Tau-Ken Samruk
NATIONAL MINING COMPANY

Development in action

2019

ANNUAL REPORT

Tau-Ken Samruk
National Mining Company
Joint-Stock Company

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«We promote the development of individual sectors of the ore mining and smelting industry of the Republic of Kazakhstan through the projects implementation together with strategic investors».

STATEMENT OF CHAIRMAN OF THE BOARD OF DIRECTORS

> Summing up the results of the past year, I would like to note that in spite of the volatility of the commodity markets, the Company finished the year with a positive result.

Tutkushev Yerzhan Beksultanovich

Chairman of the Board of Directors
Tau-Ken Samruk NMC JSC

It needs to be recognized that the major contribution to the Company's financial result accounts for the share of Kazzinc, which is currently the Company's main asset and source of the income. The major part of the funds received from Kazzinc was paid to the sole shareholder – Samruk-Kazyna JSC. At the same time, the Company continues to develop in key strategic directions at the expense of the remaining part of the funds.

In 2019, the good result was shown by the refinery plant-owned by the Company, where the return on capital employed increased up to 27% upon ROE indications. The plant has reached its design capacity, received the international certification Good Delivery, which attests to its competitiveness and accession to the certain level of maturity.

In 2019, the price of gold showed the good growth and for the first time since 2013 expanded beyond the limit of $1,500 per ounce. This fact had a positive impact on the activities of the refinery plant, which in full measure, sells products to the National Bank of the Republic of Kazakhstan. At the same time, the prices of metallurgical silicon have significantly decreased, for that reason, like other market participants, we were constrained to suspend the production.

At the same time, we continue to develop our key projects – Shalkiya and Alaigyr. The implementation of these projects will confer the possibility to strengthen the synergy at the level of the company portfolio, for account of providing Kazzinc with an additional mineral resource base. The startup of the Shalkiya and Alaigyr projects will create the opportunity for mutually beneficial collaboration with Kazzinc in the lead-zinc division, taking into account the existing practice of cooperation in the precious metals sphere.

The development and improvement of the asset portfolio of the Company will continue. During 2019, the profile of our asset portfolio underwent changes, the Company got out of non-key assets, and significantly simplified the structure of ownership of shares in Kazzinc. We will continue to search for strategic partners for joint development of our project portfolio.

Our strategic goal remains unchanged – we are still focused on strategic partnership and attracting the investment in the development of the mining and metallurgical industry of Kazakhstan. As a national company, we are open to partnership and are ready to provide all-powerful support to the investors for entering the mining and metallurgical industry of Kazakhstan.

Within the country territory there is a large number of undiscovered or undeveloped deposits, in which the investors and we see the great potential. Last year we started our cooperation with Fortescue Metals Group Limited. This will be an excellent mix of international experience and local knowledge, I hope that the prospecting works will lead us to promising areas, herewith we understand that therefor it will require several years of extended work.

I would most like to thank all the team members and colleagues in the Company Board of Directors for work in increasing Company's cost and efficiency. We all remain committed to the Company's values and strategic goals. I hope that the information from this report will also be useful to our future partners and investors, with whom we see the future of our Company.

TUTKUSHEV
YERZHAN BEKSULTANOVICH

Chairman of the Board of Directors
Tau-Ken Samruk NMC JSC

"

The plant has reached its design capacity, received the international certification Good Delivery, which attests to its competitiveness and accession to the certain level of maturity.

STATEMENT OF CHAIRMAN OF THE MANAGEMENT BOARD

Dear partners, colleagues and investors!
We present to your attention the consolidated annual report of National Mining Company Tau-Ken Samruk JSC.

Kudaybergen Kanat Zhakypuly

Chairman of the Management Board of Tau-Ken Samruk NMC JSC

Throughout the duration of 2019 we laid the high-quality foundation for the implementation of current and long-term goals specified in the company development Strategy, adopted year earlier – the diversification of the asset portfolio and the implementation of existing and new projects together with the strategic investors. In accordance with international standards of the project management, the professional project teams accompany each stage of investment projects development, and specific successes have been achieved in each aspect of work. We viewed both our strong points, defining the growth areas, and identified the aspects that claim the greater attention.

The slowdown in rate of economic growth and the geopolitical tension expectedly lead to the decrease in the investment activity in the world. The vigilance and lack of desire among investors to put up the capital in major expense projects enforce us to adjust our activities in order to neutralize the external economic risks.

