

# RESOURCES OF THE FUTURE



ALAYGYR



NORTHERN  
KATPAR



SHALKIYA



Annual Report  
2018



# TABLE OF CONTENTS

<b>Statement of Chairman of the Board of Directors</b>	<b>2</b>
<b>Statement of Chairman of the Management Board</b>	<b>3</b>

<b>About the Company</b>	<b>4</b>	Industrial development of polymetallic ore of the deposit Shalkiya in the Kyzylorda region with construction of the processing plant	28	Exploration of copper, gold and associated components in the copper mineralization zone Spasskaya in the Karaganda region	39	<b>Report on the finances and business operations</b>	<b>44</b>	Information about the internal audit	80	Training and advanced training	98
<b>Strategic report</b>	<b>6</b>	Production and processing of polymetallic ore of the deposit Alayguyr in the Karaganda region	30	Gold exploration in Shokpar and Gagarinskoye deposits in the Zhambyl region	40	<b>Analysis of the external environment</b>	<b>48</b>	<b>Report on the sustainable development</b>	<b>82</b>	Business ethics in the Company	98
Business model	10	Joint development of tungsten-molybdenum ore deposits of the Northern Katpar and Upper Kayraktinskoye in the Karaganda region	32	Exploration of gold-containing ores in the South-Moiyntinsky area in the Karaganda region	41	Brief overview of metal market	50	Principles of determination of the Report content	84	Information about the external auditor	100
Key events of the year	11	Construction of the mining and metallurgical complex on the basis of the iron ore deposit Masalskoye in Akmola region	34	Exploration of gold-containing ores in the deposit Progress in the Karaganda region	41	Gold production in the world	52	Fundamental aspects and limits of the Report	85	GRI index	101
<b>Our projects / Geography of operations</b>	<b>12</b>	<b>Geologic exploration</b>	<b>36</b>	Exploration of copper, lead and baryte in Tuyuk-Temirlikskiy ore area in the Almaty region	42	Silicon market conditions	54	Ecological responsibility	89		
Assets profile	16			Information on major transactions of the Company	43	Innovative activities	56	Social responsibility	93		
<b>Operating activity review</b>	<b>18</b>					<b>Corporate governance</b>	<b>58</b>	Personnel policy	93		
Refinery	21					Sole shareholder	61	Report on the qualitative composition of the staff	96		
Silicic production	22					The Board of Directors activity	61	Labour practices	96		
Gangue quartz production in the Aktas deposit in the Karaganda region	24					Activity of the Board	71	Information on the turnover of staff in the Group of the Company	97		
<b>Production</b>	<b>26</b>					Risk management and internal control	76				

# Statement of Chairman of the Board of Directors



## Dear colleagues, partners, investors, readers!

You have the Annual Report of Tau-Ken Samruk NMC JSC for 2018 in your hands. This report presents the main business lines of the Company, the results over the past year and our plans for the coming periods.

We give special attention to the content and quality of our reports, and we improve them year by year. I am glad that we were highly appreciated, and the Annual Report of Tau-Ken Samruk NMC JSC according to the results of 2017 entered the top three in the transparency rating of the incumbent companies in Kazakhstan. Such a high assessment points to the fact that in many ways, including information disclosure, Tau-Ken Samruk NMC JSC is aligned with the best practices. That's highly important for the Board of Directors and, in general, for the Company, when building business contacts and when negotiating with partners, investors and vendors.

In 2018, the company continued to work on improving the operating performance of existing assets and implementing investment projects. At the same time, our strategic objective is the joint implementation of projects with partners, who possess the

necessary know-how, experience, and resources. In 2018, we carried out active work in this direction, thereby realizing our mission of promoting the investment in the country's mining and metallurgical industry.

Alongside with that, we have a number of proposals for the next years, which are designed to further development of the mining and smelting industry. So, in order to replenish the mineral resource base of the Republic of Kazakhstan, Tau-Ken Samruk NMC JSC, in association with strategic partners, is required to develop projects at the stage of geologic exploration. In addition, we identified the necessity of establishment of the certified research and development centers in Kazakhstan, which are important for development and implementation of innovative technologies for enterprises of mining and smelting industry.

We also continue progressive advance and development in areas such as corporate governance and sustainable development. In 2018, the composition of the Board of Directors was notably updated, which included world-class experts with extensive experience both in the industry and, in general, in the corporate sector.

In conclusion, I would most like to thank all colleagues and partners for successful work, the contribution of each of you to the results achieved. Next year, we will face new challenging tasks and goals, and to achieve them we are armed with sufficient potential and resources.

*Tutkushev Yerzhan Beksultanovich*  
Chairman of the Board of Directors  
Tau-Ken Samruk NMC JSC

# Statement of Chairman of the Management Board



## Dear Ladies and gentlemen!

We present to your attention the consolidated annual report of NMC Tau-Ken Samruk JSC for 2018. In the reporting period, defining for itself new goals and objectives, according to the Strategy for 2018–2028, our Company systematically goes to the formation of a high-quality portfolio of assets and the attracting of strategic partners. A number of practical steps have been taken to attract the investments in the mining industry.

In terms of the operating activity in 2018, the refinery plant of Tau-Ken Altyn exceeded the initial targets for the production and sale of finished products. The volume of the refined gold production in the reporting period amounted to 22.7 tons, i.e. 14% increase.

Along with the production achievements, the active work continues on the Company's key investment projects. Under the project for the construction of the mining and processing plant in the lead-zinc deposit Shalkiya, the tender procedures were carried out to select an EPC contractor. In 2019, it is planned to begin the design and construction works, as well as to complete the construction-and-installation works on the external infrastructure of the mine.

The project of production and refinement of polymetallic ores of the Alayguyr deposit financed by the Eurasian Development Bank is at the active construction stage, the concrete blinding and the foundation work have been completed, 43% of the metal structures have been mounted.

Among the significant events of 2018, it must be noted the conclusion of the preliminary agreement with Xiamen Tungsten Co., Ltd., on the joint development of tungsten deposits and the manufacture of high-limit products. In perspective, this will ensure the development of the sector of rare metals and rare earth elements, which has great growth potential.

On the basis of the Northern Katpar and Upper Kayraky deposits, it is planned to build two mining and processing complexes (the production capacity of the enterprises will be 2.6 and 6.0 mln tons of ore, respectively) and a single hydrometallurgical complex of deep processing. After the enterprises reach the design capacity of these deposits, Kazakhstan will take the second place in the world in terms of the manufacture of tungsten products.

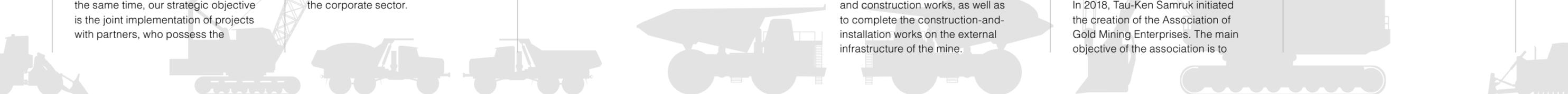
In 2018, Tau-Ken Samruk initiated the creation of the Association of Gold Mining Enterprises. The main objective of the association is to

solve the problematic issues of the domestic gold-metal industry by consolidating the efforts of the wide range of enterprises in cooperation with government bodies and industry associations.

Following the results of 2018, the National Mining Company was among the leaders of the Kazakhstan market in terms of the level and quality of information disclosure. The results of the "Rating of Transparency" of the largest domestic companies confirmed that Tau-Ken Samruk adheres to the world best practices in the field of corporate governance.

We will continue to pursue the goals stated in the Strategy of the Company and will strive for high standards of public companies and maximum efficiency of activity, contributing to the development of the mining and metallurgical industry of Kazakhstan.

*Kudaybergen Kanat Zhakypuly*  
Chairman of the Management Board  
of Tau-Ken Samruk NMC JSC



## 01

National Mining Company Tau-Ken Samruk Joint Stock Company (hereinafter referred to as the Company) was established on January 15, 2009 in accordance with a decree of the Government of the Republic of Kazakhstan. The sole shareholder of the Company (hereinafter – the Sole shareholder) is Samruk-Kazyna JSC.

The following main tasks were assigned to the Company:

- ensuring efficient subsoil use activities in the field of exploration, development, production, processing and sale of solid minerals;
- effective management of the shares of enterprises of the mining and metallurgical industry, transferred to the Company;
- development and implementation of new high performance and efficient technologies in the mining and metallurgical industry;
- reproduction of the mineral resource base of the republic;

In accordance with the Charter of the Company, the main objectives of its activity are:

- ensuring the growth of the market value of the Company assets;
- attraction of investments in the mining and metallurgical industry;
- realization of the commercial interests of the state when the development and exploitation of solid minerals deposits;
- realization of the strategic interests of the state in the development of the natural resources complex, including the provision of strategic reserves in the optimal amount per main types of minerals.

## About the Company

The Company is a member of the Republican Association of Precious Metals Producers, the Association of Legal Entities (ALE) The Republican Association of Mining and Mining and Metallurgical Enterprises, the ALE The National Economic Chamber of Kazakhstan Atameken Union.

As of December 31, 2018, the Company assets amounted to **658.4 billion tenge**, the net profit for the year reached **44.1 billion tenge**. The average headcount of the Company, including all subsidiaries, is **1,389 people**.



## 02



## Strategic report

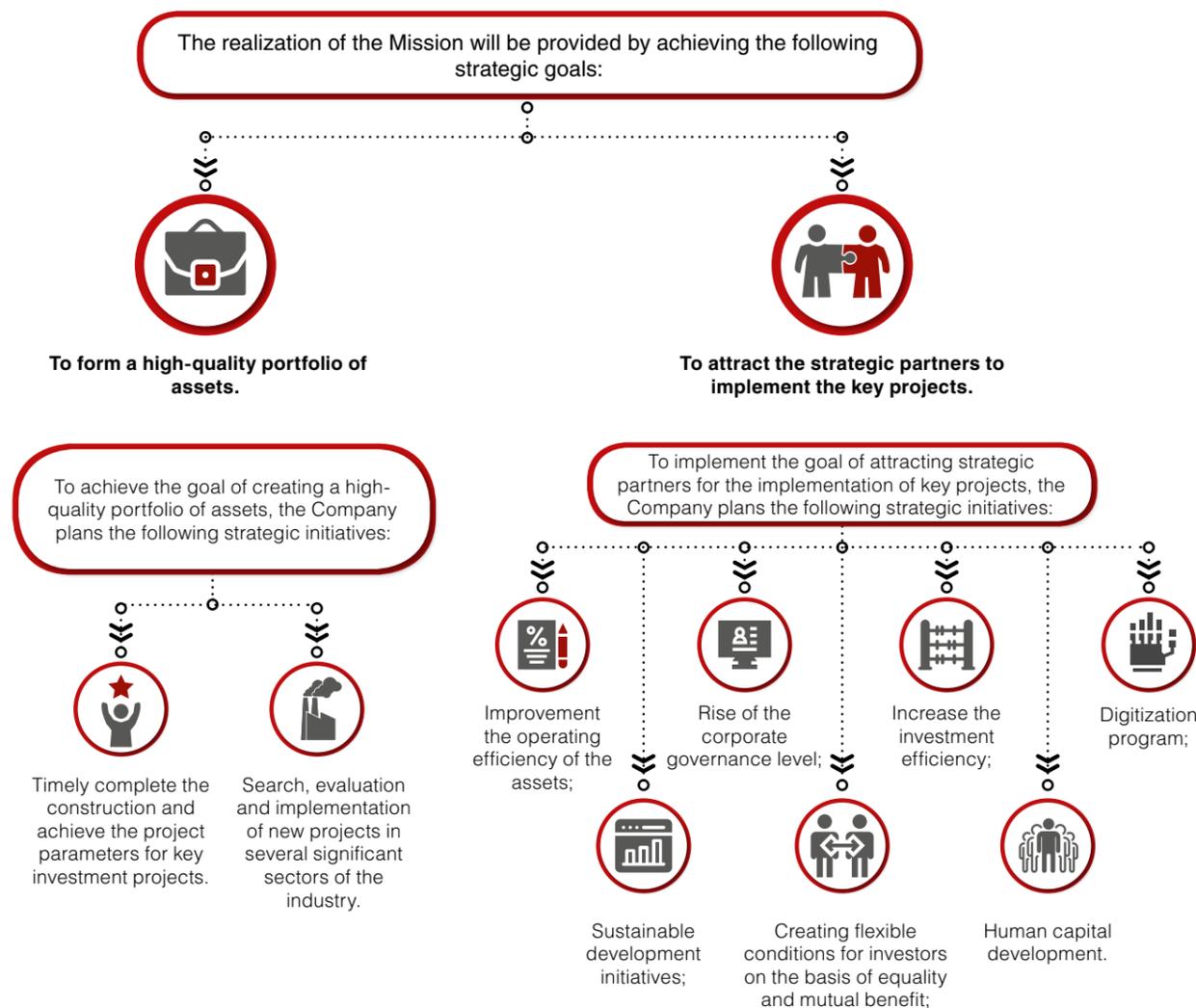
In September 2018, the Development strategy of Tau-Ken Samruk NMC JSC for 2018–2028 (hereinafter – the Strategy) was updated in accordance with decision of the Board of Directors of the Company (hereinafter – the Board of Directors)

The Development Strategy is updated due to the need to ensure the consistency of the Company strategic goals with the strategic goals of the Sole shareholder, according to the new Development Strategy of Samruk-Kazyna JSC for 2018–2028, as well as taking into account the realization of the economic growth new model of the country in accordance with the Strategic Plan of the Republic of Kazakhstan development until 2025.



## STRATEGIC GOALS AND OBJECTIVES

**The Company Mission** consists to contribute to the development of the separate sectors of mining and metallurgical industry of the Republic of Kazakhstan by means of implementation of projects in collaboration with strategic investors.

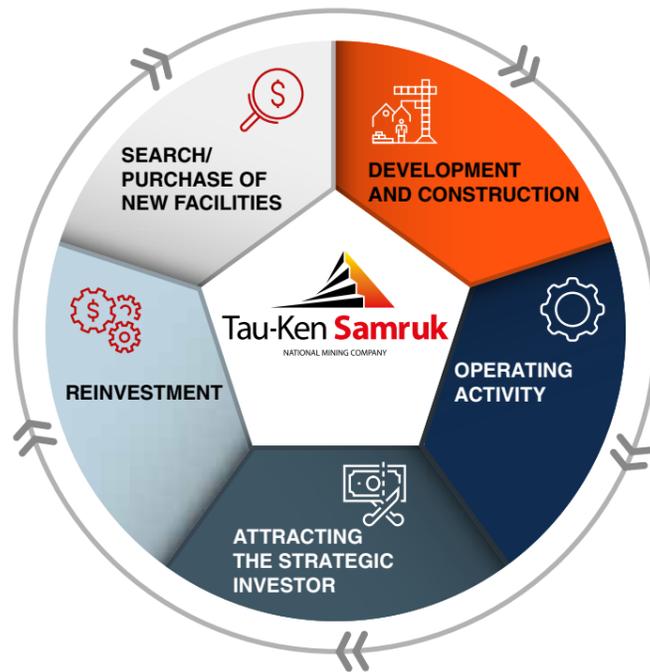


### Strategic initiatives to achieve the Company Vision and Goals

Strategic initiatives	Work performed
Timely complete the construction and achieve the project parameters for key investment projects.	On 12/24/2018 the addendum to the contract on the Shalkiya deposit on the postponement of the production startup was signed. In the reporting period, the activities began on the conclusion of the EPC and the Mining Contract.  The planned mining and preparatory works of the Alaiquyr project have been carried out, and the basic engineering has been developed.
Search, evaluation and implementation of new projects in several significant sectors of the industry.	The concept of development of perspective metals of the Company has been developed. The exploration works have been carried out in the Northern Katpar deposit to verify the historical data, the report is accepted. The topographical survey of the terrain and open-cast in the Upper Kayraky deposit, the report accepted
Improvement the operating efficiency of the assets.	<b>Tau-Ken Altyn</b>  In order to reduce the processing time of raw materials and decrease the unfinished production volume, the following directions were considered: <ul style="list-style-type: none"> <li>the possibility of round-the-clock operations introducing;</li> <li>change of technological parameters for gold content in electrolytes;</li> <li>resizing anodes;</li> <li>disposal of accumulated solid industrial wastes of operations;</li> <li>the study of new technologies to reduce the operating cycle;</li> </ul> In December 2018, 11 ingots were shipped to LBMA for analysis of ingots. The "Good Delivery" status getting is expected in the current 2019 year.
Improvement the operating efficiency of the assets.	<b>Tau-Ken Temir</b>  To improve the efficiency, the following measures were taken: <ul style="list-style-type: none"> <li>the quartz screening continues on an ongoing basis. The positive results were noted in terms of the reduction of impurities during the smelting process, an increase in the gas permeability of the top furnace, the temperature decrease in the furnace top and in the gas ducts;</li> <li>the works are constantly being carried out to reduce the remains of finished products;</li> <li>the minimum level of supply of necessary materials, spare parts of equipment were created in order to ensure the uninterrupted operation of the plant.</li> </ul>
Increase the investment efficiency.	The consolidated reports on monitoring the implementation of the Company investment projects are quarterly reviewed at meetings of the Company Board of Directors. The monitoring, evaluation and analysis of the results of the implementation of investment projects are carried out on a regular basis, and corrective measures are being implemented.
Creating flexible conditions for investors.	The agreement of purchase and sale of the share of participation in Tau-Ken Progress LTD.
Corporate governance.	The reports are quarterly reviewed at meetings of the Company Board of Directors. According to the independent diagnosis the Company has the rating "B". With the aim of the verification of the activity of the executive bodies of the branch organizations of the Company are created the supervisory boards in JV Alayquyr LLP, Tau-Ken Altyn LLP, Tau-Ken Temir LLP, Silicon Mining LLP, Northern Katpar LLP.
Human capital development.	In the reporting period the Personnel policy has been approved by the Company Board of Directors. The diagnosis of the corporative culture of the Company was carried out. With the aim to increase the efficiency of the management the organization charts of the corporate center and branch organizations of the Company taking into account the reduction of the levels of management, elimination duplication of functions.
Sustainable development initiatives.	In the reporting period in the Company there wasn't the fatal accidents, either getting heavy severity level injuries. There were reported the following injuries: <ul style="list-style-type: none"> <li>ShalkiyaZinc JSC: 2 people with medium severity, 1 people with slight injury.</li> <li>Tau-Ken Temir LLP: 6 people with medium severity, 1 people with slight injury.</li> </ul> The report on the execution of the environmental protection measures is quarterly reviewed by the Board. The execution of report is 96%. The conditions of the natural resources use and the Program of the industrial ecological control are observed by the Company groups.

## BUSINESS MODEL

The Company has chosen the following business model: construction, startup of the facilities with subsequent attracting of the strategic investors and the further reinvestment in the construction of new facilities.



### Geologic exploration

Spassk copper ore zone  
Shokpar and Gagarinskoye  
South-Moiynty area

### At the designing stage

Northern Katpar and Upper Kayrakty  
Masalsky

### Construction of MPP and production

Shalkiya  
Alayguyr  
Aktas

### Metallurgy

Refinery  
Silicic factory

## KEY INDICATORS OF THE ACTIVITY

Strategic goal	KPI efficient of efficiency	Plan	Fact	Comments
Build the high-quality portfolio of assets	Net asset value (NAV), bln tenge	622	672	The improvement is due to a decrease of the actual level of liabilities and an increase of accrued dividends in favor of Sole Shareholder.
	Deviation from planned budget on investment projects, %	0	36	Incomplete budget development is due to long tender procedures for projects "Shalkiya" and "Alaiguyr".
Attract the strategic partners for the key projects realization	Net profit, bln tenge	63.0	44.1	The decline of the indicator is due to a decrease in net profit in Kazzinc LLP, accounted using the equity method.
	Operational profit, bln tenge	0.7	0.1	The decline of the indicator is due to a decrease in overall production of metallurgical silicon.
	ROCE Return On Capital Employed, %	10.5	7.3	The decline of the indicator is due to a decrease in net profit in reporting period.
	Corporate governance score	B	B	The indicator is achieved according to the independent diagnosis.

## KEY EVENTS OF THE YEAR



On September 4, 2018 was approved the Company Development Strategy for 2018–2028, where were defined the new mission, vision and strategic goals.



On October 2, during the Investment Forum in London, were signed: the Guarantee Agreement between Samruk Kazyna JSC and the EBRD in the framework of the provision of a loan to ShalkiyaZinc LTD JSC. The start of construction works in the site of the future processing plant was symbolically marked by laying of the "time capsule" with a message to the future employees of the Mining-and-Processing Complex Shalkiyinskiy.



In 2018, the check drilling confirmed the reserves of tungsten and molybdenum in the Northern Katpar deposit in the Karaganda region.



In the frame of the work on attracting the potential strategic partner, on November 22, in Beijing (PRC) was concluded the Agreement on the basic terms of the transaction (Term Sheet) between the Company and Xiamen Tungsten Co., Ltd.



On November 15, 2018 was signed the agreement of purchase and sale of 100% interest in NMC Tau-Ken Samruk JSC in the statutory capital of Tau-Ken Progress LLP in favor of the Kazakhstan company.



In 2018 were put into operation the sewage treatment facilities for household wastewater of the mining and processing complex in the deposit of ShalkiyaZinc LTD JSC.

The supervisory boards have been established in the subsidiaries of the Company, namely Alaiguyr JV LLP, Tau-Ken Altyn LLP, Tau-Ken Temir LLP, Silicon Mining LLP, Northern Katpar LLP.

# 03



## Our projects / Geography of the activity

# Geography of the activity

## PROJECTS

### At the stage of operations

- Refinery (gold)
- Silicic plant (silicon)
- Aktas (quartz)

### At the stage of construction

- Shalkiya (zinc, lead)
- Alayguyr (lead, silver)

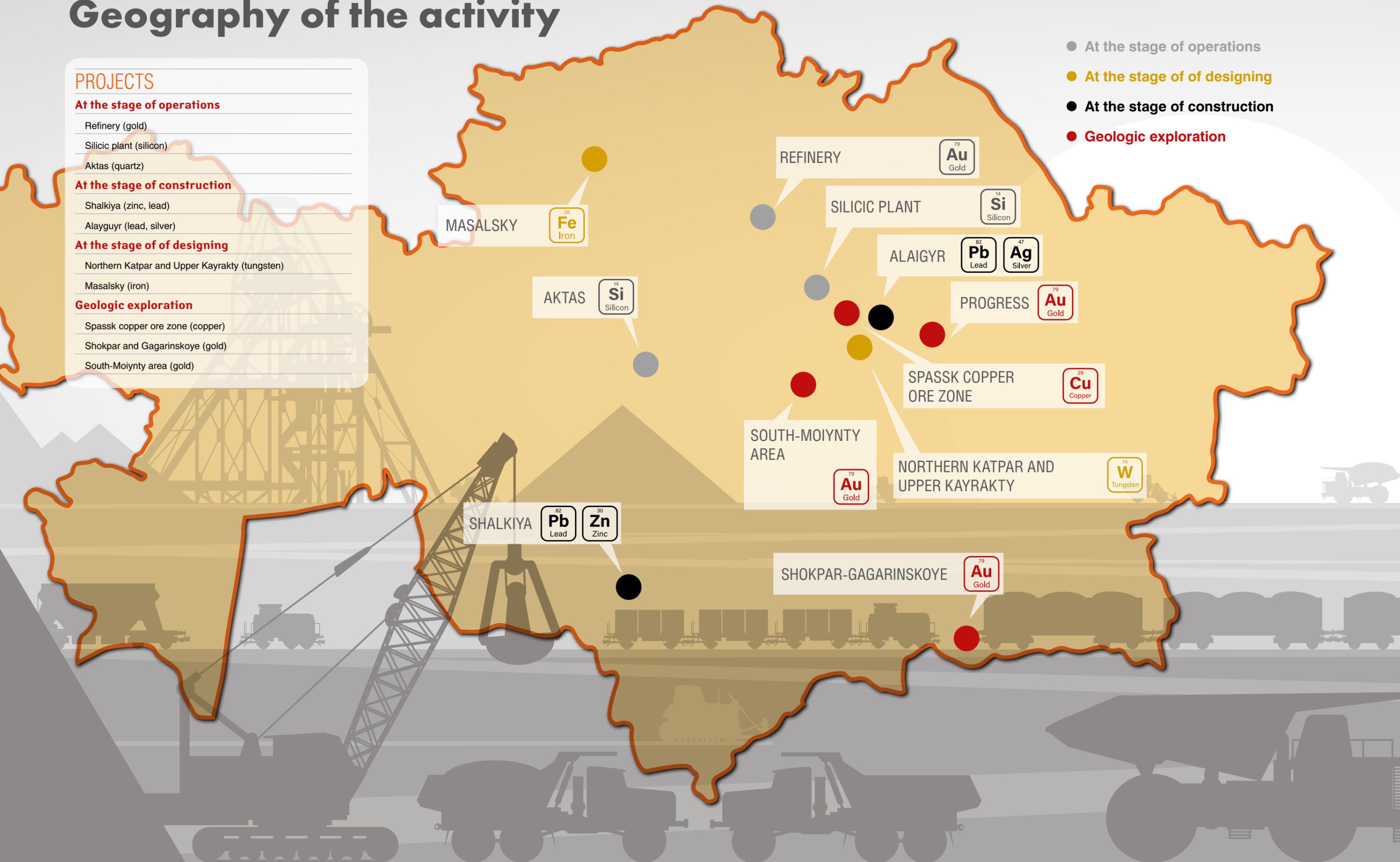
### At the stage of of designing

- Northern Katpar and Upper Kayrakty (tungsten)
- Masalsky (iron)

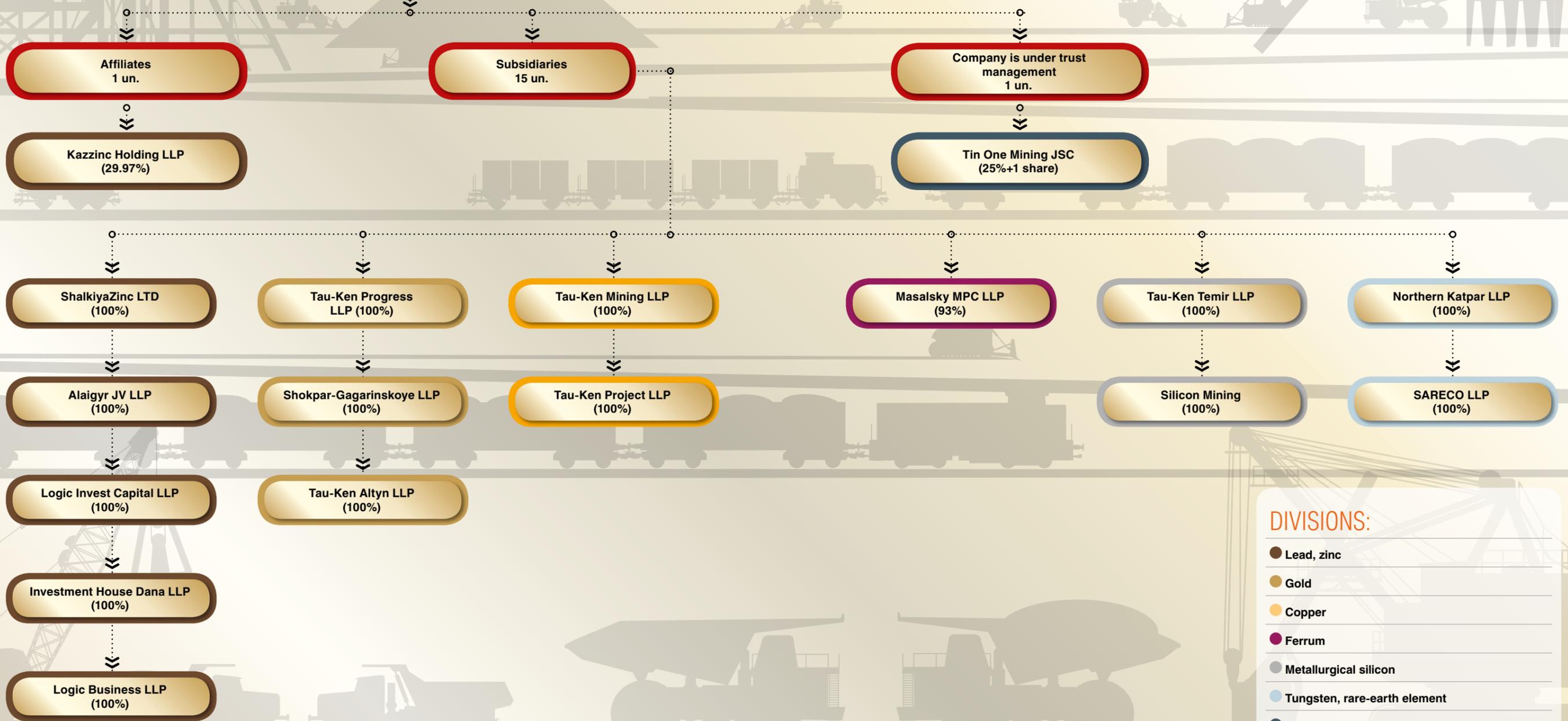
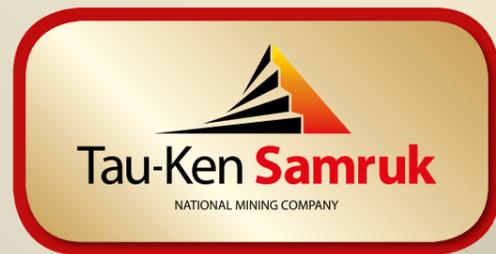
### Geologic exploration

- Spassk copper ore zone (copper)
- Shokpar and Gagarinskoye (gold)
- South-Moiynty area (gold)

- At the stage of operations
- At the stage of of designing
- At the stage of construction
- Geologic exploration



# Assets profile



**DIVISIONS:**

- Lead, zinc
- Gold
- Copper
- Ferrum
- Metallurgical silicon
- Tungsten, rare-earth element
- Tin

# 04



## Operating activity review

## Operating results

According to the results of 2018, the Tau-Ken Altyn LLP exceeded the initial planned indicators for the production and sale of finished products in the form of refined gold. The volume of refined gold production in the reporting period amounted to 22.7 tons, instead of the previously planned 20 tons, including 3.94 tons produced on a tolling basis, instead of 3.64 tons. The increase in production volume by 14% was possible due to the increase in supply volumes in 2018 by the main suppliers, such as AK Altynalmas JSC, GMK Kazakhaltyn JSC, Varvarinskoye JSC, FIK Alel JSC, also in the reporting period was concluded the agreement with AGMK LLC, a new supplier of gold-bearing rock



In 2018 the volume of sales of refined gold (including the tolling) exceeded the planned by **12%: 22.3 tons** with a plan of 20 tons.

# REFINERY

**22.7**  
tons of gold

Growth of  
the volume of  
production  
**14%**

Tolling basis  
**3.94**  
tons

In December 2018, the Partnership sent 11 ingots to LBMA for subsequent analyses, on results of which the approval or refusal conclusion of the “**Good Delivery**” status obtaining to the refinery “**Tau-Ken Altyn**”.

At the same time, the positive report on compliance with the LBMA rules was received from the PWC audit company.

### Prospects:

In 2019, it is planned to reach the design capacity of **25 tons**, by attracting the additional volume of gold-bearing rock from domestic and foreign suppliers.

“**Good Delivery**” status is expected in 2019.

### The actions are planned for 2019 to reduce the unfinished production (UFP):

- 1) elimination of the accumulated volume of solid industrial waste;
- 2) reducing the time of gold-bearing rock processing;

- 3) restriction the acceptance of gold-bearing rock before the 20<sup>th</sup> of every month, by negotiating with suppliers and accepting mutually beneficial conditions;
- 4) determination of the gold UFP level, ensuring the continuous production and quality of the output products.



## SILICIC PLANT

The company possesses the asset since 2014. The main products are metallurgical silicon. All output products manufactured by the plant, are exported to the countries of near and far abroad countries.

The silicon is shipped in the form of pieces of 0 to 2 mm, from 2 to 10 mm, from 10 to 60 mm, from 60 to 100 mm size. In coordination with the consumer, the silicon can have the fraction of 10 to 100 mm, from 2 to 100 mm, from 2 to 60 mm.

The silicon slag is a by-product of the production and refining of technical silicon. It represents a vitreous fragile material of dark green color with inclusions of silicon particles. The average content of silicon oxide is 70–80%, iron oxide – 0.3–0.7%, calcium oxide – 10–15%, aluminum oxide – 5–15%.

The high chemical properties of the finished products, as well as the availability of its own laboratory, equipped with modern analytical equipment, capable to control the

incoming raw materials and finished products at each stage enabled the plant "Tau-Ken Temir" to take the dignified position as the premium silicon manufacturer.

### Operating results:

In 2018 the plant produced 14,408 tons of commercial metallurgical silicon, that represents 78% of the plan, 14,224 tons were shipped, that represents 74% of the plan. On September 18, 2018 a Memorandum of Understanding (legally binding) was signed with the Turkish company Yildirim Holding A. (hereinafter referred to as "Investor") on the sale of shares of participation in Tau-Ken Temir LLP and Silicon Mining LLP. At the end of 2018, the Investor completed the complex inspection procedure of Tau-Ken Temir LLP and Silicon Mining LLP. After the reporting date (March 28, 2019), the Protocol of Intent regarding the basic terms of the transaction for the sale of shares of participation in Tau-Ken Temir LLP and Silicon Mining LLP Investor signed.

The actions are being taken to stabilize the operating activity and to achieve the planned indicators for the Tau-Ken Temir plant. Among them, was carried out the assembly of sealing boards or pressure-tight shelter of the conveyor belt of the conveyor 1BC1, were reconstructed thye crane trolls complying with the requirements of industrial safety.

### Prospects for 2019:

Planned volumes for 2019:

- Volume of metallurgical silicon output is 17,099 tons;
- Volume of metallurgical silicon sales is 17,312 tons.

Plans for 2019:

- Overhaul of the belt conveyors;
- Purchase of the equipment for the central plant laboratory).



## AKBERDIN RUSTAM

General Director of the Tau-Ken Temir LLP

### What progress has been achieved in the implementation of the project in 2018?

In 2017, the Partnership raised a number of questions regarding the technical state and efficiency of gas cleaning equipment. In 2018, in the frame of the developed Plan of actions to stabilize the work of the Partnership, the measures were taken to overcome the current situation, as a result of which the operations of the gas-cleaning equipment was restored and stabilized.

During the period of preparation of the furnace for the overhaul, in order to reduce the time of hot standby in 2018, the partial repair of the elements of the electrode columns cooling system of the furnace No. 1 was made. At the same time, work was carried out to prepare the furnaces for the overhaul, the activity on search of the equipment, spare parts and services potential suppliers, the actions were carried out to improve the efficiency of the water-cooling system operations of the furnaces.

In 2018, the tests were conducted to introduce the coke (special coke), which has a lower content of volatile substances (as compared with coal), to the furnace-charge mixture. As a result of the tests, was determined the optimum amount of coke in the furnace-charge mixture. The use of coke made possible to reduce the temperature of the exhaust gases in the gas ducts, which has a positive effect on the stability and operational life of the bag filters and the dust and gas cleaning equipment.

### What are the goals and objectives set in 2019?

The planned production volume of metallurgical silicon for 2019 is **17,099 tons**.

The planned sales volume of metallurgical silicon for 2019 is **17,312 tons**.

The planned sales revenue for 2019 is **12,6 billion KZT**.

For 2019, it is planned to implement the investment program in the amount of 1,2 billion tenge for the following activities:

- Final adjustment with the manufacturer of equipment and manufacturers of similar equipment in the CIS countries in

order to conclude the contract for supply of spare parts for the overhaul of Distribution Transformer Substation (DTS)-1, DTS-2 in 2020.

- Purchase and assembly of an additional cooling tower for a water cooling system. It will significantly reduce the load on the water-cooled elements of the furnace and increase the efficiency of the furnaces.

### How important is the implementation of the project in terms of the development of the MMC and the economy of Kazakhstan as a whole?

Currently, the number of employees of Tau-Ken Temir LLP is 384 people with an average salary of 193 thousand tenge. In addition, the enterprise is currently the only existing manufacturer of technical silicon in the Republic of Kazakhstan. Kazakhstan has huge reserves of deposits of quartz raw materials, which is used as the main material in the production of technical silicon. From the point of view of improving the MMC of Kazakhstan, as a whole, and silicon production, in particular, the enterprise is the key driving power of development in this area.

### What is the attractiveness of the project for investors?

Tau-Ken Temir LLP is a manufacturer of technical silicon with an annual output of 23,000 tons. The production complex of the plant is presented by two ore-smelting furnaces with a total capacity of 30 MVA each, as well as the unique equipment of the German manufacturer SMS SIEMAG, one of the leaders in the market for the production of submerged-arc furnaces. The company's products are in demand on the world market. The main consumers are the countries of the European Union, the United States and Russia.

According to the approved development strategy of Tau-Ken Samruk NMC JSC, in order to further develop production volumes, it is planned to attract a strategic investor. The evaluation works on the plant and the field were carried out, and the commercial proposals were received from investors from Russia, Europe and Turkey.



# GANGUE QUARTZ PRODUCTION AT AKTAS DEPOSIT IN THE KARAGANDA REGION

In order to organize the production and processing of the gangue quartz, raw material for the silicon plant, Silicon Mining LLP was purchased. Today, Silicon Mining LLP performs the production and processing of the gangue quartz in the Aktas deposit in the Ulytau district of the Karaganda region.

**Reserves of the deposit as of 31.12.2018**

Mineral	Unit of m.	State of on-balance reserves			
		B	C1	B+C <sub>1</sub>	C <sub>2</sub>
Crystal raw	tons	–	791.1	791.1	396.0
Piezooptical quartz	kg/mbl	–	1,457.0	1,457.0	582.0
Reck crystal for melting	tons	–	424.0	424.0	97.8
Gangue quartz	thous. tons	<b>1,168.9</b>	<b>2,641.8</b>	<b>3,810.7</b>	<b>304.2</b>

For 2018 the production volume amounted to 116,923 tons, the overburden works were carried out in the amount of 335,441 m<sup>3</sup>.

According to the results of reporting 12 months, were shipped 38,730.77 tons of 20–80 mm fraction quartz concentrate to the silicon plant "Tau-Ken Temir".

**Plans for 2019:**

- 1) Carrying out of package of mining works:
  - overburden works;
  - quartz production;
  - recycling with washing.
- 2) Conducting of the operational exploration with RC wells drilling and

core drilling with a total volume of 3,200 m. The package of exploration works includes geophysical surveys of wells, core sampling, analytical and topo-geodetic works. Based on the obtained results and historical data, it is planned to build the wire-frame and block models of the deposit.

- 3) Drilling of the observation hydrogeological well for monitoring of underground waters.
- 4) Carrying out of the conservation of the building of the processing plant.
- 5) Expertise of buildings and bearing constructions on the prescription of the Department of industrial safety of Zhezkazgan region.
- 6) Carrying out of the banking of the territory around the open-cast in order to ensure the industrial safety.
- 7) Installation of 100-tons motor-truck scales in the open-cast Aktas.
- 8) Designing the railway deadlock and automobile road Aktas – vil. Pioneer (railway deadlock).



# 05



ШИВУКИД ДІВАТЕЛР  
ФКЗ-10

## Mining

The project implementation is included in the Comprehensive Plan for the Development of the Mining and Metals Industry of the Republic of Kazakhstan for 2014–2018 and the Road Map for the Development of the Mining and Metals Sector in Kyzylorda Region.

The deposit contains **127.5 mln tons** of ore with the average zinc content of **4.27%** (5.5 mln tons) and lead of **1.28%** (1.6 mln tons). The project assumes the expansion of the existing mine and the construction of the processing plant to produce the zinc and lead concentrates. The selective flotation scheme will be used for the processing of lead-zinc sulfide ores.

## INDUSTRIAL DEVELOPMENT OF POLYMETALLIC ORE OF THE DEPOSIT SHALKIYA IN THE KYZYLORDA REGION WITH CONSTRUCTION OF THE PROCESSING PLANT



<b>Operator of the project:</b>	ShalkiyaZinc LTD
<b>Stage of the project:</b>	Implementation
<b>Design capacity:</b>	4 mln tons of ore per year
<b>Final product:</b>	100 thous. tons of zinc in the zinc concentrate and 20 thous. tons of lead in the lead concentrate
<b>Actual personnel:</b>	718 people
<b>Operating life of the site:</b>	32 years

**127.5**  
mln tons of ore

Zinc  
**4.27%**

Lead  
**1.28%**



**JAUKENOV ASKAR**  
General director of ShalkiyaZinc LTD

The deposit has its own 27 km rail road, own power transmission lines of 16 km long, own substation equipped with two transformers of 40 MW each, water supply system and extensive underground infrastructure.

### Implementation progress

For the moment, are being completed the construction of the fuel storage depot (94% of the scope of work performed) and the design of 2 modular residential hotels (under examination). The reconstruction of the external power supply system of Shalkiya mine (44% of the scope of work) and the water conduit facilities Zhanakorgan – Shalkiya mine (34%) are in progress.

The wastewater treatment facilities of the MPC, the water intake facilities “Kuttykhozha–Shalkiya” were put into operation, the open temporary storage warehouse was commissioned.

Ahead of the approved schedule, were carried out the operation sinking

operations and strengthening of the mine openings, as of December 31, 2018, the operation sinking operations were completed at 121% (6,358 m) of the plan, strengthening of the mine openings at 141% (7,041 m) of the plan, the exploration drilling was completed (38,641 m).

The works on the water conduit from the village of Zhanakorgan to the Shalkiya mine (95%) are being completed.

On October 2, 2018 the EPC contract was signed.

In order to conclude the mining contract, the invitations to participate in tenders were sent on September 24, 2018. The report on the tender has been submitted for final review by the EBRD. Also was sent to the bank the letter on further measures to select a contractor.

### Prospects for 2019:

- 1) designing and startup of construction works on the EPC and the Mining contracts;
- 2) completion of construction and installation works on the external infrastructure of the mine;
- 3) continuation of capital mining operations and mining-and-preparatory works in the mine;
- 4) carrying out of the overhaul, reconstruction of buildings and equipment;
- 5) attracting a financial institution and concluding of unified EPC contract.

### What progress did you achieve in 2018?

During the past year, a number of activities were carried out for the successful implementation of the project, namely, the second stage of bidding for the EPC Contract and bidding for the Mining Treaty.

### What are the goals and objectives set in 2019?

For 2019, it is planned to hold bidding and to sign the joint Contract for capital mining operations and the construction of the plant. For these purposes, the updated technical assignment is being prepared with changes from the previous variant – the transition to 1 process line and with changes in the ore supply scheme, the bidding documentation and the Contract are being updated. For the successful start of work in 2019 is also projected the recruitment of an Engineer.

### How important is the project implementation in terms of the development of the MMC and the economy of Kazakhstan as a whole?

This project is fundamental for the Development Road Map of the Kyzylorda Region. The design capacity: Production and processing of 4 million tons of ore per year. The main goods produced are: zinc concentrate with a Zn content of 54% with less than 5.0% of SiO<sub>2</sub> content; lead concentrate with Pb 40% content. The design capacity in annual terms (in value terms) is 225–230 million dollars a year. The number of people employed during the construction period will be 1,000 people, and for the

Project implementation period it will be 1,500 people. In the framework of the fulfillment of license-and-contractual commitments, the company carries out the social and economic obligations in the region and in the country as a whole. The project is one of the main, newly introduced sources of zinc production in the Republic of Kazakhstan, which will allow the loading of the metallurgical capacities and the niche filling, that are released when the raw material base is exhausted in the Republic of Kazakhstan.

### What is the attractiveness of the project for the investors?

The demand for zinc is stable without prerequisites of the consumption volume reduction. First of all, it is connected with the development of the mechanical engineering and new ways of using zinc in the shipbuilding, the construction and even in the medicine. The last two – three years in the market there has been a significant shortage of zinc concentrate, and the many metallurgical plants were idle, for this reason, the key players in the zinc market are watching the development of new zinc deposits. The Shalkiya zinc deposit, according to various sources, is in the top 10 of the fields being planned for startup by volume of zinc produced. It is also worth considering that with its developed infrastructure, low cash costs and geographic location, ShalkiyaZinc is a strong competitor. Thus, the interest in the project is certainly present, for us the first question is the choice of the right strategic partner with wide operational background in the industry.

Commercial lead reserves of Alaigyr deposit approved by the State Commission for Mineral Reserves of the Republic of Kazakhstan amounted to **18.5 million tons** of ore (1 million tons of metal) with an average lead content of **5.69%**. The project envisages the construction of a mining and processing plant with an ore capacity of up to 900 thousand tons per year.

The Alaigyr deposit is located in the Karaganda region, on the border of the Karkaraly and Shetsky districts, 130 km south-east of the city of Karaganda. 60 km to the south-west is located the administrative center of the Shetsky district, Aksu-Ayuly village.

## MINING AND PROCESSING OF ALAIGYR DEPOSIT POLYMETALLIC ORES IN KARAGANDA REGION

82  
**Pb**  
Lead

47  
**Ag**  
Silver

<b>Operator of the project:</b>	JV Alaigyr LLP
<b>Stage of the project:</b>	Implementation
<b>Design capacity:</b>	900 thous. tons of ore per year
<b>Final product:</b>	35.8 100 thous. tons of lead and 16.2 tons of silver in the concentrate per year
<b>Actual personnel:</b>	66 people
<b>Operating life of the site:</b>	23 years

**18.5**  
mln tons of ore

Lead  
**5.69%**



**SHABARKHANOV DASTAN**  
General Director of JV Alaigyr LLP

### Implementation progress

In the reporting period was performed the volume of 952 thous. m<sup>3</sup> of mining-and-preparatory works. There were carried out the works on repairing the Karaganda – Ayaguz highway to Besoba village. The expert conclusion for the project of the way from Besoba village to the Alaigyr deposit was received. The DED (Design-and-Estimate Documentation) on the access road to the railway deadlock and warehouse of the concentrate froth has been developed, and it's under coordination.

The Basic engineering was developed by Ammar Project 2020 LLP with the participation of GBM company. The DED of the concentrate froth warehouse with railway deadlock has been approved. The mobilization of heavy equipment has been made, the building materials and equipment are being transported, the earthworks and foundations works are being carried out.

The construction of the frame of the main building of the processing plant is continuing. The work on the concrete bedding preparation and the installation of foundations in all 6 warehouses were completed, the foundation beams were filled. There were mounted 43% of steel structures. The positive conclusions on the DED were received on the shift camp and the industrial site. The contracts for the DED development for the design stage "Working documentation" have been concluded. The contract for the manufacture and supply of equipment has been concluded with Metso Sweden AB.

There are the negotiations underway with Esan company for the purpose of attracting a strategic partner.

### Prospects for 2019:

1) the completion of the DED development and obtaining the positive conclusion for the construction of the processing plant with infrastructure;

- 2) the completion of construction of the concentrate froth warehouse with a railway deadlock;
- 3) the completion of construction of the frame of the processing plant main building;
- 4) the beginning of the construction of the camp;
- 5) the beginning of the construction of industrial site facilities;
- 6) the beginning of the construction of the tailings storage;
- 7) the beginning of the construction of the storage pond;
- 8) the conduct of mining-and-preparatory works (uncovering) in the volume of 2,500 thous. m<sup>3</sup>.

### What progress has been achieved in the implementation of the project in 2018?

The MPC (Mining-and-Processing Complex) energy facilities were commissioned, the construction of the framework of the main building of the processing plant and the production-and-administrative building began, as well as the warehouse for the concentrate froth storing with a railway deadlock. The development of Basic engineering has been completed.

### What are the goals and objectives set in 2019?

In 2019, we are planning to complete the construction of the warehouse for concentrate froth storing with a railway deadlock and the framework for the main building of the processing plant. In addition, it is planned to search for strategic investors.

### How important is the project implementation in terms of the development of the MMC (Mining-and-Metallurgical Complex) and the economy of Kazakhstan as a whole?

During the construction of the MPC, the tax revenues to the budget will be about 370 million tenge, the deductions to the social development of the region will be about 50 million tenge. In addition, about 200 jobs will be provided.

Immediately during the operations of the MPC, about 700 jobs will be created, the deductions to the social development of the region will be about 200 million tenge, the tax revenues to the budget will be about 200 billion tenge.

### What is the attractiveness of the project for investors?

The preliminary data presented in ILZSG, show that the global demand for refined lead metal exceeded the supply by 95 thousand tons during the first eleven months of 2018. During the same period, the total registered inventory level decreased by 66 thousand tons.

Considering the high available information of the field with approved reserves, as well as extended infrastructure: the field is located 80 km from the nearest railway and mining and processing integrated plant, well-established water supply and electricity supply, and proximity to the bulk lead consumers of China and other Asian markets, the project is quite attractive for potential investors.





## JOINT DEVELOPMENT OF TUNGSTEN-MOLYBDENUM ORE DEPOSITS OF THE NORTHERN KATPAR AND UPPER KAYRAKTY IN THE KARAGANDA REGION

**Operator of the project:** Nothern Katpar LLP

**Stage of the project:** Implementation

**Design capacity:** Nothern Katpar deposit: production of 2.6 mln tons of ore per year

Upper Kayraky deposit: production of 6 mln tons of ore per year

**Final product:** 10 thous. tons of ammonium paratungstate; 0.5 thous. tons of molybdenum, 1.5 thous. tons of bismuth and 2.6 thous. tons of copper in concentrates annually

**Actual personnel:** 19 people

**Operating life of the open-cast:**

Nothern Katpar deposit – 20 years, Upper Kayraky deposit – 30 years

The on-balance reserves of primary ores in the Northern Katpar deposit in the open-cast contour are: in cat.  $C_1+C_2$  – 40,169 thous. tons of ore,  $WO_3$  – 90,493 tons ( $WO_3$  – 0.225%), molybdenum – 13,927 tons (Mo – 0.35%), bismuth 5,835 tons (0.014%), copper – 57.0 thous. tons (0.14%). The Upper Kayraky deposit contains 927 mln tons of ore with the average tungsten trioxide content of 0.132%, (1,216 thous. tons), molybdenum 0.004% (39.6 thous. tons).

