Notification of shareholdings

15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the Annual General Meeting as their proxy will need to ensure that both they, and their proxy, comply with their respective disclosure obligations under the Disclosure Rules and Transparency Rules.

#### Questions at the meeting

16. Any member attending the meeting has the right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:

- ▲ answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; p the answer has already been given on a website in the form of an answer to a question; or p it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

# NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING continued

## **Nominated persons**

17. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (**Nominated Person**):

- ▲ You may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (**Relevant Shareholder**) to be appointed or to have someone else appointed as a proxy for the meeting.
- ▲ If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights.
- ▲ Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

## **Documents on display**

18. Copies of the service contracts of the executive directors and the non-executive directors' contracts for services are available for inspection at the Company's registered office during normal business hours and at the place of the meeting from at least 15 minutes prior to the meeting until the end of the meeting.

## **Communication**

19. Except as provided above, shareholders who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

- ▲ Contact the Company by e-mail to [info@altyngold.uk](mailto:info@altyngold.uk).

# EXPLANATION OF RESOLUTIONS

An explanation of each of the resolutions is set out below.

## ORDINARY BUSINESS

Resolutions 1 to 7 will be proposed as ordinary resolutions and will be passed if more than 50% of shareholders' votes cast are in favour.

### Resolution 1: To receive the 2020 Report and Accounts

The directors of the Company (the 'Directors') must present their Annual Report and Accounts of the Company for the year ended 31 December 2020 (the 'Annual Report') to shareholders for formal adoption at the Annual General Meeting.

### Resolution 2: Directors' remuneration report

The Directors' remuneration report is set out in the Annual Report. In accordance with the provisions of the Act the Directors' remuneration report is the Annual Report contains:

- ▲ a statement by the Chairman of the Remuneration Committee;
- ▲ the Directors' remuneration policy in relation to future payments to the Directors and former Directors'; and p the Annual Report on remuneration, which sets out payments made in the financial year ending 31 December 2020.

The statement by the Remuneration Committee Chairman and the Annual Report on remuneration will be put to an annual advisory shareholder vote by ordinary resolution. Accordingly, Resolution 2 is the ordinary resolution to approve the Directors' remuneration report. As it is an advisory vote it does not affect the actual remuneration paid to any Director.

### Resolutions 3 to 4: To re-elect the Directors

Under the Company's articles of association, one third of the Directors or, if their number is not a multiple of three, then the number nearest to but not less than one-third must retire from office and then stand for re-election.

Biographical details of directors to be re-elected are set out in the Annual Report and are also available for viewing on the Company's website at [www.altyngold.uk](http://www.altyngold.uk)

### Resolutions 5 to 6: To reappoint the auditors and authorise the Audit Committee of the Board to determine their remuneration

The Company is required to appoint auditors at each general meeting at which the annual accounts and report are to be laid before the Company, to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, BDO LLP, on behalf of the Board which now proposes their reappointment as auditors of the Company. Resolution 6 also authorises the Audit Committee of the Board, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

## SPECIAL BUSINESS

As well as the ordinary business of the meeting outlined above, a number of special matters will be dealt with at the Annual General Meeting. Resolution 7 will be proposed as an ordinary resolution and will be passed if more than 50% of shareholders' votes cast are in favour. Resolution 8 will be proposed as a special resolution. For this resolution to be passed, at least 75% of shareholders' votes cast must be in favour.

### Resolution 7: Directors' authority to allot shares

At the 2020 Annual General Meeting in June 2020 the Directors were given authority to allot shares in the Company, and Resolution 8 seeks to renew this authority for a period until the date which is 18 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company.

This resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £855,891.82. This amount represents approximately one-third (33.33%) of the issued ordinary share capital of the Company, as at 24 April 2020, the last practicable date prior to the publication of this document. The Company does not currently hold any shares in treasury. The extent of the authority follows the guidelines issued by institutional investors.

The Directors consider that it is appropriate for this authority and these powers to be granted to preserve maximum flexibility for the future.

### Resolution 8: Disapplication of pre-emption rights

Section 561 of the Companies Act 2006 gives all shareholders the right to participate on a pro-rata basis in all issues of equity securities for cash, unless they agree that this right should be disapplied. The effect of this resolution is to empower the Directors, until the date which is 18 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company, to allot equity securities for cash, without first offering them on a pro-rata basis to existing shareholders, but only up to a maximum nominal amount of £233,434.21 representing approximately 10% of the Company's issued ordinary share capital on 26 April 2021 (being the latest practicable date before the date of this document). In addition, the resolution empowers the Directors to deal with fractional entitlements and any practical problems arising in any overseas territory on any offer made on a pro-rata basis. The Directors consider that it is appropriate for this authority and these powers to be granted to preserve maximum flexibility for the future.

# COMPANY INFORMATION

## Directors

Mr Kanat Assaubayev	(Chairman)
Mr Aidar Assaubayev	(Chief Executive Officer)
Mr Sanzhar Assaubayev	(Executive Director)
Mr Ashar Qureshi	(Non-Executive Director)
Mr Vladimir Shkolnik	(Non-Executive Director)
Mr Thomas Gallagher	(Non-Executive Director, appointed 9 December 2020)

## Company secretary

Mr Rajinder Basra

## Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

BDO Kazakhstan  
6 Gabdullin St,  
Almaty City, 050013  
Kazakhstan

## Registered office & Company number

28 Eccleston Square  
London  
SW1V 1NZ  
Company number: 5048549

## Kazakhstan office

10 Novostroyevskaya  
Sekisovskoye Village  
Kazakhstan

## Solicitors

Wragge Lawrence Graham & co. LLP  
54 More  
London Riverside  
London  
SE1 2AU

Cleary Gottlieb Steen & Hamilton LLP  
City Place House  
London  
EC2V 5EH





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