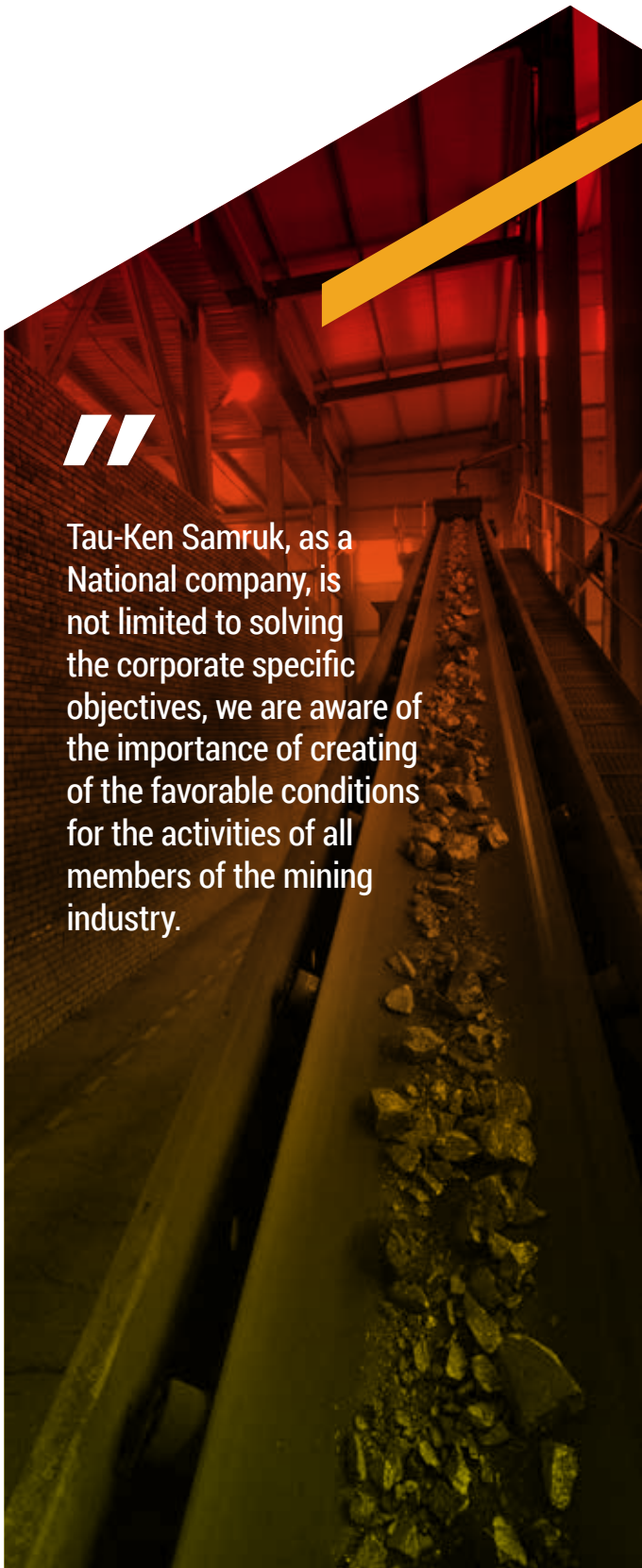
With that, Tau-Ken Samruk, as a National company, is not limited to solving the corporate specific objectives, we are aware of the importance of creating favorable conditions for the activities of all members of the mining industry. In particular, Tau-Ken Samruk initiated the program of support of the junior companies focused on solid commercial minerals (SCM) exploration in order to stimulate the geological exploration and to solve the issues of resource base shortage. In the frame of this program, we are ready to provide the comprehensive support to the juniors, including the expert and financial assistance.

Our efforts to consolidate the participants in the gold mining and processing industries were crowned with success – in April 2019, the "Republican Association of Precious Metals Producers" was officially registered, and as early as in July the first Forum of Kazakhstan gold producers was held. In regards to plans – the organization of the major studies on the topic: "Development of gold mining and processing industries and increasing their contribution to the national economy". Talking about gold, which is a priority metal for Tau-Ken Samruk, it should not go unmentioned the achievements of our subsidiaries. In 2019, the appraisal work was completed in the gold (and silver) deposits Shokpar and Gagarinskoye in the Zhambyl region, the reserves have been included in the State balance sheet, and mining licenses application forms have been submitted to the Ministry of Industry and Infrastructural Development (MIID). In September 2019, Tau-Ken Altyn refinery plant confirmed the highest quality of its products and received the "Good Delivery" certificate of the London Bullion Market Association (LBMA), and in November the company reached its design capacity.

Summing up, I would like to emphasize that Tau-Ken Samruk is open to investors, both the Kazakstani and the foreign ones, and we are ready to provide potential partners with integral support in the development of joint ventures.

KUDAYBERGEN
KANAT ZHAKYPULY

Chairman of the Management Board
of Tau-Ken Samruk NMC JSC



KEY MILESTONES
FOR 2019

28 February 2019

Shokpar and Gagarinsloye deposits were assessed for resources according to JORC standards

May 31 2019

the Sale and Purchase agreement of 100% interest in SARECO LLP was signed

17 September 2019

the Subsoil use purchase Agreement was signed under the Contract for exploration of copper, gold and associated components on Spasskaya copper mineralization zone in Karaganda region

29,2 tons of refined gold were produced by the end of the year

19 September 2019

Tau-Ken Altyn LLP receives the Good Delivery certificate

26 November 2019

Agreement with Fortescue Company on joint implementation of geological projects was concluded

A program to support junior companies carrying out geological survey activity was launched

1

COMPANY PRESENTATION

2009

Tau-Ken Samruk National Mining Company Joint Stock Company was established in accordance with a resolution of the Government of the Republic of Kazakhstan, in order to ensure effective activity in the field of exploration, development, production, processing and sale of solid minerals.

In the same year, a decision was made to create an enterprise for the extraction, enrichment and processing of gold with refining production of Tau-Ken Altyn LLP.

The main tasks of the Company are:

- 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

The main goals of the Company 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.