### Implementation progress

The block model was created for the Nothern Katpar deposit, and its

expert evaluation was performed. The exploration works have been completed. The Mineral Resources Engineering LLC developed the report on mineral resources in accordance with the requirements of the JORC Code. The engineering surveys were performed. In the frame of the hydrogeological works, 7 exploration wells were drilled, and the cameral work are ongoing. The contract has been concluded, and the works on the development of the feasibility study of industrial conditions and the report drawing up with inventory estimates have begun.

The research and development works (R&D) on the X-ray radiometric method of the ore pre-enrichment for the Upper Kayraky deposit has been carried out. The R&D on X-ray luminescence and X-ray absorption of the pre-enrichment of ore continue. The topographic survey is done. The project on the open-cast draining has been developed and agreed. The field works on reassessment of the Mashuranskoye deposit of groundwater have been completed. For the purpose of attracting the potential strategic partner, the Due Diligence was completed and the Term Sheet with definition of the indicative terms of the deal with Xiamen Tungsten Co. was signed.

### Prospects for 2019:

**Nothern Katpar deposit:**

- 1) development and approval of the feasibility study of conditions with the calculation of reserves;
- 2) adjustment of the Work Program of the Subsoil Use Contract;
- 3) beginning of the feasibility study of the project;
- 4) beginning of design works on the Processing plant and infrastructure;
- 5) beginning of the design works concerning the mining part.

**Upper Kayraky deposit:**

- 1) detail exploration of the deposit;
- 2) resumption of exploration works, including works on hydrogeology and laboratory studies;
- 3) completion of a complex of hydrogeological studies in order to reassess the on-balance reserves of groundwater of the Mashuranskoye deposit;
- 4) support of the PGR by the Competent person with the preparation of the report on mineral resources;
- 5) beginning of the development and approval of a feasibility study of conditions with the calculation of reserves;
- 6) beginning of works on the development of the process regulations for the design of the Processing plant.



## MOROZOV FEDOR

General Director of Nothern Katpar LLP

**What progress has been achieved in the implementation of the project in 2018?**

Currently, Northern Katpar LLP performs the research and development, front end engineering design works and detail exploration of the Northern Katpar deposit (hereinafter referred to as NK) and the Upper Kayraky (hereinafter referred to as UK). The purpose of the project is the construction of mining and processing complexes in both fields and creating the single metallurgical production.

In 2018, on both directions the works were performed for the collection and analysis of archival historical information, the preliminary skeleton and block models were built. A complex of engineering surveys and geological exploration works for the development of the feasibility study of industrial conditions with the calculation of reserves has been completed for the NK field.

The first stage of drilling was carried out in the UK deposit, the most part of work on the revaluation of groundwater reserves, the works on determination the possibility of using the preliminary ore processing were carried out.

In 2018, also a series of negotiations with a potential investor took place, on the results of which was signed an agreement on the basic terms of the transaction for the sale of the Northern Katpar LLP share in favor of the potential investor Xiamen Tungsten Co., Ltd.

**What are the goals and objectives set in 2019?**

For 2019, the completion of the transaction and the signing of all transaction documents on the alienation of the Northern Katpar LLP share in favor of Xiamen Tungsten Co., Ltd. is planned.

It is planned to complete the development of a feasibility study of industrial conditions with the calculation of reserves and the approval of the Reserves State Committee of the Republic of Kazakhstan, the development of the Mining plan and the Abandonment plan. The initiation of works on the development of the Feasibility study of the field.

In 2019 for the UK deposit, it is planned to complete a set of geological exploration works, including drilling and carrying out chemical and analytical studies. According to the results of the geological exploration works, the development of the report on the mineral resources of the UK deposit in accordance with the JORC 2012 Code and the beginning of the development of the feasibility study of industrial conditions with reserves calculation, the completion of revaluation of the Mashuranskoye deposit – groundwater reserves, the determination of the optimal method of preliminary ore processing, sampling and the beginning of

works on the development of the Technological regulations for the design of the processing plant.

**How important is the project implementation in terms of the development of the MMC and the economy of Kazakhstan as a whole?**

The total reserves in the fields of the NK and UK are estimated at about 1.3 million tons of  $WO_3$ . The total design capacity of the NK and UK exceeds 12 and a half thousand tons of ammonium para-tungstate (PTA), which is the main product of metallurgical production. Accordingly, after reaching the design capacity of these deposits, Kazakhstan can become one of the key players in the global tungsten market.

The Project implementation will have a positive result on the following strategic factors:

- It will be possible to start implementing a strategy for the development of a rare-metal cluster and the revival of the tungsten industry in Kazakhstan;
- It will have a positive impact on the socio-economic development of the Karaganda region, in particular: attracting the foreign investment worth over 750 million US dollars, creating more than 1,000 new jobs, building new and reconstructing existing infrastructure, ensuring the growth of tax revenues in the state budget in the amount of about 1 billion US dollars, as well as, improvement of the investment climate in the region;
- The alternative tungsten mineral resource base will be formed for the global community, attracting additional foreign investment;
- The opportunity will open for further development of the tungsten industry in the country, in particular, the beginning of the development of the competitive industry for the production of final tungsten products in the Republic of Kazakhstan.

**What is the attractiveness of the project for investors?**

Considering the total reserves of both deposits, as well as the uniqueness of the UK deposit, the Project is quite attractive for potential investors, in particular, for companies specializing in the tungsten industry. During 2018, the requests for information on deposits were received from a number of large foreign companies in order to consider the possibility of participating in the Project.

Subsequent to the results of the negotiations, the agreements were reached with one of the world largest producers of tungsten – Xiamen Tungsten Co., Ltd. In November 2018, an agreement on the basic terms of the deal was signed with Xiamen Tungsten Co., Ltd.

## CONSTRUCTION OF A MINING AND METALS COMPLEX ON THE BASIS OF MASALSKY IRON ORE DEPOSIT IN AKMOLA REGION

26  
**Fe**  
Iron

<b>Operator of the project:</b>	Masalsky Mining and Processing Plant LLP
<b>Stage of the project:</b>	Determination
<b>Design capacity:</b>	11 mln tons of ore per year
<b>Final product:</b>	rolled and hot-rolled steel products
<b>Actual personnel:</b>	8 people
<b>Operating life of the open-cast:</b>	67 years

**729**  
mln tons of ore

Iron  
**15.82%**

In accordance with the Resolution of the Government of the Republic of Kazakhstan No. 1137 dated November 4, 2011, the deposit is classified as strategic, and the deposit development project is included in the Comprehensive Plan for the Development of the Mining and Metals Industry of the Republic of Kazakhstan for 2014–2018.

The deposit reserves were estimated according to the JORC classification and the SCMR RK classification.

Total mineable ore reserves of C<sub>1</sub> and C<sub>2</sub> categories (include in the state balance sheet) amount to 729,155,727 tons with an average iron content of 15.82%.

### Implementation progress

For the purpose of the implementation of the project "Iron ore production in the Masalsky deposit in the Akmola region", the strategic investor is to be attracted for the joint implementation of the project.

In the reporting period, the alternative production option was evaluated before obtaining the iron ore concentrate as a commercial product; economic indicators are unsatisfactory. In order to postpone the startup of works under the contract in March 2018, the agreement was signed with Kazgiprotsvetmet LLP to develop the project documentation for the development of the deposit.

### Prospects:

1) completion of work on introduction changes to the project for the industrial development of iron ore from the Masalsky deposit and to the Work program for the Subsoil use Contract;

2) during the period of transfer of financial obligations and production startup, to consider the possibility of transferring the Contract to the licensing regime in order to further obtain the Retention Status for a period of 5 years, or to put the Contract in conservation mode. The option of returning the contract to the state is also to be considered.

3) during the period of suspension of work, to continue the search for acceptable technological solutions that will enable the successful implementation of the project.

# 06

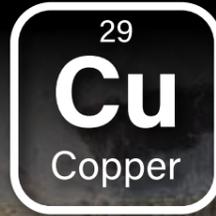


## Geologic exploration

**Implementation progress**

According to the project “Exploration of copper, gold and associated components in Spassky copper ore zone of Karaganda region”, 50% of the part of the contract territory was returned (return certificate dated February 29, 1998), a new geological permit was received on the March 12, 18. The point of extending the contract was reviewed and agreed upon at the Working group of the MID RK, the draft for the conduct of appraisal works for 2019–2023 was developed.

The estimated prognostic resources in the amount of **1 mln 26 thous. tons** of copper in total in the allocated ore clusters in Spassky CMZ represent the deposits and mineralizations referred to the category of small ones. The exploration work in Spassky CMZ are suspended.



## EXPLORATION OF COPPER, GOLD AND ASSOCIATED COMPONENTS IN SPASSKY COPPER ORE ZONE OF KARAGANDA REGION

<b>Type of the mineral:</b>	Copper, gold and associated components
<b>Contract:</b>	No. 4188-TPI dated February 20, 2013
<b>Contract Term:</b>	6 years
<b>Contract Area:</b>	6,271.4 km <sup>2</sup>
<b>Location:</b>	Spassky copper ore zone is situated in the northern part of Central Kazakhstan
<b>Project goal:</b>	Search for copper and gold objects, their evaluation and entering the reserves on the balance sheet of the SRC RK

The project is implemented by the subsidiary enterprise of the JV Tau-Ken Project LLP.

**Prospects:**

- 1) extension of the Subsoil use Contract in the Spassky CMZ in the Karaganda region;
- 2) follow-up of work on Strategic partner attracting the to the project.



## GOLD-BEARING ORE EXPLORATION PROJECTS

### Gold exploration in Shokpar and Gagarinskoye deposits in the Zhambyl region

**Project:** Performance of appraisal work at Gagarinskoye gold deposit in Zhambyl region

**Type of mineral:** Gold in solid form

**Contract:** No. 4323-TPI of December 27, 2013

**Contract Duration:** 4 years

**Contract Area:** 5 km<sup>2</sup>

**Location:** Zhambyl region, Kordaysky district, Alga village.

**Project:** Performance of appraisal work at Gagarinskoye gold deposit in Zhambyl region

**Type of mineral:** Gold in solid form

**Contract:** No. 4333-TPI of January 14, 2014

**Contract Duration:** 4 years

**Contract Area:** 4.2 km<sup>2</sup>

**Location:** Zhambyl region, Kordaysky District, Nogaybay rural district

#### Implementation progress

In the reporting period, the reserves of the deposits were confirmed: Gagarinskoye – 13.1 tons of gold, Shokpar – 10 tons of gold. The appraisal of reserves according to international standards (JORC) has been completed. The amendments to the Contracts on the Shokpar deposits were signed on May 25, on the Gagarinskoye deposit on September 3.

The technological studies on ores have been completed, the reports (sulfide and oxidized ores) with process regulations have been received.

The actions are planned in the for the month of September, 2019 for calculating reserves of categories C<sub>1</sub> + C<sub>2</sub> (ready for industrial development) and entering them on the State balance RK.

### Gold-bearing ore prospecting in South-Moiynty area in Karaganda region

**Type of mineral:** Gold in solid form  
**Contract:** No. 4535-TPI of February 4, 2015

**Contract Term:** 6 years

**Contract Area:** 234 km<sup>2</sup>

**Location:** Karaganda region, Aktogay district

#### The purpose of the project:

Identification of industrial significant object for further involvement in the development

For the project "Exploration of gold ores in the South-Moiynty area in the

Karaganda region" the works are performed to search the potential investors. The exploration works in the reporting period were not carried out.

### Gold-bearing ore prospecting at Progress deposit in Karaganda region

**Type of mineral:** Gold  
**Contract:** No. 4504-TPI of December 23, 2014

**Contract Term:** 5 years

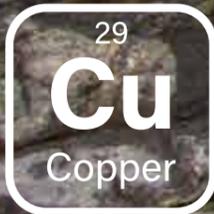
**Contract Area:** 6.41 km<sup>2</sup>

**Location:** Karaganda region, Karkaraly district

The project is implemented by Tau-Ken Progress LLP, the subsidiary of Tau-Ken Samruk NMC JSC.

On November 15, 2018 was signed the contract of sale and purchase of 100% of share of participation of the Tau-Ken Samruk NMC JSC in the statutory

capital of Tau-Ken Progress LLP in favor of the Kazakhstan company.



## Copper, lead and barite exploration in Tuyuk-Temirlik ore district of Almaty region

**Type of mineral:** Copper, lead, baryte and associated components

**Contract:** No. 4196-TPI of March 27, 2013

**Contract Term:** 6 years

**Contract Area:** 161.61 km<sup>2</sup>

**Location:** Almaty region, 186 km from Almaty

**Project goal:** Conducting of the package of exploration works to identify the large and medium-sized

copper deposits and associated components within the ore zone.

The Company completed the procedures of the contracts return to the state (agreement on termination the contract between Tau-Ken Mining LLP and MIID RK (of 12.24.2018) for the projects "Exploration of copper, lead, baryte in the Tuyuk-Temirlik ore district" and "Baryte-polymetallic ores

production in the deposit Tuyuk", on the results of the Exploration works, conducted in 2013–2016.

## Information on the Company's major transactions

1. On October 12, 2018, was signed the contract of purchase and sale of a 100% share of participation in SARECO LLP between NAC Kazatomprom JSC and Tau-Ken Samruk NMC JSC. By the decision of the Board of Directors of Tau-Ken Samruk NMC JSC of September 27, 2018 (Minutes No. 08/18), was approved the alienation of a 100% share of participation in SARECO LLP from NAC Kazatomprom JSC in favor of Tau-Ken Samruk NMC JSC.

2. On November 15, 2018, was signed the contract of purchase and sale of a 100% share of participation in Progress LLP between Tau-Ken Samruk NMC JSC and Kazakhstan company.

3. After the reporting date, on January 15, 2019, Tau-Ken Samruk NMC JSC and Samruk-Kazyna Invest LLP signed the Contract on the trust management of 30,001 (thirty thousand and one) ordinary shares in the statutory capital of "Tin One Mining" JSC of the project "Development of the tin deposit Syrymbet in the North-Kazakhstan region and the construction of the mining-and-metallurgical complex".

# 06



## Report on financial and economic performance results

## 1. KEY INDICATORS OF THE ACTIVITY

### Operational indicators

Denomination	Unit of m.	12 months 2017		12 months 2018		2019
		Fact	Plan	Fact	Forecast	
Refining gold manufacture	thous. ounces/ tons	420.4/13.5	643.01/20.0	729.6/22.7	803.7/25	
Metallurgical silicon manufacture	tons	12,732	18,500	14,408	17,099	

■ The refined gold production at Astana refinery in the reporting period amounted to 729.6 thous. ounces (22.7 tons), of which 126.6 thous. ounces (3.94 tons) were reprocessed from the raw material

received on the give-and-take basis give-and-take basis (tolling). As a result, the factual indicator of the refining gold manufacture for 12 months of 2018 was exceeded by 14% against the plan.

■ The metallurgical silicon manufacture for 12 months of 2018 in the plant in Karaganda city during the reporting period, was performed at 78%.

### Financial indicators

Denomination	Unit of m.	12 months 2017 Fact	12 months 2018 Fact	2019 Forecast
EBITDA margin*	%	(0.8)	(1.1)	(0.6)
Net profit (loss)	bln tenge	56.6	44.1	56.8

\* – indicators are calculated on the methodology approved by the Sole Shareholder

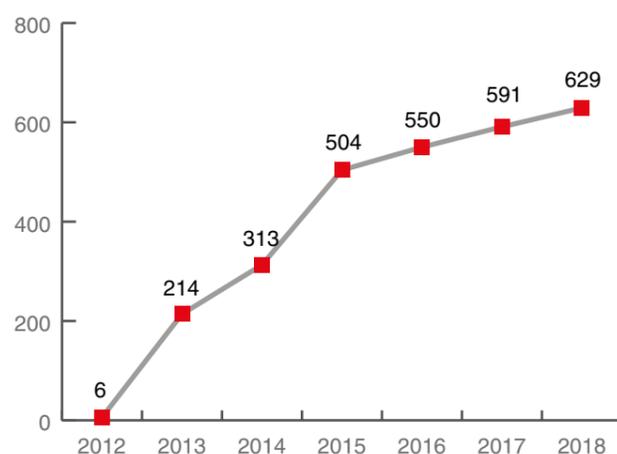
For 12 months of 2018 the factual indicator EBITDA margin was equal to 1.1%. The negative dynamics of the indicator EBITDA margin, in comparison with the similar period of the last year, is determined by the increase of the operating loss (-1.2 bln tenge) due to the augmentation of General and administrative cost (-0.9 bln tenge) and transportation and realization cost (-0.2 bln tenge) and the gross margin by (0.1 bln tenge).

The reduction of the net profit by 12.5 bln. tenge for 12 months of 2018 in comparison with the similar period of 2017, is connected, mainly, (1) is determined by the decrease of the net profit of Kazzinc LLP, accounted in the Company by the method of the share participation (-11.4), formed due to the decrease of profits from the realization of Kazzinc LLP, because of reduction of lead manufacture volume (at -18% or -10 thous. tons), copper (at -11% or

6 thous. tons), with general decrease of fining process cost and cost for the primary products, decrease of the market prices for lead (-\$114/t), zinc (-\$28/t) and gold (-\$1,6/ounce); (2) increase of the Operating loss (-1.2 bln tenge and augmentation of the profit from the non-operating activity (-0.2 bln tenge) on account of the non-operating profit and the exchange difference.

## 2. INFORMATION ON THE CAPITAL SUFFICIENCY INDICATORS

### Size of the own capital, bln tenge



The Own capital of the Company as of December 31, 2018 amounted to 629 bln tenge. The increase of the own capital by 38 bln tenge, compared with the size of own capital of the similar period last year, is mainly due to the following factors:

- increase in other components of capital in the amount of 61.1 bln tenge, due to the conversion of reporting currency in the Kazzinc LLP;
- payment of dividends in favor of Samruk-Kazyna JSC in the amount of 56.4 bln tenge following the results of 2017.

## 3. INFORMATION ON THE LIQUIDITY RATIOS

According to the results of 12 months of 2018, the financial dependency ratio is 0.05, the concentration of own capital is 0.95, that characterizes the current financial condition of the

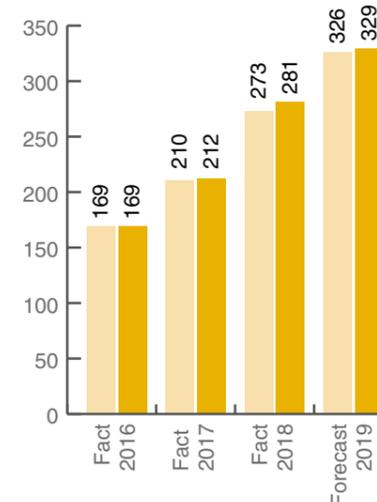
Company as stable and independent from external creditors.

The indicator of the current liquidity ratio is 3.08, that positively

characterizes the current financial condition of the Company, due to the sufficient amount of free resources against the current liabilities.

## 4. DETAILED FORECAST OF INCOME AND EXPENSES

### Total income and expenses, bln tenge



The total income in the amount of 273 bln tenge for 12 months of 2018, was formed, mainly, by revenues from the sale of refined gold in the amount of 257.5 bln tenge, due to the sale of refined gold to the National Bank of the Republic of Kazakhstan and the sale of metallurgical silicon in the amount of 9.9 bln tenge, financial revenues in the amount of 2.3 bln tenge, received as a result of placement of temporarily free cash in second-tier banks, as well as receiving other income in the amount of 1.6 bln tenge.

The consolidated expenses of the Company for 12 months of 2018 amounted to 281 bln tenge, and include, mainly, the acquisition of gold-bearing raw materials, the expenses accounted for in the gold refining, the expenses for the metallurgical silicon manufacture, general and administrative expenses, and transportation and realization expenses and other non-operating expenses.

In 2019, the Company expects to receive the total income in the amount of 326 bln tenge, due to the sale of refined gold in the amount of 310.4 bln tenge to the National Bank of the Republic of Kazakhstan, the sale of metallurgical silicon in the amount of 13.3 bln tenge, the sale of refined silver in the amount of 1.3 bln tenge.

■ Total income, bln tenge  
■ Total expenses, bln tenge

For 2019 the total expenses are planned in the amount of 329 bln tenge and include the expenses for purchasing of gold-bearing raw materials and the expenses for refined gold and metallurgical silicon manufacture in the amount of 323.3 bln tenge, the general

and administrative expenses of the corporate center of the Company and its subsidiaries in the amount of 4.6 bln tenge, the expenses for the implementation in the amount of 0.3 bln tenge, other expenses in the amount of 0.8 bln tenge.

Income and expenses of the Company in the forecast period from 2020 till 2022 are forthcoming within 2019.



# 07



Platinum		
Silver		
Copper		
Steel		
Beryllium		
Manganese		
Aluminum		
Chrome		
Nickel		
Bauxite		
Cotton	\$162.00	\$196.34
Flax	\$172.00	\$182.32
Textiles	\$243.00	\$330.48
Wool	\$261.00	\$59.66
Fur	\$116.00	\$12.55
Sateen	\$201.00	\$246.43
Silk	\$177.00	\$184.79
Oil	\$609.00	\$811.19
Gas	\$516.00	\$708.98
Electric power	\$578.00	\$808.04

## Analysis of the external environment

## LEGISLATIVE ENVIRONMENT

In accordance with the legislation of the Republic of Kazakhstan in the field of subsoil use, the Company applies to the competent authority – the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan and other state bodies, including the local executive bodies, for obtaining the licenses and the subsoil use rights, handling the formalities and coordination (expertise) of documentation, process documentation of land sites and for other issues for exploration and minerals production carrying out. The coordination with the competent authority of the Company is carried out when transferring the contracts for subsoil use to the subsidiary (related) organization.

In case of transfer of the subsoil use right (share in the subsoil use right), the facilities related to the subsoil use

right, according to the transaction in which one of the parties is a national company, the Company shall notify the Competent authority.

The state authorities may influence the Company activity in accordance with the provisions of the legislation of the Republic of Kazakhstan regulating the business activity of the legal entities.

In accordance with the Entrepreneurial Code of the Republic of Kazakhstan, the Company applies to the antimonopoly body with a request to obtain the consent to establish the subsidiaries, including in order to implement the agreements on joint activity with strategic partners, as well as to obtain the consent for economic concentration when concluding the transactions on the acquisition of mining assets (shares of participation, portfolio of shares).

On June 29, 2018, the Code on subsoil and subsoil use, replacing the law on subsoil and subsoil use, was partially introduced.

The main conceptual changes of the adopted law are the introduction of the Australian model of granting the subsoil use rights according to the principle "first in, first receive", transition to the international system of mineral reserves calculation, ensuring the availability of geological information, developing the program for managing the state subsoil fund, regulating the development of uranium, methane and coal-beds, the introduction of the artisanal production of minerals. In the adopted code, there is no the priority right to solid mineral deposits, and the right to conduct direct negotiations has been extended for 2 years.

2017. The investment in ingots and coins increased in the second half of the year by 4% to 1,090.2 tons in 2018. The demand for jewelry throughout the year remained stable at the level of 2,200 tons. The gold used in technology rose slightly to 334.6 tons

in 2018, although growth in the fourth quarter, it stopped. The annual supply of gold increased slightly to 4,490.2 tons, and the production rose to the new maximum of 3,364.9 tons.

N°	Fund name	Volume (tons)
1.	SPDR Gold Shares	787.4
2.	iShares Gold Trust	280.17
3.	Xetra-Gold	181.1
4.	ETFS Physical Gold	161.6
5.	Invesco Physical Gold ETC	119.98
6.	iShares Physical Gold ETC	105.6
7.	Gold Bullion Securities Ltd	80.2
8.	ZKB Gold ETF	63.5
9.	Xtrackers Physical Gold ETC EUR	61.5
10.	Sprott Physical Gold Trust	49.1
<b>Total</b>		<b>2,440.2</b>

Source: World Gold Council

## BRIEF METALS MARKET OVERVIEW

### Gold market

The gold price in 2018 began to decline due to the investors interest decrease, the investors increasingly frequently prefer the assets that can generate the higher returns.

According to the World Gold Council, for most of the year, the gold faced the significant obstacles:

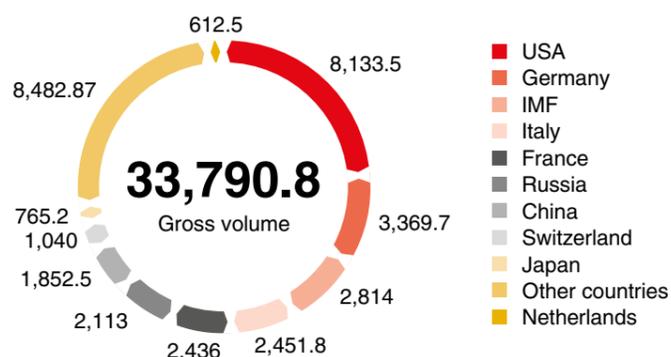
- Strengthening of the dollar;
- The Federal Reserve System continued to grow steadily, while other central banks remained politically compliant, and the US economy was boosted by the Trump administration tax cuts.

These factors contributed to the positive mood of investors, that,

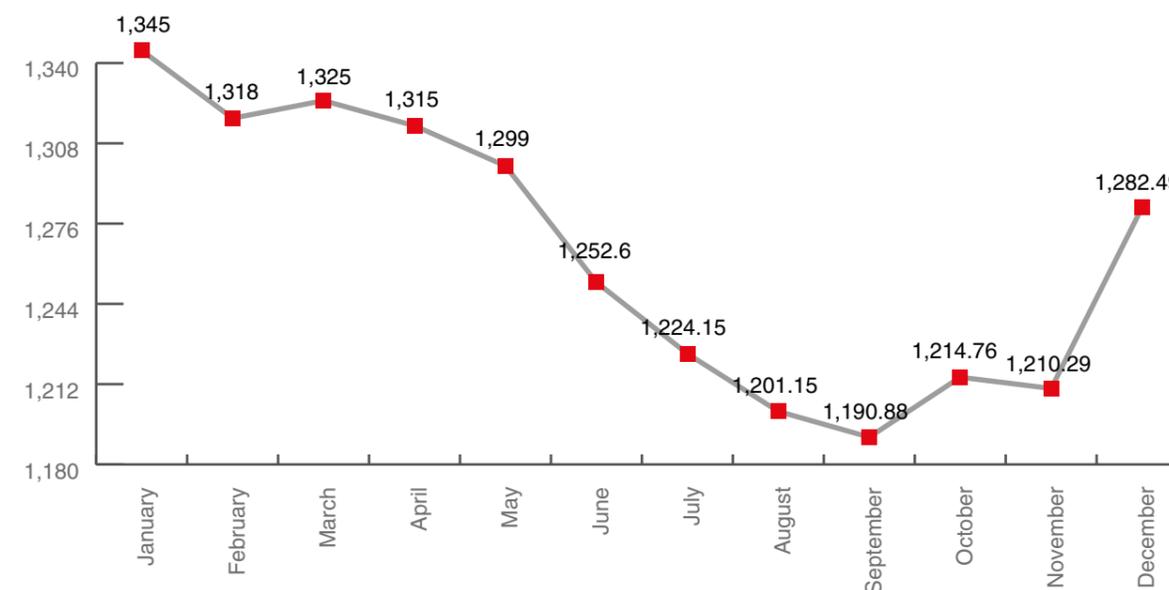
in return, raised the US shares prices, at least until the beginning of October 2018. But as the geopolitical and macroeconomic risks continued to increase, the emerging market shares retreated. In the end, there were the shares of the developed markets that were sold by the American technology companies, that resulted in the short backing of gold, the price of which was about \$1,280 per ounce (-1% g / g).

### Top-10 countries, owning gold reserves, tons:

Country	Volume (tons)
USA	8,133.5
Germany	3,369.7
IMF	2,814.0
Italy	2,451.8
France	2,436.0
Russia	2,113.0
China	1,852.5
Switzerland	1,040.0
Japan	765.2
Netherlands	612.5
Other countries	8,482.87
Gross volume	33,790.8



### Gold price behavior for the year, US dollar:



Source: Bloomberg

In the past year, gold was at the epicenter of world financial events, so for a long month there was a steady decline in its price, and then its growth. For most of 2018, because of Donald Trump's tax liberalization, the share market grew, and the Fed also raised its rate. But in the autumn there was a turning point: the investors were worried about the Fed raising interest rates, since the high rate means the expensive loans for companies and, at the same time, it slows down the economy. At the end of September, the

Fed raised the rate for the third time in a year, and in mid-October, the US share market was noticeably low, followed by the worldwide quotes. In general, the gold lost in its price 2.8% over the year.

### Prospects

The analysts at the investment bank Goldman Sachs are known for their good knowledge of the commodity market. Their opinion has a special weight in the financial world. At the end of 2018, they began to unexpectedly advise buying gold. According to the analysts, the gold will receive support

from the change in the investment cycle. This means that in recent years, the shares, the real estate and the government bonds were popular among investors, as their value grew against the background of "quantitative incentives" from the Central banks. But the next 2019, there will be the upward trend in the oil and gold market. The bank analysts estimate the gold price to be \$1,250 per ounce over the next three months, and in six months the precious metal may rise to \$1,300. According to their forecast, within 12 months the price of gold could rise to \$1,350 per ounce. Thus, from

the current value the increase in the value of gold can be + 8% in a year. The bank also believes that the gold will be receiving the support from the economic growth slowdown the next 2019. In this case, the investors will turn their attention to the defensive assets, which also include the yellow precious metal.

According to the analysts of *Bank of America Merrill Lynch (BoAML)*, those

investors who are looking for the promising asset in 2019, should turn their attention to the gold. According to the analysts of the bank, the weakening of the dollar, inflation in the United States and the low real interest rates will be the main drivers of growth in gold prices in 2019. As per the bank's forecast, the average price of gold in 2019 could reach \$1,296 per ounce. With this, during the year, can be reached the maximum value of \$1,400.

Thus, the increase in the value of the yellow precious metal can be + 4% from the current level. In 2018, three important factors held back the growth of the gold, namely: the rising real interest rates, the US economy growth and the US dollar strengthening. But in 2019 these factors will take the reverse vector of the development.

## GOLD PRODUCTION IN THE WORLD

Since the global gold market is the most "opaque", it will be observed the statistics of independent experts USGS (United States Geological Survey):

Country	Gold production	
	2017	2018
USA	237	210
Australia	301	310
Brasil	80	81
Canada	164	185
China	426	400
Ghana	128	130
Indonesia	75	80
Kazakhstan	85	97
Mexico	126	125
Papua – New Guinea	64	65
Peru	151	145
Russia	270	295
South Africa	137	120
Uzbekistan	104	105
Other countries	883	920
<b>Total volume</b>	<b>3,230</b>	<b>3,260</b>

In 2018 the level of gold production in the world became the highest for all time. According to the World Gold Council, the mining companies increased production for the tenth year running by 1%, to 3.347 mln tons. (Portal "Business Switzerland").

The gold production in China, the largest producer of metal in the world by volume, declined by 9%. It's all the fault: the enforcement of the antipollution policy by the Chinese government.

The world gold processing rose by 1% to 1.1 mln tons. The total of 4.4 mln tons of the precious metal was put up for sale in 2018, which is by 1% more than last year.

### Gold production in Kazakhstan

In 2018, 97.429 tons of gold were produced in the country, more than in prior years. The growth is promoted by the launch of new deposits and the

expansion of production in existing sites, the changes in legislation, as well as stable demand from the National Bank.

According to the Committee on Statistics, in December 2018, the volume of gold production (unprocessed, semi-processed or in powder form) exceeded 8.5 tons. The industry has been overcoming this threshold for 5 months consecutive, and September (9,110 kg) has become the record one. In just 12 months, almost 97.4 tons of products were produced in the republic.

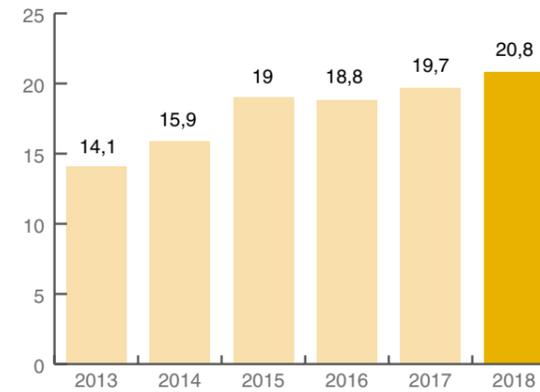
For comparison:

- for all 2014 were produced 49.2 t of gold,
- in 2015 – 63.7,
- in 2016 – 74.6,
- in 2017 – 85,
- in 2018 – 97.4.

The gold production in the republic has been growing non-stop year by year

for 41 months in a row. The last time when the monthly production was lower than the same month of 2017, was in June 2015. Since then, the index of actual volume (IAV) has been stably above 100, for example, in November 2018, it was produced by 19.8% more than in 2017. The production growth is associated with several factors. At the end of June, the Bakyrchik mining enterprise was launched in the East Kazakhstan region, where is located one of the largest deposits of the republic. The volume of reserves is estimated at 280 tons, but the ores are characterized by extremely complex gold recovery technology. Nevertheless, when reaching the design capacity, the production is expected to be up to 10 tons per year. In addition, the increase in production is noted at other sites. The Kazakhmys Corporation increased the extraction of precious metal by 31%. In 2018 the production of the refined gold increased to 22.7 tons in Tau-Ken Altyn.

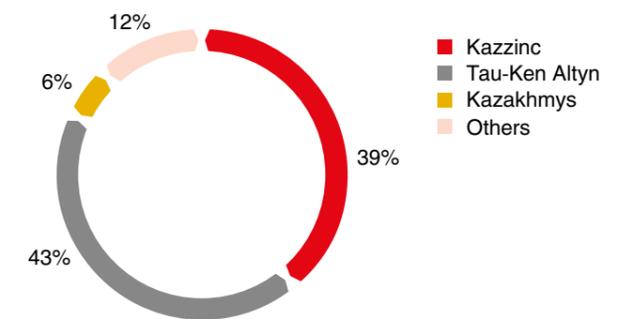
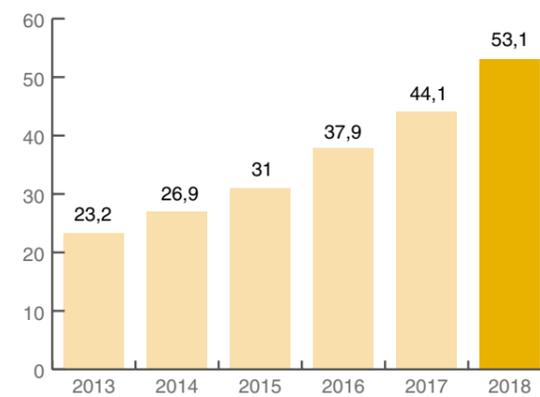
### Gold ore production. January–December 2018, mln tons



According to the last year results, the gold ore production increased by 5.6% in the RK, up to 20.8 mln tons. Following the results of 2017, there is also the growth: by 5.1% per year, up to 19.7 mln tons.

Source: Committee on Statistics RK

### Gold production in Kazakhstan in the period of 2013–2018, tons

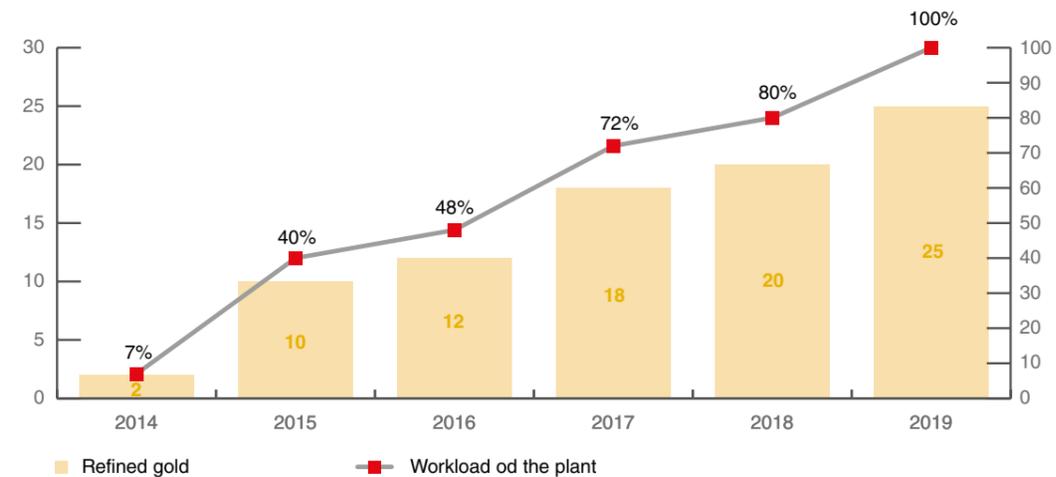


The gold production is also increasing. Thus, in January–December 2018, were produced 97.4 tons of unprocessed gold (+ 14.6% per year) and 53.1 tons of refined gold (+ 20.1% per year).

The share of Tau-Ken Altyn in the gold market in Kazakhstan is calculated on the basis of the volume released in tons in 2018:

- 1) Tau-Ken Altyn LLP – 22.7 tons;
- 2) Kazzinc LLP – 20.673 tons;
- 3) Kazakhmys Smelting LLP – 3.112 tons;
- 4) Others – 6.615 tons.

### Refined gold production "Tau-Ken Altyn" LLP, tons



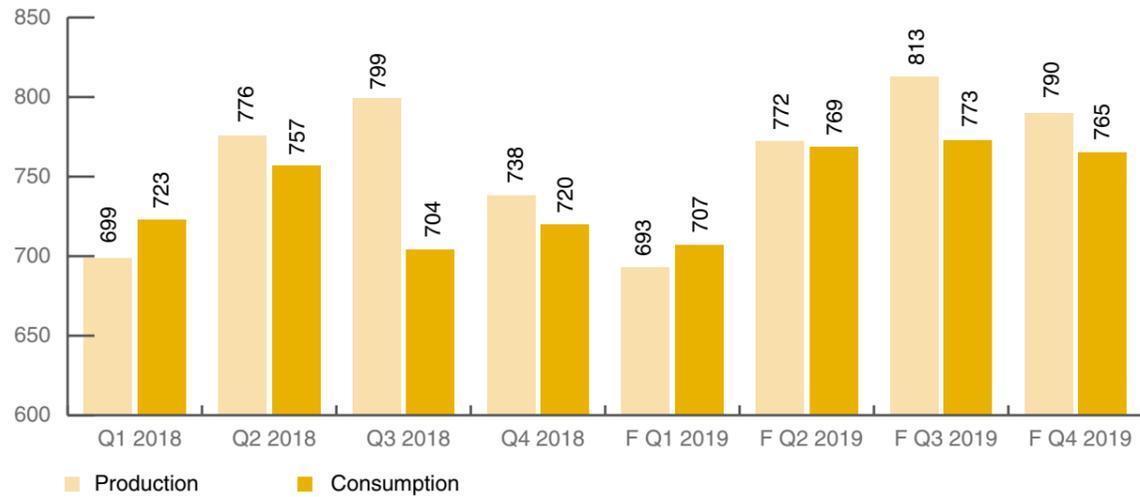
## SILICON MARKET

### ■ Silicon production volume

According to U.S. Geological Survey, in 2018, were produced worldwide approximately 2,546,000 tons of silicon.

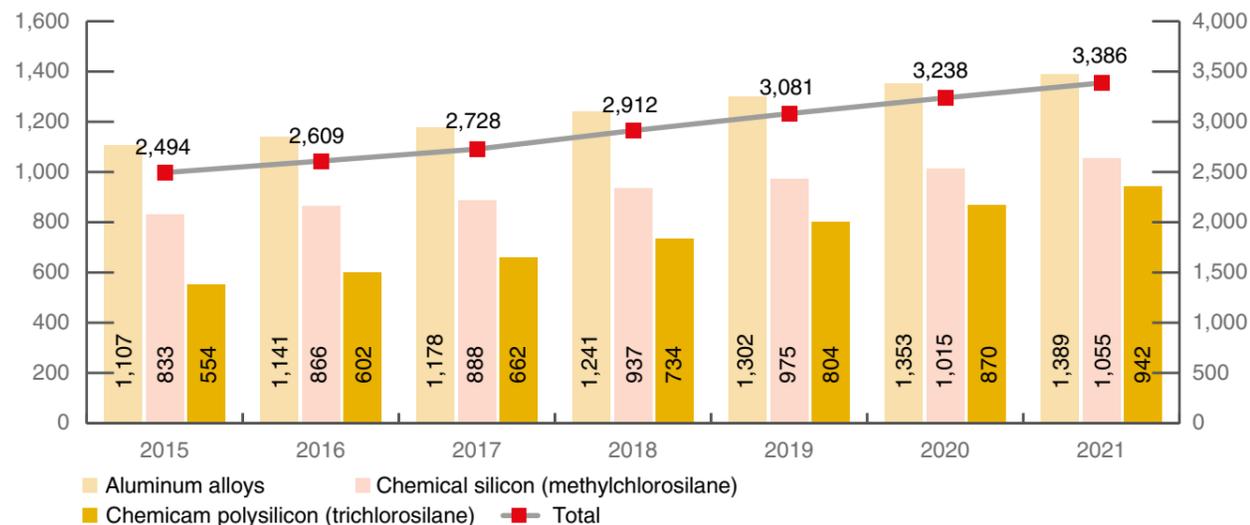
### ■ Silicon demand volume

#### Silicon production and consumption in the world (by quarter), thous. tons



Source: Platts

#### Silicon consumption forecast by fields of application, thous. tons per year



Source: Platts

Approximately 64% of world production of metallurgical silicon fall on China, while all other countries of the world account for 36% of the world production.

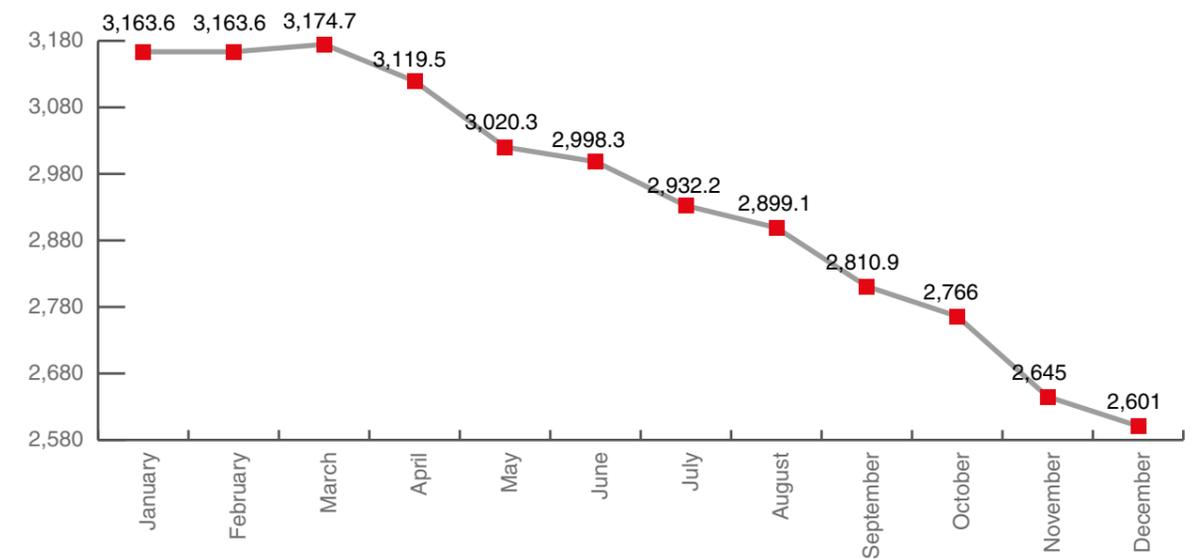
The main areas in which the metallurgical silicon is used, are the production of aluminum alloys and the production of organo-silicon compounds.

In the automotive industry, which is another important key indicator of the demand for aluminum (and, accordingly, for metallurgical silicon). According to the consulting company LMC Automotive in the first half of 2018 in the world were sold over 46 mln of new light vehicles and light commercial vehicles (LCV), which is by 4% more than for the same period in 2017, but in the second half of the year there is a decline compared to 2017. China, which controls almost the third

of the global sales, has a commanding lead, the United States, which lost the first place in 2009, now is on the second place. Kazakhstan is on the 17<sup>th</sup> place among Asian countries in car sales.

### ■ Dynamics of prices for silicon

#### Silicon price in the United States, US dollars per ton



Source: Platts

From the beginning of the year, the prices for metallic silicon in the USA showed the gradual decline, and in the second half of 2018, respectively, because the supply exceeded the demand.

During the year, the metal production in the world was ahead of

### ■ Kazakhstan silicon market

The plant for the metallic silicon production of Tau-Ken Temir LLP is the only such enterprise not only in the Republic of Kazakhstan, but also in the countries of Central Asia. The main

### ■ Export business

In accordance with the financial statements for 2018, the average selling price was \$1,850. The main directions are the USA, the countries of the European Union (Kingdom of the Netherlands, Great Britain, Italy, Germany), the countries of the Customs Union.

In 2018, it is planned to increase the share of participation in the markets of the CIS, the European Union and North America.

consumption, and the USA became the main destination for imports throughout the year.

At the beginning of the year it was expected that by the end of August, the prices for metallic silicon in the USA would fall, and by the end of the year they would potentially drop by 10–15 cents/pound more.

equipment: the ore-thermal furnaces, the auxiliary equipment is unique, the equipment manufacturer is the German company SMS Diemag, the leader in the production of electro-

The metallic silicon prices in the USA rose by 4% to 1.46–1.48 US dollars per pound in early March due to tensions and trade-related expenses. The market fell by 8% US dollars to 1.34–1.37 doll./pound against its peak. The decline was caused primarily by the cessation of anti-dumping and compensatory cases against Australia, Brazil, Norway and Kazakhstan.

thermal furnaces in the world market. The production capacity is 22,000 tons of finished products per year.



## INNOVATIVE ACTIVITIES

In the framework of R & D, the following researches were carried out:  
In ShalkiyaZinc LLP:

- on pilot testing of the emulsion explosives,
- works on the digital model of the mine development,
- geophysical surveys
- studies of the technological suitability of water,
- geophysical surveys of wells in the Shalkiya deposit, etc.

R & D studies on the following topics were carried out in Alaigyr JV LLP: the services on the basic engineering development, the works on the economic evaluation of the Alaigyr deposit per variants of the cut-off grades and on selection of the optimum cut-off grade of lead for calculating the reserves and deposit development, the technological studies of silver-lead ores of the Alaigyr deposit to study the semiautogenous grinding process, the pilot plant tests and adjustment of process regulations, etc.

In the Upper Kayraky deposit were carried out the research and development works (R&D) on the X-ray radiometrical method of the ore pre-enrichment. The researches on X-ray luminescent and X-ray absorption pre-enrichment of the ore are ongoing.



# 08



## Corporate governance

The corporate governance system (hereafter – CG) of the Company is the set of processes ensuring the management and the control over the Company activity, as well as the system of relations between the executive body, the Board of Directors, the Sole Shareholder and interested parties.

The CG principles are defined in the Corporate Governance Code of the Group of Companies of Tau-Ken Samruk NMC JSC (hereafter, the Code). The company adheres to the provisions of the Code in accordance with the following sections:

- Government as a shareholder
- Interaction of the Sole shareholder and organizations

- Sustainable development
- Shareholder rights and treating shareholders fairly
- Efficiency of the Board of Directors and the executive body
- Risk management, internal control and audit
- Transparency.