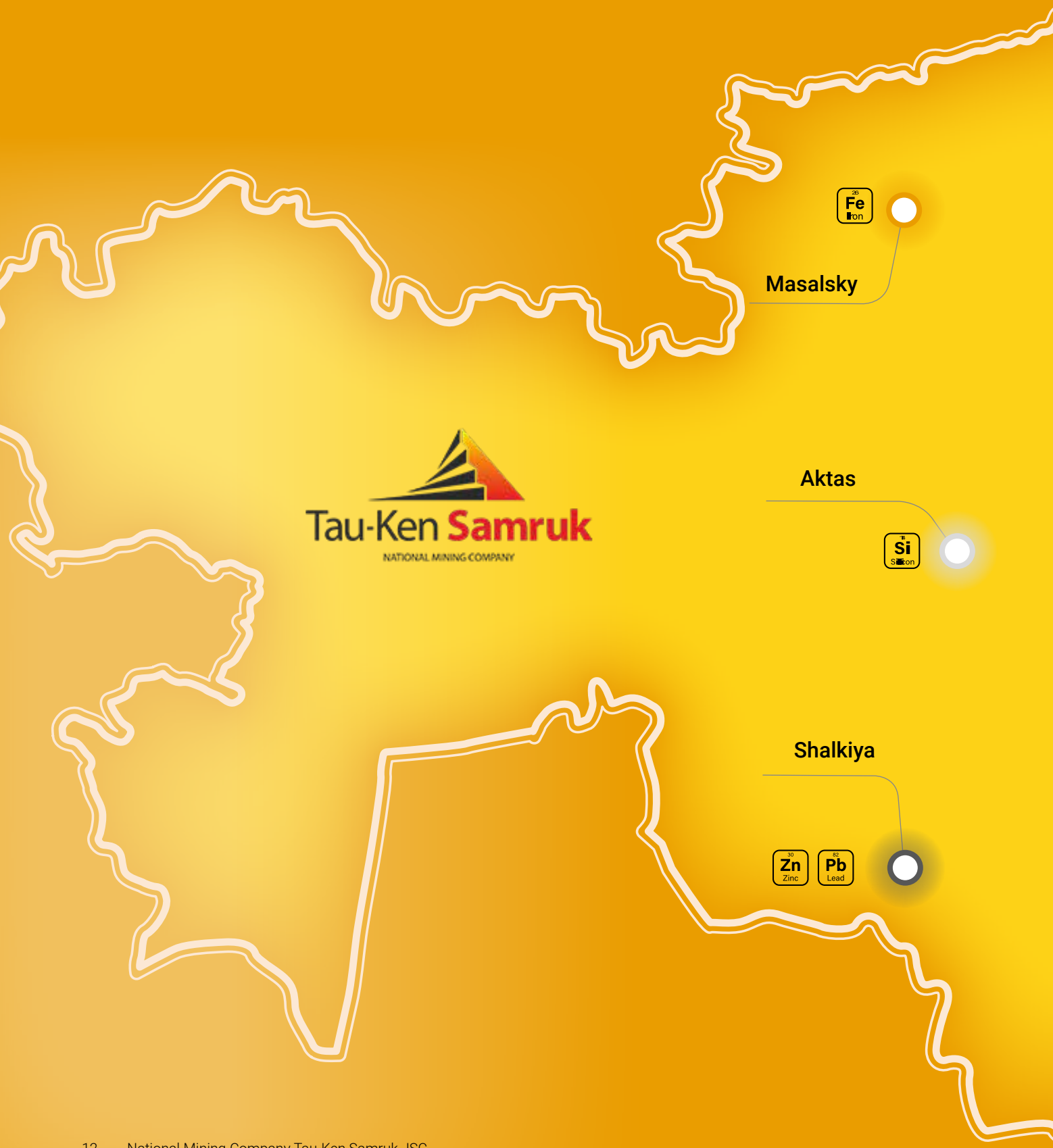
As of December 31, 2019, the Company assets amounted to 631.5 billion tenge, the net profit for the year reached 40.2 billion tenge. The average headcount of the Company, including all subsidiaries, is 1,316 people.

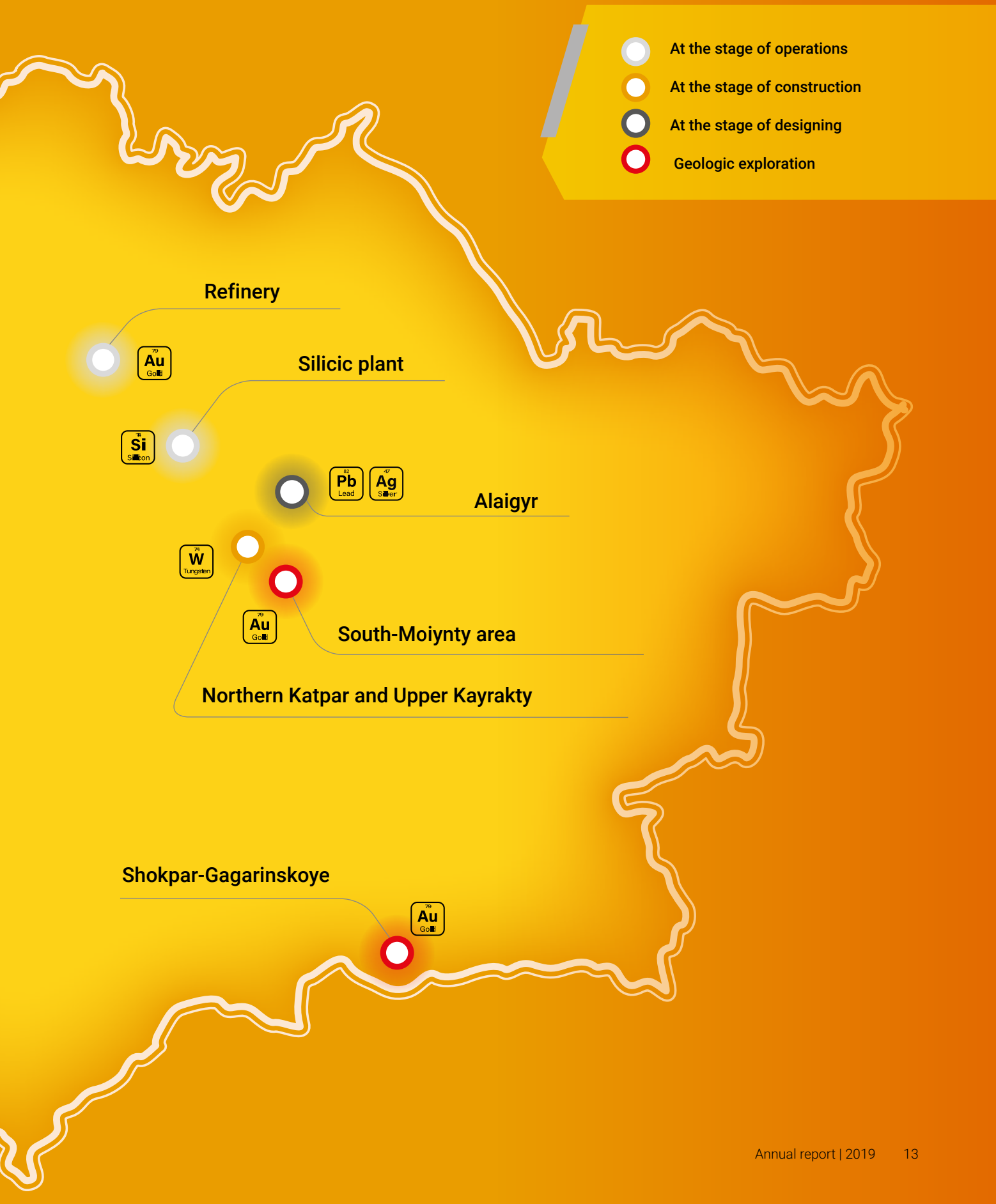
The Company is a member of the Republican Association of Precious Metals Producers, the ALE (Association of Legal Entities) Republican Association of Mining and Metallurgical Enterprises.