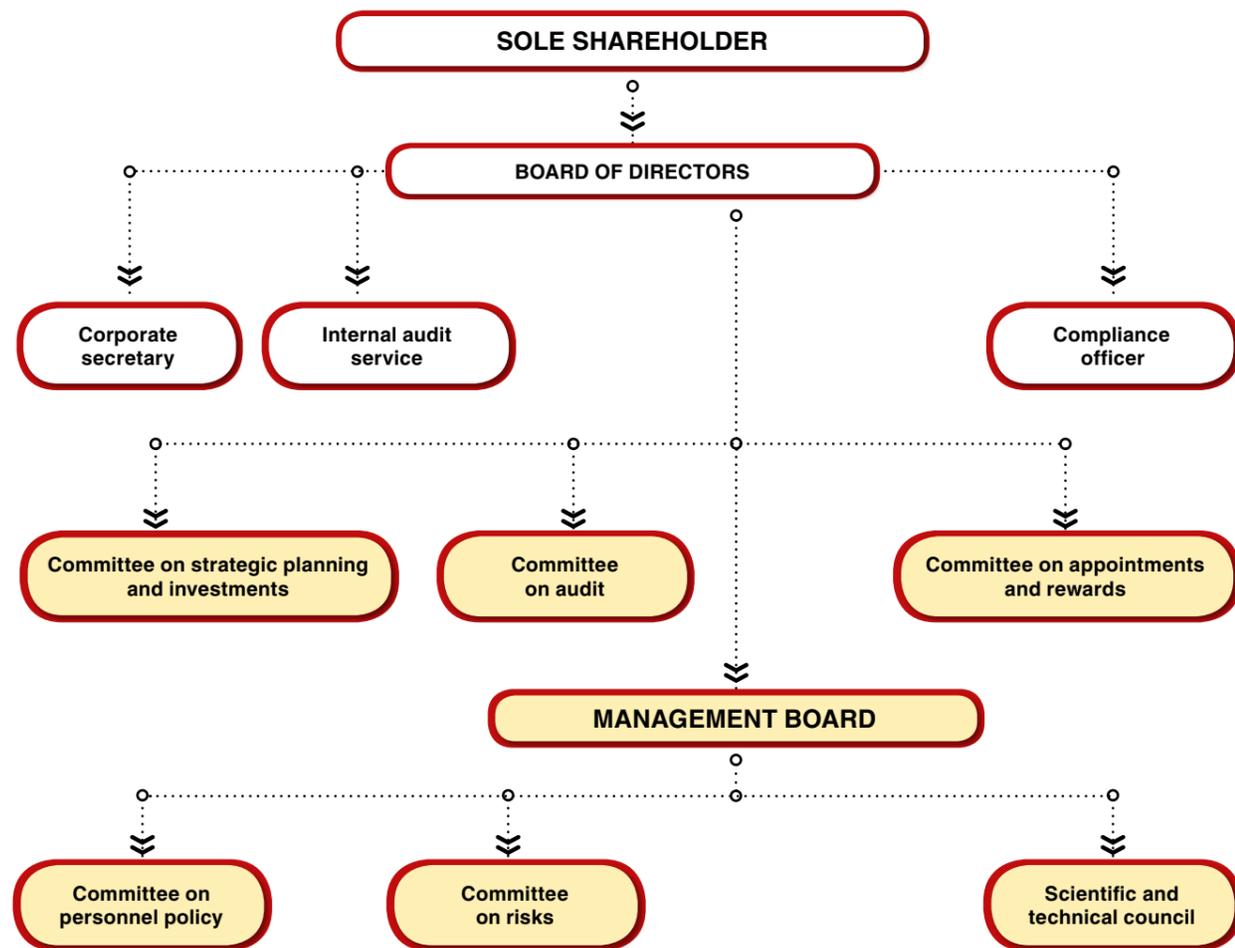
The Company has developed the Action Plan on the implementation of the Corporate Governance Code for 2018–2020, approved by the decision of the Company Board of Directors on June 28, 2018, Minutes No. 06/18. The execution of the specified Plan is being monitored quarterly.

In the first quarter of 2018, was carried out the independent diagnostics of the corporate governance of

the portfolio companies by PwC company. Subsequent to the results of the diagnostics, the Company has been assigned the rating of "B", that corresponds to the expectations of the Sole shareholder.

The detailed results of compliance/non-compliance with the principles of sections of the Code are presented in the Company corporate website. Annex 1 to the Report provides the information on the main criteria for following the principles of the Code.

### CORPORATE GOVERNANCE STRUCTURE



In accordance with the Company Charter, approved by the Sole Shareholder, the Company bodies are:

- supreme authority – the Sole Shareholder;
- governing body – the Board of Directors;
- executive body – the Management Board (hereinafter – the Board).

### Company ownership structure

- Number of shares issued: 400,981 items;
- Number of shares placed: 292,887 items;
- Number of authorized but not placed shares: 108,094 items;
- Nominal value of the share: 1,000 tenge.

Procedure of right to property management

- The sole shareholder of the Company is Samruk-Kazyna JSC,

- which directly owns 100% of the shares;
- shares (shares in the statutory capital) in subsidiaries and related entities of Tau-Ken Samruk NMC JSC are not owned by members of the Board and members of the Board of Directors of Tau-Ken Samruk NMC JSC;
- all shares of the Company are ordinary, the rights of shareholders comply with the requirements of art.14 of the law of the RK "On Joint-Stock Companies" of May 13,

- 2003 No. 415-II. The shareholders have priority ownership in relation to the Company property;
- the members of the Board of Directors and the Management Board, as well as the key managers, do not own the Company shares.

Following the results of 2018, the Company statutory capital amounted to 252.8 bln tenge, the owned capital is 629 bln tenge.

### SOLE SHAREHOLDER

The company is a vertically integrated company and was established in accordance with the decree of the Government of the Republic of Kazakhstan of January 15, 2009.

The Sole shareholder of the Company is Samruk-Kazyna JSC.



### ACTIVITY OF THE BOARD OF DIRECTORS

The Board of Directors carries out overall management of the Company's operations, except for issues attributed by the Law of the Republic of Kazakhstan "On Joint Stock

Companies" and the Charter of the Company to the exclusive competence of the Sole Shareholder and the executive body of the Company.

The Board of Directors consists of six directors. The members of the Board of Directors are elected by the Sole shareholder.



In accordance with the best corporate governance practice, there are the directors, independent from the Sole shareholder and the Company management, who are the guarantee of making objective decisions that best correspond to the interests of the Company.

### Procedure for nomination of candidates to the Board of Directors

In accordance with the Company Charter, the determination of the quantitative composition, the term of office of the Board of Directors, the election of members of the Board of Directors fall within the exclusive competence of the Sole shareholder. The Board of Directors is elected for a term at most of 3 years. Any election to the Board of Directors for more than 6 years in a row, is subject to special consideration, taking into account the need for the qualitative renewal of the Board of Directors composition. The same person cannot be elected to the Board of Directors for more than 9 years running. In exceptional circumstances, the election for more than 9 years is allowed, but the re-election of such a person to the Board of Directors must be made annually. In accordance with the Company

Charter, the number of members of the Board of Directors must be at least 5 people. The number of independent directors may not be less than one third of the number of members of the Board of Directors. The company complies with this requirement, and currently the share of independent directors is 50%.

In accordance with the Policy of candidatures selection to the Board of Directors of Tau-Ken Samruk NMC JSC, the process of searching and selecting of candidates to the Board of Directors members must be carried out before the expiration of the full term of office of the entire Board of Directors and the powers of its members. The point of electing the entire Board of Directors or its particular members may be initiated according to the established procedure by the Sole shareholder or the Committee on Rewards through the Board of Directors.

### Recruitment of members to the Board of Directors:

1) The Sole shareholder together with the Chairman of the Board of Directors, the chairman of the appointments and rewards Committee of the Board of Directors:

- prepares and plans: the analysis and determination of the set of necessary competencies and skills in the Board of Directors, with account of the objectives of the Company;
- determines the channel for searching candidates – independently or with the help of the recruiting organization;
- carries out the searching for candidates;
- conducts the selection of candidates: assessment, interviews and preparation of proposals for candidatures (candidatures for the Board of Directors are discussed with, at least, one member of the appointments and rewards Committee of the Sole shareholder);

The candidatures to the Board of Directors should have the relevant work experience, as well as knowledge, qualifications, positive achievements and impeccable reputation in the business and industry environment, necessary to perform their duties and to organize the effective work of the Board of Directors in the interests of the Sole shareholder and the Company. When selecting candidates for the Board of

Directors, the following shall be taken into account:

- experience in leadership positions;
- experience as a member of the Board of Directors;
- length of service;
- education, specialty, including the availability of international certificates;
- availability of competences in directions and domains;
- business reputation;
- existence of direct and potential conflict of interest in case of election to the Board of Directors.

2) The Sole shareholder makes the decision;

3) information is published on the Company's website and a press release is issued.

In order to implement the best corporate governance practice, in the Board of Directors composition the Company needs to have the independent directors, who are guarantees of making objective decisions that best match the interests of the company.

According to the requirements of the law "On Joint Stock Companies" (Cl.5, Art. 54) and the world practice of corporate governance, to the Board of Directors the independent directors are elected, and there must be at least one third of the number of members of the Board of Directors.

In accordance with subparagraph 20 of article 1 of the Law "On Joint-Stock Companies", an "independent director" is defined as a member of the board of directors who is not an affiliate of the joint-stock company and has not been the one for three years prior to his election to the board of directors (except for his tenure of appointment as an independent director of this joint-stock company), is not an affiliated person as regards to this joint-stock company affiliated persons; is not associated by subordination with officials of this joint stock company or organizations, affiliated persons of this joint stock company and was not associated by subordination with these persons during three years preceding his election to the board of directors; is not a public employee; is not an auditor of this joint-stock company and has not been the one during three years preceding his election to the board

of directors; does not participate in the audit of this joint-stock company as an auditor working within the audit organization and did not participate in such an audit within three years preceding his election to the board of directors.

### Procedure for making suggestions to agenda of meetings of the Board of Directors

The meeting of the Board of Directors may be convened at the initiative of its Chairman or the Board of the Company or upon request:

- 1) any member of the Board of Directors;
- 2) the audit organization that audits the Company;
- 3) the Sole shareholder;
- 4) the Company internal audit Service.

A request for convening a meeting of the Board of Directors shall be submitted to Chairman of the Board of Directors by sending a relevant written notice containing the proposed agenda of the meeting of the Board of Directors. The procedure for notification of members of the Board of Directors of holding a meeting is determined by the Board of Directors. The Board of Directors may not make decisions on matters attributed by the Charter of Tau-Ken Samruk NMC JSC to the exclusive competence of the Company's Management Board, as well as decisions conflicting with decisions of the Sole Shareholder.

A meeting of the Board of Directors make decisions on issues included in the agenda of such a meeting. In the course of any meeting of the Board of Directors attended by 2/3 (two thirds) of the total members of the Board of Directors, additional issues may be included in the agenda and addressed at the meeting, provided that all present members of the Board of Directors shall vote for inclusion of such issues in the agenda. More detailed information on making suggestions to the agenda of meetings of the Board of Directors is available at the Company's website: [www.tks.kz](http://www.tks.kz).

### Remuneration policy of members of the Board of Directors

According to the Company Charter, the determination of the amount and terms of remuneration payment to

members of the Board of Directors falls within the exclusive competence of the Sole shareholder.

The payment of remuneration to the independent directors of the Company is carried out on the basis of the Rules for payment of remuneration and compensation of expenses of independent directors of Samruk-Kazyna JSC Companies, approved by the decision of the Board of Samruk-Kazyna JSC.

The following remuneration is paid to independent directors:

- 1) fixed remuneration;
- 2) additional remuneration for participation in face-to-face meetings of committees under the Board of Directors.

The total of annual fixed and additional remuneration to the independent directors are established individually by the decision of the Sole shareholder.

The members of the Board of Directors do not receive any other remuneration or facilities, as well as, there are no remuneration limit up, and other remuneration in the form of shares of Tau-Ken Samruk NMC JSC is not provided.

With this, in the case of participation of independent directors in less than half of all face-to-face meetings and meetings by correspondence of the Board of Directors in the reporting period, except for absence from face-to-face meetings due to illness, being on vacation, a business trip, the fixed remuneration is not paid.

The remuneration is not paid to the members of the Board of Directors, for whom the law provides for the restriction or prohibition on receiving any payments from commercial organizations, and to the Chairman of the Management Board of the Company.

## Information about the Board of Directors, its composition

In 2018, due to the expiration of the term of office of the Board of Directors, was determined the composition of the Board of Directors of the Company by decision of the Board of Samruk-Kazyna JSC on April 23, 2018 No. 13/18:

1) Aydarbayev Alik Serikovich – Representative of Samruk-Kazyna JSC;

- 2) Kasymbek Ardak Mahmuduly – Representative of Samruk-Kazyna JSC;
- 3) Arslanova Zarina Fuatovna – independent director;
- 4) Argingazin Arman Anuarbekovich – independent director;
- 5) Dimitri Kalandadze – independent director;
- 6) Kudaybergen Kanat Zhakypuly – member of the Board of Directors of Tau-Ken Samruk JSC, Chairman of the Management Board of Tau-Ken Samruk JSC.

During the year, the decisions of the Board of Samruk-Kazyna JSC terminated the powers of Aydarbayev A.S., Argingazin A.A., are elected to the Company Board of Directors:

1. Tutkushev Yerzhan Beksultanovich – Chairman of the Board of Directors

2. Narbaeva Ayslu Zharmukhametovna – independent Director

3. Adyrbek Ikram Adyrbekuly – representative of the Sole shareholder

AS OF DECEMBER 31, 2018, THE COMPOSITION OF THE COMPANY'S BOARD OF DIRECTORS IS AS FOLLOWS:



## TUTKUSHEV YERZHAN BEKSULTANOVICH

### Chairman of the Board of Directors

Date of the first election to the BD, date of current election to the BD: the decision of the Board of Samruk-Kazyna JSC of September 26, 2012 (Minutes No. 33/12), the decision of the Board of Samruk-Kazyna JSC of December 26, 2018 (Minutes No. 13/18).

**Citizenship:** Republic of Kazakhstan

**Date of birth:** December 10, 1981

#### Education:

In 2004, he graduated from St. Petersburg State University of Economics and Finance with a degree in: Financial Analysis and Accounting, in 2007 he graduated from the Master's program at the University of Illinois in Urbana-Champaign, USA, Master of Finance.

**Work experience:** From January 2018 through the present, Director of Assets Development Department – member of the Board of Samruk-Kazyna JSC

- 2007–2008 – Head of the Mergers and Acquisitions Department of Astana-Finance JSC;
- 2008–2011 – senior consultant of Ernst and Young – consulting services LLP;
- 2011–2012 – Director of the Investment Projects Department in the fuel and energy sector of Samruk-Kazyna Invest LLP;
- 2012–2014 – Manager of the Consulting Services Department of PricewaterhouseCoopers Tax and Advisory LLP;
- 2014–2017 – Chief Director Deputy on Business Development.

Work and membership in boards of directors of other organizations in 2018: member of the Supervisory Board of Samruk-Kazyna Invest LLP, member of the Board of Directors of NC Kazakhstan Engineering JSC, member of the Supervisory Board of the United Chemical Company LLP.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.



## ADYRBEK IKRAM ADYRBEKULY

### Representative of the Sole shareholder, member of the Board of Directors

Date of the first election to the BD, date of the current election to the BD: decision of the Board of the NWF Samruk-Kazyna JSC of August 14, 2018 (Minutes No. 24/18)

**Citizenship:** Republic of Kazakhstan

**Date of birth:** July 8, 1950

#### Education:

In 1972 he graduated from the Alma-Ata Veterinary Institute with a degree: research zootechnician, in 1994 he graduated from the Institute of Management and Marketing, in 1999 he graduated from the Russian Academy of State Service at the President of RF (1999). Economics PhD, dissertation subject: "Entrepreneurship in the conditions of market economy formation and strategic directions of its development (on materials of the Republic of Kazakhstan)" (1994), Academician of the Academy of Natural Sciences of the Republic of Kazakhstan (1995).

**Work experience:** from 2011 to 2017 – deputy of the Senate of the Parliament of the Republic of Kazakhstan.

- March 1996 – December 1997 - Deputy Minister of Foreign Affairs of the Republic of Kazakhstan;
- December 1997 – March 2004, Ambassador Extraordinary and Plenipotentiary of the Republic of Kazakhstan to Lithuania, Estonia and Latvia, Malaysia, Indonesia, and the Philippines;
- April 2004 – January 2007 – Akim of the Kyzylorda region of the Republic of Kazakhstan (04.2004–01.2007).
- 2007–2011 – Extraordinary and Plenipotentiary Ambassador of the Republic of Kazakhstan to the People's Republic of China, Extraordinary and Plenipotentiary Ambassador of the Republic of Kazakhstan to the Socialist Republic of Vietnam and the Democratic People's Republic of Korea in conjunction.
- 2011–2016 – Chairman of the Committee on Foreign Relations, Defense and Security of the Senate of the Parliament of the Republic of Kazakhstan.

Work and membership in the Board of Directors of other organizations in 2018: member of the Supervisory Board of the United Chemical Company LLP (from 05.31.2018)

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.

## KASYMBEK ARDAK MAHMUDULY

### Representative of the Sole shareholder, member of the Board of Directors

Date of the first election to the BD, date of the current election to the BD: decision of the Board of Samruk-Kazyna JSC of April 23, 2018 (Minutes No. 13/18)

**Citizenship:** Republic of Kazakhstan

**Date of birth:** September 29, 1977

#### Education:

In 1998, he graduated from the Bachelor's programme, in 2000 he graduated from the Master's programme of the Institute of Economics and Law under the Kazakh State National University Al-Farabi with a degree in International Economics.

- In 2001 he graduated from the Master's programme of the Business School of City University of London (England) (currently changed to CASS Business School): Master of Banking and International Finance.

**Work experience:** From June 1, 2018 he holds the position of Chairman of the Board of Kazyna Capital Management JSC.

- 2005–2006 – Deputy Director of the Corporate Finance Department of NC KazMunayGas JSC.
- 2006–2007 – Deputy General Director for Economics and Finance, NMK Kazmunayteniz JSC.
- 2007–2012 – Executive Director for Economics and Finance, Managing Director for Corporate Development of NC KazMunayGas JSC.
- 2012–2016 – Deputy Chairman of the Board of Economics and Finance, Managing Director for Economics and Finance, Senior Vice President – Financial Director of NC KazMunayGas JSC.
- From 2017 to May 2018 – General Director of PROTALENT Creativity Center LLP.

Work and membership in the Board of Directors of other organizations: in 2018 member of the Board of Directors (representative of the Sole shareholder) of Kazatomprom JSC.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.



## KALANDADZE DIMITRI NUGZAROVICH

### Independent director, member of the Board of Directors

Date of the first election to the BD, date of current election to the BD: the decision of the Board of Samruk-Kazyna JSC of April 23, 2018 (Minutes No. 13/18).

**Citizenship:** Georgia

**Date of birth:** January 28, 1969

#### Education:

In 1993, he graduated from the Georgian Technical University with a degree in hydrogeology and engineering geology. In 2004, in the Institute of Hydrogeology and Engineering Geology of the Academy of Sciences of Georgia, he defended the degree of Candidate of Geological and Mineralogical Sciences.

**Work experience:** From 2014 to the present, Chief Operating Officer of Frion Commerce LLC.

- 2001–2004, he worked at various positions in the World Bank, in the Center of Enterprises Restructuring and Management (CERMA).
  - 2004–2012 – General Director, First Vice-President of GeoProMining LLC.
  - 2012–2013 – General Director of ReachMetalsGroup LLC
- Work and membership in the Board of Directors of other organizations in 2018: Chairman of the Board of the Rugby Union of Georgia

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.



## ARSLANOVA ZARINA FUATOVNA

### Senior independent director

Date of the first election to the BD, date of the current election to the BD: the decision of the Board of Samruk-Kazyna JSC of August 7, 2012 (Minutes No. 33/12), the decision of the Board of Samruk-Kazyna JSC of April 23, 2018 (Minutes No. 13/18).

**Citizenship:** Republic of Kazakhstan.

**Date of birth:** December 22, 1960.

#### Education:

In 1983 graduated the Kazakh State University named after S.M. Kirov with a degree in economist, Ph.D. in Economics, Certified Director (International Certificate of the British Institute of Directors).

**Working experience:** She was a founder and a rector of the University of International Business (1992–2002) and hold different management positions in private institutions during the last 18 years. Possessing the extensive experience, she advises the private and public sectors on corporate finance, IFRS, management accounting, project management, strategic management, investment project analysis, implementation of the CPS system, budgeting, corporate management, ERP systems.

#### Work and membership of the Board of Directors:

- 2007 – 2010 – Independent Director of Insurance Company Alliance Policy.
- 2007 – 2013 – Chairman of the Audit Committee, Chairman of the Board of Directors (2010–2011), National Agency for Technological Development.
- From 2012 to the present – Independent Director of NMC Tau-Ken Samruk JSC, Senior Independent Director (from August 2017), Chairman of the Audit Committee (2012–2018), Chairman of the Committee on Strategic Planning and Investments (2012–2018), Chairman of the Nomination and Remuneration Committee (from 2018).
- 2012 – 2018 – Independent Director of NAC KAZATOMPROM JSC, Senior Independent Director (from October 2017), Chairman of the Human Resources and Remuneration Committee, Chairman of the Audit Committee.
- From 2014 to the present – ERG Sarl, Luxembourg, Chairman of the Compliance Committee, Board of Managers.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.



## NARBAEVA AYSLU ZHARMUHAMETOVNA

### Independent Director, member of the Board of Directors

Date of the election to the BD: the decision of the Board of Samruk-Kazyna JSC of November 16, 2018 (Minutes No. 34/18).

**Citizenship:** Republic of Kazakhstan

**Date of birth:** September 5, 1966

#### Education:

United States Certified Professional Accountant (USCPA), United States Association of Professional Accountants.

Qualification certificate of the auditor of the Republic of Kazakhstan, Qualification Commission for certification of auditors of the Republic of Kazakhstan.

She graduated from the Kazakh State Agricultural Institute, with a degree: economist.

**Work experience:** From January 1, 2017 to the present – International auditing and consulting company Baker Tilly Kazakhstan, Managing Partner.

- Since 2003 – International Auditing Company Ernst & Young, Moscow city, senior manager and adviser to the managing partner for the CIS.
- 2004–2014 – International Auditing Company Ernst & Young, Kazakhstan, Partner.
- 2015–2016 – IntelTech Astana LLP, Chairman of the Board of Directors/

Work and membership in the Board of Directors of other organizations in 2018: no

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.



## KUDAYBERGEN KANAT ZHAKYPULY

### Chairman of the Board, Member of the Board of Directors

Date of first election to the BD, date of the current election to the BD: decision of the Board of Samruk-Kazyna JSC dated April 23, 2018 (Minutes No. 13/18)

**Citizenship:** Republic of Kazakhstan

**Date of birth:** June 3, 1979

#### Education:

In 2000, he graduated from the Al-Farabi Kazakh State National University, with a degree in jurisprudence. In 2012 he received the bachelor's degree in the Transport, traffic organization and transport operations in Kazakh University of Communications. In 2015, he graduated from the Russian Academy of National Economy and Public Administration at the President of the Russian Federation, with the master's degree in state and municipal governance. He holds diplomas of MBA "International Management", Geneva Business School (2016) and MBA "Management of Mining", NUST of Moscow Institute of Steel and Alloys (2017).

**Work experience:** From April 23, 2018 to the present – Chairman of the Board of NMC Tau-Ken Samruk JSC.

- Since 2006 – Head of the Department for Organizational Support of the Administrative and Financial Department, Agency of the RK on Regulation of the Almaty Regional Financial Centre (ARFC).
- 2007–2008 – Head of the Legal Department at the Representative Office of Mining and Processing Plant JSC.
- 2009–2016, he held positions from leading specialist of the Legal Department to Chairman of the Management Board – General Director in Trade and Transport Company LLP, NAC Kazatomprom JSC.
- From 2016 – General Director of Karatau LLP, NAC Kazatomprom JSC.
- From April 2018 – Managing Director of the "Uranium Production" Division of NAC Kazatomprom JSC.

Work and membership in the Board of Directors of other organizations in 2018: Representative of the Sole Shareholder in the BD of NAC Kazatomprom JSC, Kazzinc Holdings LLP, ShalkiyaZinc LTD JSC.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.



### Information on the work of the Board of Directors

In 2018, 11 meetings were held, including 1 meeting by correspondence, at which 137 issues were addressed and resolved.

The Board of Directors made decisions for a number of key directions of the Company activity:

- Strategy of the Development up to 2028;
- Consolidated Development Plan for 2019–2023;
- Corporate key performance indicators and their target values for 2019;
- Efficiency of the implementation of investment projects;
- Improvement of the risk management systems, internal control and continuity of business control;
- Creation of Supervisory Boards and transformation of the executive bodies, election of the members of the Supervisory Boards of subsidiaries of Tau-Ken Samruk NMC JSC;
- Approval of the organizational structure of Tau-Ken Samruk NMC JSC;
- Approval of the list of assets of Tau-Ken Samruk NMC JSC to be removed from the assets structure of the Sole Shareholder;
- Implementation of the ethics and compliance system, modernization of the corporate culture.

### Information on the evaluation policy of the Board of Directors and independent evaluations of the work of the Board of Directors

According to the results of independent diagnostics by PricewaterhouseCoopers of the Company corporate governance for 2018, the efficiency rating of the Board of Directors is "B".

The assessment of the level of the corporate governance was conducted in terms of:

- Effectiveness of the Board of Directors and the executive body;
- Risk management, internal control and audit;
- Sustainable Development;
- Rights of Shareholders;
- Transparency.

In order to ensure that the corporate governance of the Company is in line with the advanced standards and international best practices, as well as recommendations, PWC has prepared the specific measures for introducing the changes to existing internal documents and for developing the new ones, as well as for providing the training seminars.

### Committees of the Board of Directors

In order to support the activity of the Board of Directors, the Company has formed the following committees, that duties include the consideration of questions and the development of

recommendations on any given question within their functional responsibilities:

- Audit Committee of the Board of Directors (hereinafter – the Audit Committee);
- Nomination and Remuneration Committee of the Board of Directors (hereinafter – the Nomination and Remuneration Committee);
- Strategic Planning and Investments Committee of the Board of Directors (hereinafter – the Strategic Planning and Investments Committee).

### Audit Committee

The activity of the Audit Committee is aimed at assisting the Board of Directors on questions of financial reporting, internal control and risk management, external and internal audit, compliance with legislation, and other questions on behalf of the Board of Directors. The Audit Committee is accountable to the Board of Directors and operates under the authority granted to it by the Board of Directors.

As of December 31, 2018, the composition of the Audit Committee is as follows:

**Narbayeva Ayslu Zharmukhametovna** – Chairman of the Committee, Independent Director

**Arslanova Zarina Fuatovna** – Member of the Committee, Senior Independent Director

**Kalandadze Dimitriy Nugzarovich** – member of the Committee, independent director

**Sagiyev Yerkebulan Gazizovich** – Committee expert without vote  
**Nurbay Chinguiz** – expert of the Committee without vote

In accordance with the Corporate Governance Code, the Audit Committee consists solely of Independent Directors.

In 2018, the Audit Committee held 8 in-person meetings, at which were addressed 43 issues and provided relevant recommendations to the Board of Directors.

### THE PERSONAL PARTICIPATION OF MEMBERS OF THE AUDIT COMMITTEE IN ITS MEETINGS IN 2018 IS AS FOLLOWS:

AUDIT COMMITTEE	MEMBERS			
	Arslanova Z.F.	Kalandadze D.N.	Argingazin A.A.	Narbayeva A.Zh.
29.01.18	+	elected 23.04.18	+	
05.05.18	+	+	+	
29.05.18	+	+	+	
27.06.18	+	+	+	
27.09.18	+	+		elected 19.12.2018
29.10.18	+	+		the term of office expired
29.11.18	+	+		
19.12.18	+	+		
	100%	100%	100%	

During 2018 the Audit Committee provided the relevant recommendations to the Board of Directors, including:  
Internal audit issues (at each meeting), including:

- annual and quarterly reports of the Internal Audit Service (hereinafter – the Service);
- personnel matters related to hiring, dismissal and remuneration of employees of the Service;
- consulting assignments for the executive body, unscheduled inspections commissioned by the Fund and the Audit Committee.

External audit issues, including:

- audit results of the consolidated financial statements of the Company and its subsidiaries for the year 2018;
- letter to the management on the results of the audit of the consolidated financial statements of TKS and its subsidiaries for 2018;
- audit results of the consolidated financial statements of the Company and its subsidiaries for the 1<sup>st</sup> half and 9 months of 2018.

Risk management and internal control system:

- were discussed and evaluated the quarterly risk reports;

- risk appetite statement, risk register and risk management action plan, risk map;
- risk tolerance levels and a register of key risk indicators for 2019.

Issues on the agenda, regulating the activities of the compliance officer:

- Approval of the compliance officer candidature;
- Consideration of internal documents on compliance officer activity (regulations, policies and procedures);
- Approval of compliance officer activity reports.

### Nomination and Remuneration Committee of the Board of Directors

The Nomination and Remuneration Committee is a consultative and advisory body of the Board of Directors on personnel policy and motivation policy, considers assignment and remuneration matters that are within the competence of the Board of Directors, and also monitors the implementation of such decisions made by the Board of Directors.

The Committee was established to review and to prepare the recommendations to the Board of Directors on attracting the qualified management of Tau-Ken Samruk

NMC JSC, including to the Board of Directors, the Management Board and other positions in the Company, the appointment to which is carried out by the Board of Directors, as well as on the remuneration of members of the Board of Directors, members of the Management Board and other employees of the Company, whose appointment is made by the Board of Directors.

As of December 31, 2018, the composition of the Nomination and Remuneration Committee is as follows:

**Arslanova Zarina Fuatovna** – Chairman of the Committee, Senior Independent Director

**Kalandadze Dimitriy Nugzarovich** – member of the Committee, Independent director

**Narbayeva Ayslu Zharmukhametovna** – member of the Committee, Independent Director

**Adyrbek Ikram Adyrbekuly** – member of the Committee, representative of the Sole shareholder

During the reporting period, the Nomination and Remuneration Committee held 12 in-person meetings in full strength, at which were addressed 39 issues and provided relevant recommendations to the Board of Directors.

## THE PERSONAL PARTICIPATION OF MEMBERS OF THE APPOINTMENTS AND REWARDS COMMITTEE IN ITS MEETINGS IN 2018 IS AS FOLLOWS:

### THE NOMINATION AND REMUNERATION COMMITTEE



	Arslanova Z.F.	Adyrbek I.A.	Kalandadze D.N.	Argingazin A.A.	Narbayeva A.Zh.
29.01.18	+			+	
20.02.18	+		elected 23.04.18	+	
20.04.18	+			+	
02.05.18	+	elected 14.09.2018	+	+	
29.05.18	+		+	+	
27.06.18	+		+	+	elected 19.12.2018
05.07.18	+		+	+	
27.09.18	+	+	+		
19.10.18	+	+	+		
29.10.18	+	+	+	the term of office expired	
29.11.18	+	+	+		
19.12.18	+	+	+		
	100%	100%	100%	100%	

The key matters considered by the Key issues considered by the Nomination and Remuneration Committee in 2018:

- Preparation of recommendations and evaluation of candidatures for independent directors (Narbayeva A.Zh.), as representatives of the Sole Shareholder (Aydarbayev A.S., Kasymbek A.M., Adyrbek I.A.) for the subsequent election to the Board of Directors of the Tau-Ken Samruk NMC JSC.
- Consideration of the organizational structure, according to the adopted new Development Strategy.
- Consideration of candidatures for members of the Board of Tau-Ken Samruk NMC JSC, in connection with which the balanced composition of the Board was formed.
- Evaluation of the activity of the members of the Board based on the implementation of the KPI, the Internal Audit Service, the Compliance Officer, the Corporate Secretary.
- Consideration of motivational key performance indicators for the

members of the Management Board of Tau-Ken Samruk NMC JSC and their target values.

- Changing and election of the composition of the Supervisory Boards of subsidiaries of Tau-Ken Samruk NMC JSC.

### The Strategic Planning and Investments Committee

The Committee was established to develop and to submit the recommendations to the Board of Directors on the matters of strategic development of the Company, including the strategic goals and objectives of the Company, as well as the implementation of investment activity and other questions that are within the competence of the strategic planning and investment Committee. As well the competence of the strategic planning and investment Committee includes the development and provision of recommendations to the Board of Directors on the questions of ensuring the sustainable development of the Company in the long term.

As of December 31, 2018, the composition of the strategic planning and investment Committee:

**Kalandadze Dimitriy Nugzarovich** – Chairman of the Committee, Independent director  
**Arslanova Zarina Fuatovna** – member of the Committee, senior Independent Director  
**Narbayeva Ayslu Zharmukhametovna** – member of the Committee, Independent Director  
**Adyrbek Ikram Adyrbekuly** – member of the Committee, representative of the Sole shareholder  
**Otyunshiyev Yelzhas Muratovich** – expert of the Committee without vote  
**Dukenova Marzhan Bekturganovna** – expert of the Committee without vote

During the reporting period, the strategic planning and investment Committee held 9 in-person meetings in full strength, at which were addressed 21 issues and provided relevant recommendations to the Board of Directors.

## THE PERSONAL PARTICIPATION OF MEMBERS OF THE STRATEGIC PLANNING AND INVESTMENT COMMITTEE IN ITS MEETINGS DURING THE REPORTING PERIOD IS AS FOLLOWS:

### THE STRATEGIC PLANNING AND INVESTMENTS COMMITTEE



	Kalandadze D.N.	Adyrbek I.A.	Arslanova Z.F.	Argingazin A.A.	Narbayeva A.Zh.
29.01.18	elected 23.04.18		+	+	
02.05.18	+		+	+	
29.05.18	+	elected 14.09.2018	+	+	
27.06.18	+		+	+	
24.08.18	+		+		elected 19.12.2018
27.09.18	+	+	+		
29.10.18	+	+	+	the term of office expired	
29.11.18	+	+	+		
19.12.18	+	+	+		
	100%	100%	100%	100%	

During 2018, the Committee on strategic planning and investment provided the relevant recommendations to the Board of Directors, including on:

- Actualization of the Strategy of Development for 2018–2028.

- Approval of the Roadmap for the implementation of the Strategy of Development.
- Consideration of the Concept of development of the industry of rare metals and rare earth elements.
- Monitoring of the implementation of investment projects.

- Approval of transactions for investment projects.

More detailed information on the matters considered by the above committees of the Board of Directors is available in the corporate website [www.tks.kz](http://www.tks.kz) in the "Reports and Results" section.

## ACTIVITY OF THE MANAGEMENT BOARD

The Management Board is a collegial executive body of the Company, which is entitled to make decisions on any issues of the Company's activities that are not attributed by the law of the Republic of Kazakhstan and the Company's Charter to the competence of the Sole Shareholder and the Board of Directors, and is liable to the

Sole Shareholder and the Board of Directors for performing the assigned tasks.

According to the decisions of the Board of Directors of the Company in 2018, the Board was elected as follows:

1. Kudaybergen Kanat Zhakupuly

2. Khasanov Dauletzhan Kenesovich
3. Akberdin Rustam Alexandrovich
4. Saurambaev Nurlan Batyrgalievich
5. Sadu Askar Anetovich
6. Aliaskarov Turysbek Zhunusbayevich.

## COMPOSITION OF THE BOARD AS OF DECEMBER 31, 2018



### KUDAYBERGEN KANAT ZHAKUPULY

#### Chairman of the Management Board, Member of the Board of Directors

Carries out the general management of the activity of Tau-Ken Samruk NMC JSC.

**Date of the election:** Decision of the Board of Directors of Tau-Ken Samruk NMC JSC of April 23, 2018, extract No. 02/18.

**Citizenship:** Republic of Kazakhstan

**Date of birth:** June 3, 1979

**Education:** In 2000 he graduated from the Al-Farabi Kazakh State National University, with a degree in Jurisprudence. In 2012 he received the bachelor's degree, in the Transport, traffic organization of and transport operation, Kazakh University of Communications. In 2015, he graduated from the Russian Academy of National Economy and Public Administration at the President of the Russian Federation, with the master's degree in state and municipal governance. He holds MBA "International Management", GenevaBusinessSchool (2016) and MBA "Mining Management", NUST Moscow Institute of Steel and Alloys (2017).

**Professional activity:** From April 23, 2018 – Chairman of the Management Board of Tau-Ken Samruk NMC JSC.

From 2006 – Head of the Department for Organizational Support of the Administrative and Financial Department, Agency of the Republic of Kazakhstan on Regulation of the ARFC.

Since 2007 – Leading Specialist of the Legal Department of Trade and Transport Company LLP, NAC Kazatomprom JSC. Since 2010 – Chief Manager – Head of the Department of Legal legal groundwork. Since 2011 – Deputy General Director for Procurement. Since 2012 – First Deputy General Director. Since 2014 – Chairman of the Board – General Director. Since 2015 – First Deputy General Director.

From 2016 – General Director of Karatau LLP, NAC Kazatomprom JSC.

From April 2018 – Managing Director of the "Uranium Mining" Division of NAC Kazatomprom JSC.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.

### SAURAMBAEV NURLAN BATYRGALIEVICH

#### Business Development Chief Director

Carries out the organization of business development activities and supervises investment activities, the processes of acquiring and restructuring of the assets.

**Date of the election:** Decision of the Board of Directors of Tau-Ken Samruk NMC JSC of June 28, 2018, extract No. 06/18.

**Citizenship:** Republic of Kazakhstan

**Date of birth:** June 26, 1979

**Education:** He graduated from Al-Farabi Kazakh State National University with a degree in "International Relations" (2001), the University of International Business with degree in the "Accounting and Audit" (2003), the Karaganda Technical University with degree in the Mining Engineering (2016), Executive MBA Skolkovo Business School (2018).

**Professional activity:** From May 22, 2018 – Chief Director for Business Development, Tau-Ken Samruk NMC JSC.

From 2005 – audit manager in Deloitte LLP.

From 2009 – chief accountant – director of the Accounting and Reporting Department in AD Sberbank JSC.

From 2012 – Managing Director in SAT & Company JSC.

2013–2015 – General Director of Arbat JV LLP as combined duties.

From 2014 – First Deputy Chairman in SAT & Company JSC.

2012–2016 – a member of the Board of Directors of IC Standard SK JSC.

2015–2018 – Chairman of the Board of SAT & Company JSC.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.



### SADU ASKAR ANETOVICH

#### Business Support Chief Director

Provides formation and implementation of personnel policy, and the problems of the corporate governance system development.

**Date of election:** Decision of the Board of Directors of Tau-Ken Samruk NMC JSC of June 28, 2018, extract No. 06/18.

**Citizenship:** Republic of Kazakhstan

**Date of birth:** May 5, 1979

**Education:** he graduated with honors from the Al-Farabi Kazakh State National University with degree in "Jurisprudence" (2000), the Kokchetav University named after A. Myrzakhmetov with degree of "Bachelor of Economics and Business" (2011), the Kazakhstan University of Economics, Finance and International Trade, "Master of Economics and Business" (2016), the Language Courses in the Southern California University, Los Angeles, USA (2016), Russian Academy of National Economy and Public Administration at the President of the Russian Federation, the Master's programme "Public and municipal Administration" (2018).

**Professional activity:** From June 2018 to May 2019 – Business Support Chief Director in Tau-Ken Samruk NMC JSC.

From 2006 – Deputy Director of the Legal Department of the Agency of the RK on the regulation of natural monopolies of the RK.

From 2008 – Deputy Chairman of the Committee on state material reserves of the Ministry of Emergency Situations of the RK.

From 2010 he was appointed Chairman of the Committee on state material reserves of the Ministry of Emergency Situations of the RK.

In 2014 he was appointed Chairman of the Committee on state material reserves of the Ministry of National Economy of the RK.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.

### AKBERDIN RUSTAM ALEXANDROVICH

#### Operational Chief Director

**Date of the election:** Decision of the Board of Directors of Tau-Ken Samruk NMC JSC of April 23, 2018, extract No. 02/18.

**Citizenship:** Republic of Kazakhstan

**Date of birth:** April 16, 1961

**Education:** He graduated from the Moscow Institute of Steel and Alloys (1984), with a degree of Metallurgical engineer, researcher.

**Professional activity:** From February 2018 to March 2019, Operational Chief Director in NMC Tau-Ken Samruk JSC.

2008–2010 – Director of the Department of entrepreneurship development of the Ministry of economic development and trade of the Republic of Kazakhstan.

April–October 2010 – Deputy Chairman of the Agency for protection of competition of the Republic of Kazakhstan.

2010–2012 – first deputy chairman of the Innovation Committee of PDP "Nur Otan".

2012–2014 – Director of the entrepreneurship development Department of the Eurasian economic commission, Moscow city.

2015–2016 – Assistant to the Minister-Member of the Collegium of the Eurasian economic commission, Moscow city.

January–June 2017 – Advisor to the Minister of National Economy of the Republic of Kazakhstan.

2017–2018 – Chairman of the Committee for industrial development and industrial safety of the Ministry for investment and development of the RK.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.





## ALIASKAROV TURYSBEK ZHUNUSBAYEVICH

### Integrated security Managing Director

Date of election: Decision of the Board of Directors of Tau-Ken Samruk NMC JSC of June 28, 2018, extract No. 06/18.

**Citizenship:** Republic of Kazakhstan

**Date of birth:** April 23, 1961

Education: He graduated from the Almaty Institute of National Economy with a degree in Economics (1986).

Higher Courses of the KGB of the USSR in Minsk city, Officer with higher special education (1990)

Military grade: Major General

Professional activity: From June 2018 to April 2019, Managing Director for Integrated Security in Tau-Ken Samruk NMC JSC.

From 2006 – Head of the Department of National Security Committee (NSC) of the RK in Aktyubinsk region.

From 2011 – Head of the 5th Department of the NSC RK.

From 2015 – Advisor to the Chairman of the NSC RK.

From 2017 – reserved of the NSC RK.

Company shares ownership: no.

Shares ownership of suppliers and competitors of the Company, the number and owned shares fraction of the affiliated companies: no.

### Information on performance of the Management Board

Number of the board meetings	2017	2018
Number of meetings	78	60
Number of matters considered	368	344

### Remuneration Policy of Members of the Board

The remuneration policy of the members of the Management Board is implemented in accordance with the Rules for activity assessment and remuneration of managers and executive staff of Tau-Ken Samruk NMC JSC, developed in accordance with the legislation of the Republic of Kazakhstan, the Policy for activity assessment and remuneration of managers of Samruk-Kazyna companies.

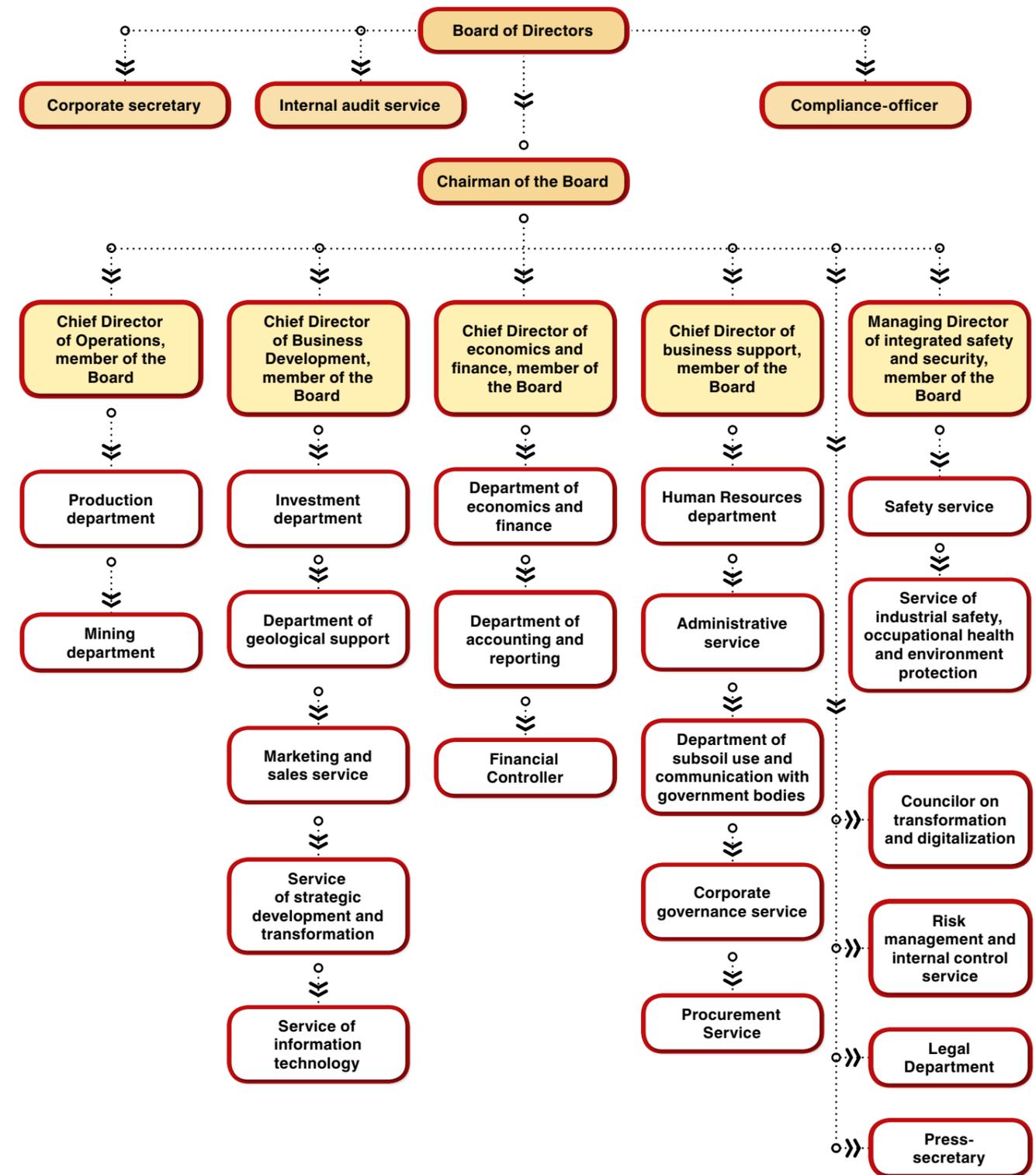
The named Rules define the conditions and procedure for activity assessment and remuneration payment to the Company managers and executive staff.

The activity assessment of the members of the Board carried out on the basis of motivational key performance indicators characterizing the efficiency of the Company financial-and-economic activity and

the achievement degree by a member of the Board the level of high results of his activity.

Based on the results of KPI evaluation, members of the Management Board receive remuneration at the end of a reporting year subject to achievement of KPIs for the reporting year calculated taking into account the planned remuneration amount.

## ORGANIZATION STRUCTURE



Organizational structure of the Company's corporate center. Total headcount – 90 units.

## RISK MANAGEMENT AND INTERNAL CONTROL

In the course of its activity, Tau-Ken Samruk NMC JSC deals with various risks that have effect, to a varying degree, on the achievement of its strategic goals and performance efficiency. To reduce the uncertainty of the risks impact on the achievement of goals and minimize possible consequences of the risk occurrence, Tau-Ken Samruk NMC JSC is implementing a corporate risk management system (hereinafter – CRMS).

The CRMS is an integral part of the activity of Tau-Ken Samruk NMC JSC aimed at identifying, assessing and monitoring of all significant risks, as

well at taking measures to reduce the level of risks that may negatively affect the value and reputation of the Company and its subsidiaries.

### Risk management system

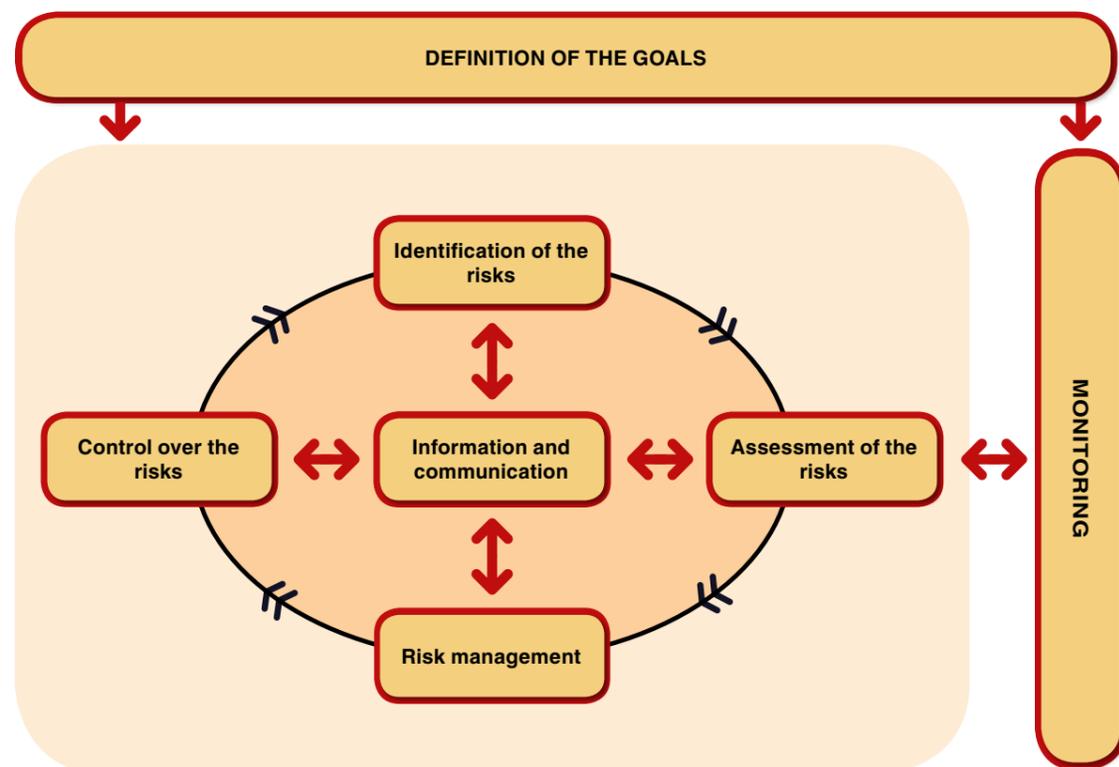
The CRMS provides a constant and continuous risk management process at all stages of the Company's operations with due regard for economic, environmental and social aspects.

The main purpose of the CRMS is to achieve the balance between maximizing opportunities in order to obtain the benefits and to prevent

the losses in order to protect the interests of the Sole shareholder and the Company Groups, as well as to increase the capitalization of the Company.

The Board of Directors of Tau-Ken Samruk NMC JSC approved the risk management Rules (Corporate Standard, of 08.08.2017), which defines the main components of the risk management system and its structure, ensures the systematic and consistent approach to the implementation of the risk management process in the Company and its subsidiaries.

### Corporate risk management system



### Structure of the risk management system

The structure of the risk management system of the Company is represented by risk management at several levels with the involvement of the Board

of Directors, the audit Committee, the Board, the risk Committee, structural units being the risks owners, structural units responsible for the risk

management and for the internal audit conducting.

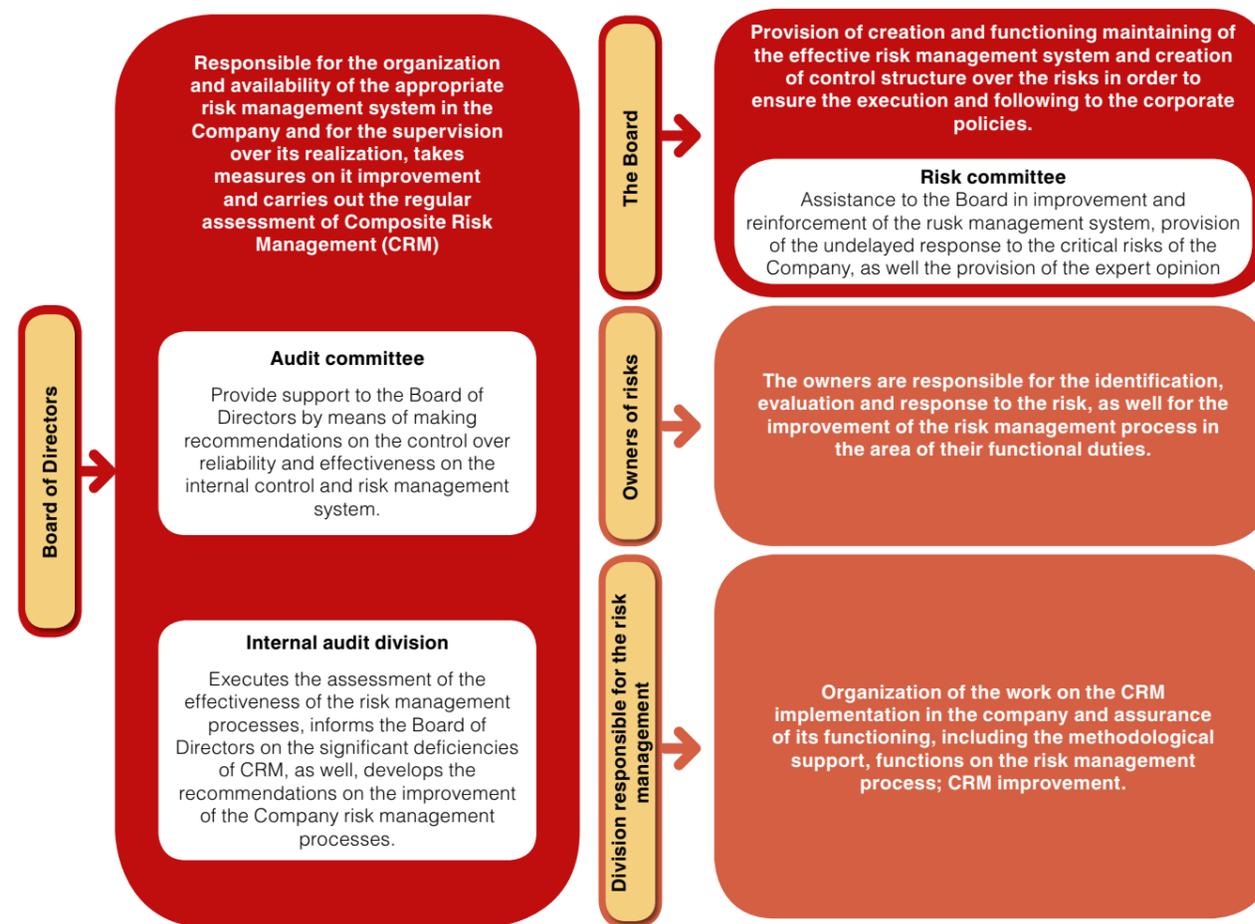
### Structure of the risk management system

One of the important levels of the risk management system is the structural units and subsidiaries of the Company represented by each employee, the owner of the risks.

The risk owners are responsible for the accomplishment of the risk management action plan, the timely identifying and informing about significant risks in their activity /

functional duties, and the submission of the risk management proposals.

### Structure of the risk management system



### Company Risk Map

On an annual basis, the Company forms the risk Register and the risk Map for the coming year, which are approved by the Board of Directors. The risk Map is updated when the Risk Register is changed, under which the risk owners identify and evaluate all the risks inherent in the Company activity.

Identified risks of the Company are assessed by the degree of impact, probability of occurrence and time of effect and indicated on the Company's Risk Map.

For the purpose of proper and efficient implementation of critical risks management, the Company develops the action plan for critical risks management, which is annually

approved by the Board of Directors of the Company and is mandatory for implementation by the risk owners.

## Main risk factors inherent in the activity of the Company

Risk factors	Risk management Actions
<b>STRATEGIC RISKS</b>	
<b>Risk of raw material prices increase</b>	
<ul style="list-style-type: none"> <li>■ Instability of the markets;</li> <li>■ Political instability;</li> <li>■ Supply and demand imbalance;</li> <li>■ New technologies;</li> <li>■ Lack of hedging mechanisms.</li> </ul>	<ul style="list-style-type: none"> <li>■ constant monitoring of world prices, demand and supply in the metal market, making prices forecasts;</li> <li>■ timely monitoring of the EDR (Enterprise Dimension Ratio).</li> </ul>
<b>Price risk</b>	
<ul style="list-style-type: none"> <li>■ Decline in the global economy;</li> <li>■ Instability of the markets;</li> <li>■ Supply and demand imbalance;</li> <li>■ Political instability.</li> </ul>	<ul style="list-style-type: none"> <li>■ monthly submission of the information on prices and trends in the metal markets;</li> <li>■ EDR monitoring according to the price risk.</li> </ul>
<b>Risk of projects underfunding</b>	
<ul style="list-style-type: none"> <li>■ Inflation;</li> <li>■ Crisis;</li> <li>■ Rise in price of funding sources, i.e. shortage of funding sources.</li> </ul>	<ul style="list-style-type: none"> <li>■ evaluation of the required amount of financing for the project at the expense of the external and own source of financing;</li> <li>■ timely attraction of the required volume of investments (funds of the Sole shareholder or borrowed funds) according to the business plan of the project, budget;</li> <li>■ timely monitoring of the EDR.</li> </ul>
<b>Risk of human resources</b>	
<ul style="list-style-type: none"> <li>■ Low labor supply;</li> <li>■ "Aging of personnel";</li> <li>■ Lack of operational experience of candidates.</li> </ul>	<ul style="list-style-type: none"> <li>■ program of professional development of the personnel;</li> <li>■ internship in the manufacturing enterprise;</li> <li>■ competitive compensation package.</li> </ul>
<b>Risk of access-off on financially promising projects</b>	
<ul style="list-style-type: none"> <li>■ Limited access to historical geological information;</li> <li>■ Unreliable historical information.</li> </ul>	<ul style="list-style-type: none"> <li>■ According to the Company Critical Risk Management Action Plan for 2018.</li> </ul>
<b>Risk of project rise in price</b>	
<ul style="list-style-type: none"> <li>■ Instability of the markets;</li> <li>■ Deterioration of mining-and-geological factors.</li> </ul>	<ul style="list-style-type: none"> <li>■ development of the process for the staged project implementation;</li> <li>■ timely monitoring of the project implementation in accordance with the approved budget, planned actions and the plan-schedule;</li> <li>■ development, compliance and control of the EDR.</li> </ul>
<b>Risk of inefficient decisions making</b>	
<ul style="list-style-type: none"> <li>■ Political decision;</li> <li>■ Changing of the world economy conditions.</li> </ul>	<ul style="list-style-type: none"> <li>■ analysis of the compliance of the managerial decision with the strategic tasks, as well as its impact on the strategic goals;</li> <li>■ assurance of decision making with regard to the established risk appetite.</li> </ul>
<b>The risk of failure to achieve the planned indicators of income, profitability</b>	
<ul style="list-style-type: none"> <li>■ Decrease of the price on the goods being on the market;</li> <li>■ Recession in the world economy;</li> <li>■ Instability of the markets;</li> <li>■ Political instability.</li> </ul>	<ul style="list-style-type: none"> <li>■ According to the Actions Plan of Subsidiaries Critical Risk Management for 2018.</li> </ul>
<b>The risk associated with the acquisition, reorganization (merger, dissociation)</b>	
<ul style="list-style-type: none"> <li>■ Political instability;</li> <li>■ Force majeure situation;</li> <li>■ Instability of the markets.</li> </ul>	<ul style="list-style-type: none"> <li>■ Attracting the external consultants in the core areas.</li> </ul>
<b>The risk of social instability</b>	
<ul style="list-style-type: none"> <li>■ Economical crisis;</li> <li>■ Collusion of 3 persons for the purpose of causing material damage and obtaining special benefits.</li> </ul>	<ul style="list-style-type: none"> <li>■ improvement of the medical insurance program;</li> <li>■ carrying out the permanent work for improving the working conditions;</li> <li>■ ensuring timely transportation of employees.</li> </ul>
<b>Risk of loss of market outlet</b>	
<ul style="list-style-type: none"> <li>■ Market monopolization;</li> <li>■ Political decision;</li> <li>■ Collusion.</li> </ul>	<ul style="list-style-type: none"> <li>■ Carrying out the permanent work for improving the quality of manufactured products.</li> </ul>

Risk factors	Risk management Actions
<b>INVESTMENT RISKS</b>	
<b>The risk of not confirming the resources, reserves and metal content in the ore</b>	
<ul style="list-style-type: none"> <li>■ Non-submission by state bodies of all geological information about the subsoil use object;</li> <li>■ Low or incomplete level of knowledge of the deposit by the predecessors.</li> </ul>	<ul style="list-style-type: none"> <li>■ According to the Actions Plan of Subsidiaries Critical Risk Management for 2018.</li> </ul>
<b>The risk of absenteeism at the planned design production capacity</b>	
<ul style="list-style-type: none"> <li>■ Shortage of raw materials;</li> <li>■ Market instability;</li> <li>■ Disruption of the supply of raw materials.</li> </ul>	<ul style="list-style-type: none"> <li>■ According to the Actions Plan of Subsidiaries Critical Risk Management for 2018.</li> </ul>
<b>The risk of insufficiency of the raw material base or scope of work</b>	
<ul style="list-style-type: none"> <li>■ Shortage of raw materials / services rendered, works performed;</li> <li>■ Export of necessary raw materials outside the RK;</li> <li>■ Political factors;</li> <li>■ Absence or impossibility to fully implement the restrictive actions through law;</li> <li>■ Changes in the quality of raw materials, or services rendered, works.</li> </ul>	<ul style="list-style-type: none"> <li>■ timely monitoring of the EDR with further informing the Company management.</li> </ul>
<b>The risk of untimely commissioning of the project or untimely setting of the reserves to the state balance</b>	
<ul style="list-style-type: none"> <li>■ Lack of proper qualifications of the contractor employees;</li> <li>■ Appreciation of the project due to rise of prices, taxes, etc.;</li> <li>■ Natural disasters (prolonged rain, hurricanes, etc.);</li> </ul>	<ul style="list-style-type: none"> <li>■ According to the Actions Plan of Subsidiaries Critical Risk Management for 2018.</li> </ul>
<b>Risk of project undrawn commitment</b>	
<ul style="list-style-type: none"> <li>■ Economical crisis;</li> <li>■ Political instability.</li> </ul>	<ul style="list-style-type: none"> <li>■ According to the Company Critical Risk Management Action Plan for 2018.</li> </ul>
<b>OPERATING RISKS</b>	
<b>ECOLOGICAL RISKS</b>	
<ul style="list-style-type: none"> <li>■ Natural disasters (acts of nature).</li> </ul>	<ul style="list-style-type: none"> <li>■ timely development and approval of a new project;</li> <li>■ control over the emission volumes;</li> <li>■ assistance in the development and timely monitoring of compliance of subsidiaries with the EDR.</li> </ul>
<b>Risk of equipment failure</b>	
<ul style="list-style-type: none"> <li>■ Defective equipment.</li> </ul>	<ul style="list-style-type: none"> <li>■ timely monitoring of the performing of the overhaul schedule and the preventive maintenance of the main equipment of the subsidiaries and associates of the company (SAC);</li> <li>■ attracting the qualified specialists and specialized service companies;</li> <li>■ assistance in the development and timely monitoring of the EDR.</li> </ul>
<b>FINANCIAL RISKS</b>	
<b>Credit risk</b>	
<ul style="list-style-type: none"> <li>■ Financial instability of the counterparty bank;</li> <li>■ Deterioration of the counterparty bank position in relation to other banks of the banking system;</li> <li>■ Outflow of deposits;</li> <li>■ Negative information;</li> <li>■ Increase in administrative fines for main activity;</li> <li>■ Decrease in the international rating or recall of the rating assigned earlier by the rating agency.</li> </ul>	<ul style="list-style-type: none"> <li>■ monitoring of the financial condition of the second-tier banks (STB), including the estimated limits;</li> <li>■ monitoring of the development on STB;</li> <li>■ control over compliance with the limits on the Company counterparty banks and subsidiaries.</li> </ul>
<b>Risk of liquidity</b>	
<ul style="list-style-type: none"> <li>■ Deterioration of the external market conditions, due to this, the decline in revenues;</li> <li>■ Crisis in the international capital markets, which can lead to difficulties in attracting the additional loans, the rise in the cost of borrowed capital, closure of debt capital markets;</li> <li>■ Crisis in the banking sector of the country (lack of financing sources for STB);</li> <li>■ Deterioration of the national currency rate.</li> </ul>	<ul style="list-style-type: none"> <li>■ operational planning of the payment schedule;</li> <li>■ monitoring of the liquidity.</li> </ul>

## Internal control

The internal control system of the Company is an integral part of the corporate governance system and covers all management levels, all internal processes and operations of the Company.

The internal control is defined as the process carried out by the participants of the internal control system in order to achieve the objectives in three key areas:

- operating activity;
- preparation of financial reporting;
- compliance with regulatory and legislative requirements.

## INFORMATION ABOUT THE INTERNAL AUDIT

The internal audit service (hereinafter – Service) is a body of the Company, subordinate, in terms of the organization chart, to the Chairman of the Management Board and functionally accountable to the Board of Directors. The audit Committee supervises the Service activity.

The Service's mission is to provide necessary assistance to the Board of Directors and the Management Board in performing their duties to achieve strategic goals of the Company.

The main goal of the Service is to provide the Board of Directors independent and objective guarantees and consulting services aimed at improving the risk management, internal control and corporate governance systems of the Company.

The Service develops the annual audit plan by applying a risk-based approach. Audits are carried out on the basis of the annual audit plan agreed upon by the Audit Committee and approved by the Board of Directors.

In accordance with the primary goals and objectives set by the Board of Directors to the Service, in 2018 the audit assignments were carried out in the corporate center and its subsidiaries:

- audit of the process "Investment management";
- audit of the process "Marketing and sales" Tau-Ken Samruk NMC JSC, Tau-Ken Temir LLP, Silicon mining LLP, Tau-Ken Altyn LLP;

The internal control system involves the formation of the management system, which should be able to respond promptly to risks, exercise control over main and auxiliary business processes and daily operations of the Company, and immediately communicate any significant deficiencies and areas for improvement to senior executives. Reliable and efficient operation of the internal control system requires the involvement and constant interaction of the Company's officials and employees at all levels in the framework of internal control.

- audit of the process "Implementation of 'Job matching' programme";
- audit of the information security risks;
- audit in ShalkiyaZinc LTD JSC, Alaygyr JV LLP, Tau-Ken Altyn LLP, Silicon Mining LLP, Northern Katpar LLP.

Based on the results of the audit inspections, the Service submitted 236 recommendations aimed at improving the internal control and risk management in various processes.

During the reporting period, the Service also carried out the unscheduled inspections on 3 complaints received on the hotline of the Board of Directors, on 5 instructions from the Sole shareholder and the audit Committee, it carried out the consulting tasks for the executive body. The results of the tasks performed were reviewed by the audit Committee and the Board of Directors, and the appropriate decisions were made.

In 2018, on the quarterly basis, there was the monitoring of the recommendations execution issued by both the Service and the external auditor.

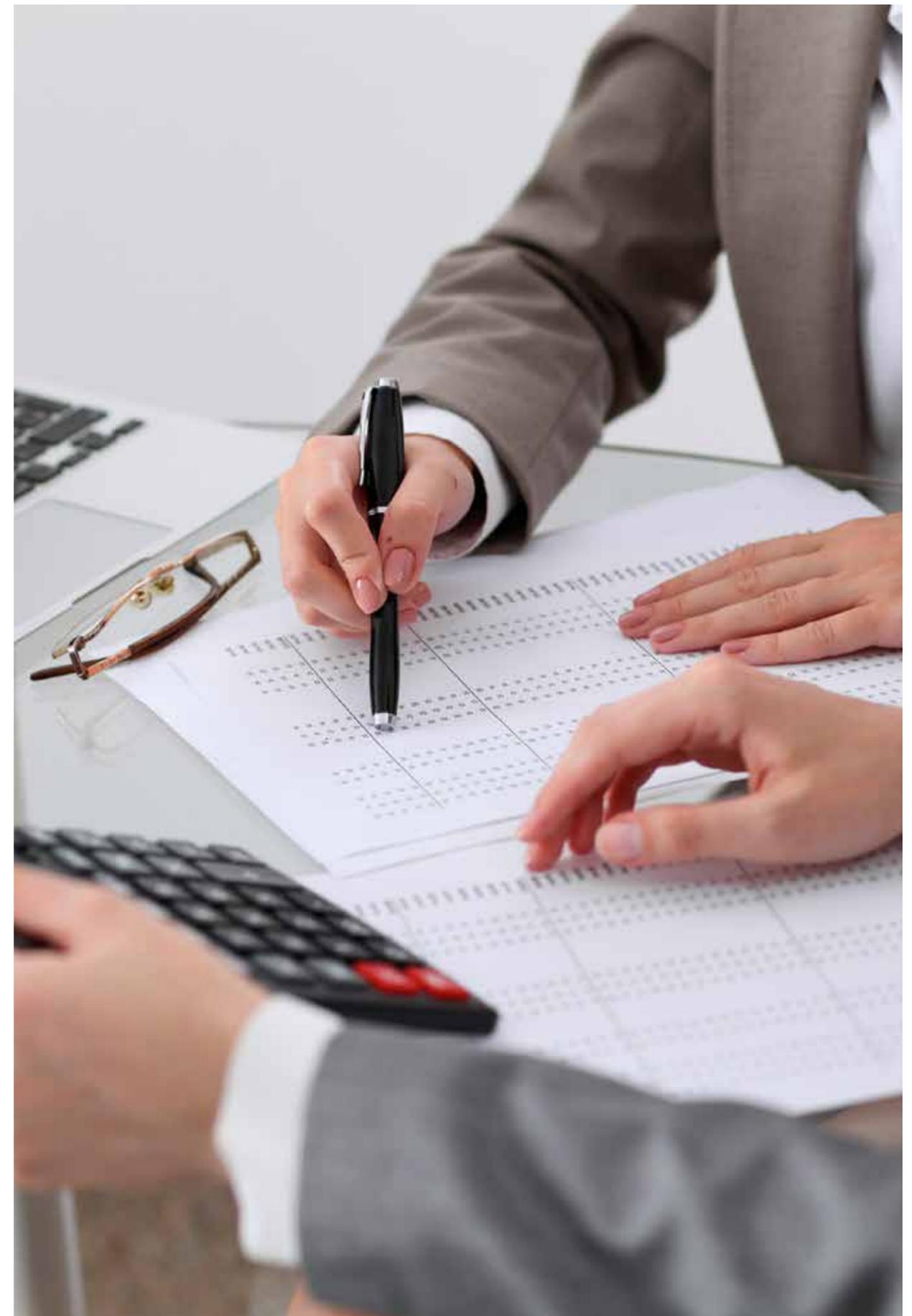
In order to coordinate the activity to ensure the proper coverage and to minimize the double work, the Service provided the information on the Company internal control system to the external auditor.

To ensure the uninterrupted professional development, continuous

The internal control in Tau-Ken Samruk NMC JSC is subject to the Regulations on the internal control system (approved by the Board of Directors of the Company on 12/19/2018, minutes No. 11/18), defining the concept, goals and objectives of the internal control system, principles of its functioning, procedures, key areas and main components, as well as the competence and responsibility of the subjects of the internal control for the execution of procedures and evaluation of the internal control system in NMC Tau-Ken Samruk JSC.

improvement of knowledge, skills and competencies, during the reporting period, there were provided the training activities for the Service staff.

In 2018, the audit Committee and the Board of Directors conducted the quarterly assessment of the performance of the Service. The activity of the Service is recognized as effective.



09

### About the Report

The consolidated annual report of the Tau-Ken Samruk NMC JSC is a comprehensive review of the activity performance of the Group of Companies of Tau-Ken Samruk NMC JSC from January 1 to December 31, 2018. The report is being issued on the annual basis.

For the third year the Tau-Ken Samruk NMC JSC has prepared the report on sustainable development in accordance with the principles of the Global Reporting Initiative (GRI) and the International Financial Reporting Standards. The report on the results of 2017 was published in July 2018. The report on the results of 2018 was prepared in accordance with the GRI Standards: "The main variant of compliance"; the industry record to the GRI G4 Guidelines was also taken into account. The table indicating the arrangement of standard elements in the Report is disclosed in the Appendix 3: Index of the contents of GRI elements.

The Sustainable Development Report was not certified by external independent experts. Alongside with that, the Company's management, confirms the data reliability and compliance with international standards.

The Company is planning to publish annually sustainable development reports in order to ensure clarity and transparency of its activities for stakeholders in accordance with international GRI standards.

# Report on the sustainable development



**Statement of Chairman of the Management Board regarding sustainable development**

I am delighted to introduce for your consideration the report on the sustainable development of Tau-Ken Samruk NMC JSC for 2018, prepared in accordance with the standards of the Global Reporting Initiative (GRI). This is the third Report prepared in this format. Consistently improving the corporate governance, we decided to regularly inform all shareholders about the range of issues related to the sustainable development of the Company. This is primarily the development of relationships with the staff, the work on creating the safe working conditions, minimizing the impact on the environment when the implementation of operating activities, every kind of support of the environmental safety and the preservation of the natural environment.

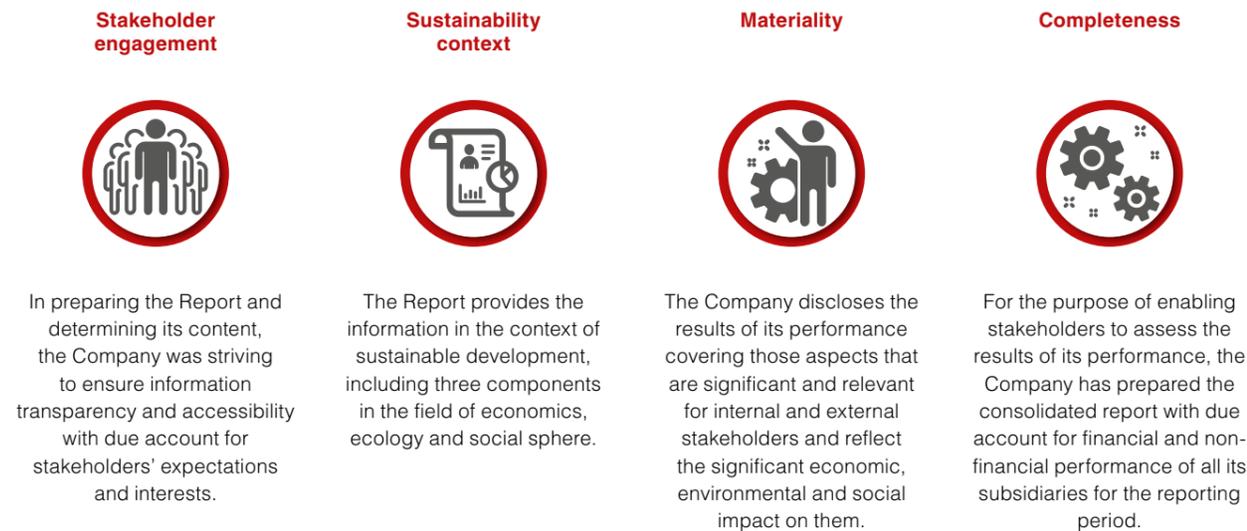
The company understands the importance of its impact on the economy, the environment and society, ensuring its sustainable development in the long term and balancing the interests of stakeholders, and with this, is guided by the initiatives of the United Nations Global Compact.

In 2019, we face the important challenges in the domain of the sustainable development. We plan to carry out the work on updating the internal documents on sustainable development and further implementation of the system of sustainable development, as well as the advanced training of employees in the field of sustainable development.

**Kудaybergen Қанат Zhakypuly**  
Chairman of the Board of Tau-Ken Samruk NMC JSC

**Principles for determining the Report content**

In order to identify the data to be included in the Report taking into account the Company's activities, their impact and stakeholders' expectations and interests, the Company adhered to the following principles:



More detailed information is provided later in the Report in the relevant sections.

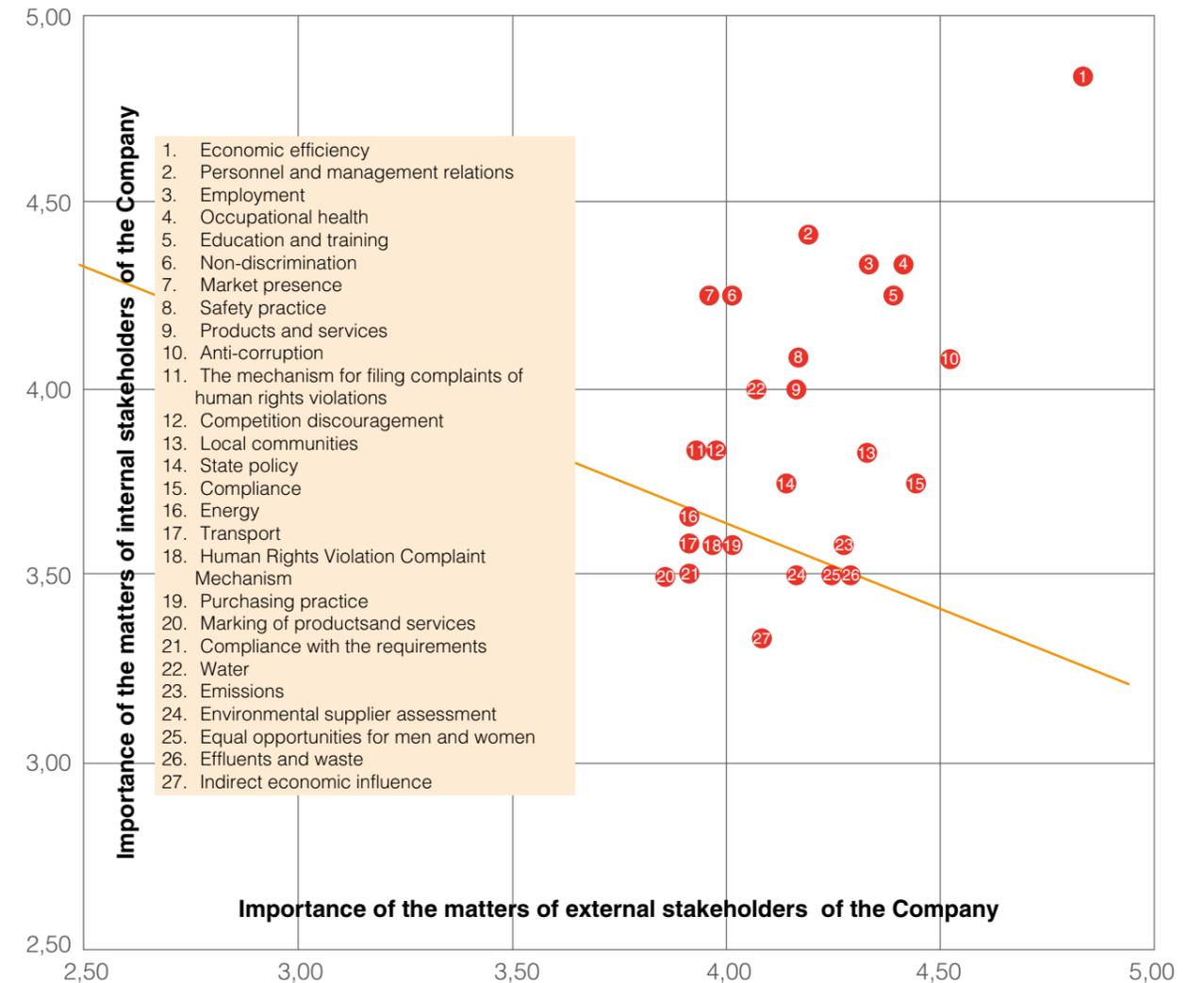
**Material aspects and scope of the Report**

Following the GRI recommended principle of materiality, the Company has identified significant matters that should be reflected in the Report with due account for its key stakeholders' opinions. Responsible persons conducted a survey by means of questioning and personal interviewing both within and outside the organization Based on the data

analysis results, the materiality was assessed based on the aspect significance within the process of economic, environmental and social impact of the Company's operations. Thus, based on the priority matrix, used to illustrate the assessment of essentiality, were chosen for the disclosure those topics that are in the zone of the uppermost importance. Based on the results of the activities essential aspects identifying, the Company discloses more topics in the

social field compared with the previous period. The list of the most important aspects of the activity, inside and outside of the Company, identified by the stakeholders, is presented below.

Thus, based on the priority matrix, used to illustrate the assessment of essentiality, were chosen for the disclosure those topics that are in the zone of the uppermost importance.



Category "Economic"	Category "Ecological"	Category "Social"
Economic performance	Energy	Employment
Market presence	Emissions	Relationships of staff and management
Anti-corruption management	Effluents and waste	Occupational health
	Compliance with the requirements	Training and education
		Human Rights Violation Complaint Mechanism
		Equal opportunities

Impact – within the Company  
Impact – outside the Company  
Impact – within and outside the Company

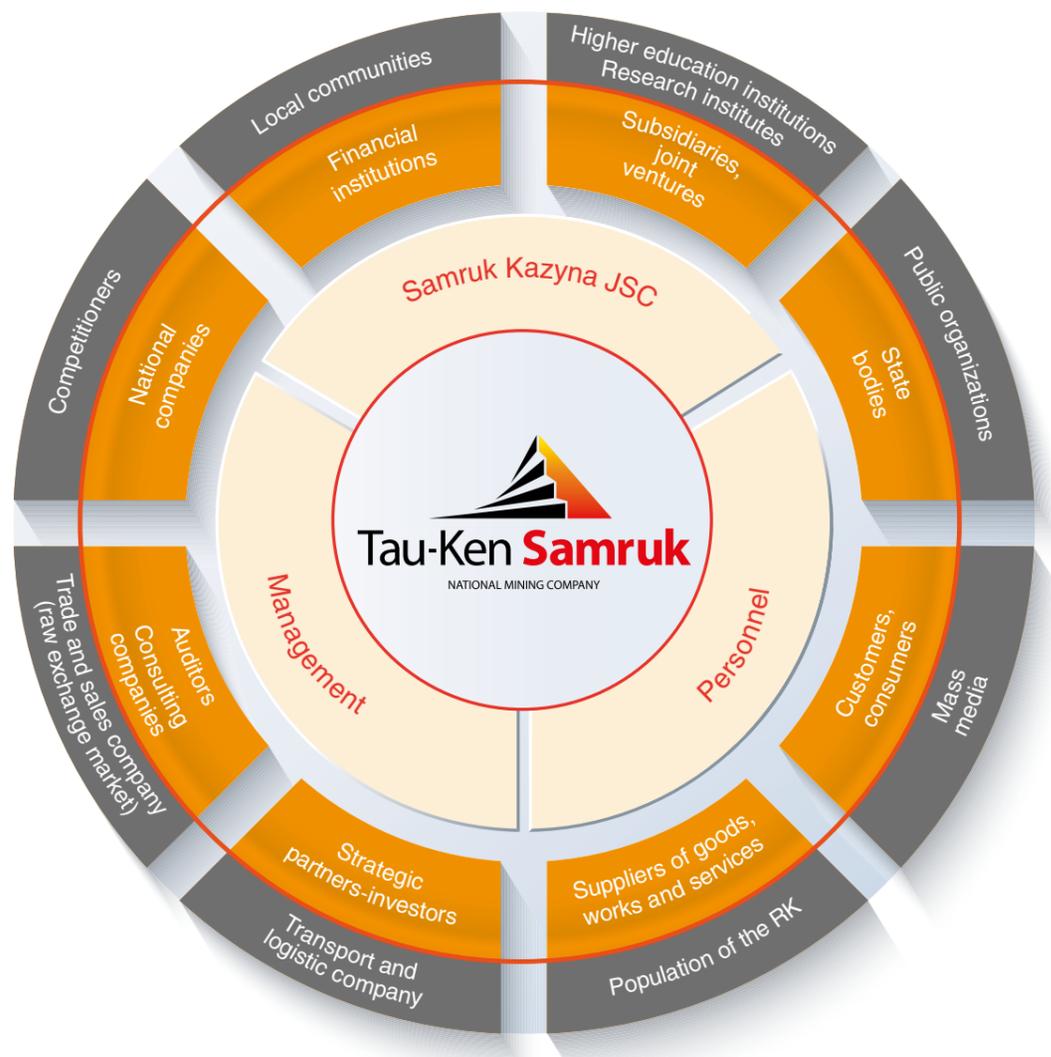
In the process of its operational activity, the Company, based on the specifics of its production, has the impact on the environment, in particular because of using energy, waste generation and production emissions. Being a major employer, the Company also has a socio-economic impact on the regions of its

operations. Within the organization, in particular, the aspects of personnel policy are the most significant. The company provides the social guarantees for employees, the development of their professional level, health protection and decent working conditions.

The interaction with the stakeholders is a first-order condition for the development of the Company and the achievement of its strategic goals. To protect the interests of the Sole shareholder and to take into account the interests of all stakeholders is the principle of interaction with stakeholders.

**Interaction with the shareholders**

The company considers its shareholders as a group of persons or organizations that influence its activities or are affected by the activities of the Company. For these purposes, the Tau-Ken Samruk NMC JSC carried out the ranking of stakeholders by degree of impact on the Company operations.



■ Tau-Ken Samruk JSC  
■ Domain of authorization/responsibility  
■ Domain of direct impact  
■ Domain of indirect impact

The company uses the systematic approach, principles and forms of interaction with shareholders, that provide feedback and allow the timely identification of potential risks and new opportunities for the effective activity of the Group of Companies Tau-Ken Samruk NMC JSC.

The main forms of interaction with shareholders are: joint programs and projects, memorandums of cooperation, joint working groups, reporting on activity, appointments, meetings, publications, interviews.

The main areas of interaction with shareholders: strategic planning, financial activity, project management, environmental safety, supply of goods, works and services, lawmaking, operating activity, interaction with the media.

Stakeholders	Level of interaction	Methods of interaction	Raised key topics and interest
--------------	----------------------	------------------------	--------------------------------

**Domain of responsibility/authorizations**

Sole stakeholder	Grant of authority	<ul style="list-style-type: none"> <li>meetings, hearing of reports</li> <li>annual report</li> <li>appointments and negotiations</li> <li>web site</li> <li>correspondence and requests</li> <li>exhibitions, forums and presentations</li> </ul>	Financial, operational indicators Dividends Sustainable development Report on Sustainable Development
Management	Grant of authority	<ul style="list-style-type: none"> <li>integration of matters of interaction in management, strategy and operating activity</li> <li>meetings of the Board</li> </ul>	Interaction with Sole stakeholder and Board of Directors Implementation of Strategy
Personnel	Cooperation	<ul style="list-style-type: none"> <li>survey and questionnaire polls</li> <li>correspondence and requests</li> <li>assessment</li> <li>training</li> </ul>	Advance training, training and professional training Equal opportunities

**Domain of direct impact**

State bodies	Cooperation	<ul style="list-style-type: none"> <li>joint projects</li> <li>joint ventures</li> <li>partnership</li> <li>correspondence and requests</li> <li>joint initiatives</li> <li>non-financial reports</li> <li>web site</li> </ul>	Compliance with regulatory requirements Taxes Environmental responsibility Occupational health and industrial safety
National companies	Cooperation	<ul style="list-style-type: none"> <li>joint projects</li> <li>joint initiatives</li> <li>correspondence and requests</li> <li>web site</li> </ul>	Long-term cooperation Participation in working groups, forums
Auditors, Consulting companies	Advice	<ul style="list-style-type: none"> <li>contracts execution</li> <li>consulting panels</li> <li>appointments</li> <li>feedback provision schemes</li> </ul>	Long-term cooperation
Subsidiaries, joint ventures	Involvement	<ul style="list-style-type: none"> <li>correspondence and requests</li> <li>process of decisions joint making</li> <li>appointments and meetings</li> <li>advice</li> <li>purchase</li> <li>non-financial reports</li> <li>working visits</li> </ul>	Equal opportunities Environmental responsibility Occupational health and industrial safety Advance training, training and professional training
Strategic partners-investors	Cooperation	<ul style="list-style-type: none"> <li>joint projects</li> <li>joint ventures</li> <li>partnership</li> <li>joint initiatives</li> <li>non-financial reports</li> <li>working visits</li> <li>business appointment</li> <li>web site</li> </ul>	Execution of contracts, records on long-term cooperation on project implementation
Suppliers of goods, works and services	Cooperation	<ul style="list-style-type: none"> <li>concluded contracts and memorandums</li> <li>partnership</li> <li>working visits</li> <li>business appointment</li> <li>correspondence and requests</li> <li>information disclosure through various communication channels</li> <li>conduct of negotiations with potential suppliers</li> </ul>	Full compliance with the law Occupational health and industrial safety Environmental impact

Stakeholders	Level of interaction	Methods of interaction	Raised key topics and interest
Customers, consumers	Cooperation	<ul style="list-style-type: none"> <li>concluded contracts</li> <li>partnership</li> <li>purchase</li> <li>appointments</li> <li>correspondence and requests</li> </ul>	Long-term cooperation Sales of goods / services rendering
Financial institutions	Cooperation	<ul style="list-style-type: none"> <li>concluded contracts</li> <li>web site</li> <li>correspondence and requests</li> <li>financial accounts</li> <li>partnership</li> </ul>	Long-term cooperation Financial activity

**Domain of in direct impact**

Local communities	Negotiations	<ul style="list-style-type: none"> <li>non-financial reports</li> <li>collective negotiations based on social partnership principles</li> <li>web site</li> <li>corporate events</li> </ul>	Employment of the population Impact on the environment and population
Media	Involvement	<ul style="list-style-type: none"> <li>web site</li> <li>non-financial reports</li> <li>press-releases</li> <li>corporate events</li> <li>press conferences</li> </ul>	Provision of transparency Openness policy
Transport and logistics companies	Cooperation	<ul style="list-style-type: none"> <li>concluded contracts and memorandums</li> <li>partnership</li> <li>joint initiatives</li> <li>web site</li> </ul>	Transportation and sales of products
R&D establishments, higher educational institutions	Advice	<ul style="list-style-type: none"> <li>questionnaires</li> <li>concluded contracts and memorandums</li> <li>appointments</li> <li>public appointments, workshops</li> <li>advisory councils</li> </ul>	Participation in research carrying out Methodological support Staff development
Trading companies (commodity exchanges)	Involvement	<ul style="list-style-type: none"> <li>multilateral forums</li> <li>consulting panels</li> <li>focus-groups</li> <li>web site</li> </ul>	Realization of commercial goods
Public organizations	Negotiations	<ul style="list-style-type: none"> <li>collective negotiations based on social partnership principles</li> <li>questionnaires</li> <li>concluded contracts and memorandums</li> <li>appointments</li> <li>public appointments, workshops</li> <li>advisory councils</li> </ul>	Joint participation in international and industry events
Population of the Republic of Kazakhstan	Negotiations	<ul style="list-style-type: none"> <li>collective negotiations based on social partnership principles</li> <li>questionnaires</li> <li>concluded contracts and memorandums</li> <li>appointments</li> <li>public appointments, workshops</li> <li>advisory councils</li> </ul>	Environmental responsibility Creation of jobs
Competitors	Negotiations	<ul style="list-style-type: none"> <li>interaction through the industry organizations</li> </ul>	Fair competition Development of the industry

Effective stakeholder engagement allows for:

- combining resources (knowledge, personnel, money and technologies) to solve problems and achieve objectives

- assessing the environment, including market development, and determining new strategic opportunities;
- improving business processes;

- pursuing the policy of openness and transparency of activity.

## ECONOMIC ASPECTS OF SUSTAINABLE DEVELOPMENT

The economic development of the Tau-Ken Samruk NMC JSC is of great strategic importance both for the Company itself, and for the national economy as a whole. Implementing the investment projects, the Company is a major employer, thereby exercising

the socio-economic impact on the regions of its presence. In all major regions of its presence, the Company looks to maximize its positive impact, that includes, taking into account the interests of local communities.

The business plan (plan of the development) of the Company is approved by the Board of Directors and its implementation is quarterly monitored.

**Direct economic value generated and distributed, in accordance with the GRI disclosure requirements, thousand tenge**

N°	Indicator	2018	2017	Change
Generated economic value				
1.	Income	267,909,576	210,335,326	27%
Distributed economic value				
2.	Operating costs	4,206,614	2,447,890	72%
3.	Salary and other benefits and facilities paid to employees	3,465,837	3,167,060	9%
4.	Taxes	110,662	35,319	213%
5.	Corporate Income Tax (CIT)	295,589	55,353	434%
6.	Payments to capital providers	60,496,928	6,185,650	878%
7.	Investments to local communities	-	-	
Retained economic value				
		199,333,947	198,444,054	0%

**Information obtained from the audited consolidated financial statements of the Company for 2018.**

The detailed information on the financial-and-economic results of the Company activity for 2018 is

presented in the audited consolidated financial statements in Appendix 2 to the Report, and is also placed on the

Company's corporate website in the section "For investors".

## ECOLOGICAL RESPONSABILITY

### ENVIRONMENT PROTECTION



Expanding the scale of its activity, Tau-Ken Samruk NMC JSC responsibly builds the strategy of rational natural resources use. Tau-Ken Samruk NMC JSC pays the primary attention to measures to minimize the negative

impact of its activities on the environment.

The approved corporate environmental policy of Tau-Ken Samruk NMC JSC expresses the position of the Company regarding its role and its obligations in

maintaining the favorable environment in the regions where the Company and its subsidiaries are present.

When planning and implementing its environmental activity, the Company follows the following basic principles:

- Ensuring the compliance with the requirements and standards established by the environmental legislation of the Republic of Kazakhstan;
- Obligation to carry out the measures to prevent the environmental pollution and cause damage to it in any other forms;
- Continuous improvement of existing and introduction of new technologies to ensure the environmental safety;
- Systematic and comprehensive solution of issues in order to ensure the environmental safety and the nature protection activity;
- Openness and availability of the environmental information.

With a view to implement the basic principles of environmental activities, the Company undertakes the following obligations:

- Ensure the activity on environmental safety and environmental protection with necessary resources;
- To make the managerial and investment decisions based on

multi-variant development scenarios taking into account the environmental priorities;

- To provide at all stages of the investment projects implementation to minimize the risks of negative environmental impact;
- Conduct on the regular basis the environmental monitoring and audit

of the operating activity Company and its subsidiaries;

- Ensure the wide accessibility of the environmental information related to the Company activity and its subsidiaries in the environmental protection field and to the decisions taken in this area.

### USE OF ENERGY RESOURCES AND ENERGY EFFICIENCY UPGRADING

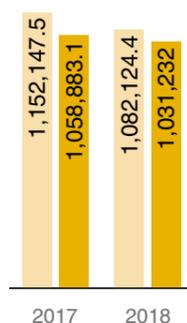
#### Energy consumption

In total, during the reporting period, the consumption of fuel-and-energy

resources by subsidiaries of the Tau-Ken Samruk NMC JSC amounted to 1,082,124.4 GJ, including the electrical energy 1,031,232 GJ, which is slightly

below the 2017 level. It should be noted that the main consumer of the electric power is the silicon plant of Tau-Ken Temir LLP.

#### Total energy consumption, GJ



- Total energy consumption
- Energy consumption

#### Energy consumption inside the Company for 2018\*

Total energy consumption from non-renewable energy resource (diesel fuel, gasoline, fuel oil):	40,722.3 GJ
Total energy consumption from renewable energy resources	0 GJ
Total energy consumption	1,03,232 GJ
Total energy consumption for heating	10,170.1 GJ
Total energy consumption for cooling	0 GJ

\* When calculating, was used the international KPIfficient

#### Greenhouse gas emissions

We keep records of direct greenhouse gas emissions, on an annual basis after validation and verification the report is sent to the authorized body.

The greenhouse gas emissions from all subsidiaries of the Company, except for the silicon plant of Tau-Ken Temir LLP, do not exceed 20 thous. tons per year. Tau-Ken Temir LLP is included in the National Plan of GHG allowance allocation for 2018–2020.

The calculation of greenhouse gas emissions is made on the basis of the following approved methods:

- The system of regulatory documents on the environmental protection. Guiding regulatory document. Methodical Guidelines for calculating the greenhouse gas emissions from thermal power plants and boilers. GND. Astana 2010.
- Guidelines for Greenhouse Gases National Inventories. Intergovernmental Panel on Climate Change (IPCC), 2006.

The GHG allowance allocation per installations for Tau-Ken Temir LLP is based on the specific indexes application for the greenhouse gas emissions, taking into account the obligations to limit and (or) reduce the GHG emissions.

The state regulation of GHG emissions in Kazakhstan is carried out in terms of carbon dioxide (CO<sub>2</sub>) emissions. The total volume of carbon dioxide emissions of Tau-Ken Temir LLP for 2018 was 83,802.4 tons.



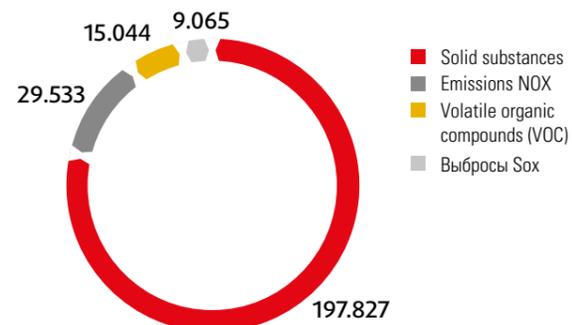
### ATMOSPHERIC AIR PROTECTION

One of the main ecological tasks when the Company activity carrying out, is the atmospheric air protection, under which is carried out the industrial ecological control and are taken the measures on reduction of the emissions of the polluting substances into the atmosphere.

#### Gross emissions of polluting substances into atmospheric air, tons

	2017	2018
Mining projects	165.492	180.119
Metallurgic projects	227.438	182.321
TOTAL	392.93	362.44

#### Structure of gross emissions of polluting substances into atmosphere, tons in 2018



The total of gross emissions of polluting substances in 2018 decreased by 30 tons compared with 2017.

In 2018, the refining plant of Tau-Ken Altyn LLP implemented the project to switch from diesel fuel to gas heating, that allowed to significantly reduce

the costs, as well as, to reduce the emissions to the atmospheric air from the boiler plant.

### USE OF WATER RESOURCES

To date, the facilities of Tau-Ken Samruk JSC use groundwater and water from municipal water supply systems for their industrial and

domestic needs. When calculating the water intake volume, were used the Water supply Primary metering Rules, approved by the Order of the Minister

of Agriculture of the RK of March 20, 2015. No. 19/1-274

#### Water intake volume in 2018, thous. m<sup>3</sup>

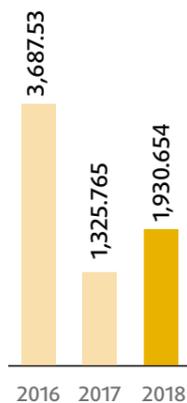
Spource of water	Volume
from underground sources	370.381
from municipal and other systems of water supply	11.625
Total:	382.006

The mine and household waste water was discharged in 2018 in accordance with the approved permits from the authorized body. At the same time, on the ongoing basis, the industrial environmental control of waste water is carried out at facilities of the Company subsidiaries.

The total volume of water discharge in 2018 amounted to 1,930.654 thous. m<sup>3</sup>. The increase of the water discharge compared to 2017 is connected to the open-cast drying in the deposit Northern Katpar.



**Total volume of water discharge, thous. m<sup>3</sup>**



**Total volume of water discharge and of receiving facility for 2018, thous. m<sup>3</sup>**

Receiving facility	Volume
Storage pond	1,651.829
Surface water	267.2
Transfer to third parties	11.625



In 2018 in the deposit of ShalkiyaZinc LTD JSC the construction-assembly works were completed, and the **Sewage treatment plant of household waste water of mining-and-processing complex** was commissioned. The cost of the project is more than 500 million tenge. This project was carried out in order to treat the household waste water system of the mine ShalkiyaZinc LTD JSC.

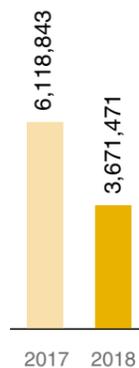
The main treatment equipment is the module unit of the household waste water treatment LOS-P 400, with 400 m<sup>3</sup> capacity. After treatment the waste water is drained by means of the pipeline to the storage pond. The storage pond consists of two cells. The geomembrane film is used as the impervious screen. The sludge residue, formed in the sewage treatment facilities, is transported by the specialized company to the dedicated disposal.

**WASTE MANAGEMENT**

The total waste volume is generated by the activity of the ShalkiyaZinc LTD JSC, Alaygyr JV LLP, Silicon Mining LLP, as well as Tau-Ken Temir LLP and Tau-Ken Altyn LLP.

The main waste volume consists out of dead rock, formed when the overburden and production operations in Alaygyr JV LLP, ShalkiyaZinc LTD JSC and Silicon Mining LLP. The dead rock is mainly used repeatedly for the construction of the roads within the open-cast, the remaining volume is transported to the proper rock dumps.