Business Model

The Company business model is the following: search /purchase of projects, their development and construction, startup of the facilities, sale of share/asset and further reinvestment in the development of new facilities.

GEOGRAPHY OF THE ACTIVITY




At the stage of operations
At the stage of construction
At the stage of designing
Geologic exploration
Refinery
Au
Gold
Silicic plant
Si
Silicon
Pb
Lead
Ag
Silver
Alaigyr
W
Tungsten
Au
Gold
South-Moiynty area
Northern Katpar and Upper Kayrakty
Shokpar-Gagarinskoye
Au
Gold

Assets profile

The number of asset management levels – 1 level

The assets profile of the Company as of 31.12.2019:
10 subsidiaries and 2 affiliated

geologic exploration projects

Managing company Kazzinc LLP

10

2

STRATEGIC REPORT

2013

A 29.82% stake in the authorized capital of Kazzinc LLP owned by Samruk-Kazyna JSC was transferred to the authorized capital of Tau-Ken Samruk NMC JSC. Subsoil use contracts have been concluded with the Competent Authority for 4 new facilities. The refinery built in Astana was launched with a design capacity of 25 tons of refined gold and 50 tons of silver per year.

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.

The realization of the Mission will be provided by achieving the following strategic goals:

To form a high-quality portfolio of assets.

Within the framework of this goal, the Company plans the following strategic initiatives:

- Timely complete the construction and achieve the project parameters for key investment projects.
- Search, evaluation and implementation of new projects in several significant sectors of the industry.

To attract the strategic partners to implement the key projects.

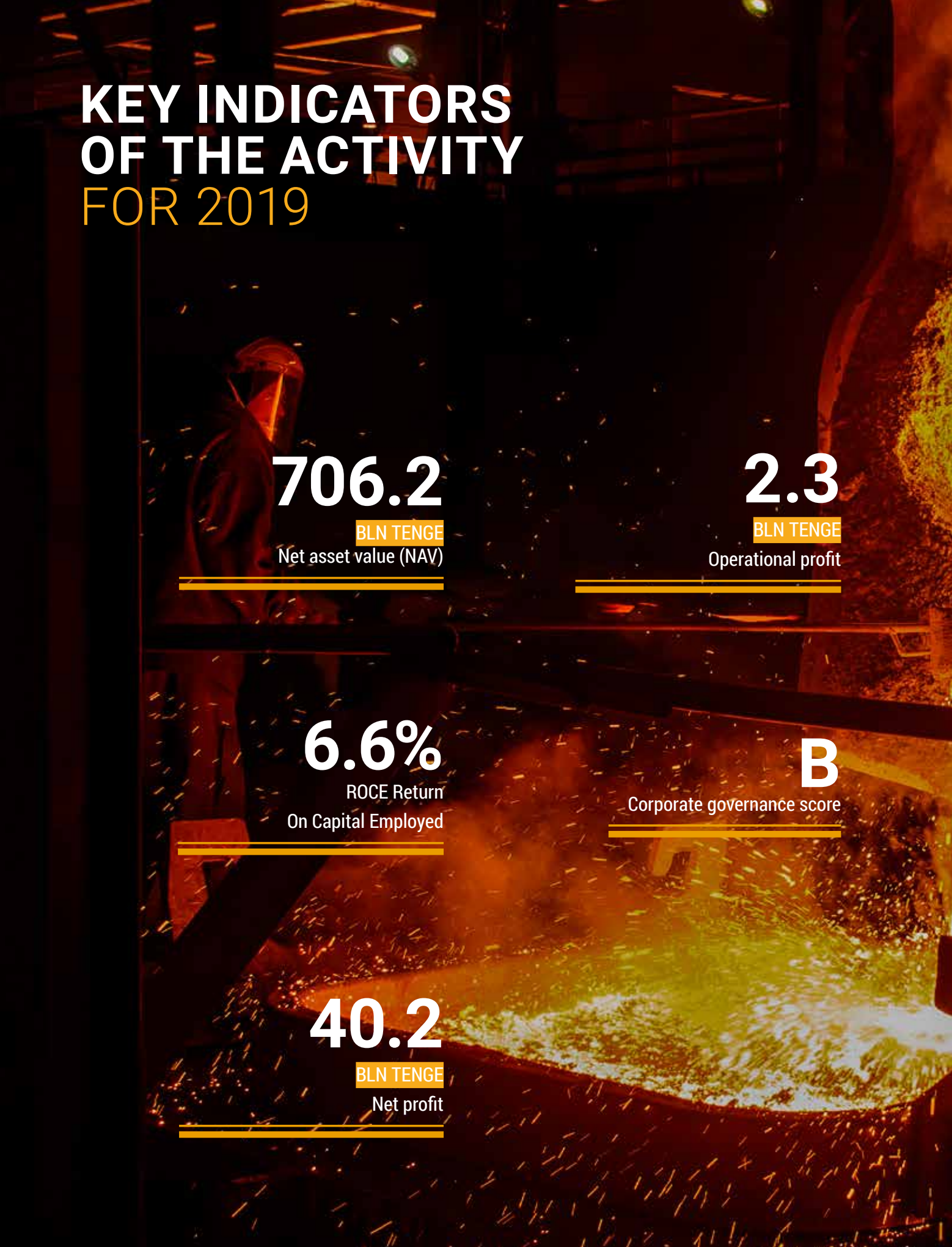
To implement this goal, the Company plans the following strategic initiatives:

- Improvement the operating efficiency of the assets,
- Increase the investment efficiency,
- Digitization program,
- Creating flexible conditions for investors on the basis of equality and mutual benefit,
- Rise of the corporate governance level,
- Human capital development,
- Sustainable development initiatives.

Strategic initiatives

Strategic initiatives	Work performed in 2019
Timely complete the construction and achieve the project parameters for key investment projects.	**On Shalkiya project:**
	are completed construction and installation works on reconstruction of external power supply system, on construction of water supply system Kuttykhodzha, on construction of POL depot.
	On Alaigyr project:
	are completed development of design and estimate documentation in Regulatory Documentation (RD) stage of the base camp, technological equipment for the cominution stage is received.
Search, evaluation and implementation of new projects in several significant sectors of the industry	**On Northern Katpar project:**
	are developed the feasibility study of the design parameters with reserves calculation, the works on the Pre-feasibility study development started.
	On Upper Kayrakty project:
	are conducted technological tests on pre-processing and heap leaching.
Improvement the operating efficiency of the assets.	**Tau-Ken Altyn**
	• Produced 29,2 tons of gold, design capacity is exceeded, • the Good Delivery status is received, • the volume of unfinished production is reduced till the requirements of technological standards and the raw materials processing time limits are reduced, • the cost of production is reduced, • the instructions for foreign currency and price hedging risks are approved, • accumulated silver was sold in the amount of 7 tons.
	Tau-Ken Temir
	Due to heavy market conditions in the global silicon market, the plant operations are suspended in 2019.
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 subsoil use right in Spasskaya copper ore zone is signed. The share of participation in Tau-Ken Progress LTD is transfered according to the statement of transfer and acceptance.
Corporate governance.	The Company approved Improvement Plan for the corporate governance system for 2018-2020. The level of the Plan implementation was 78%.
Human capital development.	The company's personnel involvement index was 66%, that corresponds to the positive zone and does not require intervention. The indices of working conditions, loyalty, communication and relationships were 57%, 66% and 74%, respectively, are also in the positive zone. During the reporting period, the work was carried out to optimize the number of staff and levels of management.
Sustainable development initiatives	The conditions of the natural resources use and the Program of the industrial ecological control are observed by the Company groups. The reports are quarterly reviewed by the authorized bodies.

KEY INDICATORS OF THE ACTIVITY FOR 2019



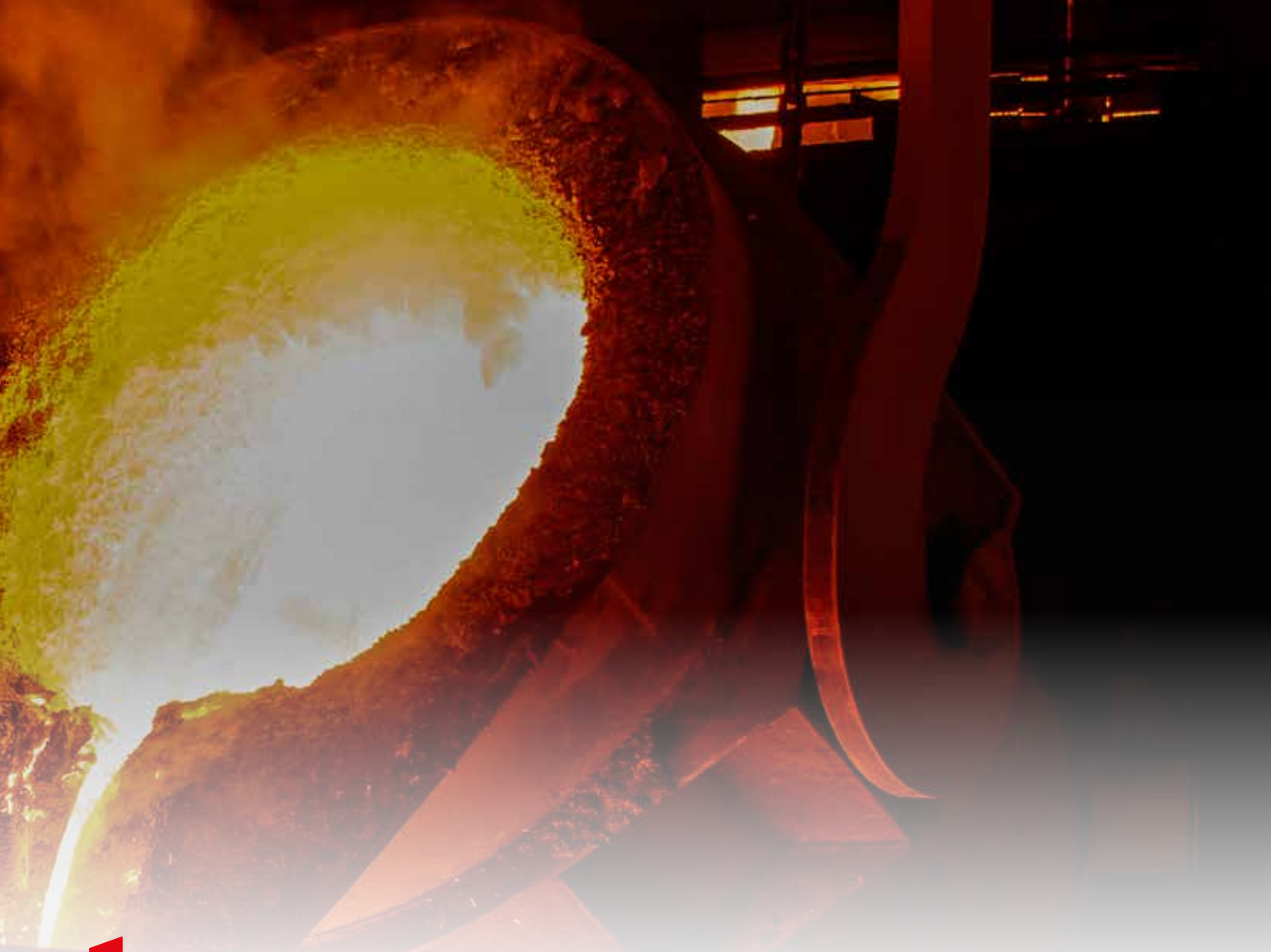
706.2
BLN TENGE
Net asset value (NAV)