**Wastes generation, tons**



**Total waste volume by type and location mode**

Total volume of hazardous and non-hazardous wastes tons	3,671,471
Recycling, tons	2,548,001
Location in disposal, tons	99
Storage in the enterprise site, tons	1,116,489
Other method of removal, tons	6,882

**MONETARY VALUE OF ESSENTIAL FINES AND TOTAL NUMBER OF NON-FINANCIAL SANCTIONS**

According to the environmental legislation of the Republic of Kazakhstan, the state organizes the scheduled and unscheduled inspections, at the results of which the

finances for violating the requirements of the law may be charged. In 2018, according to the results of inspections by the authorized body, the amount of fines amounted to 1,903,607 tenge.

In addition, we received 11 prescriptions from the supervisory authorities. All prescriptions were executed on time.

**SOCIAL RESPONSIBILITY**



**Personnel policy**

Tau-Ken Samruk NMC JSC approved the Personnel policy defining the management system, as well as the key directions and approaches to the human resource management. The provisions of this policy apply to all subsidiaries of the Company.

The purpose of the Personnel policy is to ensure the optimal balance of the processes of updating and preserving the numerical and qualitative composition of the Company personnel in its development in accordance with the needs of the Company, the requirements of current legislation and the state of the labor market.

The success of the Personnel policy largely depends on the recognition at all levels of the Company management of the high economic importance of human resources as an important component of its strategic potential.

The main strategic capital and the main value of the Company is its human resource, the effective work of which allows the Company to successfully accomplish the tasks and achieve its goals.

- compliance with the legislative requirements of the Republic of Kazakhstan and the Company's requirements in the field of occupational health and safety.

Tau-Ken Samruk NMC JSC is aware that occupational safety and health of employees is an absolute priority of its activity. In order to ensure a safe working environment, the Company has assumed the following obligations in the field of occupational health and safety:

- continuously improvement of methods and tools for occupational health and safety management;
- striving for accident-free operation and absence of technological disturbances that could have a negative impact on people and equipment;



**Key areas of the Personnel Policy:**

Effective staff workload	The Company has introduced the principles of competitive selection and hiring of personnel for vacant positions. The Rules for personnel recruitment regulate the process of competitive selection of candidates based on assessment of professional knowledge, personal and business qualities of candidates.
Corporate culture improvement	In 2018, the repeated "Diagnostics of the Development of Corporate Culture" was conducted in accordance with the new Strategy of the Company to identify the target model of the corporate culture and values corresponding to the Company strategic goals.
Personnel training and development	In accordance with the calendar plan for the professional training and professional development of the Company employees for 2018, 52 events were organized to train the employees and the managers of the Company, including: compulsory training – 10, on the professional certification program – 12, corporate training – 5, on-the-job training – 25.
Assessment of the personnel	The personnel appraisal system is focused on a comprehensive and objective assessment and efficient personnel performance management. The Company annually conducts competence assessment (attestation) based on certain indicators to achieve its goals in the most acceptable way. As a result, the Company makes decisions on further employee professional development (enrollment in the personnel reserve, sending for training, career promotion).
Motivation of the personnel	In the aims of motivation the employees, the Company provides for a system of material and nonmaterial incentives based on the evaluation of the work done. The Company also for the employees sets up the individual development plans, including the various drills, trainings and workshops. In addition, the Company encourages the employees with various state awards, jubilee medals and diplomas.  Thus, in honor of the Metallurgist Day, 20 employees were awarded with diplomas of honor and letters of appreciation from Samruk-Kazyna JSC, as well as 40 employees were awarded with the Diploma of Honor and Letter of Appreciation from Tau-Ken Samruk NMC JSC, on the Independence of the Republic of Kazakhstan 5 employees of the Tau-Ken Samruk NMC JSC and its subsidiaries were awarded with the Diploma of Honor of Samruk-Kazyna JSC, 7 employees with the honorary sign "Honored Miner of the III degree", 33 employees with diplomas of honor and letters of appreciation from of Tau-Ken Samruk NMC JSC, in honor of the 5 <sup>th</sup> anniversary of Tau-Ken Altyn LLP 11 employees with diplomas of honor and letters of appreciation from Samruk-Kazyna JSC and NMC Tau-Ken Samruk JSC. Also, 5 employees were awarded with state awards: the Medal "Eren Enbegi Ushin" and 4 employees with the Diploma of Honor of the Republic of Kazakhstan.
Social support of the personnel	Employees of the Company are provided with benefits and allowances, maternity/paternity leave, life insurance, material assistance and incapacity allowance.

**Occupational Health & Safety**



In the Company and its subsidiaries, in accordance with the requirements of the Labor Code of the RK, have been created the conciliation commissions to resolve labor issues and disputes, the members of the commission are elected by a general vote of employees. The assistance

to employees, their relatives or the community members in connection with serious diseases is carried out according to the labor legislation of the Republic of Kazakhstan.

The subsidiaries of the Company, by the nature of their activities,

are industrial enterprises in whose territory there are various hazardous production facilities, including mines, open-casts, metallurgical furnaces, warehouses of fuel and lubricants, warehouses of highly toxic substances, warehouses of explosive substances, hydraulic engineering structures, as well as hazardous technical devices – lifting mechanisms, pressure vessels, as well as boilers and elevators. It should be noted that the hazardous production facilities and hazardous technical devices are sources of hazardous and harmful production factors.

In order to avoid the various traumatic incidents, on an ongoing basis are carried out the control, monitoring and analysis of indicators in the field of occupational safety and health. To prevent the injuries and the occupational diseases, is developed on an annual basis the comprehensive plan with the aim to improve the working conditions, as well is conducted the industrial internal control over compliance with

the occupational health and safety requirements.

In addition, the Company approved the Comprehensive Program on the protection of occupational health and the environment, on industrial,

economic, informational, physical security and anti-terrorism protection issues in subsidiaries of Tau-Ken Samruk NMC JSC for the 2018–2019.

**Rate of accident and occupational diseases in the operated subsidiaries for the period 2014–2018**

	Alaygyr JV LLP	ShalkiyaZinc LTD LLP	Tau-Ken Temir LLP	Tau-Ken Altyn LLP	Silicon Mining LLP
Group accidents	0	0	1	0	0
Fatal accidents	0	0	0	0	0
Lost time incidents	0	3	1	0	0
Occupational diseases	0	0	0	0	0

The main causes of accidents in the operated subsidiaries are non-compliance with the requirements of the rules of the traffic code, industrial safety and occupational safety. To improve the industrial safety and occupational safety conditions, is being developed the unified system of management of the occupational safety and environment. The system includes the systematization, implementation of procedures and the control documents in the field of occupational safety and environment protection using the world best practices.

**Measures taken in the subsidiaries to exclude the accidents at work**

In order to prevent the accidents in the operated subsidiaries, the following measures are performed:

- The comprehensive plans are developed to improve the working conditions;
- The production control over compliance with the requirements of industrial safety and technical safety is conducted;
- On an ongoing basis, the walk-round checks and inspections of equipment, buildings, structures in order to identify and timely eliminate the production- and-technical non-conformities that have the injury risks;
- In accordance with the established legal-and-regulatory normative documents, is organized the training of the operating, engineering-and-technical and administrative-and-technical staff on the industrial safety, occupational health and safety, fire safety, electrical safety matters;

- The operational staff is provided by the employer with special clothes, special shoes and other personal protective equipment, depending on the nature of the work, taking into account the hazardous and harmful production factors.

The existing programs of education, training, consulting, prevention and control of risk to help employees, their families, and population representatives in the case of serious diseases.

- Subsidiaries of Tau-Ken Samruk NMC JSC inform, train, advise their employees about harmful and hazardous production factors, and protection against them in the frame of introductory, scheduled, unscheduled and targeted instructions on occupational health and safety, as well as the training on occupational health and safety matters in the amount, established by law.
- In the operated subsidiaries are developed the procedures for work with contracting organizations, where are established the requirements for qualifications, competence, and discipline for contractor personnel performing the works on the territory and assets of subsidiaries.

As far as the subsidiaries of Tau-Ken Samruk NMC JSC have the hazardous production facilities (HPF), the emergency response plans have been developed (hereinafter referred to as ERP).

ERP are developed to:

- planning the actions of the HPF personnel and specialized services at various levels of development of situations;

- determine the organization readiness to localize and eliminate accidents in the HPF;
- identifying the a sufficiency of measures undertaken to prevent accidents in the facility;
- development of actions for the localization and liquidation of accidents consequences in the HPF.

There is no injuries and fatalities of the population involving the Company assets, including the court decisions, settlements and legal actions being under consideration, related to diseases.

### Report on the personnel qualitative composition

The total average headcount of the Company, including all subsidiaries,

is 1,389 people, which exceeds this indicator by 156 people of the previous year. 19.5% of the headcount are women – 271 people, including 26 managers (20% in the management).

The average work experience is 19 years. The average age of employees is 37 years, the managers 39 years.

#### Average headcount by region and gender

Region	Total average headcount, persons, pers.	Men	Women
Astana	200	123	77
Karaganda region	473	373	100
Kyzylorda region	716	610	106
Total	1,389	1,106	283

#### Structure of the staff by categories

Indicator	Employees	Fraction	Managers	Fraction
Staff strength of employees by the end of the reporting period, pers.	1,389	100%	136	100%
Gender structure	Men	1,008	110	81%
	Women	245	26	19%
Age groups	Under 30 years	566	32	24%
	From 30 to 50 years	477	83	61%
	Elder 50 years	210	21	15%

#### Average headcount of the Company by nationality

Kazakhs	1,105	Poles	2
Russians	157	Moldavians	2
Ukrainians	16	Bashkirs	2
Germans	16	Mordvins	1
Tatars	11	Lithuanians	1
Koreans	12	Estonians	1
Belarusians	4	Chuvashes	1
Uzbeks	5	Dungans	1
Armenians	2	Uigurs	1

### Labour practices

People are the most important and valuable asset of the Company, thereby the Company attaches great importance to promotion of its employees and is committed to stimulation of labor efficiency. Tau-Ken Samruk NMC JSC is striving to

remain among the best employers of the country and carries out purposeful work to attract, involve and retain the best employees. In accordance with the labor law and the terms of the employment contract, the minimum period of notice regarding significant changes in business activities that can significantly affect employees is not

less than 2 weeks. Employee benefits and allowances are one of important factors of personnel involvement. Information on labor relations between the Company and its employees in the field of social responsibility is provided below.

Grandes facilities	Full-time, part-time and temporary employees
Life insurance	Compulsory insurance of civil legal liability
Incapacity compensation	Sick list payments
Maternity/paternity leave	According to the Labor Code of the RK
Provision of pension	According to the law of the Republic of Kazakhstan
Financial assistance	1) payments in case of birth/adoption of a child at the rate of 1 monthly salary but no more than 100 MCI;
	2) payment in case of employee's death at the rate of 1 monthly salary but no more than 200 MCI; death of an employee's spouse, child, parent – at the rate of 1 monthly salary but no more than 100 MCI;
	3) payment for medical treatment.

In order to comply with the requirements of labor law and internal regulatory documents in the field of

labor relations, the Company Group grants maternity or paternity leave. The Company provides equal rights to men

and women to maternity and paternity leave.

#### See below the data for the Company and its subsidiaries for, in 2018:

Maternity / paternity leave	Total	Men	Women
Total number of employees that have the right for maternity/paternity leave (whose children were born in 2018)	104	92	12
Total number of employees who took maternity / paternity leave	12	1	11
Total number of employees who returned to work after maternity/paternity leave and continued to work 12 months after returning to work	1	0	1

In order to organize the effective competitive selection and recruitment for vacant positions, the Tau-Ken Samruk NMC JSC has developed the corporate HR-site www.hr.tks.kz. This website is a tool for provision of timely and objective information to the

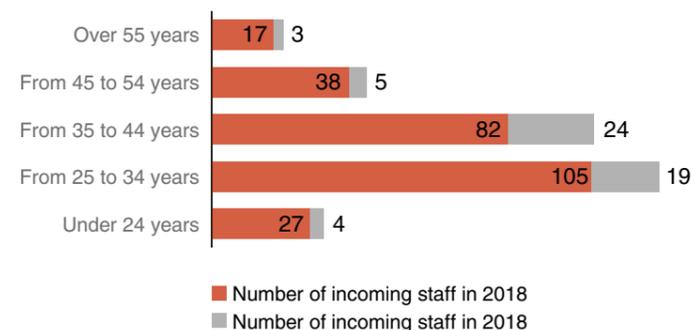
public about the existing vacancies within the Group of Companies as well as for provision free access to the disclosed information on the results of the competition. In addition, interested persons can review all stages of the personnel selection

process and get contact information for communication, if necessary. Thus, in the reporting period, 23 vacancies were posted on the website and results of filled vacancies were published.

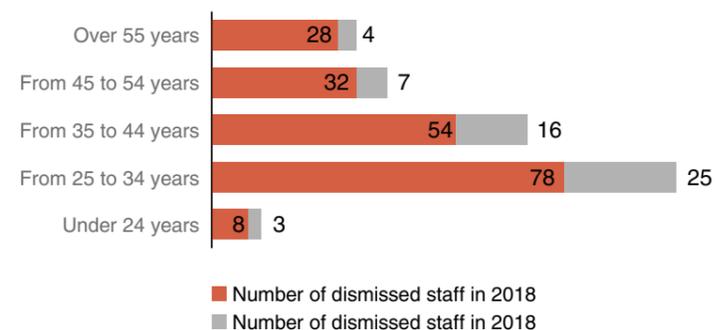
#### Information on staff turnover within the Group of Companies

Period	Central Office	Within the Group of Companies, including Central Office
2015	18.3%	21%
2016	15.1%	22.7%
2017	14.27%	19.12%
2018	25.53%	22.87%

#### Total number of newly incoming staff detailed per age



#### Number of dismissed staff in 2018



In the reporting period, the Company employed a total of 324 people, including 135 employees of ShalkiyaZinc LTD JSC. The total number of resigned employees amounted to 255, including 204 men and 56 women.

Tau-Ken Samruk NMC JSC adheres to the principle of the gender equality, therefore there is no difference in the level of wages between men and women in the group of Companies. The ratio of the standard entry-level wage in the Republic of Kazakhstan to the established minimum wage in significant fields of the activity where is concentrated the main production of the enterprise, is presented below.

**Средняя установленная минимальная заработная плата по группе Компаний в существенных регионах деятельности в 2018 году, тенге**

Minimum wage in Kazakhstan in 2018	Cost of living in Kazakhstan in 2018	Average minimum wage in the Company in significant fileds of activity
28,284	29,146	92,766

**Training and advanced training**

The forming of the necessary human resources for the mining and metallurgical sectors in general and for the Company, in particular, is a task that requires immediate action and takes considerable time.

The lack of employees possessing the necessary knowledge, qualifications and skills leads to significant economic losses, manifested both

in the limitations of the development of production, and in increasing the labor costs. Therefore, the building of the effective system of professional development of employees is one of the most important priorities. For this purpose, throughout all the Group of companies of the Tau-Ken Samruk NMC JSC, are provided through the life span the skills and education development programs that support the employees capability to the employment. The Company

on an ongoing basis, provides the employees with various trainings, workshops on advanced training and occupational training, including the Company management, the training is carried out taking into account the requirements and prospects for strategic development. The cost for the staff training is a long-term investment in the human resources development.

**Average annual number of training hours per employee in 2018**

Category of an employee	Men	Women
<b>Administrative and managerial staff (AMS), including</b>	897.9	543.5
managers (from the first executive manager to the head of the service)	271.1	352.2
specilaists	876.0	335.8
<b>Operating staff, including</b>	1,027.0	186.5
Technical and engineering staff (TES)	536.0	177.0
Operators	440.3	94.7

In accordance with the calendar plan for professional training and development of the corporate center employees of Tau-Ken Samruk NMC JSC for 2018, 52 training events were organized, including: mandatory training – 10, on the professional certification program – 12, corporate training – 5, occupational training – 25.

**Business ethics in the Company**

The Company implements the Code of Business Conduct, the main purpose of which is to develop corporate culture in the Company and promote effective stakeholder engagement through the application of business conduct practices.

The Code was developed in accordance with the provisions of the legislation of the Republic of Kazakhstan, taking into account the requirements of the International Labor Organization, the Charter, the Corporate Governance Code and other internal documents of the Company. The Board of Directors periodically reviews and improves the provisions of the Code, analyzes the extent to which they are implemented in practice and, if necessary, makes changes and/or addenda.

The Company adopts the Code and follows its requirements in relations with the Sole shareholder, officials and employees of the Company, other concerned parties and the society as a whole, for making corporate decisions both in strategically important situations, and in the everyday ones that are faced by the officials and employees of the Company.

Values such as **meritocracy, respect, honesty, openness, team spirit and trust** should determine employees' behavior in the course of interaction with colleagues and business



partners, including government agencies.

According to the Code, the Company employees are guided by the following rules and principles:

- The officials and employees of the Company should familiarize themselves with internal documents regarding confidentiality of information and take care to prevent its disclosure to any third parties outside the Company, as well as lay special emphasis on the prevention of data loss or destruction.
- Avoidance of a conflict of interest is a basic requirement for ensuring the protection of interests of the Company, its employees and the Sole Shareholder. All employees are responsible for making transparent, timely and adequate decisions excluding any conflicts of interest.
- The non-admission of corruption and other unlawful actions in order to obtain or retain the unjustified benefits and properties both by the concerned parties, and by the officials and employees of the Company.
- The officials and employees of the Company contribute to the development of the corporate culture in the Company, understanding the requirements of the Code, sharing with other colleagues their knowledge of the principles of business ethics, accepted rules of business conduct, observing the requirements of business ethics and preventing violations.
- Compliance with safety, health and environmental requirements in accordance with the requirements of legislation in this area. Officials and employees of the Company strive to assess their actions in terms of environmental impact and minimize such impact.
- Compliance with high ethical standards in relations with society and media. Non-admission of the distribution of the inaccurate information, hiding and/or distortion of facts in public speeches of the executives, their promotional-and-publicity releases or other public events. The Company has the corporate website: www.tks.kz.
- According to the control measures, the officials and employees of the Company strictly adhere to the requirements of the Code

and report any violations of its requirements. The company has the established information channels, including through the "hot line", administered by the independent operator of Deloitte LLP.

8 800 080 19 94  
sk.hotline@deloitte.kz  
www.sk.deloitte-hotline.com

The Company has created the 'compliance' function, that suggests the ensuring of compliance with mandatory regulatory requirements and international best practices in the fight corruption domain among all the employees and creates the conditions for doing business in accordance with international standards, internal policies and legislation of the RK.

Due to the 'compliance' service creating in the company in the second half of 2018, was conducted the corruption risk assessment in 2019 in the following areas:

- the corruption risk assessment in the purchase domain;
- the corruption risk when the hiring, promotion and dismissal of the dtaff,
- the corruption risks of receiving (donating) gifts, other material signs of hospitality, improper use of representation expenses, including with a view to exert the influence on the representatives of state bodies and other persons;
- the corruption risks and/or frauds when the sale of manufactured goods, works and services;
- the risks of corruption when mergers and acquisitions, when the realization of non-core assets, the implementation of investment projects;
- the risk of corruption when the provision of sponsorship or beneficent help;

- the risks of corruption when the interaction with government bodies;
- risks of bribing the foreign officials by the company employees or third parties;
- risks of collusion of the employees of control-and-auditing departments with audited subsidiaries and affiliates.

On the company activity were received 7 appeals on the "hot line" in 2018, including:

- 2 appeals on non-compliance with labor laws, 1 of which was confirmed, measures were taken to eliminate the violations found;
- 1 appeal on violations in the purchase domain, the fact was not confirmed;
- 1 appeal on violations in the field of accounting, the fact was not confirmed.
- 2 appeals on unethical behavior, on the actions of the manager, the fact on 1st appeal was confirmed, measures were taken to eliminate the revealed violations;
- 1 appeal on corruption actions (receiving of the illegal remuneration when hiring the staff), the fact was not confirmed.

There are no confirmed cases of corruption following the results of 2018 in the company.

On September 27, 2018, the meeting for all the employees of the Tau-Ken Samruk NMC JSC was held with the Head of the Department of the Agency for civil service and anti-corruption affairs in Astana, the Chairman of the ethics Council, the head of the project "Astana – adaldyk alany", Zhylykshiyeva Zh. J. The topic of the presentation: "Modern anti-corruption policy of Kazakhstan. On the implementation of the project "Astana – adaldyk alany".

The familiarization of the employees of the Company and Subsidiaries with the 'compliance' policy, Code of Business Ethics, principles and corporate values has been conducted from September to December 2018:

Astana city	Karaganda city	Kyzylorda region, Zhanakorganskiy district, mine Shalkiya
Tau-Ken Samruk NMC JSC	Tau-Ken Temir LLP	ShalkiyaZinc LTD JSC
Tau-Ken Altyn LLP	Northern Katpar LLP	
Masalskiy MPC LLP	Silicon Mining LLP	
Tau-Ken Projekt LLP	Alaygyr JV LLP	

Each employee is responsible himself for the observance of ethical standards in his behavior.

The compliance with the Code is mandatory for all officials and employees of the Company. The

violation of the norms of the Code entails the disciplinary liability according to established procedure.

## INFORMATION ABOUT THE EXTERNAL AUDITOR

### External audit policy

The Company engages audit organizations in compliance with the Audit Services Outsourcing Policy of Tau-Ken Samruk NMC JSC approved by the Board of Directors on July 2, 2015 (Minutes No. 06/15). The basic provisions of the Policy enable the Company to involve auditors for rendering audit and non-audit services without prejudice to auditor's objectivity or independence and avoiding a conflict of interest.

### Rotation of the project partner

The Company regularly replaces its external auditor and/or project partner responsible for preparation of audit reports. The term of rotation of the Company's external auditor (i.e. a period of time, upon expiration of

### Selection of the auditor

To ensure auditing of annual and interim financial statements, including auditor's opinion regarding the performance results for the reporting period as well as conducting follow-up measures in accordance with the law of the Republic of Kazakhstan, the Auditor Selection Procedure developed by Samruk-Kazyna JSC, and internal regulations, selection of auditor is carried out by the Company in accordance with the established

which the Company should replace its external auditor) is no more than 5 (five) consecutive years. The auditor should prepare the succession plan to achieve this result and submit to the Audit Committee for review no

manner. The main criteria determining selection of auditor are as follows:

1) quality of auditor's services determined by the following factors:

- level of personnel qualification;
- operational experience both in the domestic and international market;
- promptness in rendering of services;
- knowledge of business;

2) cost of services.

later than one year before the rotation. During the reporting period, the audit organization did not provide the non-auditing services. The "Grant Thornton" LLP is providing the auditing services to the Company since 2016.

Period	Service name	Amount of remuneration, inclusive of VAT, tenge
2018	The audit of the annual and the review of the semi-annual separate and consolidated financial statements	7,061,165

## ANNEX 1: REPORT ON OBSERVANCE OF PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

### Annex 2: Consolidated financial statements

### Annex 3: Index of the GRI elements content

### Annex 4: Glossary

### Contact information

### Annex N°1

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
----	---	--	---

#### Chapter 1. Government as shareholder of the Fund

1.1.	The main strategic task of the organizations is the long-term value growth and Sustainable development of the organizations, that is reflected in the development strategy. All decisions and actions taken must comply with the development strategy. The bodies, officials and employees of organizations must act and make decisions in accordance with the development strategy and the charter. The development strategy is the long-term document that defines the vision, mission, goals, objectives, strategic directions and key performance indicators for the ten-year period. The Companies, based on the development strategy of the Fund, approve the development strategy for the period of ten years.	compliant	In 2018, the decision of the Board of Directors updated the Development Strategy of the Tau-Ken Samruk NMC JSC for 2018–2028, taking into account the formation of the high-quality portfolio and attracting the strategic partners for the projects. The bodies, officials and employees act and make decisions in practice in accordance with the Development Strategy and the Charter. The strategy contains the mission, vision, goals, objectives, strategic directions and key performance indicators. The development strategy is focused on the promising projects, the goals, objectives and development directions are common for the whole group.
1.2.	In the frame of the development strategy, the Board of Directors defines the long-term goals that should meet the following criteria: be specific, measurable, achievable, relevant, with the fixed deadlines for achievement. The evaluation of the achievement of the strategic objectives is determined by the long-term KPI. It is recommended that the separate directions of the activity (i.e., the investment, innovation, information technologies, human resources management) should be included in the development strategy.	compliant	According to the approved Development Strategy, the Board of Directors has defined the long-term goals that are specific, measurable, achievable, relevant and with fixed deadlines for achievement: <ol style="list-style-type: none"> <li>1. Formation of the high-quality portfolio of assets               <ol style="list-style-type: none"> <li>1.1. Exit the non-key investment projects with low investment attractiveness</li> <li>1.2. Optimization of the exploration projects</li> <li>1.3. Timely completion of construction and achievement of project parameters for key investment projects</li> <li>1.4. Search, evaluation and implementation of the new projects in separate significant sectors of the industry</li> </ol> </li> <li>2. Attracting the strategic partners in order to implement the key projects               <ol style="list-style-type: none"> <li>2.1. Improving the operational efficiency of assets</li> <li>2.2. Increased the investment efficiency</li> <li>2.3. Digitalization program</li> <li>2.4. Creating the flexible conditions for investors on the basis of equality and mutual benefit</li> <li>2.5. Corporate governance level upgrade</li> <li>2.6. Human capital assets development</li> <li>2.7. Sustainable Development Initiatives</li> </ol> </li> </ol> Long-term strategic KPI are identified in the Company Business Plan, which is approved by the Board of Directors for the 5-year period. In the approved Development Strategy are identified the tasks for separate directions of development, including the investment, innovation, information technologies and the human resources management.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
1.3.	It is recommended to provide the optimal structure of assets for the organizations. In the Holding company, the parent company can be created in the form of a joint stock company. It is recommended to create the other organizations in the form of a limited liability partnership. It is recommended in the organizations already established as a joint-stock company, to consider the possibility of reorganization into the form of a limited liability partnership, taking into account the economic, legal and other aspects and ensuring the interests of the Fund's group.	compliant	In the Company the creation of the subsidiaries and the affiliates is carried out in the form of the limited liability partnership. The exception is the acquisition by the Company in 2014 of a 100% shares in ShalkiyaZinc LTD JSC.
1.4.	The Government provides the Organizations with full operating self-sufficiency and does not accept the interference by the Government and state bodies in the operational (current) and investment activity of the Organizations, except as otherwise provided by the law, acts and instructions of the President of the Republic of Kazakhstan.	compliant	The Company is provided with the operating self-sufficiency, the cases of the interference by the Government and state bodies in the operational and investment activity for 2018 have not been recorded. The influence is carried out through the realization of the state regulation functions stipulated by the law.
1.5.	The members of the Government and other officials (representatives of the state bodies) are not members of the boards of directors of the organizations.	compliant	Currently, there are no members of the Government or other government officials in the composition of the Board of Directors of the Company.
1.6.	The Boards of directors of organizations are elected by the general meeting of shareholders (the sole shareholder) of the organizations.	compliant	The members of the Board of Directors are elected by the Sole shareholder.
1.7.	The investment activity of the organization is carried out on the market principles in accordance with the strategy of the organization and is aimed at the cost growth and the optimal structure of the assets.	compliant	The investment activity of the Company is carried out on the market principles in accordance with the Development Strategy of Tau-Ken Samruk NMC JSC, approved by the Board of Directors, and is aimed at cost growth and the optimal structure of the assets by means of the formation of the high-quality portfolio of assets. The strategy contains the portfolio of the investment projects implemented for the Company mission carrying out. The information on the Company investment activity is detailed in the Annual Reports and in the corporate website.
1.8.	Cases of the implementation of the low-margin and socially significant projects should be uncovered in the annual report of the organization, indicating the sources of funding for such projects.	compliant	In the investment portfolio of the Company there are no low-margin and socially significant projects. The company implements, on its own, the projects initiated by the Fund or the Government of the Republic of Kazakhstan, provided, that they ensure the required profitability. In the case of the realization of these projects, the Regulation on Information Disclosure of Tau-Ken Samruk NMC JSC, in terms of the preparation of the Annual Report, requires to disclose the facts of the realization of the low-margin and socially significant projects, indicating the sources of funding in the Annual Report.
1.9.	The organizations need to adhere to high ethical standards and to implement the necessary procedures to ensure the continuous application of these standards by all employees and partners of the organizations.	compliant	The Company approved the Code of Business Ethics, which is developed in accordance with the provisions of the legislation of the Republic of Kazakhstan, taking into account the requirements of the International Labor Organization, the Charter, the Corporate Governance Code and other internal documents of the Company and represents the set of rules and principles which all employees are guided by. There were no cases of violations of the Code of Business Ethics in 2018.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
1.10.	The notifications about the suspected violations should be sent directly to the Internal Audit Service (IAS) or to the Board of Directors of the organization. The executive body and all its structural units, including the security service, should not impede the notifications sending about the suspected violations to IAS or to the Board of Directors	compliant	The Board of Directors of Tau-Ken Samruk NMC JSC approved the Initiative Information Policy, also the 'compliance' function was created, which assumes the ensuring compliance with mandatory regulatory requirements and international best practices in anti-corruption matters among all the employees and creates the conditions for business conducting in accordance with international standards, internal policies and legislation of the RK. In the framework of the Initiative Information Policy, in addition to the internal channels for expressing the concerns on the anti-corruption matters, violations events of the legislation of the RK, unethical behavior or discrimination, the external centralized line of the initiative information was introduced, that is administered by the independent operator (Deloitte LLP) which responsibilities include: - receive and process all incoming messages by phone, website or email; - communicate with people who express concerns where possible, and support in the provision of the most relevant information; - classify all messages and send them to persons who investigate the violations; - prepare the reports on the received appeals for further submission to the Audit Committee at the Board of Directors. The Board shall not impede the notifications reporting on the suspected violations to the Compliance Officer or the Board of Directors.
1.11.	With the aim to comply with the business ethics principles and optimal regulation of social-and-labor disputes arising in the organizations, is appointed the Ombudsman.	non-compliant	In the framework of the approved Code of Business Ethics, is provided the institution of the Ombudsman. The rights and obligations of the Ombudsman: 1) the Ombudsman is appointed by the Board of Directors of the Company once every two years; 2) the main functions of the Ombudsman are to collect the information on the observation of the provisions of the Code, to consult the employees, the officials on the provisions of the Code, to initiate the consideration of disputes regarding the violations of the provisions of the Code and to participate in it. By the decision of the Board of Directors of Tau-Ken Samruk NMC JSC of the 03.05.18, No.03/18, the powers of Zh.S. Nuralina as Ombudsman, were terminated. The appeals regarding the non-compliance with labor legislation are addressed to the Compliance Officer.
1.12.	The Board of directors of the organization evaluates the performance of the Ombudsman and decides on the extension or termination of the powers of the person holding the Ombudsman post.	compliant	According to the Charter of Tau-Ken Samruk NMC JSC, the election and early termination of the powers of the Ombudsman is within the competence of the Board of Directors of the Company.
<b>Chapter 2. Interaction between the Fund and organizations. Role of the Fund as a national managing holding</b>			
2.1.	The corporate governance system in organizations ensures the proper management and control of their activity, and is aimed at the long-term value growth and sustainable development. The Fund, as a national managing holding, performs, as regards to its companies, the role of the strategic holding. At the core of the corporate governance should be the efficiency, operability and transparency.	compliant	The sole shareholder sends to the Chairman of the Board of Directors of the Company the letters of expectations, which are communicated to the Board of Directors. In accordance with the Charter of the Company, the Board of Directors determines the directions of the Company activity, approves the Development Strategy and the Business Plan for 5 years, taking into account the expectations of the Sole shareholder. The Management Board of the Company ensures the implementation of the Strategy, Business Plans and the achievement of the approved strategic KPI, regularly reporting to the Board of Directors.
2.2.	The corporate governance system of organizations represents the set of processes ensuring the management and control over the activity of organizations, as well as the system of relations between the Executive Body, the Board of Directors, shareholders and Stakeholders. The competence of the authorities and the decision tree should be clearly defined and enshrined in the charter.	compliant	The Charter of the Company contains the clear division of rights, obligations and competencies of the Sole shareholder, the Board of Directors, the executive body, the Internal Audit Service, branches and representative offices of the Company, officials of the Company. The charters of the subsidiaries of the Company contain the division of rights, obligations and competencies of the Sole Participant, the executive body, the Chairman of the Board of the subsidiary, etc. The hierarchy of the procedure for considering issues and making decisions of the Company bodies, the delimitation of authorities and responsibilities between the bodies and officials of the Company comply with the requirements of the Corporate Governance Code. The regulations on the structural divisions and the job descriptions are approved for all employees and divisions. There are also the provisions on different bodies (Board of Directors, Management Board, committees at the Board of Directors, advisory-and-consultive bodies at the Management Board).

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
2.3.	The Fund participates in the management of the Companies through the carrying out of the functions of the Shareholder/ Participant, as well as through the Board of Directors, in accordance with procedures, determined by the charters of the Companies and this Code.	compliant	The Fund manages the Company through the carrying out of the functions of the Shareholder and through the Board of Directors The charter of Tau-Ken Samruk NMC JSC specifies the obligations and powers of the Sole shareholder, the Board of Directors and the Executive Body.
2.4.	Annually the Fund sends to the Chairman of the Board of Directors and representatives of the Fund in the Board of Directors of organizations the shareholder expectations for the upcoming financial year.	compliant	Annually the Fund sends to the Chairman and the members of the Board of Directors of the Company the shareholder expectations for the upcoming financial year. The expectations of the Sole shareholder of Tau-Ken Samruk NMC JSC for 2018, were considered by the Board of Directors on November 8, 17. No.11/17.
2.5.	The boards of directors of organizations possess the complete independence in making decisions within their competence established by the charter of companies.	compliant	In accordance with the Charter of the Company the Board of directors possesses the complete independence in making decisions on the matters fallen into its exclusive competence.
2.6.	The Fund, taking into account the discussions held with organizations, forms the common policies for companies, approves the methodological recommendations and the corporate standards for the organizations.	compliant	The company develops its documents and performs its activity in accordance with the methodological recommendations and the corporate standards of the Fund. For example: - The Company development strategy was drawn out in accordance with the recommendations of the Fund for the strategic planning. - Regulations on the management of the Company subsidiaries and affiliates. - Rules for the development, coordination, approval, updating, execution and monitoring of the implementation of the development plan and budget. The Company has the Regulation on the internal control system (developed on the basis of the Regulations on the ICS of the Fund). The Guidelines for the organization of the internal audit, the Regulation on the internal audit, the separate methodologies on the audit carrying out, the regulating objectives were approved by the Board of Directors on the basis of the corporate standards and methodological recommendations of the Fund.
2.7.	The executive bodies of the Fund and organizations should interact in the spirit of cooperation in order to ensure the sufficient ambitiousness and feasibility of the Company Development Plans submitted for approval to the Boards of Directors of the Companies, as well as their compliance with the strategy and the Development Plan of the Fund.	compliant	The Board of the Company and the Board of the Fund interact in the spirit of cooperation and conduct the informal consultation for the ambitiousness, feasibility of the Development Plan and its compliance with the Fund planning documents. The report on the Company Development Plan execution for 2018 was adopted by the Company Board of Directors on March 26, 2019 (Minutes No. 02/19). The Management Board of Tau-Ken Samruk NMC JSC and the Board of the Fund maintain the informal dialogue on the development plan and strategy matters, this interaction by its nature, is consultative. The Management Board of the Company is responsible for the operational management.
2.8.	The distribution of the net income in favor of the Fund as a shareholder, is carried out in the form of dividends based on a formalized and transparent dividend policy.	compliant	The decision to pay the dividends on ordinary shares for the quarter, half year or year results is made by the Sole shareholder, in accordance with the Dividend Policy of Samruk-Kazyna JSC in regard to its subsidiaries. The dividends are calculated based on the amount of the Company net income represented in the annual audited financial statements. The procedure for decision making on the payment of dividends complies with the requirements of the Company Charter. The dividends are paid within the period established by the decision of the Sole shareholder.
2.9.	The organizations and their officials are responsible for the long-term value growth and the Sustainable development of the organizations, accordingly, for the decisions made and action /or failure to act, in the manner prescribed by the legislation of the Republic of Kazakhstan and internal documents. The main element of the organizations and the Executive Body performance assessment is the KPI system. In order to achieve the KPI, the Companies develop the appropriate Development Plans, which are approved by the decision of the Board of Directors.	compliant	The Company and its officials are responsible for carrying out the activity in the interests of the Company and the shareholder in accordance with the law, the charter and the regulations on the authorities. The KPI are approved by the Board of Directors as part of the Development Plan. The representatives of the Fund in the Board of Directors actively participate in the discussion and setting up of the KPI and the target values, taking into account the Expectations of the shareholder. On an annual basis, when considering the report on the Development Plan execution, is carried out the assessment of the KPI achievement of the Company. In accordance with the approved Rules for the assessment of the managers performance is carried out the annual assessment of the KPI achievement by the members of the Board. The KPI achievement directly affects the remuneration and can be the basis for the personnel decisions.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
2.10.	The Board of Directors of the Holding Company has to ensure the efficiency of the management, the long-term value growth and Sustainable development of all the legal entities making part of its group. The effective management in the Holding Company group should results in the increased operational efficiency, the improvement of reporting quality, the improved standards of the corporate culture and ethics, the greater openness and transparency, risk mitigation and the appropriate system of internal control.	compliant	The Tau-Ken Samruk NMC JSC as a holding company implements, maintains and improves the management system of subsidiaries. Thus, the Board of Directors Decision No. 11/17 of November 8, 2017 approved the Regulation on the management of subsidiaries and affiliates of Tau-Ken Samruk NMC JSC. The competence of the Board of Directors of the Company for the management of subsidiaries is provided for by the Charter of Association of Tau-Ken Samruk NMC JSC. Regularly at meetings of the Board of Directors of the Company are reviewed the matters relating to the subsidiaries. In order to control the activity of the executive bodies of the subsidiaries of the Company, were created the supervisory boards in the Alaigr JV LLP, Tau-Ken Altyn LLP, Tau-Ken Temir LLP, Silicon Mining LLP, Northern Katpar LLP.

### Chapter 3. Sustainable development

3.1.	The organizations should aspire to the long-term value increase, while ensuring their Sustainable Development, and to respect the balance of interests of the Stakeholders. The activity in the field of the Sustainable development has to comply with the best international standards. The organizations in the course of their activities carry out the influence or are influenced by the Stakeholders. The Stakeholders can have both positive and negative effects on the organization activity, namely, on the value growth, the Sustainable development, the reputation and the image, create or mitigate risks. The organizations need to attach importance to the proper interaction with Stakeholders. It is recommended to the organizations to apply the international standards when identifying and interacting with Stakeholders.	compliant	The company has developed and approved the Consolidated Map of Stakeholders, which contains the list of stakeholders and interaction with them, taking into account the international standards for defining and interacting with the GRI stakeholders (Global Reporting Initiative) and others. The map of stakeholders provides the tools and directions of the interaction, and the appropriate closer cooperation is implemented in practice. Thus, within the framework of the map of the stakeholders, the following kinds of interactions took place: - On an ongoing basis, the information is disclosed and the reports on the company activity are posted in the corporate website, the section "Question-Answer" is being conducted for all interested parties; - The interviews with Company employees were conducted, as part of staff appraisal; - Survey and questionnaire of the key stakeholders in the process of the Annual Report developing, in accordance with the GRI requirements; - The business meetings were held with the potential partners, investors, contractors for the common work; - The working visits to the production facilities; - The participation in exhibitions (AMM); - The participation in the forums (Astana Economic Forum, AMM, International Silicon Exhibition, Silicon Market Forum 2018 (Lisbon, Portugal). - The World Mining Congress In addition, were developed the Consolidated Plan and Methods of Interaction with Stakeholders and the main groups of risks, relevant to interaction with stakeholders (taking into account the relevant risks and their classification according to the degree of impact (direct or indirect).
3.2.	The organizations should ensure the consistency of their economic, environmental and social goals for the Sustainable Development over the long-run period, which includes, among other things, the long-term value increase for the shareholders and investors. The sustainable development in organizations consists of three components: the economic, the environmental and the social ones.	compliant	The Board of Directors of the Company approved the Development Strategy of Tau-Ken Samruk NMC JSC for 2018–2028, the Policy in the field of the Company Corporate Social Responsibility, the Policy in the field of the Company Occupational Health and Safety, the Company Environmental Policy, the Company Personnel Policy for 2018–2028. The Company development strategy for 2018–2028, according to which are defined the principles, the strategic goals and the objectives aimed at the fulfillment of strategic goals; The Policy in the field of the Company corporate social responsibility, according to which are defined the principles, strategic goals, performance evaluation in the field of corporate social responsibility; The Company environmental policy expresses the official position of the Company in relation to its role and its commitments in maintaining the favorable environment in the regions where the Company and its subsidiaries and affiliates are present, is the basis for setting the medium-term corporate environmental goals, is taken into account when developing the Company prospective development programs; The Company occupational health and safety policy expresses the official position of the Company in relation to its role and its commitments in ensuring the occupational health and safety of the Company employees and its subsidiaries and affiliates, and is the basis for setting the medium-term corporate goals for ensuring the occupational health and safety, is taken into account when developing the Company prospective development programs. The personnel policy of the Company, according to which are defined the principles, goals and approaches in the field of the human resources management, its development and social support.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
3.3.	The organizations should analyze their activity and risks by these three aspects, and also tend to avoid or mitigate the negative impact of the results of their activity on the Stakeholders.	compliant partially	The Risk Management Rules are approved in the NMC Tau-Ken Samruk JSC, under which the Company identifies the risks, the results of which are reflected in the Risk Register. The Risk Register consists of strategic risks, operational, investment, legal and financial risks. The Risk Register contains also the risks of the economic, social and environmental risks. The Risk Register of the Company for 2018 is approved by the decision of the Board of Directors. The Risk assessment within the Risk Register is carried out on the quarterly basis. On the annual basis is being developed the critical Risk Management Plan for the upcoming reporting year. The purpose of developing this plan is to manage the critical risks. The company takes measures for regular internal control of compliance with environmental legislation of the RK and correlation the results of the industrial environmental monitoring with the conditions of environmental and other permits. There is no evidence that the Company regularly assesses the environmental risks when the planning of the operational activity, the developing of investment projects.
3.4.	The principles in the field of Sustainable Development are the openness, accountability, transparency, ethical behavior, respect of the interests of Stakeholders, legality, observance of human rights, intolerance to corruption, inadmissibility of conflict of interests, personal example.	compliant	<p>1) In order to ensure the management system in the field of the sustainable development, by the decision of the Company Board of Directors is approved the Policy in the field of corporate social responsibility of Tau-Ken Samruk NMC JSC, which sets out the principles followed by the Company in the following areas:</p> <ul style="list-style-type: none"> <li>- observance of human rights;</li> <li>- labor relations;</li> <li>- environment protection;</li> <li>- social support;</li> <li>- interaction with the society;</li> <li>- transparency, protection of the investors and customers rights.</li> </ul> <p>The main directions of the activity of the Company in the field of corporate social responsibility are:</p> <ul style="list-style-type: none"> <li>- labor relations;</li> <li>- occupational safety and health;</li> <li>- environment;</li> <li>- straight business dealing;</li> </ul> <p>2) The Company and its subsidiaries by their activities have the significant impact on the development not only on the industry, but also on the economy as a whole, as well as on the social sphere of the regions. There are following aspects of influence:</p> <ul style="list-style-type: none"> <li>- job creation;</li> <li>- replenishment of the country budget through the tax deductions;</li> <li>- contribution to the development of the MMC industry through the increasing of operating activity and production capacities of existing enterprises;</li> <li>- environmental concern through the environmental charges and the reasoning system of the waste management;</li> <li>- carrying out of the procurement with high local content to support the Kazakhstani producers;</li> <li>- attraction of strategic investors and credit institutions (banks);</li> <li>- support of the educational institutions;</li> <li>- holding the forums and meetings with investors and experts in order to develop the MMC industry through the exchange of information and best current industry practices;</li> <li>- deductions for the socio-economic development of the region;</li> <li>- provision of the social package (financial assistance, medical insurance).</li> </ul> <p>3) The company aspires to the sustainable development based on the principles of social responsibility. There is the transparent three-stage competitive selection on the basis of the Competitive Selection Rules for vacant positions. The system of development and training operates on the basis of the Rules of vocational development and vocational training, and there is the candidates pool in operation.</p> <p>Inside the Company staff there is the compliance officer who ensures the compliance with mandatory regulatory requirements and best international practices in the field of fight corruption among all employees, and who creates the conditions for doing business in accordance with international standards, internal policies and legislation of the RK.</p> <p>The report on the sustainable development is issued in accordance with the GRI requirements on an annual basis.</p>

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
3.4.	The Organization should have the management system in the field of sustainable development, which includes, but is not limited to, the following elements: 1) adherence to the principles of Sustainable development at the level of the Board of Directors, the Executive Board and employees;	compliant	The Board of the Sole shareholder approved the Corporate Governance Code. The Board of directors approved the internal regulatory documents that regulate the principles of the sustainable development: The Company development strategy for 2018–2028, the Company Policy in the field of corporate social responsibility, the Company Environmental Policy, the Company Occupational Safety and Health Policy, and the Company HR Policy. The Charter of the Company provides for the obligations of the Board of Directors and the Executive Body in order to ensure and control the sustainable development of the Company, agreed with the Code. The Board of Directors approves the Report on compliance/non-compliance with the principles and provisions stipulated by the Company Corporate Governance Code.
	2) analysis of the internal and external situation by three components (economics, ecology, social issues);	compliant partially	At the moment, the relevant types of analysis are carried out within the framework of reporting on the execution of the Development Strategy, Development Plan (Business Plan). Also, the internal situation is analyzed when the preparation of the Report in the field of sustainable development
	3) identification of risks in the field of the sustainable development in the social, economic and environmental spheres;	compliant	There are in the Company the Risk Management Rules, in the framework of this document the Company identifies the risks, the results of which are reflected in the risk Register. The risk register consists of the strategic risks, operational, investment, legal and financial risks. The risk Register contains, among others, the economic effectiveness risks, social risks and environmental risks.
	4) making of the Stakeholders map;	compliant	The company has developed and approved the consolidated map of the Stakeholders.
	5) identifying the goals and KPI in the field of the Sustainable Development, developing the action plan and identifying the responsible persons; regular monitoring and actions assessment in the field of Sustainable Development, assessment of the achievement of goals and KPI, the adoption of corrective measures, the implementation of the continuous improvements culture.	compliant	The Board of Directors reviews the Report on the Company Sustainable Development as part of the consolidated Annual report. In 2018, the following indicators were included in the KPI of the Managing Director on the Integrated Safety and security of the Tau-Ken Samruk NMC JSC: - Reduction of the occupational injuries (Reduction in the number of occupational injuries in Tau-Ken Temir LLP, ShalkiyaZinc LTD JSC for 2018); - Reduction of the above-level amounts of excess payments to the environment in subsidiaries (Reduction of the amounts of excess payments to the environment of subsidiaries (Tau-Ken Temir LLP, ShalkiyaZinc LTD JSC, Alaigyr JV LLP, Silicon Mining LLP, Northern Katpar LLP, Tau-Ken Altyn LLP) for 2018 in comparison with the similar period of the past year. - Construction of the integrated system of safety and security in the Company (Development and approval of the Comprehensive Program for the occupational safety and the environment protection, industrial, economic, informational, physical security and the counter-terrorist protection in the Company subsidiaries) The Board of Directors annually analyses the reports on the results of the activity of the Company and the Members of the Management Board, where is reflected the information on the achievement of KPI in the field of the sustainable development. The Board of Directors pays special attention to deviations from target indicators. If required, the Board of Directors requires the executive body to give in detail the main causes of the negative deviations and suggests actions to bring the indicators into compliance.
	6) integrating of Sustainable Development into the key processes, including the risk management, planning, human resources management, investment, reporting, operating activity and others, as well as into development strategy and decision-making processes;	compliant	The Company development strategy for 2018–2028, and the Roadmap for the execution of the Strategy include the initiatives to advance the sustainable development. The principles of sustainable development are included in the key processes, including the processes of risk management, planning, reporting, human resources management, investment and operating activities. The company understands that the safety and health of employees is an absolute priority of its activities. The company understands that the safety and health preservation of employees is the absolute priority of its activity. The environmental protection and rational use of resources play the important role in the activity of the Company and its subsidiaries and affiliates. When the projects execution, the Company aspires to choose the most environmentally friendly, energy and material saving technologies.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
	7) advanced training of officials and employees in the field of Sustainable Development;	compliant	The company organizes the training for the employees in the field of sustainable development (trainings and workshops in the field of ecology and safety, in the field of finance, in the field of human resources management, in the field of sustainable development). The company provides the methodological support to its structural divisions and employees in the field of sustainable development. In 2018, the employees of the corporate governance service passed the training on the topic: "Best practices in reporting and managing the sustainable development. GRI Standards", organized by the PWC Academy.
3.5.	The organizations ensure the clearness and transparency of their activity for the Stakeholders. The following methods of disclosing the information for the Stakeholders are the meetings with Stakeholders, use of the media (publications, interviews), the Internet resource, the feedback through the means of communication, consulting committees and advice, providing the answers to requests and others.	compliant	The Company provides the transparency of its activity for the Stakeholders by means of regular updating of the information in the website, the annual reporting, reporting in the field of sustainable development, interaction with media, providing the answers to requests. On a semi-annual basis, is drawn up the report on transparency and efficiency of the information disclosure by the Company to Stakeholders in the website, the Depository of financial statement (DFS) and in the media, in accordance with the requirements of the Laws of the Republic of Kazakhstan, MCC and the Information Policy, for the consideration by the members of the BD. The information materials, submitted for disclosure, were posted in three languages. Following the reporting period results, the work were carried out with the representatives of the media. The Company receives and reviews the feedback from the stakeholders regarding the annual report on the activity of the Company, placing the corresponding questionnaire in the corporate website of the Company. In order to comply with the international standards, annually is approved by the Board of Directors and issued the Consolidated Annual Report on the activity of the Tau-Ken Samruk NMC JSC, including the report on the Sustainable Development in accordance with the requirements of the GRI international standards.
3.6.	The organizations should discuss the incorporation and observance of the principles and standards of Sustainable Development to the relevant contracts (agreements, conventions) with partners. It is recommended to take with partners the comprehensive measures on the implementation of the principles and standards of Sustainable Development. In case of non-acceptance to implement the principles and standards of Sustainable Development or improper performance by the partner, it should be taken into account how important this partner is for the organization and whether there are some measures of influence on it and the possibility of its replacement.	non-compliant	In order to eliminate the non-conformities, the Action Plan on the improvement of the corporate governance provides the appropriate measures.
<b>Chapter 4. Rights of shareholders and fair treatment of shareholders</b>			
4.1.	The observance of the rights of shareholders (participants) is the key condition for attracting investments to organizations. The organization should ensure the implementation of the rights of shareholders (participants). If there are several shareholders (participants) in the organization, should be ensured the fair treatment for each of them. The Shareholder (Participant) must be able to obtain the information about the organization, which is necessary for making the appropriate decision, taking into account the requirements of confidentiality and disclosure of information of the organization.	compliant	The Samruk-Kazyna JSC is the sole shareholder of the Company. The sole shareholder is entitled to receive the information about the Company, which is necessary for decision making, within 10 days from the date of the request. The corresponding right is enshrined in the Charter. In practice, in the framework of decision making by the Board of Samruk-Kazyna JSC, the requests for additional information are satisfied as soon as possible. When the preparation for the meetings of the Board of the Fund and the Board of Directors of the Company, the Company is guided by the requirements for materials established by the Regulations on the management of the Fund Subsidiaries and Associates and the Instruction on the official and commercial secrets preservation.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
4.2.	The organization informs its Shareholders (Participants) about its activity, affecting the interests of Shareholders (Participants) in accordance with procedures prescribed by the legislation of the Republic of Kazakhstan, the Charter, as well as other internal documents of the organization. The procedure and channels for disclosing information to Shareholders (Participants) should be defined in the information policy or other document regulating the disclosure of information about the organization. The organizations which shares are listed in the stock exchange, disclose information additionally in accordance with the listing rules.	compliant	The Company informs the Sole shareholder about its activities in accordance with the law, the Charter, the Information Policy, Regulations on the Information Disclosure. The Company Information Policy sets out the goals, principles, index, procedure, terms and forms of disclosure the information about the Company to the Sole shareholder and other stakeholders. The report on transparency and efficiency of the information disclosure is formed on a semi-annual basis.
4.3.	The procedure for holding the general meeting of Shareholders (Participants) provides all Shareholders (Participants) with equal opportunity to exercise the rights to participate in the general meeting of Shareholders (Participants). The Shareholder (Participant) may vote at the general meeting of Shareholders (Participants), held face-to-face, personally or without attendance in person (under power of attorney on behalf of the Shareholder (Participant) to his representative). No power of attorney is required to participate in the general meeting of Shareholders (Participants) and to vote on the issues under consideration for a person who has the right to act without a power of attorney on behalf of the shareholder or represent his interests in accordance with the legislation of the Republic of Kazakhstan or with the contract.	non applicable	The Samruk-Kazyna JSC is a Sole shareholder of the Company.
4.4.	There should be in the organizations the transparent procedure for electing and determining the remuneration of the Board of Directors (Supervisory Board and/or Executive Body), approved by the general meeting of Shareholders (Sole Shareholder) /Participant (Sole Participant). The election of the composition of the Board of Directors (Supervisory Board and/or the Executive Body) is carried out in accordance with procedures determined by the legislation of the Republic of Kazakhstan, the Charter and internal documents of the organization and the present Code.	compliant	In the Company the Policy for the selection of candidates to the Board of Directors of Tau-Ken Samruk NMC JSC has being approved. The election of the Board of Directors composition (Supervisory Board and/or the Executive Body) is carried out in accordance with procedures prescribed by the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Company. At the same time in practice are applied the Rules for the formation of the composition of the Board of Directors of the portfolio companies, approved by the decision of the Management Board of the Fund on September 26, 166, Minutes No.35/17.
4.5.	Upon the presence in the organization of several Shareholders (Participants, including the minority Shareholders (Participants), the corporate governance system should ensure the fair treatment of all Shareholders (Participants) and the exercise of their rights, that should be enshrined in the organization charter.	non applicable	The Samruk-Kazyna JSC is a Sole shareholder of the Company.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
<b>Chapter 5. Effectiveness of the Board of Directors and the executive body</b>			
5.1.	The Board of directors should be empowered with authority sufficient to manage the organization and to control the activity of the Executive Body. The Board of Directors performs its functions in accordance with the charter and pays special attention to the following points: 1) determining the development strategy (directions and results); 2) setting and monitoring the key performance indicators of the Development Plan; 3) organization and supervision of the effective functioning of the risk management system and internal control; 4) approval and monitoring of the effective execution of large investment projects and other key strategic projects within the competence of the Board of Directors; 5) election, remuneration, succession planning and supervision of the activity of the head and members of the Executive Board; 6) corporate governance and ethics; 7) in the organization should be the compliance with the provisions of the present Code and the Fund corporate standards in the field of business ethics (the Code of Business Ethics).	compliant	These functions of the Board of Directors are enshrined in the Charter of Tau-Ken Samruk NMC JSC, in the Regulations on the Board of Directors, and are performed in practice.
5.2.	The members of the Board of Directors should properly fulfill their responsibilities and ensure the growth of long-term value and the sustainable development of the organization. The Board of directors of the organization is accountable to the shareholders. This accountability is realized through the mechanism of the general meeting of shareholders. The members of the Board of Directors must fulfill their functional duties and adhere to the following principles in their activity:	compliant	The Board of Directors of the Company performs its duties in order to ensure the growth of long-term value and sustainable development, as provided by the Company Development Strategy. The members of the Board of Directors make decisions and act within their powers, enshrined in the charter. Annually is prepared the report on the activity of the Board of Directors of the Company, included in the Consolidated Annual Report on the activity of the Company.
5.3.	In the Board of Directors and its committees should be observed the balance of skills, experience and knowledge, ensuring the independent, objective and effective decisions in the interests of the organization and taking into account the fair treatment of all shareholders and the principles of the Sustainable Development.	compliant	This function is enshrined in the Regulations on the Board of Directors. In 2018 the Board of Directors of the Company included two representatives of the Sole Shareholder and three independent directors, that is more than 50% of the total number of members of the Board of Directors.
5.4.	It is necessary to ensure in the composition of the Board of Directors the diversity in terms of experience, personal characteristics and gender composition. The Board of Directors should include the independent directors in number, sufficient to ensure the independence of decisions taken and the fair treatment of all shareholders. The recommended number of independent directors in the composition of the Company Board of Directors is up to fifty percent of the total number of members of the Board of Directors.	compliant	The composition of the Board of Directors of the Company is determined by the decision of the Board of Samruk-Kazyna JSC of April 23, 2018 (Minutes No. 13/18) in the amount of 6 (six) people. In 2018 the actual number is 7 (seven) people. Tutkushiev Yerzhan Beksultanovich – Chairman of the Board of Directors of the Company, representative of the Sole Shareholder. Adyrbek Ikram Adyrbekuly – member of the Board of Directors of the Company, representative of the Sole Shareholder. Kasymbek Ardak Mahmuduly – Representative of the Sole Shareholder, member of the Board of Directors. Kudaybergen Kanat Zhakypuly – member of the Board of Directors of the Company, Chairman of the Management Board of the Company. Arslanova Z.F. – member of the Board of Directors of the Company, Senior Independent Director. Kalandadze Dimitriy Nugzarovich – member of the Board of Directors of the Company, independent director. Narbayeva Ayslu Zharmukhametovna The composition of the Board of Directors is balanced in terms of industry experience, skills, international relations and independence.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
5.5.	The general meeting of shareholders elects the members of the Board of Directors based on clear and transparent procedures, taking into account the competencies, skills, achievements, business reputation and professional experience of the candidates. When the reelection of separate members of the Board of Directors or its full membership for a new term, their contribution to the effectiveness of the organization Board of Directors is taken into account.	compliant	The sole shareholder elects the members of the Board of Directors on the basis of clear and transparent procedures, taking into account the competencies, skills, achievements, business reputation and professional experience of the candidates.
5.6.	The Board of Directors approves the induction program for newly elected members of the Board of Directors and a vocational development program for each member of the Board of Directors. The corporate secretary ensures the execution of this program.	compliant	In the Company there is the policy of induction of the newly elected members of the Board of Directors of Tau-Ken Samruk NMC JSC, approved by the decision of the Board of Directors. The Corporate Secretary carries out the process of familiarizing the newly elected members of the Board of Directors with the key aspects of the activity of the Fund and the Organization, including those associated with the greatest risks.
5.7.	The Chairman of the Board of Directors is responsible for the general management of the Board of Directors, ensures the full and effective execution by the Board of Directors of its main functions and the build-up of the constructive dialogue between members of the Board of Directors, major shareholders and the Executive Board. The role and functions of the Chairman of the Board of Directors and the Head of the Executive Body should be clearly delimited and enshrined in the organization charter, in the regulations on the Board of Directors and the Executive Body.	compliant	These requirements are observed in accordance with the Charter, the Regulations on the Board of Directors and the Regulations on the Management Board of the Tau-Ken Samruk NMC JSC. In practice, the Chairman of the Board of Directors aspires to create the unified team of professionals who are inclined for the long-term value growth and sustainable development of the Company. The Chairman of the Board of Directors should have a number of special skills, including the leadership, the ability to motivate, to understand the different points of view and approaches, skills to resolve the conflict situations. The splitting of powers between the Board of Directors and the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board is determined by the Company Charter. The necessary changes were made to the Regulation on the Board of Directors of the Company concerning the the key functions, and they are performed in practice.
5.8.	The remuneration of members of the Board of Directors should be sufficient to attract, retain and motivate each member of the Board of Directors up to the level that is required for the successful management of the organization. The remuneration to the member of the Board of Directors of an organization is determined in accordance with the methodology developed by the Fund, and, with this, the expected positive effect for the Organization due to the participation of this person in the Board of Directors, should be taken into account. In organizations with several shareholders, the appropriate rules for remuneration of members of the Board of Directors are developed on the basis of the Fund methodology and approved by the general meeting of shareholders. The Appointments and Reward Committee of the Board of Directors of the organization makes proposals on the amount of remuneration of the candidates for independent directors.	compliant	The remuneration to the independent directors is established by the Fund, in accordance with the Rules for the payment of remuneration and reimbursement of expenses of independent directors of companies of the Fund, approved by the decision of the Fund Board of May 22, 2009, as amended on May 24, 2012 No. 23/12, the remuneration to the representatives of the Fund is determined based on the decision of the Fund Board. When determination of the amount of remuneration, are taken into account the duties of the members of the Board of Directors, the level of the Organization activity, the long-term goals and objectives determined by the development strategy, the complexity of the issues considered by the Board of Directors, the volume of remuneration in similar companies. It's established the fixed annual remuneration and additional remuneration for participation and chairmanship in the committees of the Board of Directors for the members of the Board of Directors.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
5.9.	The Committees of the Board of Directors contribute to deep and thorough consideration of issues falling within the competence of the Board of Directors and improving the quality of decisions taken, especially in such areas as audit, risk management, proper and effective application of the Procurement Rules for goods, works and services of organizations, appointment and remuneration of members of the Board Directors and the Executive Board, Sustainable development, including security and occupational safety and the environment protection. The presence of committees does not relieve the members of the Board of Directors from responsibility for decisions taken within the competence of the Board of Directors. The Board of Directors decides on the establishment of committees, determines the composition of the Committees, the terms duration and authorities.	compliant	The Board of Directors in accordance with the competencies enshrined in the Charter of Tau-Ken Samruk NMC JSC, decides on the establishment of committees, determines the composition of committees, terms duration and authorities. The audit, strategic planning and investment, appointments and remunerations committees are set up for detailed analysis carrying out and making recommendations on the range of the most important issues prior to their consideration in the meeting of the Board of Directors The final decision on the issues, considered by the committees, is taken by the Board of Directors.
5.10.	The preparation and holding of meetings of the Board of Directors should contribute to maximum effectiveness of its activity. To perform their duties, the members of the Board of Directors should have the access to full, actual and opportune information.	compliant	These requirements are enshrined in the Regulations on the Board of Directors. The Board of Directors holds the regular meetings in accordance with the approved working plan. In 2018, 11 meetings of the Board of Directors were held, including one meeting with the absentee voting, and the meetings of the committees were held only by personal attendance. In accordance with the Regulations on the Board of Directors of the Tau-Ken Samruk NMC JSC, the consideration and the decision making on particularly important, key, strategic issues are carried out only at meetings with in-person voting, as well they are recorded indicating the results of discussions and decisions taken. The meetings are held in accordance with the work plan, which includes the index of issues considered and the schedule of meetings. The Board of Directors follows the procedures for preparing and conducting the meetings established by the Charter, the Regulations on the Board of Directors of the Company, the Regulations on the committees.
5.11.	The Board of directors, the committees and members of the Board of directors should be evaluated on an annual basis within the structured process approved by the organization Board of directors. This process has to comply with the Fund methodology. With this, at least once every three years, the assessment is carried out with the involvement of an independent professional organization. The assessment should determine the contribution of the Board of Directors and of each of its members to the long-term value growth and the sustainable development of the organization, as well as, identify the directions and recommend the measures for improvements. The results of the assessment are taken into account when the reelection or the early termination of the powers of the Board of Directors members.	compliant partially	The Regulation on the evaluation of the activity of the Board of Directors and its Committees, Chairman, members of the Board of Directors and the Corporate Secretary of the Tau-Ken Samruk NMC JSC was approved by the decision of the Board of Directors of the Tau-Ken Samruk NMC JSC (No.04/18 of 05.22.18). The evaluation of the component activity of the Board of Directors component for 2017 – 1 <sup>st</sup> quarter of 2018 was carried out as part of the independent diagnostics of corporate governance by PWC.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
5.12.	With a view of the effective organization of the Board of Directors activity and the interaction of the Board of Directors, the Executive Body with shareholders, the Board of Directors shall appoint the Corporate Secretary.	compliant	In accordance with the Charter of the Tau-Ken Samruk NMC JSC, the Board of Directors has the competence to appoint the Corporate secretary. By decision of the Board of Directors of the Company dated March 12, 2012 No.5/12, Nuralina Zhanara Serikzhanovna was appointed Corporate secretary of the Tau-Ken Samruk NMC JSC. In 2018, by the decision of the Board of Directors, due to the expiration of the term of office, Nuralina Zh.S. was reelected with a term of office of 3 years. The Corporate secretary is accountable to the Board of Directors of the Company and is independent of the Executive Body of the Company. In accordance with the Regulation on the Corporate Secretary, the main duties of the Corporate Secretary include the assisting in timely and high-quality corporate decision making by the Board of Directors, the Sole Shareholder, performing the function of an advisor for the members of the Board of Directors on all matters of their activity and applying the provisions of the present Code, as well the monitoring over the execution of this Code and participation in the improvement of the corporate governance in the Fund and Organizations. In accordance with the Code, the Corporate Secretary annually prepares the reporting information on the observance of the principles of the Corporate Governance Code, for inclusion in the Company Annual report. The reports on the activity of the Corporate Secretary are reviewed in the meetings of the Board of Directors on a quarterly basis.
5.13.	In the companies is created the collegiate executive authority, in other organizations, and in the case of the joint venture company creation, it can be collegial or single, at the discretion of the shareholders (participants). The head and members of the Executive Board should have the high professional and personal characteristics, as well as have the impeccable business reputation and adhere to high ethical standards. The executive body is accountable to the Board of Directors and manages the daily activities of the organization, is responsible for the execution of the strategy, the Development Plan and the decisions taken by the Board of Directors and the general meeting of shareholders.	compliant	On the basis of the Charter of the Tau-Ken Samruk NMC JSC, was created the Management Board, collegiate authority of the Company. The Management Board of the Company manages the current activity, is responsible to the Board of Directors for the implementation of the assigned, executes the Development Strategy of the Company.
5.14.	The Board of Directors elects the head and members of the Executive body, determines the terms of office, the size of their official salary, wage conditions for their labor. The Appointments and Reward Committee of the Board of Directors of the organization plays the key role in the process of searching and selecting candidates to the Executive Body composition, determination of their remuneration. In companies where 100% of the shares (participation shares) belong to the Fund, the candidature for the position of the head of the Executive Body is previously agreed by the Board of the Fund.	compliant	In accordance with the Charter the Board of Directors elects the chairman and members of the Management Board, determines the terms of office, the size of their official salary, wage conditions for their labor. According to the Regulations on the Appointments and Reward Committee, the Appointments and Reward Committee competence includes the preparation of proposals and recommendations for the search and selection of candidates to the Board composition, the determination of their remuneration. In accordance with the Regulations on the Appointments and Reward Committee, the Committee evaluates and prepares the recommendations for the candidates to the Board of the Company. In accordance with the Charter, the Fund agrees the candidature for the position of the Chairman of the Board. By the decisions of the Appointments and Reward Committee and the Board of Directors on April 23, 2018, was approved the candidature of Kudaybergen Kanat Zhakypuly for appointment to the position of Chairman of the Management Board of the Company. In accordance with the Charter, the competence of the Sole Shareholder includes the coordination of the appointment and early termination of powers of the Chairman of the Board. By the Decision of the Sole Shareholder of November 16, 1998 No. 34/18, the changes were made to the Charter of the Company in terms of the inclusion to the exclusive competence of the Sole Shareholder the function to appoint and to terminate the powers of the Chairman of the Management Board.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
5.15.	The executive body provides the daily management of the organization (operational management) in order to increase the long-term value and sustainable development of the organization. The executive body is accountable to shareholders and the Board of Directors. The executive body under the direction of the Board of Directors develops the organization development strategy. The executive body should ensure: - carrying out activity in accordance with the laws of the Republic of Kazakhstan, the charter and internal documents of the Organization, decisions of the general meeting of shareholders, the Board of Directors; - proper risk management and internal control; - allocation of resources for the execution of decisions of the general meeting of shareholders (sole shareholder), the Board of Directors; - ensuring the occupational safety of employees of the Organization; - creating the atmosphere of the interest and loyalty employees of the Organization, development of the corporate culture.	compliant	In accordance with the Charter of the Tau-Ken Samruk NMC JSC, the Board of the Company manages the current activity, is responsible to the Board of Directors and the shareholder for execution of the assigned tasks, approves and submits the development strategy for consideration by the Board of Directors. The Regulation on the Board of the Tau-Ken Samruk NMC JSC, approved by the decision of the Board of Directors of 08.11.16, No. 09/16, was amended in terms of setting up the following functions of the Board: - proper risk management and internal control; - allocation of resources for the execution of decisions of the general meeting of shareholders (sole shareholder), the Board of Directors; - ensuring the occupational safety of employees of the Organization; - creating the atmosphere of the interest and loyalty employees of the Organization, development of the corporate culture.
5.16.	The Board of Directors supervises the activity of the Executive Body of the organization. The control can be realized by regular reporting providing by the Executive Body to the Board of Directors and by hearing the Executive Body on the execution of medium-term development plans and the achieved results, at least once a quarter. In case of unsatisfactory results of the work of the Executive Body, the Board of Directors may early terminate the powers of the Head of the Executive Body and /or its members.	compliant	The Board of Directors supervises the activity of the Board by receiving the regular reporting on various directions, including hearing the Board on the execution of the Business Plan, risk reports and the monitoring reports on projects on a quarterly basis. The Board of Directors has the authority to yearly terminate the powers of the members of the Board.
5.17.	The head and members of the Executive Board must have the sufficient knowledge, skills and experience necessary to perform their functions, as well as have the impeccable business and personal reputation. The head of the Executive Board, in addition to the requirements established by this clause, must possess the strong personal characteristics of the leader, create the atmosphere of interest and involvement, have high organizational skills, work in active interaction and constructively build the dialogue with shareholders, the Board of Directors, employees and other Stakeholders.	compliant	The members of the Company Board possess the necessary education, experience, qualifications and skills to comply with the complexity, the specifics of the Company activity in the mining, energy, engineering, financial and other spheres, and also the have the impeccable business and personal reputations. The Chairman of the Board of the Company has the strong personal characteristics of the leader, creates an atmosphere of interest and involvement, has organizational skills, builds the effective dialogue with the Sole shareholder, the Board of Directors, employees of the Company and Stakeholders.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
5.18.	In order to increase the transparency of the appointment and remuneration processes in an organization, the rules on appointments, remunerations, evaluation and succession must be approved and strictly observed by the Board of Directors	compliant	The general procedure for developing the wage system for the Company's employees is established by the Rules of Labor Remuneration and Bonuses payment for the Company employees, approved by the decision of the Board of Directors of January 29, 2018 (Minutes No. 01/18) with amendments and additions of March 26, 2019 (Minutes No. 02/19), and they include the following principles: - the internal justice and external competitiveness; - the wage system conditions are established in such a way as to motivate the employees to work efficiently and must be competitive in order to attract the highly qualified specialists; - the wage system must be transparent and comprehensible; - the level of remuneration should depend on the achievement of goals and objectives by the Company, as a whole, and by the employees themselves; - the dependence of the size of bonuses payment /remuneration on the wage system structure, taking into account the grade of the position, the level of wage system in the wages market and the financial- and-economic possibilities of the Company. The rewards based on the results of work (short-term and long-term) are paid based on the results of the performance evaluation with the aim of material incentives for the achieved success and increase of work performance. The main condition for the payment of remuneration based on the results of work is the consolidated total profit for the reporting period, calculated taking into account the planned amount for the payment of rewards. The salary scheme for the managers, Head and employees of the IAS, the Corporate Secretary of the Company is approved by the Board of Directors of the Company, and for the management and administrative staff is approved by the Board of the Company.
5.19.	The head and members of the Executive Board are assessed by the Board of Directors. The main evaluation criterion is the achievement of the assigned KPI.	compliant	In accordance with the Rules for evaluating the activity and remuneration of management and administrative staff of the Tau-Ken Samruk NMC JSC, the wage system consists of fixed and variable parts, which is paid on the results of KPI achievement. When determining the salary, are taken into account the complexity of tasks performed and personal competencies of the employee and his competitiveness in the market, the contribution made by this person to the development of the Company, the level of the official salaries in similar companies, the economic situation in the Company. The KPI draft is developed by the Appointments and Reward Committee and submitted for approval by the Board of Directors of the Company. The results of the assessment influence the size of remuneration, reward, reelection (appointment) or early termination of powers.
5.20.	The cases of violation of the business ethics Code norms by the members of the Executive Body should be brought to the attention of the Board of Directors by the head of the Executive Body. The member of the Executive Body who committed the violation of the business ethics Code norms may not be a member of the Executive Body of any other organization.	compliant	In accordance with the approved business ethics Code, the violations of provisions of the Code by the officials should be brought to the attention of the Board of Directors. In 2018, there were no cases of violations of the business ethics Code norms by the members of the Executive Board.  In the case of corporate conflicts appearance, the participants seek the ways to solve them through negotiations in order to ensure the effective protection of the interests of the organization and Stakeholders. With the assistance of the Corporate Secretary the corporate conflicts are considered by the Chairman of the Board of Directors of the organization. If the Chairman of the Board of Directors is involved in the corporate conflict, such cases are considered by the Appointments and Reward Committee.
5.21.		compliant	The Rules were approved on the procedure for arrangement of Corporate conflicts in terms of the competence of the Chairman of the Board of Directors and the role of the Appointments and Reward Committee. The Chairman of the Board of Directors was not involved in the corporate conflicts.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
----	---	--	---

### Chapter 6. Risk management, internal control and audit

6.1.	In the organizations there should be the effectively functioning system of the risk management and internal control, aimed at ensuring the reasonable confidence in the achievement by organizations their strategic and operational goals, and it represents the complex of organizational policies, procedures, standards of conduct and actions, management methods and mechanisms, created by the Board of Directors and the executive body of the organizations in order to ensure: - the optimal balance between the growth of the value of the organization, profitability and the associated risks; - the effectiveness of financial and economic activity and the achievement of financial stability of the company; - the preservation of assets and effective use of the company resources; - the completeness, reliability and authenticity of financial and management reporting; - the compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents; - the proper internal control in order to prevent the fraud and to ensure the effective support of the functioning of core and supporting business processes and performance results analysis.	compliant partially	In the Tau-Ken Samruk NMC JSC the Board of Directors is responsible for organizing the corporate risk management system (CRMS). The process of organizing the effective risk management and internal control system is formalized in accordance with the Regulations on the Internal Control System and the Risk Management Rules. As well as in order to minimize the risk realization and increase the responsibility of risk owners, was introduced the binding of targets for the reporting year with the risk from the Company Risk Register. According to the independent assessment, the risk analysis is not fully integrated into the budgeting and planning process.
6.2.	The Board of Directors of the Fund and Organizations should determine the principles and approaches to the organization of the risk management and internal control system, based on the objectives of this system and taking into account the Fund best practices and methodology in the field of risk management and internal control.	compliant	At meetings of the Board of Directors and its committees, attention is constantly paid to the consideration of risks that could affect the achievement of the Company goals, are offered the options of refinement/ updating the calculations, analyzes, technological project variants, resignation of the project realization and other preventive measures. The Company has the Regulation on the internal control system, Rules for risk management, which describe the principles and approaches to the organization of the risk management and internal control system. The documentation is based on the Fund methodology. In the frame of risk management, the objectives of the Company activity and its subsidiaries are defined in accordance with the Integrated Risk Management Model, developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO ERM) in four main categories: - strategic objectives - operational objectives - objectives for reporting preparing - objectives of compliance with the law.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
----	---	--	---

6.3.	The executive bodies of organizations should ensure the establishment and maintenance of the effective risk management and internal control system. The risk management process should be integrated with the planning processes (strategy and development plans, annual budget) and performance assessment of the organization (management reporting).	compliant partially	The company formalized the main risk management documents, the plans for critical risks management are approved, there is the quarterly monitoring of action plans based on the results of the evaluation of ICS and CRMS. The Company has the Risk Committee under the direction of the Chairman of the Company Board. The risk management issues are considered in the meetings. The work is being carried out, on an ongoing basis, for provision of the expert conclusions to the Company investment projects, to annual budgets, adjustments to the budget of the Company and its subsidiaries. The database of realized risks is being conducted and analyzed. The job descriptions of employees and the Company risk management Rules (Corporate Standard) include the obligations to form the proposals on risk management methods and means, to provide the periodic reporting on the progress and results of the execution of the risk mitigation plan in the SVSMS, conducting the database of losses and incidents. The execution of functions by the structural unit of the Company responsible for the functioning of the internal control system in terms of the implementation of internal control procedures, the preparation of reports on the results of audits and monitoring the implementation of issued recommendations, the timely identification and the elimination of redundant control procedures, started in fact in 2017. The regulations on risk management and internal control are drawn up based on the COSO ERM model of 2004. According to the independent evaluation of PWC, the risk analysis is not fully integrated into the budgeting and planning process.
6.4.	The system of risk management and internal control of organizations should be based on the high risk management culture conducted by the Executive Body, that provides the obligatoriness of the identification, assessment and monitoring procedures of all significant risks, as well as the timely and adequate measures to reduce risks that may adversely affect the achievement of strategic objectives, execution of operational objectives and the company reputation.	compliant partially	The Company has the Regulation on the internal control system, the Regulation on the Internal Control and Risk Management Service (ICRMS), the Risk Management Rules. The ICRMS in the framework of the realization of PWC recommendations based on the results of the independent evaluation, the Action Plan on the improvement of the corporate governance for 2019 stipulates to carry out the survey of the Company employees in order to assess its risk culture, as well as to develop and to approve the Action Plan based on the results. There is no evidence of the separate submission for consideration by the Board of Directors in 2018 and the measures adoption based on the discussion of risk culture issues and the Company expectations for its improvement and advancement.
6.5.	The organizations should develop, approve, formalize and document the control procedures in three key fields: operating activities, preparation of financial statements and compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents.	compliant	The Company has developed the detailed procedures for all processes, including in the field of the operating activities (bookkeeping and tax accounting, procurement, compliance with the requirements of the legislation of the Republic of Kazakhstan and internal procedures).
6.6.	The organizations should introduce the transparent principles and the approaches in the field of risk management and internal control, the practice of training of the employees and the officials on the risk management system, as well as the process of documenting and timely communicating the necessary information to the officials.	compliant	In 2018, the training session was held for the risk owners in the Corporate Center and in the Subsidiaries.
6.7.	The Board of directors of organizations should take the appropriate measures to ensure that the existing risk management and internal control system complies with the principles and approaches to its organization, defined by the Board of directors, and functions effectively. The risk reports should be submitted to meetings of the Board of Directors at least once a quarter and properly discussed in full measure.	compliant	The Company has the Risk Management Rules, in the frame of these Rules, the risk report is submitted on a quarterly basis at the meeting of the Board of Directors. The Company Board of Directors plays the key role in supervision of the corporate risk management system. The Company Board of Directors takes measures on the improvement and regularly evaluates the effectiveness of the Company risk management and internal control system. All the discussions on the identification, assessment and analysis of risks, including the most significant, are held in the framework of the meetings of the Board of Directors and the Audit Committee, with the participation of all interested parties.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
6.8.	The organizations should establish the IAS for the systematic, independent assessment of the reliability and effectiveness of the risk management and internal control systems and the corporate governance practice.  The internal audit in the organizations should be carried out by means of creation of the separate structural unit – IAS (in organizations in the form of limited liability partnerships, the internal audit functions should be assigned to the audit commission/auditor, functionally accountable to the Supervisory Board; with this, the goals, functions and tasks of the audit commission/auditor, the procedure for its interaction with the bodies of the Organization should be established taking into account the principles set forth in the present Code in relation to the service of internal audit service). The objectives, powers and responsibility of the IAS, qualification requirements (requirements for the professionalism of internal auditors) should be defined in the company internal document (Regulations on the IAS). The Regulations on the IAS should be developed and approved taking into account the requirements of the International Professional Standards on the Internal Audit and the Fund corporate standards in the field of internal audit.	compliant	The Company has the separate structural unit – the Internal Audit Service (IAS) for the systematic independent assessment of the reliability and effectiveness of the risk management and internal control system and corporate management practice.  The Regulations on the IAS have been developed and approved taking into account the requirements of the International Professional Standards on the Internal Audit and the Fund corporate standards in the field of internal audit. The regulation on the IAS was reviewed and approved by the Board of Directors of the Company of March 31, 2014 (Minutes No. 04/14). The Regulations on the IAS defined: 1) goals; 2) powers; 3) responsibility; and 4) qualification requirements.
6.9.	In order to ensure the independence and objectivity of the internal audit, the IAS should be organizationally subordinate and functionally accountable to the Board of Directors. The Board of Directors makes decisions on the approval of plans and strategies of the activity of the IAS, determines the quantitative composition, the amount and the terms of remuneration and bonuses for IAS employees.	compliant	In order to ensure the independence and objectivity of the internal audit, the IAS is organizationally subordinate and functionally accountable to the Board of Directors. The Board of Directors makes decisions on the approval of plans and strategies of the activity of the IAS, determines the quantitative composition, the amount and the terms of remuneration and bonuses for IAS employees.
6.10.	The head of the IAS in organizations should develop the internal documents regulating the activities of the unit based on the Fund corporate standards in the field of internal audit and ensure that they are reviewed and approved by the audit committee and the Board of Directors.	compliant	The IAS established the following policies and procedures: the guidance on the internal audit organization, methodology for evaluating the effectiveness of the corporate risk management system, methodology for evaluating the effectiveness of the corporate internal control system, methodology for conducting the IT audit, methodology for evaluating the activities of the IAS and its head. All procedures are consistent with the Regulations on the IAS, they are applied when performing audits and include the definition of the reporting format to the Audit Committee and the Board of Directors. The internal documents regulating the activity of the IAS ensure the fulfillment of the goals and objectives of internal audit in full measure and in accordance with the requirements of the Standards. The Regulations on the IAS are based on the application in the IAS activity organization of the Code of Ethics, the quality standards and the standards for the activity of the internal auditors established by the International Institute of Internal Auditors.
6.11.	If the Fund corporate standards in the field of internal audit do not regulate the specific matters of the IAS activity of organizations, the relevant policies and procedures should be developed in accordance with the requirements of the Standards, as well as on the basis of the Fund recommendations on the organization of the internal audit.	compliant	The new rules for remuneration and bonuses payment of the employees of the Tau-Ken Samruk NMC JSC were developed and approved, that take into account the procedure for remuneration and reward of the IAS employees. The individual development plans for all IAS employees for 2018 were approved by the decision of the Audit Committee of the Board of Directors.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
6.12.	The IAS carries out its activity on the basis of a risk-oriented annual audit plan approved by the Board of Directors. The results of the audit reports and the key findings are quarterly submitted to the Board of Directors for consideration. The IAS Head takes into account the risk management concept adopted by the organization, and also applies his own risk judgment, which was formed after consultation with the Executive Body and the audit committee.	compliant	The IAS carries out its activity on the basis of a risk-oriented annual audit plan approved by the Board of Directors. The results of the audit reports and the key findings are quarterly submitted to the Board of Directors for consideration at least once a year. The IAS Head takes into account the risk management concept adopted by the organization, and also applies his own risk judgment, which was formed after consultation with the Executive Body and the audit committee.
6.13.	When the carrying out its activity, the IAS should assesses the effectiveness of the internal control system and risk management system, assesses the corporate governance using the generally accepted standards of activity in the field of internal audit and corporate standards and the Fund recommendations in the field of corporate governance assessment, assesses the effectiveness of the internal control and risk management system.	compliant	The Internal Audit Service of the Company, in the frame of each audit task, assesses the risk and internal control of the audited processes.
6.14.	The head of IAS should develop and maintain the guarantee and quality improvement program, that covers all types of the internal audit activity and stipulates the mandatory carrying out of the internal and external evaluation of the IAS activity.	compliant partially	The Regulations on the IAS Statute establish the responsibility of the IAS Head for the development and implementation of the guarantee and internal audit quality improvement Program, that covers all types of the internal audit activity and stipulates the mandatory carrying out of the internal and external evaluation of the IAS activity. By the decision of the Board of Directors of the Company of November 25, 2015, Minutes No. 12/15, the guarantee and IAS quality improvement Program for 2015–2017 was approved. In 2018, the guarantee and internal audit quality improvement Program was not updated, due to the independent assessment of PWC and the waiting of the PWC assessment results and their recommendations for improving the IAS activity. According to the corporate governance improvement Plan based on the independent assessment of PWC for the second quarter of 2019, it is planned to develop and then to execute the guarantee and internal audit quality improvement Program for the period 2019–2021.
<b>Chapter 7. Transparency</b>			
7.1.	The organizations timely disclose the information provided for by the legislation of the Republic of Kazakhstan and internal documents. The organizations should approve the internal documents defining the principles and the approaches to the disclosure and the protection of information, as well as the list of information, disclosed to the Stakeholders. The organizations should determine the procedure for assigning the information to the access categories, the conditions for storing and using the information, including the set of people entitled to free access to the information constituting the commercial and official secrets, and takes measures to protect its confidentiality.	compliant	The information on the Company activity is disclosed in due time in accordance with the legislation, the Regulations on the Information Disclosure of the Tau-Ken Samruk NMC JSC. The report on the transparency and efficiency of information disclosure is drawn up on a semi-annual basis, by the Company to the Stakeholders in the website, in the depositary of financial statements and in the media, in accordance with the requirements of the Laws of the Republic of Kazakhstan, the corporate governance Code and the Information Policy.

N°	Provisions of the Corporate governance Code	Level of compliance: Compliant / Compliant Partially / Non-Compliant	Information on the observance/ non-observance of the provisions of the Code
7.2.	In organizations that shares are listed in the stock exchange, it is recommended to create the structural unit (or assign the functions to the structural unit) for relations with shareholders and investors, which competence will include the collection, the analysis and the preparation of information that will be posted in the organization Internet resource. It is recommended to appoint to the position of Head of this department a person who possesses the practical experience in the financial sphere, who understands the specifics of the industry in which the organization works.	non applicable	All shares of the Company are owned by the Sole Shareholder.
7.3.	The organizations should conduct the annual audit of financial statements by involvement of an independent and qualified auditor who, as a third party, provides the objective opinion to the Stakeholders on the reliability of the financial statements and their compliance with the IFRS requirements. The norms regarding the annual carrying out of the audit, are applied, if the audit of the annual financial statements is stipulated for by the legislation of the Republic of Kazakhstan and/or internal documents of the organization.	compliant	The company conducts on an annual basis the audit of the financial statements for compliance with the IFRS requirements through the engagement an independent and qualified auditor. The external auditor of the Company is the international audit organization Grant Thornton LLP, that has the necessary experience and good reputation. Grant Thornton LLP follows the International Auditing Standards, the legislation of the Republic of Kazakhstan in the field of auditing, the Code of Ethics of Professional Accountants of the International Federation of Accountants. The selection of the external auditor is carried out in accordance with the approved Rules for the selection of an audit organization for Samruk-Kazyna JSC and organizations, which more than fifty percent of the voting shares (shares of participation) are directly or indirectly owned by Samruk-Kazyna JSC by on the basis of a right of ownership or trust management, of December 27, 2016 (Minutes No. 46/16).
7.4.	The organizations whose shares are traded in the stock exchange should prepare the annual report in accordance with the provisions of this Code and the best practices of disclosure. The annual report is approved by the Board of Directors.	compliant	The annual report of the Tau-Ken Samruk NMC JSC is drawn up in accordance with the Regulations on the Information Disclosure of the Tau-Ken Samruk NMC JSC of December 28, 2018 (Minutes No. 60-18), published in the corporate website in three languages, its design arrangement is to be carried out. Every year the Company Annual Report participates in the Annual Reports Competition held by the rating agency "Expert RA Kazakhstan".
7.5.	The Internet resource should be well structured, easy to navigate and contain the information necessary for the Stakeholders to understand the activity of organizations.	compliant	There is the corporate website: www.tks.kz, that is split up into thematic sections. The subjects of the site sections meets all the requirements of the Code of the corporate update and the accepted standards. The materials are posted in the state, Russian and English languages. The Company Regulations on the information disclosure stipulates the responsibility for the completeness and relevance of information posted in the website relating to the Company activity. The information is updated on a regular basis, and is carried out the monitoring of the assigned departments for actualization and updating the content.

## Annex 3: Index of the GRI elements content

## GRI INDEX

GRI standard and year of its publication	Indicator	Number of page, section and/or URL	Exceptions / Comments
<b>GRI 101: Reporting preparation principles (2016)</b>			
GRI 102: General information (2016)	<b>Enterprise profile</b>		
	102-1 Corporate name	Section "About the Company", page 4	
	102-2 Directions of activities	Section "About the Company", page 5	
	102-3 Location of the headquarters	Section "Contact information", page 177	
	102-4 Geography of activities	Section "Our projects", page 14	
	102-5 Form of ownership	Section "About the Company", page 4	
	102-6 Market outlet	Section "About the Company", page 5	
	102-7 Enterprise scale	Section "About the Company", page 5	
	102-8 Staff details	Section "Report on the personnel qualitative composition", page 96	
	102-9 Supply chain	Section "Business model", page 10	
	102-10 Significant changes in the work of the Company	Section "Operating activity review", page 18	The main activity of the Company are the construction, startup of production facilities, that has an impact on the scale of the Company operations.
	102-11 Principles of precaution	Section "Risk management and internal control", page 76	
	102-12 Support for external initiatives	Section "Statement of Chairman of the Management Board regarding sustainable development", page 84	
	102-13 Membership in associations	Section "About the Company", page 5	
	<b>Strategy</b>		
	102-14 Statement of the Management	Section "Statement of Chairman of the Management Board regarding sustainable development", page 84	
	<b>Ethics and conscientiousness</b>		
	102-16 Values, principles, standards and norms of behaviour	Section "Business ethics in the Company", page 98	
	102-17 Mechanism of complaint submission	Section "Business ethics in the Company", page 98	
	<b>Corporate governance</b>		
	102-18 Structure of governance	Section "Structure of the corporate governance", page 60	
	102-23 Highest bodies of management	Section "Activity of the Board of directors", page 61	
	102-24 Procedure for the nomination and selection of candidates for members of the highest corporate governance body	Section "Activity of the Board of directors", page 62	
	<b>Interaction with the Stakeholders</b>		
	102-40 List of Stakeholders	Section "Interaction with the Stakeholders", page 86	
	102-41 Collective bargaining	-	The company has no practice of the collective bargaining.
	102-42 Revelation and selection of stakeholders	Section "Interaction with the Stakeholders", page 86	
	102-43 Approaches for interaction	Section "Interaction with the Stakeholders", page 87	

GRI standard and year of its publication	Indicator	Number of page, section and/or URL	Exceptions / Comments
	102-44 Key topics raised and concerns	Section "Interaction with the Stakeholders", page 87	
	<b>Details about the report</b>		
	102-45 Basis of consolidation	Section "About the report", page 82	
	102-46 Definition of content and limits of the report	Section "About the report", page 82	
	102-47 List of significant topics	Section "About the report", page 82	
	102-48 Recalculation of historical data	Section "About the report", page 82	
	102-49 Changes in content of the report	Section "Material aspects and scope of the Report", page 85	
	102-50 Reporting period	Section "About the report", page 82	
	102-51 Date of the last publication	Section "About the report", page 82	
	102-52 Reporting cycle	Section "About the report", page 82	
	102-53 Contact information for questions on the report content	Section "Contact information", page 177	
	102-54 Level of compliance with GRI standards	Section "About the report", page 82	
	102-55 Content index GRI	Section "GRI index", page 121	
	102-56 external certification	Section "About the report", page 82	
<b>Significant topics</b>			
<b>Economy</b>			
<b>Economic performance</b>			
GRI 103: Approaches for governance (2016)	103-1 Essentiality and limits	Section "Material aspects and scope of the Report", page 86	
	103-2 Approaches for governance	Section "Economic aspects of sustainable development", page 89	
	103-3 Assessment of the management	Section "Information on the evaluation policy of the Board of Directors ", page 68	
GRI 201: Economic performance (2016)	201-1 Direct economic cost created and distributed	Section "Economic aspects of sustainable development", page 89	
<b>Presence in markets</b>			
GRI 103: Approaches for governance (2016)	103-1 Essentiality and limits	Section "Material aspects and scope of the Report", page 86	
	103-2 Approaches for governance	Section "Labour practices", page 96	
	103-3 Assessment of the management	Section "Information on the evaluation policy of the Board of Directors ", page 68	
GRI 202: Presence in markets (2016)	202-1 Ratio of standard wages to the established minimum wage	Section "Labour practices", page 96	
<b>Fight against corruption</b>			
GRI 103: Approaches for governance (2016)	103-1 Essentiality and limits	Section "Material aspects and scope of the Report", page 86	
	103-2 Approaches for governance	Section "Business ethics in the Company", page 98	
	103-3 Assessment of the management	Section "Information on the evaluation policy of the Board of Directors", page 68	
GRI 205: Fight against corruption (2016)	205-1 Areas of activity for which was carried out the assessment of corruption related risks	Section "Business ethics in the Company", page 98	
	205-3 Reported events of corruption and actions taken	Section "Business ethics in the Company", page 98	

GRI standard and year of its publication	Indicator	Number of page, section and/or URL	Exceptions / Comments
<b>Ecology</b>			
GRI 103: Approaches for governance (2016)	103-1 Essentiality and limits	Section "Material aspects and scope of the Report", page 86	
	103-2 Approaches for governance	Section "Ecological responsibility", page 89	
	103-3 Assessment of the management	Section "Information on the evaluation policy of the Board of Directors", page 68	
<b>Energy</b>			
GRI 302: Energy (2016)	302-1 Energy consumption within the organization	Section "Energy consumption", page 90	
<b>Water</b>			
GRI 303: Water and waste waters (2018)	303-4 Waste water	Section "Use of water resources", page 91	
	303-5 Water consumption	Section "Use of water resources", page 91	
<b>Emissions</b>			
GRI 305: Emissions (2016)	305-2 Indirect energy emissions of greenhouse gases	Section "Greenhouse gas emissions", page 90	
	305-7 Significant atmospheric emissions	Section "Atmospheric air protection", page 91	
<b>Waste</b>			
GRI 306: Waste waters and waste (2016)	306-2 Total mass of waste by type and method of disposal	Section "Waste management", page 92	"Non-hazardous" wastes constitute the minimum part of the total mass of waste and, therefore, are not allocated to the separate category.
<b>Compliance with the requirements</b>			
GRI 307: Compliance with the requirements (2016)	307-1 Information about non-compliance with the environmental legislation and regulatory requirements	Section "Ecological responsibility", page 93	
<b>Society</b>			
GRI 103: Approaches for governance (2016)	103-1 Essentiality and limits	Section "Material aspects and scope of the Report", page 86	
	103-2 Approaches for governance	Section "Personnel policy", page 93	The company has the common Personnel policy covering the main significant topics in this area.
	103-3 Assessment of the management	Section "Information on the evaluation policy of the Board of Directors", page 68	
<b>Employment</b>			
GRI 401: Employment (2016)	401-1 Recruited employees and turnover of employees	Section "Labour practices", page 96	
	401-3 Maternity/paternity leave		
<b>Interaction of employees and the management</b>			
GRI 402: Interaction of employees and the management (2016)	402-1 Minimum notification period when significant changes in the organization's activity	Section "Labour practices", page 96	
<b>Health and safety</b>			
GRI 403: Occupational safety and health (2016)	403-2 Injuries rate indicator	Section "Occupational safety and health", page 94	

GRI standard and year of its publication	Indicator	Number of page, section and/or URL	Exceptions / Comments
<b>Education and training</b>			
GRI 404: Education and training (2016)	404-1 Average annual number of training hours per year		
	404-2 Skills development programs	Section "Training and advanced training", page 98	
	404-3 Fraction of employees whose performance and career development are periodically assessed		
<b>Equal opportunities</b>			
GRI 405: Diversification and equal opportunities (2016)	405-1 Structure of the staff	Section "Report on the personnel qualitative composition", page 96	

## ANNEX 4: GLOSSARY

JSC	joint-stock company
"Samruk-Kazyna" JSC	joint-stock company "National Wealth Fund "Samruk-Kazyna"
NMC "Tau-Ken Samruk" JSC	joint-stock company "National Mining Company "Tau-Ken Samruk"
MMC	mining-and-metallurgical complex
MPC	mining-and-processing complex
EW	exploration work
KPI	key performance indicators
Company	joint-stock company "National Mining Company "Tau-Ken Samruk"
LCC	licence/contractual conditions
MIID RK	Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan
PP	processing plant
Report	Consolidated annual report on the activity of the Tau-Ken Samruk NMC JSC for 2018
DED	design and estimate documentation
FEZ	free economic zone
SM	solid minerals
TEF	technical and economic feasibility
GRI	Global reporting initiative





## Consolidated financial statements

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

Management of National Mining Company Tau-Ken Samruk JSC (hereinafter – “the Company”) and its subsidiaries (hereinafter jointly – the “Group”) is responsible for the preparation of the consolidated financial statements, that fairly present, in all material respects, financial position of the Group as at December 31, 2018, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter – “IFRS”).

In preparing the consolidated financial statements, management is responsible for:

- selecting of proper accounting principles and its consistent application;
- presenting information, including accounting policies, in a manner that provides relevance, reliability, comparability and understandability of such information;
- using of reasonable and appropriate estimates and assumptions;
- providing additional disclosures when compliance with the requirements of IFRS is insufficient for users of the

The consolidated financial statements of the Group for the year ended December 31, 2018 were approved by management on February 27, 2019.

consolidated financial statements to understand the impact of particular transactions, as well as other events and conditions on the financial position and financial results of the Group's operation; and

- assessment of the Group's ability to continue as a going concern in the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining the effective and reliable functionality of the internal control system of the Group;
- maintaining adequate accounting system, allowing the preparation of information about the Group's financial position at any time with reasonable accuracy, and to ensure compliance of consolidated financial statements with IFRS;
- maintaining accounting records in accordance with the legislation of the Republic of Kazakhstan;
- adopting measures within its competence to safeguard assets of the Group; and
- detecting and preventing fraud and other irregularities.

**Chief Business Development Director**

**Chief Accountant**



Saurambayev N.B.

Alpichsheva A. Zh.

## INDEPENDENT AUDITOR'S REPORT

### To the shareholder and management of National Mining Company Tau-Ken Samruk JSC

#### Opinion

We have audited the consolidated financial statements of National Mining Company Tau-Ken Samruk JSC (hereinafter – “the Company”) and its subsidiaries (hereinafter jointly – the “Group”), which comprise the consolidated statement of financial position as at December 31, 2018, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information: Annual Report of the Group

Management is responsible for other information that is included in the Annual Report. Other information includes: the statement of the chairman of the management board, information on National Mining Company Tau-Ken Samruk JSC, evaluation of mineral resources, the significant events after the reporting date, operations, financial and economic indicators, risks of uncertainties and internal control, social responsibility and environmental protection, corporate governance, key tasks for 2019 and other information, but does not include the consolidated financial statements and our opinion on it. The annual report is expected to be provided to us after the date of this audit report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above, when it is provided to us, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the

audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on National Mining Company Tau-Ken Samruk JSC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence relating to the financial information of organizations or activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the management, control and audit of the Group. We remain fully responsible for our audit opinion.