2.3
BLN TENGE
Operational profit

6.6%
ROCE Return
On Capital Employed

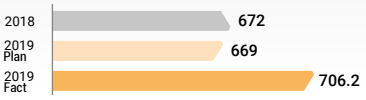
B
Corporate governance score

40.2
BLN TENGE
Net profit



1 Build the highquality portfolio of assets

Net asset value (NAV), bln tenge



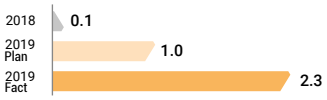
The improvement is due to a decrease of the actual level of liabilities and an increase of accrued dividends in favor of Sole Shareholder.

Net profit, bln tenge

The improvement of the indicator is due to increase in net profit in Kazzinc LLP, accounted using the equity method.

2 Attract the strategic partners for the key projects realization

Operational profit, bln tenge



The improvement of the indicator is due to increase in overall production of refined gold.

ROCE Return On Capital Employed, %

The improvement of the indicator is due to increase in net profit in reporting period.

Corporate governance score

The indicator is achieved according to the independent diagnosis.

3

OPERATING ACTIVITY REVIEW

2014

The first dispatch of gold bars was shipped to the National Bank of the Republic of Kazakhstan.

The total number of concluded subsoil use contracts reached 9. 100% of the shares of ShalkiyaZinc LTD JSC were transferred to the authorized capital of Tau-Ken Samruk JSC.

Tau-Ken Samruk NMC JSC closed a deal to acquire a 93% interest in Masalsky MPP LLP and conducted state re-registration.

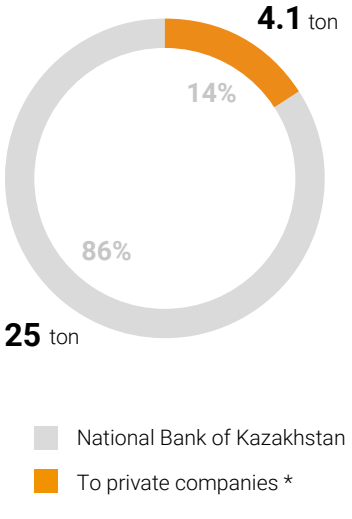
Tau-Ken Temir LLP, a subsidiary of Tau-Ken Samruk NMC JSC, carried out restoration work at the plant for the production of metallurgical silicon since the beginning of the year, prepared raw materials and launched the ore-thermal furnace No. 1. Metallic silicon was obtained.

79
Au
Gold

Refinery plant of Tau-Ken Altyn LLP

Project operator: Tau-Ken Altyn LLP
Project stage: Operation
Designed capacity: 25 tons of gold, 50 tons of silver
Actual personnel headcount: 65 people
Lifetime of the facility: 30 years

Structure of sales of refined gold in 2019 by directions, ton of refined gold



** including products made out of raw materials on a tolling basis (tolling)*

Reference information

In 2019, the refinery plant of the Tau-Ken Altyn LLP exceeded the planned indicators for the production of finished products in the form of refined gold from 27 to 29.2 tons. According to the results of the year the adjusted planned indicators for the production and sale of finished products are successfully performed. The volume of refined gold production amounted to 29.2 tons and the production of refined silver to 7.0 tons.

In 2019 were signed 54 agreements for the supply of raw materials, within the framework of which 29.2 tons of gold and 7.48 tons of silver were purchased as raw stock.

From the moment the plant was launched until December 31, 2019, the volume of supplies of refined gold in ingots to the National Bank of the Republic of Kazakhstan amounted to 84.9 tons.

In accordance with the "Rules for the implementation of the priority right of the state to purchase the refined gold for replenishment of assets in precious metals", permission was received from the National Bank of the Republic of Kazakhstan for the sale of 300 kilograms of refined gold to the entities producing jewelry and other products made out of precious metals. In 2019 110.6 kg of refined gold was sold to jewelry companies in Kazakhstan.

In 2020, it is planned to produce the refined gold in the amount of 30 tons and refined silver in the amount of 6.95 tons.

Tau-KenTemir LLP Silicic plant

Project operator: Tau-Ken Temir LLP
Project stage: Operation
Designed capacity: 23 900 tons of metallurgical silicon
Actual personnel headcount: 384 people
Lifetime of the facility: 30 years

Reference information

The actual volume of production in 2019 amounted to 14,095 tons of industrial silicon (fraction 0-300 mm), 15,364 tons of microsilica and 1,1656 tons of silicon slag.

In the first half of 2019 both furnaces underwent shutdown maintenance works, under which restoration and efficiency improvement of furnaces water cooling system was performed, as well as the repair of the main units of technological and additional equipment was made. As a result of above-mentioned actions, in the second half of the year the production increase and improved extraction of the silicon from quartz was achieved. Overall, it allowed to achieve in 2019 the silicon production volume (14,095 tons) consistent with the production volume in 2018 (14,378 tons), even taking into account the standby time increase for the year by 1,880 hours during the maintenance.

However, due to decrease of silicon prices in the world markets, it was decided to suspend the operations. In the 4th quarter of 2019, the furnaces of the plant were stopped. Currently, there is a global decline in silicon production due to market oversaturation. For example, the largest supplier of silicon - China - in connection with the current situation, reduced production by 10% in 2019 compared to 2018. The world's largest silicon manufacturers, including Elkem, Ferroglobe, Liasa, RUSAL, announced a reduction in production capacity.