We communicate with those charged with governance National Mining Company Tau-Ken Samruk JSC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Grant Thornton*

Yerzhan Dossymbekov

General Director/Auditor  
Grant Thornton LLP

Certified Auditor of the Republic of Kazakhstan Certificate  
#MF-0000069 on January 20, 2012 The Republic of  
Kazakhstan

State license #18015053 dated August 3, 2018 (primary issue July 27, 2011) for providing audit services on the territory of the Republic of Kazakhstan, issued by the Committee of Internal State Audit of the Ministry of Finance of the Republic of Kazakhstan

February 27, 2019  
Almaty, the Republic of Kazakhstan

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

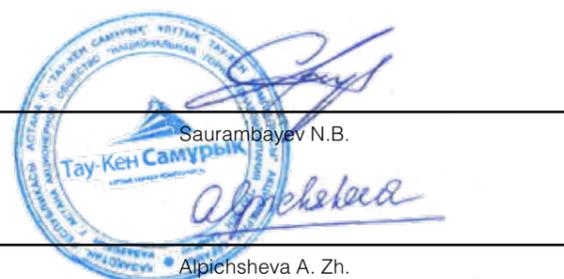
In thousands of Tenge	Notes	December 31, 2018	December 31, 2017*
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	62,180,591	45,767,557
Intangible assets	9	52,752,009	52,680,333
Exploration and evaluation assets	10	3,302,015	6,848,471
Investments in an associate	11	483,722,801	443,335,588
Corporate income tax prepaid		1,213,257	606,988
Deferred tax assets	26	965,880	–
Inventories	13	2,310,181	–
Investment securities	12	5,439,249	–
Other non-current assets	14	9,808,286	7,911,925
		<b>621,694,269</b>	<b>557,150,862</b>
<b>Current assets</b>			
Inventories	13	23,516,693	20,718,903
Corporate income tax prepaid		51,298	499,910
Other current assets	15	2,108,623	1,559,029
Short-term bank deposits	17	3,664,166	16,001,573
Cash and cash equivalents	16	5,043,644	22,360,756
		<b>34,384,424</b>	<b>61,140,171</b>
Assets held for sale	7	2,324,608	–
<b>TOTAL ASSETS</b>		<b>658,403,301</b>	<b>618,291,033</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	18	252,874,907	252,874,907
Retained earnings		91,177,956	114,582,487
Other components of equity	18	284,402,251	223,340,451
<b>Equity attributable to equity holder of the parent</b>		<b>628,455,114</b>	<b>590,797,845</b>
Non-controlling interests	18	127,770	50,625
<b>TOTAL EQUITY</b>		<b>628,582,884</b>	<b>590,848,470</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 (CONTINUED)

In thousands of Tenge	Notes	December 31, 2018	December 31, 2017*
<b>Non-current liabilities</b>			
Loans received	20	1,552,138	3,730,646
Accounts payable for acquisition of subsidiary	19	5,793,232	5,417,568
Deferred corporate income tax liability	26	10,246,454	10,230,917
Other non-current liabilities		298,049	200,827
		<b>17,889,873</b>	<b>19,579,958</b>
<b>Current liabilities</b>			
Contract liabilities and accounts payable	19	7,151,177	7,004,703
Dividends payable		3,600,477	-
Other current liabilities	21	1,174,163	857,902
		<b>11,925,817</b>	<b>7,862,605</b>
Liabilities directly associated with assets held for sale	7	4,727	-
<b>TOTAL LIABILITIES</b>		<b>29,820,417</b>	<b>27,442,563</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>658,403,301</b>	<b>618,291,033</b>

\* Certain amounts in this column do not correspond to the amounts in the financial statements for 2017 due to reclassifications which details are presented in Note 4.

Chief Business Development Director



Saurambayev N.B.

Alpichsheva A. Zh.

Chief Accountant

February 27, 2019 Astana, the Republic of Kazakhstan

Notes on pages 139 to 168 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

In thousands of Tenge	Notes	2018	2017
<b>Continuing operations</b>			
Revenues from contracts with customers	22	267,909,576	206,312,886
Cost of goods sold	23	(266,816,144)	(205,140,795)
<b>Gross profit</b>		<b>1,093,432</b>	<b>1,172,091</b>
General and administrative expenses	24	(4,293,665)	(3,410,580)
Selling expenses		(452,939)	(235,687)
<b>Operating loss</b>		<b>(3,653,172)</b>	<b>(2,474,176)</b>
Finance income	25	2,362,286	3,635,086
Finance costs		(496,928)	(631,081)
Share in profit of an associate	11	46,637,013	58,049,264
Other non-operating income		1,514,053	387,354
Other non-operating expenses		(1,063,833)	(1,037,796)
Loss on impairment of financial assets		(111,452)	-
Loss on impairment of non-financial assets		(522,053)	(1,183,512)
Loss on disposal of exploration and evaluation assets	10	(1,970,033)	-
Foreign exchange gain / (loss), net		1,685,714	(194,615)
<b>Profit before income tax for the year from continuing operations</b>		<b>44,381,595</b>	<b>56,550,524</b>
Corporate income tax expense	26	(295,589)	(55,353)
<b>Profit for the year from continuing operations</b>		<b>44,086,006</b>	<b>56,495,171</b>
<b>Discontinued operations</b>			
Profit after tax for the year from discontinued operations	7	-	95,671
<b>Profit for the year</b>		<b>44,086,006</b>	<b>56,590,842</b>
<b>Profit for the year attributable to:</b>			
Equity holders of the parent		44,107,425	56,600,477
Non-controlling interest	18	(21,419)	(9,635)
<b>Other comprehensive income</b>			
Gain / (loss) from currency translation adjustment	11	61,061,800	(10,281,517)
<b>Total comprehensive income for the year</b>		<b>105,147,806</b>	<b>46,309,325</b>
Total comprehensive income for the year attributable to:			
Equity holders of the parent		105,169,225	46,318,960
Non-controlling interest	18	(21,419)	(9,635)

Chief Business Development Director



Saurambayev N.B.

Alpichsheva A. Zh.

Chief Accountant

February 27, 2019 Astana, the Republic of Kazakhstan

Notes on pages 139 to 168 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

In thousands of Tenge	Notes	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax from continuing operations		44,381,595	56,550,524
Profit before income tax from discontinued operations		–	95,671
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment and amortization of intangible assets	23, 24	813,547	811,915
Accrued finance income	25	(2,360,519)	(3,635,086)
Accrued finance costs		496,928	631,081
Share in profit of an associate	11	(46,637,013)	(58,049,264)
Write-off of inventories to net realizable value		53,636	416,874
Loss on disposal of exploration and evaluation assets	10	1,970,033	–
Loss from impairment of financial assets		111,452	–
Loss from impairment of non-financial assets		408,006	382,201
Net gain from the disposal of 100% share in subsidiary		–	(103,426)
Unrealised foreign exchange, net		(1,834,673)	194,615
Provision for impairment of accounts receivable	15	54,711	2,449
Provision for unused vacations		508,835	128,604
Impairment of VAT recoverable		82,907	123,231
<b>Loss from operating activities before changes in working capital</b>		<b>(1,950,555)</b>	<b>(2,450,611)</b>
Change in inventories		(4,135,229)	(1,889,916)
Change in other current assets		(604,305)	1,622,809
Change in other non-current assets		(945,832)	(121,408)
Change in contract liabilities and accounts payable		330,188	586,688
Change in other current liabilities		809,406	(195,452)
<b>Cash flows from operating activities</b>		<b>(6,496,327)</b>	<b>(2,447,890)</b>
Interest received		1,680,464	3,218,569
Corporate income tax paid		(22,455)	(25,337)
<b>Net cash flows (used in) / received from operating activities</b>		<b>(4,838,318)</b>	<b>745,342</b>

In thousands of Tenge	Notes	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(18,083,460)	(14,121,443)
Purchase of exploration and evaluation assets		(915,351)	(1,164,979)
Purchase of other non-current assets		(690,417)	(584,578)
Proceeds from sale of property, plant and equipment		1,041,600	19,221
Acquisition of intangible assets		(35,231)	(82,838)
Acquisition of investment securities	12	(10,637,785)	–
Proceeds from sales of intangible assets		–	1,250
Proceeds from sales of exploration and evaluation assets		–	23,384
Commissions and fees paid to bank		(1,033,107)	(1,168,639)
Dividends received from an associate	11	67,311,600	39,321,127
Proceeds from sale of subsidiary		–	429,365
Repayment of accounts payable for the acquisition of a subsidiary		–	(93,382)
Placement of bank deposits		(34,191,218)	(32,554,226)
Withdrawal of bank deposits		47,643,420	19,316,901
<b>Cash received from investing activities</b>		<b>50,410,051</b>	<b>9,341,163</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends paid	18	(56,399,523)	(5,617,478)
Proceeds from loans		778,116	625,683
Repayment of principal on a loan received from the Shareholder		(7,746,811)	–
<b>Cash used in financing activities</b>		<b>(63,368,218)</b>	<b>(4,991,795)</b>
Net change in cash and cash equivalents		(17,796,485)	5,094,710
Effect of change in foreign exchange rates on cash and cash equivalents		479,398	(123,864)
Effect from the adoption of IFRS 9 on cash and cash equivalents as at the end of the year		(25)	–
Cash and cash equivalents at the beginning of the year	16	22,360,756	17,389,910
<b>Cash and cash equivalents at the end of the year</b>	<b>16</b>	<b>5,043,644</b>	<b>22,360,756</b>

### DISCLOSURE OF NON-CASH TRANSACTIONS:

During 2018 certain property, plant and equipment were purchased by an increase in accounts payable in the amount of 179,790 thousand tenge (2017: 1,144,700 thousand tenge).

Chief Business Development Director

Saurambayev N.B.

Chief Accountant

Alpichsheva A. Zh.

February 27, 2019 Astana, the Republic of Kazakhstan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

In thousands of Tenge	Notes	Equity attributable to shareholder of the parent			Total	Non-controlling interests	Total equity
		Share capital	Other equity components	Retained earnings			
<b>As at December 31, 2016</b>		<b>252,874,907</b>	<b>233,621,968</b>	<b>63,599,488</b>	<b>550,096,363</b>	<b>60,260</b>	<b>550,156,623</b>
Profit for the year		-	-	56,600,477	56,600,477	(9,635)	56,590,842
Other comprehensive income		-	(10,281,517)	-	(10,281,517)	-	(10,281,517)
<i>Total comprehensive income for the year</i>		-	(10,281,517)	56,600,477	46,318,960	(9,635)	46,309,325
Dividends	18	-	-	(5,617,478)	(5,617,478)	-	(5,617,478)
<b>As at December 31, 2017</b>		<b>252,874,907</b>	<b>223,340,451</b>	<b>114,582,487</b>	<b>590,797,845</b>	<b>50,625</b>	<b>590,848,470</b>
Effect on the adoption of IFRS 9	3	-	-	(325,108)	(325,108)	-	(325,108)
<b>As at January 1, 2018</b>		<b>252,874,907</b>	<b>223,340,451</b>	<b>114,257,379</b>	<b>590,472,737</b>	<b>50,625</b>	<b>590,523,362</b>
Profit for the year		-	-	44,107,425	44,107,425	(21,419)	44,086,006
Other comprehensive income	11	-	61,061,800	-	61,061,800	-	61,061,800
<i>Total comprehensive income for the year</i>		-	61,061,800	44,107,425	105,169,225	(21,419)	105,147,806
Change in non-controlling interests		-	-	(95,970)	(95,970)	98,564	2,594
Other operations with the shareholder	20	-	-	(4,594,196)	(4,594,196)	-	(4,594,196)
Acquisition of a subsidiary under common control	6	-	-	1,386,194	1,386,194	-	1,386,194
Discount on investment securities, net of tax effect in the amount of 970,720 thousand tenge	12	-	-	(3,882,876)	(3,882,876)	-	(3,882,876)
Dividends	18	-	-	(60,000,000)	(60,000,000)	-	(60,000,000)
<b>As at December 31, 2018</b>	<b>1</b>	<b>252,874,907</b>	<b>284,402,251</b>	<b>91,177,956</b>	<b>628,455,114</b>	<b>127,770</b>	<b>628,582,884</b>

**Chief Business Development Director**

**Chief Accountant**



February 27, 2019 Astana, the Republic of Kazakhstan

Notes on pages 139 to 168 are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### 1. GENERAL INFORMATION

National Mining Company Tau-Ken Samruk JSC (hereinafter – “Tau-Ken Samruk” or the “Company”) was established in accordance with the Resolution of the Government of the Republic of Kazakhstan #10 dated January 15, 2009 and was registered as a joint stock company on February 2, 2009.

As at December 31, 2018 and December 31, 2017 the sole shareholder of the Company is Sovereign Wealth Fund Samruk-Kazyna JSC (hereinafter – “Samruk-Kazyna” or “Shareholder”). The sole shareholder of Samruk-Kazyna is the Government of the Republic of Kazakhstan.

These consolidated financial statements include the financial statements of the Company and its subsidiaries (hereinafter together – the “Group”).

As at December 31, 2018 and 2017 the following companies were subsidiaries of the Group:

Company	Type of operations	Region	December 31, 2018	December 31, 2017
Logic Business LLP	Management of investment in KazZinc LLP	Astana	100.00%	100.00%
Logic Invest Capital LLP	Management of investment in KazZinc LLP	Astana	100.00%	100.00%
Investing house Dana LLP	Management of investment in KazZinc LLP	Astana	100.00%	100.00%
ShalkiyaZinc LTD JSC	Exploration, mining and processing of mixed lead-zinc ore	Kyzylorda region	100.00%	100.00%
Tau-Ken Altyn LLP	The coordinator of the investment project “Set up of the refining plant and its provision by mineral resource base”	Astana	100.00%	100.00%
Severnyi Katpar LLP	Extraction of tungsten	Karaganda region	100.00%	100.00%
Tau-Ken Mining LLP	Exploration of non-ferrous metals	Almaty region	100.00%	100.00%
Tau-Ken Temir LLP	Metallurgical silicon and by-products production	Karaganda region	100.00%	100.00%
JV Alaigyr LLP	Extraction of polymetallic ores	Karaganda region	100.00%	100.00%
JV Tau-Ken Project LLP	Exploration of copper, gold and associated components	Karaganda region	100.00%	100.00%
Shokpar-Gagarinskoye LLP	Extraction of gold ore	Jambyl region	100.00%	100.00%
Tau-Ken Progress LLP	Exploration of non-ferrous metals	Astana	100.00%	100.00%
Masalskyi GOK LLP	Development and extraction of iron ore	Akmola region	93.00%	98.58%
Silicon Mining LLP	Mining of quartz	Astana	100.00%	90.10%
SARECO LLP	Production of rare earth metals	Akmola region	100.00%	-

The Company’s legal address is Dinmukhamed Kunaev str., 8, block “B”, Astana, Republic of Kazakhstan. Actual address: E-10 str., 17/10, Astana, the Republic of Kazakhstan.

As at December 31, 2018 number of employees of the Group was 1,342 people (December 31, 2017: 1,354 people).

#### Principal activities

The Group is a vertically integrated company and was established to ensure efficient subsoil use activities in the field of:

- exploration, development, extraction, processing activities and sale of solid minerals;
- effective management of subsidiaries and associates of the mining and metallurgical industry;
- development and implementation of new high-tech and efficient technologies in the mining and metallurgical industry;
- restoration of mineral resources of the Republic of Kazakhstan;
- development of off-balance reserves of deposits.

## 2. BASIS OF PREPARATION

### Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis.

These consolidated financial statements of the Group are presented in Kazakhstani tenge (hereinafter – "Tenge"). The functional and presentation currency of the consolidated financial statements of the Group is Tenge, except for the consolidated financial statements of an associate, which functional currency is US Dollar. All amounts in these consolidated financial statements are rounded to thousand unless otherwise stated.

### Going concern basis

The consolidated financial statements have been prepared in accordance with IFRS based on the assumption that the Group will continue as a going concern. This assumes sale of assets and settlement of liabilities in the normal course of business in the foreseeable future. The management of the Group believes that the Group will be able to continue as a going concern. Management of the Group does not have any intention or necessity to liquidate or significantly reduce the size of its business.

### Recognition of the elements of consolidated financial statements

#### Current versus non-current classification

In the consolidated statement of financial position, the Group represents assets and liabilities based on current / non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Foreign currency translation

In preparing the financial statements, transactions in foreign currencies other than the functional currency (foreign currency) are carried at the exchange rates prevailing as at the transaction date. Monetary items denominated in foreign currencies are translated at the exchange rates prevailing as at the date of consolidated financial statements. Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rates prevailing at the date of determination of fair value. Non-monetary items measured at historical cost, denominated in foreign currency, are not retranslated. Exchange differences on monetary items, which arise as a result of changes in the exchange rates, are recognized in profit or loss in the period when they arise.

Weighted average exchange rates resulted on the main session of the Kazakhstan Stock Exchange (hereinafter – "KASE") are used as official exchange rates in the Republic of Kazakhstan.

Currency exchange rates of KASE used by the Group in preparing the consolidated financial statements are as follows:

In tenge	December 31, 2018	Average for 2018	December 31, 2017	Average for 2017
1 US Dollar	384.20	344.71	332.33	326.00
1 Euro	439.37	406.66	398.23	368.32

### Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, controlled by the Company, which are listed in Note 1.

Control is exercised if the Group is exposed to risks of changes in revenue from participation in the investee, or has the right to receive such revenues, as well as the ability to influence these

revenues through exercising its authority over the investee. In particular, the Group controls an investee only if the following conditions are met:

- the Group has authority over the investee (that is, the existing rights that provide the current ability to manage the significant activities of the investee);
- the Group's exposure to the risk of changes in income from participation in the investee, or the right to receive such income;

- the ability of the Group to use its authority to influence the amount of income.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- agreement(s) with other holders of voting rights in the investee;
- rights stipulated by other agreements;
- voting rights and potential voting rights held by the Group.

The group re-examines whether there is control over the investee if the facts and circumstances indicate a change in one or more of the three control components. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary, the acquisition or disposal of which occurred during the year, are included in the consolidated financial statements from the date the Group gains control and are recorded until the Group loses control over the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the relevant assets (including goodwill), liabilities, non-controlling interests and other components of equity and recognizes any resulting profit or loss in profit or loss. Remaining investments are recognized at fair value.

### Non-controlling interest

Non-controlling interest represent the interest in the capital of subsidiary, not attributable directly or indirectly to the parent company's shareholder. Non-controlling interest is presented separately in the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of financial position within equity separately from the parent equity.

### Investments in associates and joint ventures

An entity is an associate if the Group has significant influence over its operations and financial activities. Significant influence assumes the right to participate in making decisions concerning the financial and operational activities of the organization, but does not imply control or joint control over such activities.

A joint venture is a joint venture that assumes that the parties that have joint control over the activity, have rights to the net assets of the activity. Joint control is the contractual separation of control over an activity that takes place only when decisions regarding significant activities require the unanimous consent of the parties sharing control.

The factors taken into account when determining whether there is significant influence or joint control are similar to those taken into account when determining whether there is control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The Group's share of the profit or loss of the associate and joint venture is presented directly in the statement of profit or loss outside operating profit. It represents profit or loss after taxation and accounting of non-controlling interests in subsidiaries of an associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the financial statements of the Group. If necessary, adjustments are made to it in order to bring the accounting policies in line with the accounting policies of the Group.

After applying the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that an investment in an associate or joint venture has been impaired. If there is such evidence, the Group calculates the impairment amount as the difference between the recoverable amount of the associate or joint venture and its book value and recognizes a loss in the statement of profit or loss in the share of profit of the associate and joint venture.

**2. BASIS OF PREPARATION (CONTINUED)****Investments in associates and joint ventures (continued)**

In the event of a loss of significant influence over the associate or joint control of the joint venture, the Group estimates and recognises the remaining investment at fair value. The difference between the carrying amount of the associate or joint venture at the time of the loss of significant influence or joint control and the fair value of the remaining investments and the proceeds of disposal is recognized in profit or loss.

**Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

**Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate consideration transferred measured at fair value at

acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group measures the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, fair value of any previously held equity interest in acquired organization is remeasured at its fair value at the acquisition date and any resulting difference is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value, changes in fair value recognized either in profit or loss or as a change in other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing of goodwill acquired in a business combination from the acquisition date, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated as a part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Business combinations under common control**

Acquisitions of subsidiaries from parties under common control (entities controlled by the ultimate shareholder) are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at their carrying amounts of the transferring entity (the predecessor) at the date of transfer. Related goodwill, inherent in the predecessor's original acquisition is also recorded in these consolidated financial statements. Difference between the total book value of net assets, including the predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

**3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS****Standards and interpretations adopted this year**

The accounting policy adopted in the preparation of the consolidated financial statements is consistent with that applied in the preparation of the Group's financial statements for the year ended December 31, 2017, except for the newly adopted standards and interpretations effective as at January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The effect from the adoption of IFRS 9 on the Group's consolidated statement of financial position (increase / (decrease) as at January 1, 2018 is as follows:

In thousands of Tenge	Notes	Adjustments
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable		(4,534)
Cash and cash equivalents	16	(115,551)
Short-term deposits	17	(205,063)
		<b>(325,108)</b>
<b>Equity and liabilities</b>		
<b>Capital</b>		
Retained earnings		(325,108)
		<b>(325,108)</b>

**IFRS 15 "Revenue from Contracts with Customers"**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue items arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which

The Group first time applies IFRS 15 "Revenue under contracts with customers" and IFRS 9 "Financial Instruments", which require restatement of comparative information. The nature and impact of these changes is disclosed below. There are some other amendments and interpretations applied for the first time in 2018, but they do not have a material impact on the financial statements of the Group.

**IFRS 9 "Financial Instruments"**

IFRS 9 "Financial Instruments" replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the impairment of financial assets applying the expected credit loss model. This affects the other investment securities, trade accounts receivable, cash and cash equivalents. For contract assets arising from IFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

### 3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

#### IFRS 15 “Revenue from Contracts with Customers” (continued)

The Group elected to apply the full retrospective method in adopting IFRS 15. The Group sells gold bullions and provides refining services for precious metals. The activities are carried out based on separate agreements identified with the customers. In accordance with the contract, the Group is obliged to transfer ownership to the customer over gold bullions belonging to the seller. The sale of gold bullions is made by separate lots. The price for each lot is determined in Tenge based on the weighted average exchange rate of the Tenge to the US dollar, formed at the morning session of the Kazakhstan Stock Exchange on the date preceding the transaction date, and the average value of the morning and evening fixing of the London Precious Metals Market Association (LBMA) averaged over the whole month of delivery, net of discount, effective on the date of the transaction. Thus, the Group can determine with reasonable accuracy the price of transactions for the reporting period. The performance obligation under the contract is fulfilled by the Group at the moment of transfer of the goods (gold bullions) to the buyer, where the revenue from the sale of this gold is recognized by the Group in full in the relevant period. Thus, the existing approach of recognition of the Group's revenue meets the requirements of IFRS 15, the Group has no effect on the transition to revenue recognition in accordance with IFRS 15.

Generally, the Group receives short-term advances from its customers. Prior to the adoption of IFRS 15, the Group presented these advances as deferred income in the consolidated statement of financial position. For long-term advances received in accordance with the previous accounting policy, interest was not accrued. After the adoption of IFRS 15 the Group used a practical method for short-term advances. Therefore, the Group will not adjust the amount of consideration for the impact of the financing component in contracts when, at the beginning of the contract, the Group expects that the period between when the buyer pays for goods or services and when the goods or services are delivered will be one year or less.

#### New and revised IFRS – issued but not yet effective

The Group did not adopt the following new and revised IFRS and Interpretations (issued, but not yet effective) as at the date of issuance of these consolidated financial statements of the Group:

##### IFRS 16 “Leases”

IFRS 16 will replace IAS 17 “Leases”, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It completes the IASB's long running project to overhaul lease accounting.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Company have decided not to early adopt.

The Group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. The Group assessed the effect from the adoption and concluded that the effect from the adoption of IFRS 16 on the Group's consolidated financial statements is not significant. Thus, the comparative information will not be restated.

##### IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. This standard is not applicable to the Group.

##### IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date.

##### Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

##### Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not applicable to the Group.

##### Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019,

with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

##### Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in any associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

#### Annual Improvements 2015–2017 Cycle (issued in December 2017)

##### IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The amendments will not have an impact on the Group's consolidated financial statements.

##### IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may be applied to future transactions.

### 3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

#### Annual Improvements 2015–2017 Cycle (issued in December 2017) (continued)

##### IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Group does not expect significant effect on its consolidated financial statements.

##### IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Group does not expect significant effect on its consolidated financial statements.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### Exploration and evaluation assets

##### Acquisition cost of subsoil use rights

Acquisition cost of subsoil use rights (for exploration and production) includes signature bonuses, historical costs, and obligatory expenditures on environmental and social programs and are capitalized as rights on subsoil use of the field at the exploration and evaluation stage.

Acquisition cost of subsoil use rights are accounted for on a field-by-field basis. Each field is reviewed for impairment on annual basis confirm. If no future activity is planned on the field, the outstanding balance of acquisition costs of the subsoil use right is written off. Upon start of commercial production at the fields, the subsoil use rights are amortized on the basis of unit of production method in proportion of actual production to total proved reserves.

##### Exploration and evaluation costs

Exploration and evaluation costs include geological and geophysical expenditures; costs directly related to exploration drilling; stripping activities; administrative and other exploration expenses directly attributable to a particular field. These costs include employee remuneration, materials and fuel used, rig rental costs and payments made to the contractors. If no mineral reserves are found, this is an indicator of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year, to confirm the intention of commercial exploitation, or otherwise extraction of benefits from discovery. When this is no longer the case, the costs are written off.

When proved reserves of minerals are determined and the decision to continue development is made, the relevant expenditures are transferred to the mining assets.

#### Mining assets

##### Development and production arrangement costs

Development and production arrangement costs include previously capitalized (and reclassified at the start of development) acquisition costs of the subsoil use rights, exploration and evaluation costs; construction of landfills, installation of surface technological facilities required for production, gathering and preparation of mineral resources at the fields; other costs incurred during arrangement of commercial production at the fields; capitalized discounted costs on mine abandonment and site restoration. Development costs are capitalized as property, plant and equipment (mining assets) and accounted for on a field-by-field basis.

##### Depreciation of mining assets (as part of property, plant and equipment and intangible assets)

Mining assets are amortized using unit of production method based on the actual production from the start of commercial production at the field. Acquisition costs of the subsoil use rights, including discounted mine abandonment and site restoration costs, are amortized on the basis of total proved reserves. Other field development costs are amortized based on the proved developed reserves.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacement of equipment parts and borrowing costs for long-term construction projects if capitalization criteria are met. When significant parts of property, plant and equipment are required to be replaced in particular time intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates it appropriately. Similarly, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if all recognition criteria are met.

All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost of asset retirement after its use is included in the cost of the respective asset if the recognition criteria for a provision

Estimated useful lives of certain assets are as follows:

Group of property, plant and equipment	Useful lives
Building and construction	8-50 years
Machinery and equipment	3-20 years
Vehicles	7-9 years
Computers	3-10 years
Other	3-10 years

When an asset is sold or disposed, the cost and related accumulated depreciation are written off to expenses and any resulting gains or losses on the asset disposal are included in the consolidated statement of profit or loss and other comprehensive income.

Expenditures incurred after the property, plant and equipment have been placed into operation, such as repairs and maintenance and overhaul costs, are normally expensed in the period when such costs are incurred. The expenditures that have resulted in an increase in the future economic benefits expected to be obtained beyond asset's originally assessed standard performance (increase of useful life, capacity, etc.) are capitalized as an additional cost of property, plant and equipment.

The liquidation cost, useful lives and methods of depreciations are reviewed at the end of each financial year, and adjusted prospectively, if necessary.

#### Impairment of non-current assets

The Group assesses whether there are any indicators of impairment of the carrying amount of exploration and evaluation assets, property, plant and equipment, intangible assets, investments in subsidiaries and investments in associates and joint ventures (hereinafter – “non-current assets”) at each reporting date. If such indicators identified, the recoverable amount of the respective asset is being calculated in order to determine the impairment loss amount (if any).

The recoverable amount is determined as the higher of two values: an asset's fair value less costs to sell or value in use. When determining the value in use, the expected future cash flows are discounted to the present value using a discount rate before tax, which, in management's opinion, reflects the present market estimate of the time value of money and risks attributable to such asset.

If the recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. Impairment losses are recorded immediately in profit or loss. In case where impairment loss is subsequently reversed, the carrying amount of the asset is increased to the amount calculated as a result of new estimate of its recoverable amount, so that new carrying

for future expenses are met. Depreciation is calculated on a straight-line method based on the estimated useful lives of property, plant and equipment.

amount does not exceed the carrying amount that would have been determined if the impairment loss was not recognized for the asset in previous years. Reversal of impairment loss is recorded immediately in profit or loss.

#### Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. Amortization of intangible assets is calculated on a straight line basis and begins when the asset is ready for use. Intangible assets are identifiable if they result from contractual or other rights, or if they are separable, i.e. they can be sold separately or together with other assets.

Intangible assets include subsoil use rights and other intangible assets. Subsoil use rights are amortized using the production method of depreciation for actual production from the commencement of commercial production at the fields. Other intangible assets include a software license. Amortization is accrued on the basis of a straight-line method based on the estimated useful life of intangible assets of 1-10 years.

Estimated useful lives, residual values and amortization method are reviewed at the end of each year and corrected, if necessary.

#### Leasing

Determining whether the agreement is a lease or whether it contains evidence of a lease is based on an analysis of the content of the agreement at the date of the commencement of the lease. The agreement is a lease or contains signs of a lease if the implementation of the agreement depends on the use of a particular asset (or assets), and the right to use the asset or assets as a result of this agreement is transferred from one party to the other, even if this asset (or these assets) is not indicated in the agreement explicitly.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Leasing (continued)

###### Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

##### Dividends paid in cash

The Company recognizes a liability for dividend payments when the distribution is approved and no longer remains at the discretion of the Company. The corresponding amount is recognized directly in equity.

##### Financial instruments

###### Key measurement terms

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

Financial instruments of the Group include financial assets and financial liabilities which are carried at amortised cost as described below.

*Amortised cost* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for expected impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity

amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

###### Classification of financial assets

Financial assets of the Group include short-term bank deposits (Note 17), cash and cash equivalents (Note 16), accounts receivable (Note 15) and investment securities (Note 12). The management determines the classification of the financial assets at initial recognition. Accounts receivable are recognized initially at fair value plus transaction costs. Subsequently, accounts receivable are stated at amortized cost using the effective interest method.

Other accounts receivable are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. They are included in current assets, except for maturities greater than 12 months after the reporting date, that are classified as non-current assets.

###### Classification of financial liabilities

Financial liabilities of the Group include financial liabilities carried at amortised cost. The Group's financial liabilities comprise loans, accounts and other payable and accounts payable for acquisition of subsidiary (Note 19 and 20).

###### Initial recognition of financial instruments

Financial instruments are initially recorded at fair value plus transaction costs. The transaction price is the prime confirmation of the fair value at initial recognition. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

###### Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

###### Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

###### Impairment of financial assets carried at amortised cost

Expected credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ("cash shortfalls"). This difference is discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The assessment of impairment for financial assets can either be individually or collectively and is based on how an entity manages its credit risk. If an entity has a small number of receivables with large value and these receivables are managed on an account basis (i.e. individually) it may not be appropriate in that case to base the impairment on a provision matrix as such a matrix would unlikely be in line with the expected credit loss of the individual receivable.

Recognition of credit losses is no longer dependent on the Group identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1")

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").
- "Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

##### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash at banks and on hand and short-term deposits with a maturity of 3 months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above minus outstanding bank overdrafts, as they are considered an integral part of the Group's cash management activities.

##### Provisions

Provisions are recognized when the Group has present obligations (legal or constructive) arising as a result of past events, which will need to be settled, and the amount of such obligations can be reliably measured.

The amount of provision for expected expenses recognized in accounting represents the best estimate of the amount required to settle the obligation determined at the reporting date, taking into account risks and uncertainties typical for such obligations. If the amount of provision for expected expenses is determined based on expected cash flows to settle the obligation, the provision for expected expenses is determined as the discounted cost of such cash flows (if the effect of the time value of money is material).

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Recognition of revenues and expenses***Recognition of revenue*

Revenue from contracts with customers from the sale of gold bars is recognized when control over the goods is transferred to the buyer in an amount that reflects the compensation that the Group expects to receive in exchange for these goods or services.

Recognition of revenue requires the Group to perform the following steps:

- identification of the contract with the customer;
- identification of the obligations to be performed under the contract;
- determination of the transaction price;
- allocation of the transaction price among the individual duties to be performed under the contract;
- recognition of revenue at the time (or according to) the performance of the obligations to be fulfilled under the contract.

Revenue is recognized either at a specific point in time or during the time when (or how) the Group fulfills its performance obligations by transferring the promised goods to its customers.

Revenues are measured at the fair value of funds received or receivable. When the fair value of the consideration received cannot be reliably measured, the income is measured at the fair value of the goods delivered and services transferred.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

*Interest income*

Interest income is recognized as interest accrued, using the effective interest rate, i.e. the rate that discounts the approximate future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of profit or loss and other comprehensive income.

*Expenses*

The expenses are taken into account at the time of actual receipt of the relevant goods or services, regardless of when cash or cash equivalents were paid, and are shown in the

consolidated financial statements in the period to which they relate.

**Inventories**

Inventories of the Group include materials, work in process, raw materials, intended for use in the production process of finished goods or rendering of services. The Group measures for inventories at the lower of cost or net realizable value.

Cost of inventories includes all actual expenses for purchase, processing costs and other costs incurred in order to bring the inventory to its existing condition and location. Inventories are accounted on the basis of weighted average cost method.

Inventories are measured at the lower of two values: cost or net realizable value. The Group recognizes corresponding provision, by reducing the cost of slow-moving and underutilized inventories to net realizable value. The actual sale amount on disposal of such inventories may differ from the net realizable value. Any such differences could have a material effect on future operating results.

**Current corporate income tax**

Tax assets and liabilities attributable to the current corporate income tax for the current and previous periods are measured at the amount recoverable from tax authorities, or payable to tax authorities. Tax rates and tax laws used to calculate these amounts, are the rates and laws, which have been actually adopted as at the reporting date in the countries in which the Group operates and generates taxable income.

Current corporate income tax attributable to items recognized directly in equity is recognized in equity.

**Deferred corporate income tax**

The deferred corporate income tax is calculated using the liability method by determining temporary differences as at the reporting date between the tax base of assets and liabilities and their carrying amount for the purposes of consolidated financial statements.

Deferred corporate income tax liabilities are recognized for all taxable temporary differences. Deferred corporate income tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. Tax assets and tax liabilities are not recognized in the consolidated financial statements when a temporary difference arises as a result of the initial recognition of asset or liability in a deal other than business combination, and, at the time of the transaction, does not affect neither accounting profit nor taxable profit or loss.

The carrying amount of deferred corporate income tax assets is reviewed at each reporting date and reduced to the extent

that it is unlikely that sufficient taxable profit will be available to allow utilizing the entire or part of the deferred tax asset.

Unrecognized deferred corporate income tax assets are revised at each reporting date and recognized to the extent that it becomes probable that future taxable profit will allow utilizing the deferred corporate income tax assets.

Deferred tax assets and liabilities are calculated using tax rates (and also provisions of tax laws), which have been approved or practically approved by law at the reporting date and are expected to apply to the period when the tax asset is realized or the tax liability is settled. The measurement of deferred tax assets and liabilities reflects the tax consequences of the Group's intentions (at the reporting date) with respect to the future recovery or settlement of the carrying amount of the assets and liabilities.

**Deductions from employees' remuneration**

In 2018 the Group pays a social tax to the state budget of the Republic of Kazakhstan in accordance with the tax laws of the Republic of Kazakhstan at flat rate of 9.5% of salaries and other payments to employees, including other benefits (2017: 11%). Part of the social tax in the amount of 3.5% is transferred to the Social Insurance State Fund JSC (2017: 5%).

In 2018 the Group pays compulsory medical insurance at the rate 1.5% of salaries and other payments to employees, including other benefits (2017: 1%).

The Group also withholds up to 10% in 2018 (2017: 10%) from the salaries of its employees as contributions to the Single accumulative pension fund JSC. The Group also pays mandatory professional pension contributions at a rate of 5% of salary in favor of workers employed in hazardous working conditions.

In addition to the contributions to the Single accumulative pension fund, the Group withholds from salaries and other payments to employees, including other benefits, personal income tax at flat rate of 10%.

**Value added tax**

The tax authorities permit the accounting and settlement of VAT on sales and purchases on a net basis.

**VAT payable**

The VAT arising during the sale is payable to the tax authorities when the goods are shipped or services are rendered. VAT on purchases is subject to offset against VAT on sales upon receipt of a tax invoice from the supplier. The tax law allows to calculate and pay VAT payable on a net basis. Accordingly, VAT on sales and purchases that were not offset at the reporting date was recognized in the consolidated statement of financial position on a net basis.

In addition, VAT related to sales, which have not been collected at the reporting date, is also included in the amount of VAT

payable. Where provision for doubtful debts has been made, impairment loss is recorded for the gross amount of receivable, including VAT. The related VAT liability is reported in the financial statements until the accounts receivable is written off for tax purposes. VAT payable is included into the taxes payable account in the consolidated statement of financial position.

**VAT recoverable**

VAT recoverable relates to purchases, which have not been settled at the reporting date. VAT recoverable is recovered by offset against the amount of VAT payable related to sales upon payment of purchases. VAT recoverable is included into the taxes recoverable account in the consolidated statement of financial position.

**Contingent assets and liabilities**

Contingent assets are not recognized in the consolidated financial statements, but are disclosed if there is a probable inflow of economic benefits.

Contingent liabilities are recognized in the consolidated financial statements only if settlement of such liabilities will require an outflow of resources, which amount can be reliably measured.

**Events after reporting period**

Events occurred after the end of the year, which provide additional information about the position of the Group as at the date of the consolidated statement of financial position (adjusting events) are reflected in the consolidated financial statements. Events occurred after the end of the year that are not adjusting events are disclosed in notes if they are significant.

**Related party transactions**

According to IAS 24, "Related party disclosure", the Group discloses the nature of the related party relationships as well as information about those transactions and outstanding account balances necessary for an understanding of the potential effect of the relationships on the consolidated financial statements.

In these consolidated financial statements related parties are considered to be those that have the ability to control or exercise significant influence over operating and financial decisions of other party. When deciding whether the parties are related, a substance of the relationship is taken into account, and not merely its legal form.

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Reclassifications**

In the consolidated statement of financial position as at December 31, 2017, the Group reclassified certain items in order to align it in accordance with the presentation as at December 31, 2018, as follows:

	December 31, 2017 (before reclassification)	Reclassification	December 31, 2017 (after reclassification)
<b>Current assets</b>			
Accounts receivable	645,702	(645,702)	–
Advances paid	598,262	(598,262)	–
Other current assets	814,975	744,054	<b>1,559,029</b>
Corporate income tax prepaid	–	499,910	<b>499,910</b>
<b>Non-current liabilities</b>			
Loans received	–	625,683	<b>625,683</b>
Other non-current liabilities	826,510	(625,683)	<b>200,827</b>

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

Preparation of the consolidated financial statements in accordance with IFRS requires the preparation of judgments by management of the Group and use of subjective estimates and assumptions that affect recorded amounts of assets and liabilities and disclosure of information about potential assets and liabilities at the reporting date of the consolidated financial statements and recorded amounts of income and expenses during the reporting period. Despite of the fact that the estimates are based on historical knowledge and other significant factors, events or actions may arise in such a manner, so actual results may differ from these estimations.

Key assumptions for future and other key sources of estimation of uncertainty at the reporting date that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below:

*Impairment of non-current assets*

The Group assesses whether there are any indicators of impairment of the carrying amount of non-current assets at each reporting date.

Impairment is based on a large number of factors such as: current competitive environment, changes in the expected growth of industry, changes in the availability of financing in the future, technological obsolescence, discontinuance of services, current replacement costs and other changes in conditions that indicate a significant impairment.

If any such indicators exist, the recoverable amount of asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount of assets, impairment is recognized. The recoverable amount is determined as the higher of two values: fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax, which, in management's opinion, reflects current market assessments of time value of money and assets' inherent risks. The change in estimated

recoverable amount can lead to impairment or its recovery in future periods.

The Group's non-financial assets mainly comprise property, plant and equipment, including mining assets, intangible assets and exploration and evaluation assets, investments in subsidiaries, joint ventures and associates.

As at December 31, 2018 and 2017, management of the Group did not identify any indicators of impairment of non-financial assets.

*Useful lives of property, plant and equipment*

The Group assesses useful lives of property, plant and equipment and intangible assets at the end of each reporting period. The assessment of the useful life depends on such factors as economic use, repairs and maintenance program, technological improvement and other business factors. Management's assessment of useful life of property, plant and equipment reflects the corresponding information that is available as at the reporting date of these consolidated financial statements.

*Reduction of cost of slow-moving and underutilized inventories*

Inventories are measured at the lower of two values: cost or net realizable value. The Group recognizes corresponding provision, by reducing the cost of slow-moving and underutilized inventories to net realizable value. The actual sale amount on disposal of such inventories may differ from the net realizable value. Any such differences could have a material effect on future operating results.

*Taxation*

Various Kazakhstani laws and regulations are not always clearly stated. There may be cases of divergence in opinion between local, regional and national tax authorities. Thus, in the case of accrual of additional charges of taxes by tax authorities, the existing fines and penalties are set in large amount; fines comprise 50% of the amount of additional taxes and penalties are about at 1.25 times of the refinancing rate of the National Bank of the Republic of Kazakhstan

from the amount of untimely paid tax. As a result, fines and penalties may significantly exceed the amount of additional taxes.

Because of the uncertainties mentioned above, potential amount of taxes, fines and penalties, if such charges arise, may significantly exceed the amount expensed to date and accrued at the reporting date. Differences between estimates and the amounts actually paid, if any, could have a material effect on future operating results.

*Deferred tax assets*

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which these assets can be utilized. To determine the amount of deferred tax assets that can be recognized in the consolidated financial statements, the Group exercises considerable judgment in relation to the likely timing and the level of future taxable profits and tax planning strategies.

*Asset retirement obligations*

The Group estimates future site restoration costs based on estimates derived from the internal or external specialists after taking into account the expected method of liquidation and the extent of land reclamation required by legislation and industry practice.

The amount of provision for the site restoration is the present value of the estimated costs that are expected to be required to settle the obligation, adjusted for expected inflation and discounted with the yield of long-term government bonds. Provision for site restoration are reviewed at each reporting date and adjusted to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration of Natural Resources to deal with them and Similar Liabilities". Estimating the future closure costs involves significant estimates and judgments made by management. Significant judgments used in these assessments include an assessment of the discount rate and the timing of cash flows.

The Group's management believes that the yield of long-term government bonds, is the best estimate of the applicable discount rate. The discount rate to be applied to the nominal amount, which management expects to spend in the future to restore the site at the field. The Group estimates future site restoration, using current year prices and the average long-term inflation.

The long-term rate of inflation in the Republic of Kazakhstan used in the calculation varies in the range from 2.8% to 14.5% per annum (2017: 2.8% to 14.5%), and the discount rate used to determine the liabilities as at December 31, 2018 is equal to 7.51% (in 2017: 7.51%).

**6. INVESTMENTS IN SUBSIDIARIES**

The following changes occurred in the composition of subsidiaries of the Group during 2018:

On October 12, 2018, the Group acquired for the amount of 100 tenge a 100% stake in the charter capital of SARECO LLP from NAC Kazatomprom JSC and thus obtained a control over the company owning the plant for the production of collective concentrate of rare earth metals. This transaction represents the business combination under common control.

According to the court decision dated June 27, 2018, and the decisions of the general meeting of participants of Masalskyi GOK LLP dated November 26, 2018, ownership interest in Masalskyi GOK was distributed as follows: 93.00% for the Company and 7.00% for the non-controlling interest, due to the recognition of the invalidation of operations on the redistribution of shares in 2015 and 2017.

In 2018 the Company increased its share in Silicon mining LLP from 90.01% till 100% as a result of acquisition for 10,228 thousand tenge.

The full list of subsidiaries is presented in Note 1.

**7. ASSETS HELD FOR SALE***Shokpar-Gagarinskoye LLP*

During 2018, the Group announced the decision of the board of directors to sell the company Shokpar-Gagarinskoye LLP, which is a wholly owned subsidiary of the Group. On December 29, 2018, the Group entered into a sales agreement with a third party. At December 31, 2018, the Shokpar-Gagarinskoye LLP was classified as a disposal group held for sale.

The financial results of the Shokpar-Gagarinskoye company for the year are presented below:

In thousands of Tenge	2018	2017
General and administrative expenses	(124)	(35,044)
<b>Operating loss</b>	<b>(124)</b>	<b>(35,044)</b>
Finance income	1,705	1,771
Finance costs	–	(130)
Impairment loss	(15,070)	–
Other non-operating income	5	–
<b>Loss before tax</b>	<b>(13,484)</b>	<b>(33,403)</b>
Corporate income tax expense	(256)	(301)
<b>Loss for the year</b>	<b>(13,740)</b>	<b>(33,704)</b>

## 7. ASSETS HELD FOR SALE (CONTINUED)

*Shokpar-Gagarinskoye LLP (continued)*

The main classes of assets and liabilities of Shokpar-Gagarinskoye, classified as held for sale as at December 31, are presented in the table below:

In thousands of Tenge	Assets and liabilities at December 31, 2018
<b>Assets</b>	
Property, plant and equipment	150
Exploration and evaluation assets	1,974,101
Intangible assets	360
Other non-current assets	25,109
Other current assets	386
Cash and cash equivalents	113
<b>Assets held for sale</b>	<b>2,000,219</b>
<b>Liabilities</b>	
Employee benefit liabilities	(243)
Other current liabilities	(1,566)
<b>Liabilities directly related to assets held for sale</b>	<b>(1,809)</b>
<b>Net assets directly attributable to disposal group</b>	<b>1,998,410</b>

Net cash flow of Shokpar-Gagarinskoye:

In thousands of Tenge	2018	2017
Operating activities	(40,262)	(69,797)
Investment activities	(142,610)	(292,840)
Finance activities	182,539	362,879
<b>Net cash (outflow) / inflow</b>	<b>(333)</b>	<b>242</b>

*Tau-ken Progress LLP*

During 2018, the Group announced the decision of the board of directors to sell Tau-Ken Progress, which is a wholly owned subsidiary of the Group. On November 15, 2018, the Group entered into a sales agreement with a third party. At December 31, 2018, Tau-Ken Progress was classified as a disposal group held for sale.

The results of Tau-Ken Progress for the year are presented below:

In thousands of Tenge	2018	2017
General and administrative expenses	(36)	(67)
<b>Operating loss</b>	<b>(36)</b>	<b>(67)</b>
Finance income	62	18
Finance costs	–	(57)
<b>Profit / (loss) before tax</b>	<b>26</b>	<b>(106)</b>
Corporate income tax expense	(9)	(3)
<b>Profit / (loss) for the year</b>	<b>17</b>	<b>(109)</b>

The main asset and liability classes of Tau-Ken Progress, classified as held for sale as at December 31, are presented in the table below:

In thousands of Tenge	Assets and liabilities at December 31, 2018
<b>Assets</b>	
Property, plant and equipment	31
Exploration and evaluation assets	319,517
Other non-current assets	4,752
Other current assets	37
Cash and cash equivalents	52
<b>Assets held for sale</b>	<b>324,389</b>
<b>Liabilities</b>	
Employee benefit liabilities	(133)
Other current liabilities	(2,785)
<b>Liabilities directly related to assets held for sale</b>	<b>(2,918)</b>
<b>Net assets directly attributable to disposal group</b>	<b>321,471</b>

Net cash flow of Tau-Ken Progress LLP:

In thousands of Tenge	2018	2017
Operating activities	(1,147)	(3,214)
Investment activities	(390)	(25,728)
Finance activities	–	30,090
<b>Net cash (outflow) / inflow</b>	<b>(1,537)</b>	<b>1,148</b>

## 8. PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	Land	Mining assets	Buildings and constructions	Machinery and equipment	Vehicles	Computers	Other	Construction in progress	Total
<b>Historical cost:</b>									
<b>As at December 31, 2016</b>	<b>604,452</b>	<b>5,154,041</b>	<b>6,589,050</b>	<b>10,220,855</b>	<b>841,249</b>	<b>90,377</b>	<b>850,735</b>	<b>11,338,442</b>	<b>35,689,201</b>
Additions	-	6,068,923	1,444	1,716,636	263,070	4,873	293,781	5,101,098	13,449,825
Changes in accounting estimates	-	(19,157)	-	-	-	-	-	-	(19,157)
Internal transfers	-	736,323	2,989,705	323,271	24,046	-	9,511	(4,082,856)	-
Transfers from inventories	-	-	-	25,495	-	-	7,902	1,589	34,986
Disposals	-	-	(15,099)	(1,565)	-	(480)	(548)	-	(17,692)
<b>As at December 31, 2017</b>	<b>604,452</b>	<b>11,940,130</b>	<b>9,565,100</b>	<b>12,284,692</b>	<b>1,128,365</b>	<b>94,770</b>	<b>1,161,381</b>	<b>12,358,273</b>	<b>49,137,163</b>
Additions	-	6,356,406	307,006	764,575	2,544,048	1,479	252,001	8,378,568	18,604,083
Changes in accounting estimates	-	(161,796)	-	-	-	-	-	-	(161,796)
Acquisition of a subsidiary	8,887	-	78,486	107,399	18,235	-	1,515	-	214,522
Internal transfers	-	47,510	1,089,604	(1,203,593)	1,278,776	-	36,569	(1,248,866)	-
Transfers from exploration and evaluation assets (Note 10)	-	-	-	-	-	-	-	199,690	199,690
Transfers from inventories	-	-	4,125	4,713	-	-	2,001	13,574	24,413
Transfers to assets held for sale (Note 7)	-	-	-	-	-	-	(181)	-	(181)
Impairment	-	-	-	-	-	-	(408,006)	-	(408,006)
Disposals	(5,481)	(164,369)	(973)	(30,445)	(1,500)	(1,472)	(10,721)	(70,215)	(285,176)
<b>As at December 31, 2018</b>	<b>607,858</b>	<b>18,017,881</b>	<b>11,043,348</b>	<b>11,927,341</b>	<b>4,967,924</b>	<b>94,777</b>	<b>1,442,565</b>	<b>19,223,018</b>	<b>67,324,712</b>
<b>Accumulated depreciation and impairment:</b>									
<b>As at December 31, 2016</b>	-	-	(380,578)	(1,343,980)	(141,264)	(58,299)	(135,959)	-	(2,060,080)
Charge for the year	-	-	(270,522)	(840,215)	(88,958)	(5,294)	(106,066)	-	(1,311,055)
Depreciation on disposals	-	-	258	642	-	476	153	-	1,529
<b>As at December 31, 2017</b>	-	-	(650,842)	(2,183,553)	(230,222)	(63,117)	(241,872)	-	(3,369,606)
Charge for the year	-	-	(392,267)	(906,292)	(320,209)	(10,693)	(159,974)	-	(1,789,435)
Depreciation on disposals	-	-	-	6,274	400	856	7,390	-	14,920
<b>As at December 31, 2018</b>	-	-	(1,043,109)	(3,083,571)	(550,031)	(72,954)	(394,456)	-	(5,144,121)
<b>Net book value:</b>									
<b>As at December 31, 2017</b>	<b>604,452</b>	<b>11,940,130</b>	<b>8,914,258</b>	<b>10,101,139</b>	<b>898,143</b>	<b>31,653</b>	<b>919,509</b>	<b>12,358,273</b>	<b>45,767,557</b>
<b>As at December 31, 2018</b>	<b>607,858</b>	<b>18,017,881</b>	<b>10,000,239</b>	<b>8,843,770</b>	<b>4,417,893</b>	<b>21,823</b>	<b>1,048,109</b>	<b>19,223,018</b>	<b>62,180,591</b>

Depreciation charge for the year ended December 31, 2018 includes 702,869 thousand Tenge (year ended December 31, 2017: 676,413 thousand Tenge) recognized in cost of goods sold (Note 23), 98,860 thousand Tenge recognized in general and administrative expenses (year ended December 31, 2017: 128,128 thousand Tenge) (Note 24).

The amount of borrowing costs that were capitalized during the year ended December 31, 2018 amounted to 70,411 thousand

Tenge (2017: nil). The rate used to determine the amount of borrowing costs to be capitalized was 6.25% and represents the effective interest rate on a loan received from Eurasian Development Bank JSC.

As at December 31, 2018, property, plant and equipment with a carrying value of 244,079 thousand Tenge were pledged as collateral under a loan agreement with JSC Eurasian Development Bank (2017: 267,506) (Note 20).

## 9. INTANGIBLE ASSETS

In thousands of Tenge	Subsoil use rights	Other	Total
<b>Historical cost:</b>			
<b>As at December 31, 2016</b>	<b>52,504,453</b>	<b>136,377</b>	<b>52,640,830</b>
Additions	-	128,546	128,546
Disposals	-	(625)	(625)
<b>As at December 31, 2017</b>	<b>52,504,453</b>	<b>264,298</b>	<b>52,768,751</b>
Additions	-	66,971	66,971
Acquisition of subsidiaries	38,946	-	38,946
Disposals	-	(1,191)	(1,191)
Transfers to assets held for sale (Note 7)	-	(360)	(360)
<b>As at December 31, 2018</b>	<b>52,543,399</b>	<b>329,718</b>	<b>52,873,117</b>
<b>Accumulated amortization:</b>			
<b>As at December 31, 2016</b>	-	(38,716)	(38,716)
Amortization charge for year	-	(49,702)	(49,702)
<b>As at December 31, 2017</b>	-	(88,418)	(88,418)
Amortization charge for year	-	(32,690)	(32,690)
<b>As at December 31, 2018</b>	-	(121,108)	(121,108)
<b>Net book value:</b>			
<b>As at December 31, 2017</b>	<b>52,504,453</b>	<b>175,880</b>	<b>52,680,333</b>
<b>As at December 31, 2018</b>	<b>52,543,399</b>	<b>208,610</b>	<b>52,752,009</b>

Amortization of intangible assets for the year ended December 31, 2018, includes 288 thousand Tenge (year ended December 31, 2017: nil) recognized in cost of goods sold (Note 23), 11,818 thousand Tenge in general and administrative expenses (year ended December 31, 2017: 7,374 thousand Tenge.) (Note 24).

Subsoil use rights are represented by recognized intangible assets acquired as a result of business combinations of ShalkiyaZinc LTD, Masalskiy GOK and Severnyi Katpar LLP.

As at December 31, 2018 and December 31, 2017 intangible assets of the Group were not pledged as collateral.

**10. EXPLORATION AND EVALUATION ASSETS**

In thousands of Tenge	Exploration and evaluation assets
<b>As at December 31, 2016</b>	<b>5,854,548</b>
Additions	1,377,657
Disposals	(1,533)
Impairment	(382,201)
<b>As at December 31, 2017</b>	<b>6,848,471</b>
Additions	916,885
Transfers to property, plant and equipment (Note 8)	(199,690)
Disposals	(1,970,033)
Assets held for sale (Note 7)	(2,293,618)
<b>As at December 31, 2018</b>	<b>3,302,015</b>

The exploration and evaluation assets include the following capitalized costs:

In thousands of Tenge	December 31, 2018	December 31, 2017
Geological and geophysical works	<b>2,648,327</b>	5,958,125
Services for preparation of project feasibility study	<b>70,869</b>	166,780
Payroll and related expenses	<b>63,322</b>	87,389
Contributions to social-economic regional development and development of its infrastructure	<b>35,355</b>	66,460
Subscription bonus	<b>33,880</b>	358,784
Geological information	<b>1,851</b>	6,651
Other	<b>448,411</b>	601,349
Impairment	–	(397,067)
	<b>3,302,015</b>	<b>6,848,471</b>

The change in the provision for impairment of exploration and evaluation assets for the year ended December 31, 2018 is as follows:

In thousands of Tenge	2018	2017
As at January 1	<b>397,067</b>	<b>14,866</b>
Accrued	–	<b>382,201</b>
Write-off	<b>(397,067)</b>	
<b>As at December 31</b>	<b>–</b>	<b>397,067</b>

**11. INVESTMENTS IN AN ASSOCIATE**

In thousands of Tenge	December 31, 2018		December 31, 2017	
	Share	Amount	Share	Amount
Kazzinc LLP	29.8221%	483,722,801	29.8221%	443,335,588
	Primary activity	Country where the main activity is conducted and location	A description of the nature of the relationship between the Group and the organization and whether it is strategically important to the Group	The fair value of investments (if investments are accounted for using the equity method, if there is a quoted market price for the investment)
	Extraction and processing of metal ores, production of refined metals	The Republic of Kazakhstan	The organization is strategically important for the Group's Shareholder	Not quoted

Movements in investments in an associate are presented as follows:

In thousands of Tenge	
<b>As at January 1, 2017</b>	<b>434,888,968</b>
Share in profit of an associate	58,049,264
Dividends	(39,321,127)
Foreign currency translation	(10,281,517)
<b>As at December 31, 2017</b>	<b>443,335,588</b>
Share in profit of an associate	46,637,013
Dividends	(67,311,600)
Foreign currency translation	61,061,800
<b>As at December 31, 2018</b>	<b>483,722,801</b>

*Kazzinc LLP*

In accordance with the decision of the general meeting of owners of Kazzinc LLP dated 15 March 2018, the total amount of dividends declared to the owners of Kazzinc LLP for the year ended December 31, 2017 was equal to 232,110,000 thousand Tenge, 67,311,600 thousand Tenge out of total amount of dividends were distributed to the Group and were paid in cash.

In accordance with the decision of the general meeting of owners of Kazzinc LLP dated 16 March 2017, the total amount of dividends declared to the owners of Kazzinc LLP for the year ended December 31, 2016 was equal to 131,676,462 thousand Tenge, 39,268,687 thousand Tenge out of total amount of dividends were distributed to the Group and were paid in cash.

The summarized financial information of the associate is provided below, as well as reconciling this information with the carrying amount of the investment in the consolidated financial statements:

In thousands of Tenge	December 31, 2018	December 31, 2017
Current assets	<b>373,228,720</b>	407,770,904
Non-current assets	<b>1,656,829,585</b>	1,444,462,721
Current liabilities	<b>(98,006,622)</b>	(95,859,259)
Non-current liabilities	<b>(310,018,280)</b>	(269,773,530)
<b>Equity</b>	<b>1,622,033,403</b>	<b>1,486,600,836</b>
<b>Carrying value of investment</b>	<b>483,722,801</b>	<b>443,335,588</b>

In thousands of Tenge	2018	2017
Revenue	<b>1,081,320,447</b>	999,280,372
Net profit	<b>156,384,518</b>	194,652,485
<b>The Group's share in net profit for the year</b>	<b>46,637,013</b>	<b>58,049,264</b>

**12. INVESTMENT SECURITIES**

In November 2018 by decision of the Government of the Republic of Kazakhstan – the ultimate shareholder of the Company, the Group acquired 10,604,910 bonds of Tsesnabank JSC at the Kazakhstan Stock Exchange at a nominal value of 1 thousand tenge for each with a maturity of 10 years, with a nominal interest rate of 4% per annum. Under the terms of the issue, interest is paid at the end of each year, during the circulation period.

This asset was classified as a financial asset at amortized cost and measured at fair value at the recognition date. The discount rate of 12.19% was determined at the rate of the

average yield of government securities adjusted for the bank's rating. The discount was amounted to 4,853,596 thousand tenge and is recognized in the consolidated statement of changes in equity in retained earnings less deferred corporate income tax in the amount of 970,720 thousand tenge.

As at December 31, 2018, the Group recognized an expected 12-month credit loss from the impairment of investment securities in the amount of 372,454 thousand tenge, recognized in the consolidated statement of profit or loss.

**13. INVENTORIES**

Current assets include the following inventories:

In thousands of Tenge	December 31, 2018	December 31, 2017
Finished goods	13,345,996	4,669,231
Work-in-progress	7,748,892	5,955,012
Raw materials and suppliers	2,453,021	10,163,236
Goods	2,640	–
Less: reserve on write off of inventories to net realizable value	(33,856)	(68,576)
	<b>23,516,693</b>	<b>20,718,903</b>

The finished goods mainly include: refined gold and silver bullions. Work in progress mainly includes: semi-finished gold and silver, and electrolyte of gold and silver. Raw materials

and materials include mainly semi-finished gold and silver purchased from third parties for processing.

The change in reserve on write off of inventories to net realizable value for the year ended December 31 is presented below:

In thousands of Tenge	2018	2017
As at January 1	68,576	207,635
Accrued / (recovered) (Note 24)	53,636	(127,147)
Written off	(88,356)	(11,912)
<b>As at December 31</b>	<b>33,856</b>	<b>68,576</b>

Within long-term assets, as at December 31, 2018, the inventories in the amount of 2,310,181 were planned to be used by the Group to create long-term assets.

**14. OTHER NON-CURRENT ASSETS**

In thousands of Tenge	December 31, 2018	December 31, 2017
Taxes recoverable, except corporate income tax	4,801,517	3,480,294
Advances for non-current assets	2,512,950	2,853,783
Prepaid expenses	2,186,578	1,153,624
Other non-current assets	307,241	424,224
	<b>9,808,286</b>	<b>7,911,925</b>

As at December 31, 2018, prepaid expenses include a commission and fee for reservation of a loan in the amount of 2,186,578 thousand tenge, paid to EBRD under a loan agreement (December 31, 2017: 1,153,624 thousand tenge) (Note 20).

**15. OTHER CURRENT ASSETS**

In thousands of Tenge	December 31, 2018	December 31, 2017
VAT recoverable	1,048,281	4,256
Accounts receivable from third parties	681,915	655,879
Accounts receivable from related parties	33,697	–
Advances paid	238,777	598,262
Other current assets	170,841	310,809
Less: provision for doubtful debts	(64,888)	(10,177)
	<b>2,108,623</b>	<b>1,559,029</b>

The movement in provision for doubtful debts for the year ended December 31 is presented as follows:

In thousands of Tenge	2018	2017
<b>As at January 1</b>	<b>10,177</b>	<b>7,728</b>
Effect from application of IFRS 9	4,534	–
Accrued	50,177	2,449
<b>As at December 31</b>	<b>64,888</b>	<b>10,177</b>

**16. CASH AND CASH EQUIVALENTS**

In thousands of Tenge	December 31, 2018	December 31, 2017
Current bank accounts in Tenge	3,457,195	2,535,797
Short-term bank deposits with maturity less than 90 days, Tenge	1,526,507	11,828,004
Current bank accounts in Euro	29,099	1,292
Current bank accounts in US Dollars	24,915	3,742,049
Short-term bank deposits with maturity less than 90 days, US Dollar	5,276	1,785,921
Cash on hand	671	–
Current bank accounts in other currencies	6	183
Short-term bank deposits with maturity less than 90 days, Euro	–	141,220
Cash in transit	–	2,326,290
Less: provision for impairment	(25)	–
<b>Total cash and cash equivalents</b>	<b>5,043,644</b>	<b>22,360,756</b>

Movement in the provision for impairment in cash and cash equivalents is presented as follows:

In thousands of Tenge	2018	2017
As at January 1	–	–
Effect from application of IFRS 9	3	115,511
Recovered	(115,486)	–
<b>As at December 31</b>	<b>25</b>	<b>–</b>

**17. SHORT-TERM BANK DEPOSITS**

In thousands of Tenge	December 31, 2018	December 31, 2017
Short-term bank deposits with maturity from 3 months till one year, Tenge	1,881,351	6,294,093
Short-term bank deposits with maturity from 3 months till one year, US Dollar	1,842,362	9,707,480
Less: provision for impairment	(59,547)	-
<b>Total short-term bank deposits</b>	<b>3,664,166</b>	<b>16,001,573</b>

Movement in the provision for impairment in short term bank deposits is presented as follows:

In thousands of Tenge	2018	2017
As at January 1	-	-
Effect from application of IFRS 9	3	-
Recovered	(145,516)	-
<b>As at December 31</b>	<b>59,547</b>	<b>-</b>

**18. SHARE CAPITAL***Share capital*

In thousands of Tenge	Ordinary shares	
	Quantity	Amount
As at January 1, 2017	292,887	252,874,907
As at December 31, 2017	292,887	252,874,907
<b>As at December 31, 2018</b>	<b>292,887</b>	<b>252,874,907</b>

The Company's share capital comprises of ordinary shares. Each ordinary share gives a right for one vote. There were no changes in the share capital in 2018 and 2017.

*Other components of the capital*

Other components of the capital represent a foreign currency translation reserve attributable to the associate Kazzinc LLP.

*Non-controlling interest in Masalskiy GOK LLP and Silicon Mining LLP*

In thousands of Tenge	2017
<b>As at January 1</b>	<b>60,260</b>
Total comprehensive loss for the period attributable to non-controlling interest	(9,635)
<b>As at December 31</b>	<b>50,625</b>
In thousands of Tenge	2018
As at January 1	50,625
Change in non-controlling interest	83,342
Acquisition of a subsidiary	15,222
Total comprehensive loss for the period attributable to non-controlling interests	(21,419)
<b>As at December 31</b>	<b>127,770</b>

*Dividends*

During 2018 based on the results of 2017 the Group declared and fully paid dividends to Samruk-Kazyna in the amount of 60,000,000 thousand Tenge. (2017: 5,617,478 thousand Tenge)

**19. CONTRACT LIABILITIES AND ACCOUNTS PAYABLE**

In thousands of Tenge	December 31, 2018	December 31, 2017
Accounts payable for the acquisition of a subsidiary (Note 29)	5,793,232	5,417,568
Accounts payable to third parties	4,807,103	3,328,940
Contract liabilities to related parties (Note 29)	2,379,519	3,655,849
Accounts payable to related parties (Note 29)	173,719	19,914
	<b>13,153,573</b>	<b>12,422,271</b>
Current portion	7,151,177	7,004,703
Non-current portion	6,002,396	5,417,568
	<b>13,153,573</b>	<b>12,422,271</b>

As at December 31, 2018 and 2017 accounts payable for the acquisition of a subsidiary are represented by debt to the Investment Fund of Kazakhstan JSC for the acquisition of a

100% interest in the authorized capital of Silicon Kazakhstan LLP, which transferred assets and liabilities to Tau-Ken Temir LLP in 2016 (Note 29).

**20. LOANS RECEIVED**

As at December 31, 2017 and 2018 loans received are as follows:

In thousands of Tenge	Repayment date	Currency	Rate, %	December 31, 2018	December 31, 2017
Eurasian Bank of Development	December 30, 2023	US Dollar	6.25%	1,596,622	625,683
Less: amortised loan origination fee		US Dollar		(44,484)	(56,280)
Loans received from Shareholder	June 30, 2024	Tenge	0.1%	-	3,104,963
<b>Total</b>				<b>1,552,138</b>	<b>3,674,366</b>

*Loan received from the Eurasian Bank of Development ("EABD")*

On December 30, 2016, JV Alaigyr LLP, a subsidiary, signed a loan agreement for 7 years with EBD for the amount of 56 million US Dollars to finance a construction of an enrichment plant at an interest rate of 6.25% per annum with the maturity in 2023. In accordance with the signed agreement, JV Alaigyr LLP should comply with certain financial and non-financial covenants. As at December 31, 2018 the Company complied with the covenants.

As security for the loan agreement, the Group provided the following to EADB as a pledge for a period corresponding to the term of the loan agreement:

- the right to claim cash to be received under the contract with Kazzinc LLP in case of non-payment of the debt;

- certain property, plant and equipment of the Group in the amount of 244,079 thousand tenge as at December 31, 2018 (Note 8);
  - subsoil use right under the contract for the extraction of polymetallic ores at the Alaigyr deposit.
- According to the terms of the loan agreement, in 2017 the Group paid a fee in the amount of 56,280 thousand tenge for receiving a loan. This commission is part of the effective interest rate and is amortized over the term of the loan agreement as part of interest expense in the statement of profit or loss.

*Loans received from the Shareholder*

During 2018, the Group repaid the loan from the Shareholder in the amount of 7,746,793 thousand tenge ahead of schedule. The unamortized discount on the date of payment of this loan in the amount of 4,594,196 thousand tenge was recognized in the consolidated statement of changes in equity.

**21. OTHER CURRENT LIABILITIES**

In thousands of Tenge	December 31, 2018	December 31, 2017
Debt to employees	613,460	308,863
Taxes payable, other than corporate income tax	310,302	210,226
Subsoil use contract obligations	117,360	119,783
Other current liabilities	133,041	219,030
	<b>1,174,163</b>	<b>857,902</b>

**22. REVENUES FROM CONTRACTS WITH CUSTOMERS**

In thousands of Tenge	2018	2017
Sale of gold	257,475,423	193,796,598
Sale of silicon	10,138,776	9,887,011
Refining Services	289,272	–
Sale of silver	–	2,620,544
Other	6,105	8,733
	<b>267,909,576</b>	<b>206,312,886</b>

The Group mainly sells its finished products in the form of gold bullion weighting 12 kilograms with a gold content of 99.99% to the single buyer, the National Bank of the Republic of Kazakhstan, related party (entities under common control

of the State). During 2018 and 2017 the Company sold finished goods with a total weight 18,302 kg, and 14,594 kg, respectively.

**23. COST OF GOODS SOLD**

In thousands of Tenge	2018	2017
Materials and raw materials	271,197,970	192,230,343
Electricity	2,726,282	2,610,088
Payroll and related taxes	1,179,787	1,040,975
Depreciation and amortization (Notes 8 and 9)	703,157	676,413
Inventories	426,092	772,686
Other	1,087,357	706,375
Change in finished goods and work in progress (Note 13)	(10,470,645)	7,103,915
	<b>266,816,144</b>	<b>205,140,795</b>

**24. GENERAL AND ADMINISTRATIVE EXPENSES**

In thousands of Tenge	2018	2017
Payroll and related taxes	2,569,478	2,126,085
Professional and consulting services	307,900	311,753
Taxes other than corporate income tax	259,696	35,319
Business trip expenses	254,689	98,196
Rent expenses	163,345	192,560
Other services	150,947	10,440
Depreciation and amortization (Notes 8 and 9)	110,678	135,502
Representative expenses	76,427	5,310
Utilities	61,663	69,889
Communication services	31,275	13,609
Provisions on accounts receivable	50,177	93,791
Write off / (recovery) of inventories to net realizable value	12,302	(127,147)
Other	245,088	445,273
	<b>4,293,665</b>	<b>3,410,580</b>

**25. FINANCE INCOME**

In thousands of Tenge	2018	2017
Finance income from bank deposits	2,301,897	3,635,086
Finance income from investment securities	60,389	–
	<b>2,362,286</b>	<b>3,635,086</b>

**26. CORPORATE INCOME TAX**

In 2018 and 2017 the Group was subject to corporate income tax at the official rate of 20%.

Tau-Ken Altyn LLP, a subsidiary, operates on the territory of industrial park of the Special economic zone "Astana – new city". As per provisions of the Tax Code of the Republic of

Kazakhstan (hereinafter – "Code"), while determining the amount of corporate income tax to be paid to the budget Tau-Ken Altyn LLP reduces the amount of the corporate income tax calculated in accordance with the Code by 100 per cent from revenues received from the sale of goods, work, services resulting from priority activities.

In thousands of Tenge	2018	2017
Current corporate income tax	(275,212)	(18,043)
Deferred corporate income tax	(20,377)	(37,310)
<b>Corporate income tax expense</b>	<b>(295,589)</b>	<b>(55,353)</b>

Reconciliation of corporate income tax expense calculated from the accounting profit before income tax at the statutory income tax rate to corporate income tax expense for the years ended December 31, 2018 and 2017 is presented below:

In thousands of Tenge	2018	2017
<b>Profit before income tax</b>	<b>44,381,595</b>	56,550,524
Statutory tax rate	20%	20%
<b>Corporate income tax expense at the statutory rate</b>	<b>8,876,319</b>	11,310,105
Change in unrecognised deferred tax assets	733,148	51,072
Share in profit of an associate	(9,327,403)	(11,609,811)
Other	13,525	303,987
<b>Corporate income tax expense</b>	<b>295,589</b>	<b>55,353</b>

**26. CORPORATE INCOME TAX (CONTINUED)**

As at 31 December, components of deferred corporate income tax assets and liabilities are as follows:

In thousands of Tenge	2018	Changes recognized in the statement of changes in equity	2017	Changes recognized in the statement of profit or loss and other comprehensive income	2016
<b>Deferred corporate income tax assets</b>					
Tax loss carried forward	1,382,348	-	886,244	102,059	784,185
Discount on recognition of investment securities	965,880	970,720	(4,840)	-	-
Capitalized expenses in tax accounting	558,979	-	558,979	25,786	533,193
Unused vacations reserve	101,961	-	44,461	18,213	39,287
Provision on expected credit losses (IFRS 9)	86,405	-	86,405	-	-
Accrued liabilities under subsoil use contracts	24,176	-	(16,060)	(25,448)	65,684
Provision for doubtful debts	12,977	-	12,977	(1,546)	1,546
Accrued liabilities for payment of subscription bonus	-	-	(4,873)	4,873	-
Other	134,190	-	111,674	(72,865)	95,381
	3,266,916	970,720	1,570,348	51,072	1,519,276
Less: unrecognized deferred income tax assets	(2,301,036)	-	(730,688)	51,072	(1,519,276)
<b>Net deferred corporate income tax assets</b>	<b>965,880</b>	<b>970,720</b>	<b>(4,840)</b>	<b>-</b>	<b>-</b>
<b>Deferred corporate income tax liabilities</b>					
Property, plant and equipment	(253,254)	-	(31,583)	(154,602)	(67,069)
Assessment of intangible assets at fair value	(9,993,200)	-	13,438	119,900	(10,126,538)
Other liabilities	-	-	2,608	(2,608)	-
<b>Deferred corporate income tax liabilities</b>	<b>(10,246,454)</b>	<b>-</b>	<b>(15,537)</b>	<b>(37,310)</b>	<b>(10,193,607)</b>
<b>Net deferred corporate income tax liabilities</b>	<b>(9,280,574)</b>	<b>970,720</b>	<b>(10,230,917)</b>	<b>(37,310)</b>	<b>(10,193,607)</b>

**Reconciliation of deferred income tax liabilities, net:**

In thousands of Tenge	2018	2017
As at January 1	10,230,917	10,193,607
Income tax expense for the period recognized in profit or loss	20,377	37,310
Changes recognized in the statement of changes in equity	(970,720)	-
<b>As at December 31</b>	<b>9,280,574</b>	<b>10,230,917</b>

Deferred corporate income tax related to assessment of intangible assets at fair value is deferred income tax acquired within business combination with ShalkiyaZinc, MGOK and Severnyi Katpar LLP.

As at December 31, 2018 unrecognized deferred tax assets were equal to 2,301,036 thousand Tenge (2017: 1,570,348

thousand Tenge) and were mainly attributed to the tax loss carried forward. These losses can be utilised within 10 (ten) years. Due to the uncertainty over the likelihood of availability of taxable profit in the future, against which these losses can be utilized, the corresponding deferred tax asset was not recognized.

**27. CONTRACTUAL AND CONTINGENT LIABILITIES****Environment where the Group carries out its financial and business activities**

Kazakhstan continues economic reforms and development of its legal, tax and regulatory infrastructure which would meet requirements of a market economy. The stability of the Kazakhstani economy will be largely dependent upon these reforms and effectiveness of economic, financial and monetary measures undertaken by the Government.

The Kazakhstani economy is vulnerable to market fluctuations and global economic slowdowns. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. While the Kazakhstani Government has introduced a range of stabilization measures aimed at providing liquidity and supporting foreign debt refinancing for Kazakhstani banks and companies, there is an uncertainty regarding the access to sources of capital and cost of capital for the Group and its counterparties, which could affect the financial position, results of operations and business prospects of the Group.

Given that the economy of Kazakhstan largely depends on exports of oil and other mineral resources, the world prices for which have significantly fallen in recent years, especially for hydrocarbons, there is a currently observable decline in the economic development of the country. In addition, the currently ongoing economic sanctions against Russia indirectly affect the economy of Kazakhstan, given the large economic relations between these countries. As a consequence of these negative impacts, on August 20, 2015, the National Bank and the Government of the Republic of Kazakhstan decided to move to a free floating exchange rate, after that the national currency Tenge significantly devalued against major world currencies.

The management of the Group believes it is undertaking all necessary measures to support the economic sustainability of the Group in such circumstances. However, further deterioration in the areas described above could negatively

affect the results and financial position of the Group. The possible impact is not currently determinable.

**Seasonality**

The principal activity of the Group is exploration, development, extraction, processing and sale of solid minerals; these areas are not subject to seasonality or cyclic recurrence of operations.

**Taxation**

The provisions of various tax laws and regulations are not always clearly written and their interpretation depends on the opinion of tax inspectors and the officials of the Ministry of Finance of the Republic of Kazakhstan. There are instances of a dissent between local, regional and national tax authorities.

The applied current system of fines and penalties for identified violations on the basis of existing tax laws in Kazakhstan is severe. Penalties include fines, usually amounting to 50% of the additionally imposed taxes and penalty which is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, the amount of fines and penalties may significantly exceed the amount of additionally imposed taxes.

**27. CONTRACTUAL AND CONTINGENT LIABILITIES (CONTINUED)****Taxation (continued)**

The Group believes that it has paid or accrued all applicable taxes. In uncertain cases, the Group has accrued tax liabilities based on management's estimates. Accrual of contingent liabilities in the reporting period, in which there is a possibility of additional costs, which can be determined with reasonable accuracy, is allowed by the policy of the Group.

The potential amount of taxes, fines and penalties may exceed the amount expensed to date and accrued as at December 31, 2018, because of the uncertainties associated with Kazakhstan's tax system. Despite the possibility of imposing such amounts, and their potentially significant nature, the management of the Group believes that it is either not probable, not reasonably determinable, or both simultaneously.

The development of the political situation in Kazakhstan can affect the activity and financial position of the Group, including the application of existing and future legislation and regulatory acts in taxation. The Group does not believe that these contingencies are any more significant in relation to its activities than those of similar enterprises in Kazakhstan.

The Management believes that as at December 31, 2018 its interpretation of the relevant legislation is appropriate and it is probable that the Group's tax position will be sustained.

**Environmental protection**

The Group's management believes that the Group complies with the requirements of laws and regulations of the Republic of Kazakhstan in relation to environmental issues. However, in case of change of Kazakhstani laws and regulations on environmental protection, the Group cannot predict the timing and the degree of changes.

**Legal issues**

In the ordinary course of business, the Group may be subject to various lawsuits and claims. The Group's management believes that the actual obligations, if any, will not materially impact the current financial position and financial results of the Group. Therefore, provisions were not recognized in these consolidated financial statements.

**Legal claim from ENRC N.V.**

In December 2018 ENRC N.V. claimed to the specialized inter-district economic court of the Akmola region with a claim for recovery from the Company in the amount of USD 9,773,423 and expenses on payment of state fees in the amount of 109,072 thousand tenge. The management of the Group believes that the stated claim is not lawful and the collection of the claim of ENRC N.V. is unlikely.

The Group assesses the probability of material obligations arising under specific circumstances and recognizes

corresponding provision in the consolidated financial statements only when it is probable that an outflow of resources will be necessary to settle the obligations and the amount of the obligation can be reliably measured.

The Group's management believes that the actual liabilities, if any, will not materially impact the current financial position and financial results of the Company. Therefore, no provision has been recognized in these financial statements.

**Insurance**

The insurance market in Kazakhstan is emerging and many types of insurance widespread in other countries are not yet available in Kazakhstan. Meanwhile, the Group has insurance coverage related to ongoing drilling and capital repair of mines, as well as civil liability against third parties at a level of generally accepted principles in mining industry. Management believes that as at December 31, 2018 the Group's insurance program was in compliance with the main terms of the subsoil use contracts.

**27. CONTRACTUAL AND CONTINGENT LIABILITIES (CONTINUED)****Obligations under subsoil use contracts**

As at December 31, 2018 the Group has the following obligations under long-term working programs of subsoil use contracts:

In thousands of Tenge	Obligations under long-term working program				
	2018	2019	2020	2021–2026	2027–2037
Shalkiya deposit	15,257,261	72,659,354	62,199,621	200,366,725	653,113,609
Alaigyr deposit	4,265,346	26,902,400	19,294,300	122,897,200	226,028,100
Severnyi Katpar deposit	921,613	7,337,776	6,983,003	35,512,333	-
Spasskaya CMZ deposit	754,563	-	-	-	-
Aktas deposit	743,316	490,538	450,050	2,777,454	-
Verhniye Kayrakty deposit	455,044	81,133	-	-	-
Masalskoye deposit	215,895	3,652,000	2,313,000	30,787,000	-
South-Moiynty area deposit	15,343	256,032	112,843	-	-
Melovoe deposit	3,738	-	-	-	-
Progress deposit	1,590	68,937	-	-	-
East Alaigyr deposit	400	63,177	52,897	326,655	-
	<b>22,634,109</b>	<b>111,511,347</b>	<b>91,405,744</b>	<b>392,667,367</b>	<b>879,141,709</b>
					<b>593,739,644</b>

The Group's operations are subject to inspection by the state authorities with respect to the compliance with the requirements of the subsoil use contracts. Management cooperates with state authorities to agree on remedial actions necessary to resolve any findings resulting from these inspections. Failure to comply with the provisions contained in the subsoil use contracts may result in fines, penalties, limitation, suspension or revocation of the corresponding contract. The Group's management believes that any disputes related to non-compliance with contract terms will be resolved through negotiations or remedial actions and will not have a significant impact on the consolidated financial statements of the Group.

**27. CONTRACTUAL AND CONTINGENT LIABILITIES  
(CONTINUED)****Loans and guarantees**

Loan agreement with the European Bank for Reconstruction and Development ("EBRD")

As at December 31, 2018, JSC ShalkiyaZinc LTD, a subsidiary, is entitled to receive cash under the credit line with EBRD at a rate of LIBOR plus 2.5% per annum for up to 295 million US Dollars (December 31, 2017: up to 350 million US dollars) for the construction of an enrichment plant, a tailing dump, on-site nets, an ore production complex and mining capital works at the Shalkiya mine. Under the terms of this line, the principal debt must be repaid in equal installments every six months from June 20, 2021 to December 20, 2029.

The loan is provided under the irrevocable guarantee of Samruk-Kazyna and under the guarantee of the Group for the fulfillment of contractual terms related to the implementation of the project. In accordance with the terms, ShalkiyaZinc LTD JSC must, throughout the entire term of the agreement, comply with covenants, such as meeting construction deadlines; compliance with the requirements of state, supervisory, tax authorities; performance of relevant financial indicators and other. As at December 31, 2018, the Company complied with these covenants.

As at December 31, 2018, ShalkiyaZinc LTD JSC did not receive cash under this loan agreement. As at December 31, 2018, prepaid expenses include a commission and a fee for reserving a loan in the total amount of 2,186,578 thousand tenge, paid by the EBRD under this agreement (December 31, 2017: 1,153,624 thousand tenge) (Note 14).

**Operating lease agreements**

As at December 31, 2018 and 2017 the Group has no non-cancellable operating lease agreements.

**Investment related agreements**

On October 2, 2018, the Group signed a turnkey agreement for the supply of equipment, design and construction of a concentrator at the Shalkiya lead-zinc deposit with Engineering Dobersek GmbH for a total amount of 317 US dollars. According to the contract, the annual capacity of the processing plant after reaching its design capacity at the end of 2021 will amount to 4 million tons of polymetallic ores. It is expected that the launch of the first start-up complex will be carried out in 2020 with an output of the design capacity of 2 million tons of complex ores, and the launch of the

second start-up complex is planned in the 4<sup>th</sup> quarter of 2021 – with a total capacity of two start-up complexes of 4 million tons of complex ores.

As at December 31, 2018 and 2017 the Group has no other investment related agreements, except for subsoil use contracts.

**28. FINANCIAL INSTRUMENTS, FINANCIAL RISK  
MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to the following risks associated with financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note provides information about the Group's exposure to all of the above mentioned risks, the objectives, policies and processes of the Group for measuring and managing these risks as well as the Group's capital management.

The Group's risk management policies are established to identify and analyze risks faced by the Group, to determine the appropriate risk limits and controls, to monitor risks and comply with limits. Policies and risk management systems are reviewed on a regular basis to reflect changes in market conditions and the Group's activities.

**Market risk**

Market risk is the risk that the fair value of future cash flows on a financial instrument will fluctuate due to changes in market prices.

**Interest rate change risk**

Interest rate change risk is the risk that the fair value of future cash flows on a financial instrument will fluctuate due to changes in market interest rates. The Group does not have financial instruments with floating interest rate.

**Liquidity risk**

Liquidity risk is the risk that the Group will be unable to repay all its obligations, when they fall due. The Group controls the liquidity risk by maintaining an adequate level of leverage (debt and equity instruments) and by controlling the cash budget.

The table below summarizes the maturity profile of non-derivative financial liabilities of the Group under the terms of contracts and the agreed payment schedules. This table was prepared on the basis of undiscounted cash flows of financial liabilities and the earliest maturity date of the Group's obligations.

In thousands of Tenge	On demand	From 1 month to 3 months	From 3 months to 1 year	1 year to 5 years	More than 5 years	Total
<b>December 31, 2018</b>						
Accounts payable	–	4,980,822	–	–	–	<b>4,980,822</b>
Loans received	–	–	248,488	570,675	1,151,684	<b>1,970,847</b>
Accounts payable for acquisition of subsidiary	–	–	296,761	7,992,400	–	<b>8,289,161</b>
	–	<b>4,980,822</b>	<b>545,249</b>	<b>8,563,075</b>	<b>1,151,684</b>	<b>15,240,830</b>

In thousands of Tenge	On demand	From 1 month to 3 months	From 3 months to 1 year	1 year to 5 years	More than 5 years	Total
December 31, 2017						
Accounts payable	–	3,348,854	–	–	–	<b>3,348,854</b>
Loans received from the Shareholder	–	–	–	–	7,889,377	<b>7,889,377</b>
Loans received	–	–	41,084	605,041	215,635	<b>861,760</b>
Accounts payable for acquisition of subsidiary	–	–	–	1,383,300	6,916,500	<b>8,299,800</b>
	–	<b>3,348,854</b>	<b>41,084</b>	<b>1,988,341</b>	<b>15,021,512</b>	<b>20,399,791</b>

**Credit risk**

The Group is exposed to credit risk related to financial assets, which include accounts receivable, investment securities, cash and cash equivalents and short-term bank deposits. The risk of the Group is related to the possibility of default of a counterparty, with a maximum exposure equal to the carrying

amount of these instruments. The risk of the Group is related to the possibility of the counterparty default, with the maximum risk being equal to the carrying amount of these instruments. The Group is exposed to credit risk as a result of its operating activities and certain investment activities. In the course of its investment activities, the Group mainly places deposits in Kazakhstani banks.

The following table shows the balance of cash, bank deposits placed with banks at the reporting date using the credit ratings of Standard & Poor's and Fitch, less the reserves created:

In thousands of Tenge	Rating as at December 31, 2018	Rating as at December 31, 2017	December 31 2018	December 31 2017
Halyk Bank JSC	BB/stable	BB/negative	4,985,927	2,429,597
ATF Bank JSC	B/stable	B3/positive	1,830,323	4,931,168
Bank CenterCredit JSC	B/stable	B/stable	1,818,673	9,378,886
SB Sberbank JSC	BB+/positive	BB+/positive	33,341	1,187,207
Forte Bank JSC	B/stable	B/stable	30,162	2,562,785
Citibank Kazakhstan JSC	Not applicable	Not applicable	5,811	–
Kassa Nova Bank JSC	B/stable	B/negative	1,990	3,113,989
Tsesnabank JSC	B-/stable	B+/negative	1,239	11,786,198
SB Alfa Bank JSC	BB+/stable	BB+/stable	288	–
Eurasian Bank JSC	B/negative	B/negative	46	204,180
SB Bank of China in Kazakhstan JSC	Not applicable	Not applicable	10	–
Astana Bank JSC	Not applicable	Not applicable	–	2,663,940
Kazkommertsbank JSC	Not applicable	Not applicable	–	37,791
Tengri Bank JSC	B1/stable	B1/stable	–	50,000
Asia Credit Bank JSC	CCC+/negative	CCC+/negative	–	16,588
			<b>8,707,810</b>	<b>38,362,329</b>

**Currency risk**

Currency risk is the risk that the fair value of future cash flows on a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group conducts certain transactions denominated in foreign currency. In this regard, there is a risk of changes in exchange rates.

The carrying amount of the Group's assets and liabilities denominated in foreign currencies as at December 31, 2018 and 2017 is as follows:

In thousands of Tenge	Liabilities		Assets	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
US Dollar	<b>(2,131,954)</b>	(625,683)	<b>1,833,767</b>	1,523,545
Euro	–	(112,590)	<b>29,099</b>	19,238
	<b>(2,131,954)</b>	<b>(738,273)</b>	<b>1,862,866</b>	<b>1,542,783</b>

**28. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****Currency risk (continued)**

The table below represents detailed information of the possible impact of increase and decrease in exchange rate of Tenge by 14% for 2018 and 10%-13.5% for 2017 in comparison to the respective currencies. The sensitivity level of 14% is used in the analysis and preparation of internal currency risk reporting for key executives and reflects management's assessment of reasonably possible changes in exchange rates. The sensitivity analysis of risk considers only balances of monetary items denominated in foreign currency and adjusts the recalculation

of these balances at the reporting date based on a 14% change in exchange rates.

The amounts shown below reflect (decrease)/increase in profits related to the weakening of the Tenge against to relevant currency. Strengthening of exchange rate of Tenge in relation to the relevant currency will have a comparable effect on profit, the amounts indicated below will have the opposite sign.

In thousands of Tenge	Percentage of the ratio of Tenge to the corresponding currency		Effect on profit/ equity			
	2018	2017	Liabilities		Assets	
			2018	2017	2018	2017
US Dollar	14%	10%	(298,474)	(62,568)	256,727	152,355
Euro	14%	13.5%	-	(15,200)	4,074	2,597
			(298,474)	(77,768)	(77,768)	154,952

**Fair value of financial instruments**

Fair value is determined as the amount at which the instrument could be exchanged between knowledgeable parties on a commercial basis, except for situations with forced or liquidation sale. The Group believes that as at December 31, 2018 and December 31, 2017 the current value of financial assets and liabilities is approximately equal to their fair value.

**Procedures for estimating the fair value**

The Group uses the following hierarchic structure of valuation methods to determine and disclose information about the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: valuation models for which all inputs which have significant effect on the recorded in the consolidated financial statements fair value are observable in the market, either directly or indirectly;
- Level 3: valuation models which use inputs that have significant effect on the recorded in the consolidated financial statements fair value that are not based on observable market data.

The following table represents an analysis of financial instruments presented in the consolidated financial statements at fair value, in the context of a hierarchy levels of the fair value as at December 31, 2018 and December 31, 2017 as follows:

Fair value estimation of as at December 31, 2018					
In thousands of Tenge	Date of measurement	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
<b>Financial assets, accounted for at amortised cost</b>					
Investment securities	31.12.2018	-	5,439,249	-	5,439,249
<b>Total fair value</b>		-	5,439,249	-	5,439,249
<b>Liabilities, which fair value is disclosed</b>					
Accounts payable	31.12.2018	-	4,980,822	-	4,980,822
Loans received	31.12.2018	-	1,552,138	-	1,552,138
Accounts payable for acquisition of subsidiary	31.12.2018	-	5,793,232	-	5,793,232
<b>Total fair value</b>		-	12,326,192	-	12,326,192

In thousands of Tenge	Fair value estimation of as at December 31, 2017				Total
	Date of measurement	Level 1	Level 2	Level 3	
<b>Liabilities, which fair value is disclosed</b>					
Accounts payable	31.12.2017	-	3,348,854	-	3,348,854
Loans received from the Shareholder	31.12.2017	-	3,104,963	-	3,104,963
Loans received	31.12.2017	-	625,683	-	625,683
Accounts payable for acquisition of subsidiary	31.12.2017	-	5,417,568	-	5,417,568
<b>Total fair value</b>		-	12,497,068	-	12,497,068

During 2018 and 2017 there were no transfers between Levels 1, 2 and 3.

**Capital management**

The Group manages its capital in order to continue as a going concern together with maximization of profits for stakeholders by optimizing the balance of debt and equity.

Capital management of the Group is strictly dependent on the capital management strategy of Samruk-Kazyna. Most of the

decisions on capital management are made in coordination with a relevant committee of the Shareholder. In order to maintain or adjust the capital structure, Samruk-Kazyna may make contributions to the Group's equity, provide debt financing or authorize the Group to obtain debt financing from third parties, providing all essential guarantees for all significant external loans.

The coefficient of debt to equity at the end of the year is as follows:

In thousands of Tenge	December 31, 2018	December 31, 2017
Interest-bearing loans and borrowings	1,552,138	3,730,646
Equity	628,582,884	590,848,470
<b>Debt to equity coefficient</b>	<b>0.002</b>	<b>0.006</b>

**29. RELATED PARTY TRANSACTIONS**

Related parties include the entities under common control of the Samruk-Kazyna and/or the Government, as well as entities in which the Samruk-Kazyna and/or the Government have significant or joint control; key management personnel of the Group, entities in

which a significant share is directly or indirectly owned by the key management personnel.

Transactions with related parties were conducted on terms agreed between the parties, which were not necessarily carried out at market terms.

As at December 31, 2018 and 2017 related party balances were presented as follows:

In thousands of Tenge	Note	December 31, 2018	December 31, 2017
<b>Contract liabilities and accounts payable</b>			
<i>Entities related with Samruk-Kazyna:</i>			
NAC Kazatomprom JSC		65,593	163
KazMunayGas JSC		62,380	14,792
KEGOC JSC		42,525	-
Kazakhtelecom JSC		1,776	1,963
Kazpost JSC		655	2,495
Air Astana JSC		790	-
Samruk-Kazyna Contract JSC		-	98
Kazakhstan Temir Zholy JSC		-	403
	<b>19</b>	<b>173,719</b>	<b>19,914</b>
<i>Entities related with the Government:</i>			
The National Bank of the Republic of Kazakhstan		2,379,519	3,655,849
	<b>19</b>	<b>2,379,519</b>	<b>3,655,849</b>
<b>Accounts payable for acquisition of subsidiary</b>			
<i>Entities related with Samruk-Kazyna:</i>			
Investment Fund of Kazakhstan JSC (Note 19)		5,793,232	5,417,568
		<b>5,793,232</b>	<b>5,417,568</b>
<b>Advances paid</b>			

In thousands of Tenge	Note	December 31, 2018	December 31, 2017
<i>Entities related with Samruk-Kazyna:</i>			
NAC Kazatomprom JSC		34,809	86,752
Air Astana JSC		3,237	2,086
Kazakhstan Temir Zholy JSC		2,178	2,046
KazMunayGas JSC		2,005	-
Kazakhtelecom JSC		224	-
Kazpost JSC		161	232
Samruk-Kazyna Contract JSC		-	284
KEGOC JSC		-	24,116
	<b>15</b>	<b>42,614</b>	<b>115,516</b>
<b>Purchases</b>			
<i>Entities related with Samruk-Kazyna:</i>			
NAC Kazatomprom JSC		833,469	297,219
KazMunayGas JSC		721,274	326,612
KEGOC JSC		689,673	620,757
Samruk-Kazyna Contract JSC		69,561	53,955
Air Astana JSC		44,679	18,043
Kazakhstan Temir Zholy JSC		31,137	42,359
Kazpost JSC		25,878	26,832
Kazakhtelecom JSC		21,589	20,926
Samruk-Energy JSC		-	440,525
<i>Associates of the Group:</i>			
Kazzinc LLP		289,029	405
		<b>2,726,289</b>	<b>1,847,633</b>

**Sales to related parties**

In thousands of Tenge	2018	2017
<i>Entities related with the Government:</i>		
The National Bank of the Republic of Kazakhstan	257,215,574	193,324,860
<i>Entities related with Samruk-Kazyna:</i>		
NAC Kazatomprom JSC	154,794	-
Samruk-Kazyna JSC	15,500	-
KazMunayGas JSC	7	-
<i>Associates of the Group</i>		
Kazzinc LLP	-	2,338,981
	<b>257,385,875</b>	<b>195,663,841</b>

**Compensation to key management personnel**

The key management personnel as at December 31, 2018 consists of 13 people (as at December 31, 2017: 10 people). For the year ended December 31, 2018, the total compensation of key management personnel included in general and administrative expenses in the consolidated statement of profit and loss and other comprehensive income amounted to 132,063 thousand Tenge (for the year ended December 31, 2017: 371,222 thousand Tenge).

**30. APPROVAL OF FINANCIAL STATEMENTS**

These consolidated financial statements were approved for issuance by the chief director on business development and chief accountant of the Group on February 27, 2019.

**31. EVENTS AFTER THE REPORTING DATE EVENTS**

On January 25, 2019, at the general meeting of bondholders of Tsesnabank JSC, the Group, in accordance with the decision of the Shareholder, and other holders of these bonds agreed with the changes in the prospectus of coupon bond issue. As a result, the repayment term of the bonds of Tsesnabank JSC was extended from 10 to 15 years, the coupon interest rate was reduced from 4% to 0.1%. This decision led to a decrease in investment securities and retained earnings in the amount of 1,244,671 thousand tenge.

**CONTACT INFORMATION**

Take a close look at the latest events and activity of the Company in our website: [www.tks.kz](http://www.tks.kz).

The most up-to-date information on the Tau-Ken Samruk NMC JSC, as well as the detailed information for investors and the media, is placed in our corporate website.

**WWW.TKS.KZ**

For any questions you may have regarding the Report or its content you can contact:

**Contacts:**

Reception	Administrative office	Press-secretary
Phone: +7 (7172) 55- 95-73 e-mail: <a href="mailto:priemnaya@tks.kz">priemnaya@tks.kz</a>	Phone: +7 (7172) 55-95-72 Fax: +7 (7172) 55-27-80 e-mail: <a href="mailto:info@tks.kz">info@tks.kz</a>	Phone: +7 (7172) 55-95-03

"Feedback, suggestions and comments are appreciated. Your points of view and ideas regarding the Report are very important for us and will help to improve the work of the Company".

If interested, please, answer questions about the quality of the Report at the following link: <http://tks.kz/reportcategory>

**Shamenov Askar,**

Director  
of Department of Government Relations  
and Corporate Governance  
Phone: +7 (7172) 559549  
Email: [a.shamenov@tks.kz](mailto:a.shamenov@tks.kz)

**Address:**

Astana, 010000, Republic of Kazakhstan, district Yesil  
Republic of Kazakhstan, Nur-Sultan city, E-10, 17/10, 6-th floor