In the event of a recovery in the global silicon market, the option of resuming the production of a silicon plant will be considered.

Industrial development of polymetallic ore of the Shalkiya deposit in Kyzylorda region with construction of the processing plant

Operator of the project: ShalkiyaZinc LTD

Stage of the project: Implementation

Design capacity: 4 mln tons of ore per year

Final product: 100 thous. tons of zinc in the zinc concentrate and 20 thous. tons of lead in the lead concentrate

Actual personnel: 652 people

Operating life of the site: 32 years

Reference information

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 zinc and lead concentrates. The selective flotation scheme will be used for the processing of leadzinc sulfide ores.

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.

Performance results in 2019

Currently, the construction of the fuel storage depot has been completed. The reconstruction of the external power supply system of Shalkiya mine (75% of the scope of work) and the water conduit facilities Zhanakorgan – Shalkiya mine (75%) are in progress.

Tunneling works were performed ahead of the approved schedule. As of December 31, 2019, the tunneling works were completed at 104% (5,101 m) of the plan, strengthening of the mine openings at 65% (10,430 m) of the plan, the exploration drilling was completed (2,400 m). The works on the water conduit from the village of Zhanakorgan to the Shalkiya mine (95%) are being completed.

The decision was made on the transition from the EPC contract to the project management according to the PMI standards.

Prospects for 2020

- Adjustment of the mining part, development of the Mining Plan and surface facilities;
- Development of the reports on the mineral resources evaluation and recoverable reserves on KazRC/JORC;
- Development of the stage P for the processing plant;
- Startup of capital mining operations;
- Attracting a technical adviser (engineer) according to the EBRD requirements
- Conclusion of an engineering agreement for the equipment of processing plant.

47 Ag Silver

82 Pb Lead

Mining and processing of Alaigyr deposit polymetallic ores in Karaganda region

Operator of the project: JV Alaigyr LLP
Stage of the project: Implementation
Design capacity: 900 thous. tons of ore per year
Final product: 35.8 thous. tons of lead and 16.2 tons of silver in the concentrate per year
Actual personnel: 52 people
Operating life of the site: 23 years

Reference information

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 includes 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 southeast of the city of Karaganda. 60 km to the south-west is located the administrative center of the Shetsky district, Aksu-Ayuly village

Performance results in 2019

In the reporting period mining preparatory works were performed in the amount of 5,649,750 m^3.

In 2019, the adjustments were made for the technological regulations of the MPC (Mining-and-Processing Complex) by the design institute 'TOMC' (Technology of processing of mineral raw materials). The technological scheme for processing of lead-silver ores of the Alaigyr deposit was optimized and the following parameters were increased:

- Extraction of Pb – from 83.71 – to 89.21%;
- Quality of Pb – from 53.2 – to 54/2%.

The project cost was updated with the improved performance indicators.

The construction of the frame of the main building of the processing plant is being completed, the construction of the industrial-and-administrative building is continuing. The construction of the warehouse of the concentrate froth with railway deadlock is also ongoing.

The last year the DED (Design-and-Estimate Documentation) development has been completed (RD stage – Regulatory Documentation stage) for the facilities of the industrial site, the DED development (P stage – Project stage) of the processing plant with infrastructure is at completion stage.

Within the contract concluded with Metso Sweden AB company the technological equipment for the stage of the ore pretreatment was delivered.

Prospects for 2020

- To obtain the positive conclusion of state expertise of DED (P stage) of the processing plant with infrastructure facilities, the development of DED of RD stage.
- To complete construction of the industrial-and-administrative building, the concentrate froth warehouse with a railway deadlock.
- The conclusion of agreements and the beginning of the construction of the processing plant with infrastructure facilities, industrial site (water conduit, fuel warehouse, vertical leveling and engineering nets of the MPC, drilling of wells), base camp, the access road to the warehouse of the concentrate froth, as well as the levee Matak river.
- The conclusion of agreements for manufacture and supply of the technological equipment of the processing plant.
- The conduct of mining-and-preparatory works for the construction of the hydro-technical utilities.

Mining of gangue quartz at Aktas deposit in Karaganda region

Project operator: Silicon Mining LLP
Project stage: Operation
Designed capacity: 100 000 ton of gangue quartz
Actual personnel headcount: 14 people
Lifetime of the facility: 40 years

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 31.12.2019

Mineral	Unit of m.	State of on-balance reserves			
		B	C_1	$B+C_1$	C_2
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	1,168.9	2,524.63	3,693.53	304.2

Performance results in 2019

For 2019 the production volume amounted to 112,753 tons, the overburden works were carried out in the amount of 257,695 m^3. According to the reporting results 12 months, were shipped 56,700.75 tons of 20–80 mm fraction quartz concentrate to the silicon plant "TauKen Temir".

The operational exploration with RC wells drilling and core drilling with a total volume of 3,200 m has been completed. The package of exploration works includes geophysical surveys of wells, analytical, and topo-geodetic works. Based on the obtained results and historical data, the wire-frame and block models of the deposit were built.

In 2019 observation hydrogeological wells for monitoring of underground waters were drilled. In order to ensure the industrial safety, on the prescription of the Department of industrial safety of Zhezkazgan region, was carried out the banking of the territory around the open-cast. There were installed 100-tons motor-truck scales in the open-cast Aktas.

Prospects for 2020

- the package of mining works will be not carried out in connection with the shutdown of the enterprise operations,
- the expertise of buildings and bearing constructions,
- the sales of quartz products of various fractions.

PROJECTS AT THE DESIGNING STAGE

Joint development of tungsten-molybdenum ores in the Northern Katpar and Upper Kayrakty deposits in the Karaganda region

74
W
Tungsten

Operator of the project: Northern Katpar LLP

Stage of the project: Implementation

Design capacity:

Northern Katpar deposit: production of 3.0 mln tons of ore per year

Upper Kayrakty deposit: production of 6.0 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: 11 people

Operating life of the open-cast: Northern Katpar deposit – 20 years, Upper Kayrakty 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 – 47.8 mln tons of ore, WO_3 – 110.3 thous. tons (WO_3 – 0.231%), Mo – 18.2 thous. tons (Mo – 0.038%), Bi – 9.9 thous. tons (Bi – 0.021%), Cu – 71.6 thous. tons (Cu – 0.15%).

The Upper Kayrakty deposit, according to the historical data, 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).

Performance results in 2019

The 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 Kayrakty (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.

NK deposit the complex of engineering surveys and geological exploration works has been completed. The Technological regulations for the design of the processing plant were developed. The report on mineral resources has been developed in accordance with the requirements of the JORC code. The work on the development of the Feasibility study of industrial conditions and the report with the calculation of reserves has been completed. The engineering surveys were performed. The Mining Plan and the Abandonment Plan have been developed and approved by the competent authorities. In the frame of the hydrogeological works, 7 exploration wells were drilled, and the cameral work are ongoing. The works are underway to determine the geomechanical justification of the parameters of rock massif control.

UK deposit the complex of geological exploration works has been completed. The complex of geological exploration works has been completed. The report on mineral resources has been developed in accordance with the requirements of the JORC code. The research and development works (R&D) on the X-ray radiometric, X-ray luminescence and X-ray absorption methods of the pre-enrichment of ore. The reserves reassessment of the Mashuranskoye deposit of groundwater have been completed.

Prospects for 2020

Northern Katpar deposit:

- completion of works on the geomechanical model building;
- completion of work on reassessment of balance reserves of groundwater in the framework of hydrogeological research;
- start of development of the Pre-Feasibility Study of investments for deposit development.

Upper Kayrakty deposit:

- completion of complex of hydrogeology surveys;
- completion of technological floatation testing;
- carrying out of R&D on the heap leaching of poor rocks and middlings of pre-processing;
- development of feasibility study reports of industrial design parameters with reserves calculation.

Significance of the project

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 social and economic development of the Karaganda region, in particular: attracting the foreign investment worth over 248 bln tenge, creating more than 800 new jobs, building new and reconstructing existing infrastructure, ensuring the growth of tax revenues in the state budget in the amount of about 286 bln tenge, as well as, improvement of the investment climate in the region (under exchange rate as of 31.12.2019);
- The alternative tungsten mineral resource base for the global community, attracting additional foreign investment;
- Opportunities for the development of the domestic industry with the attraction of foreign investment
- The opportunity 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

Considering the total reserves of both deposits, the Project is quite attractive for potential investors, in particular, for companies specializing in the tungsten industry .

PROJECTS AT THE DESIGNING STAGE

Construction of a mining and smelting enterprise based on the Masalsky iron ore deposit in Akmola region

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

Reference information

The deposit reserves were estimated according to the JORC classification and the SCMR RK classification. Total mineable ore reserves of C_1 and C_2 categories (included in the state balance sheet) amount to 729 mln 156 thous. tons with an average iron content of 15.82%.

Performance results in 2019

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

In the reporting period were completed the works on introduction changes to the project for the industrial development of iron ore from the Masalsky deposit and to the Working program for the Subsoil use Contract, on May 15, 2019 was signed the Supplement No. 6, registration No. 5540 – SCM, to the Contract. The Working program of the Contract provides for the timelines postponement of the Masalsky deposit iron ore production from 2018 to 2021.

The optimization of expenses for the period of strategic partner search was carried out.

Prospects for 2020

- To continue the works on the strategic partner search.

GEOLOGIC EXPLORATION

29
Cu
Copper

79
Au
Gold

Exploration of copper, gold and associated components in Spasskaya copper mineralization zone of Karaganda region

Type of the mineral: Copper, gold and associated components

Contract: No. 4188-TPI dated February 20, 2013

Contract Term: 6 years

Contract Area: 6,271.4 km^2

Location: Spasskaya copper ore zone is situated in the northern part of Central Kazakhstan

Project goal: Search for copper and gold objects, their evaluation and entering the reserves on the balance sheet of the SRC RK

Performance results for 2019

The project is implemented by Tau-Ken Project LLP – subsidiary enterprise of Tau-Ken Samruk NMC JS.

In 2019, the subsoil use rights were sold under the Contract for the exploration of copper, gold and associated components at the Spasskaya copper ore zone in Karaganda region. ROI from the transaction amounted to 14%.

In order to give a new impetus to the development of the Company, TKS Geology geological service was created on the basis of Tau-Ken Project LLP, it is planned to conduct measures to search for promising areas, evaluate properties, work with strategic partners and potential investors.

AURIFEROUS ORES EXPLORATION PROJECTS

Gold exploration in Shokpar and Gagarinskoye deposits in Zhambyl region

79
Au
Gold

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: 6 years
Contract Area: 6.4 km^2
Location: Zhambyl region, Kordaysky district, Alga village.

Project: Performance of appraisal work at Shokpar gold deposit in Zhambyl region
Type of mineral: Gold in solid form
Contract: No. 4333-TPI of January 14, 2014
Contract Duration: 6 years
Contract Area: 4,2 km^2
Location: Zhambyl region, Kordaysky District, Nogaybay rural district

Performance results for 2019

In the reporting period the gold-bearing ore reserves were included in the State balance for both deposits. According to the SCMR RK Minutes in situ of the Gagarinskoye deposit by industrial categories (C_1+C_2) there are 10,104.3 kilogram of gold, Shokpar deposit – 10,952.9 kilograms of gold.

In addition, the Resource Assessment according to international standards (JORC) was completed.

In the IV quarter, upon completion of the exploration phase of the Project (30.12.19), the applications to the MIID RK on obtaining the licenses for mining works on deposits were submitted. In this regard, the relevant design documents (Mining Plan and Abandonment Plan) were developed to date.

By the end of 2020, it is planned the coordination of the above-mentioned design documents in the authorized State bodies.

In addition, according to the recommendations of the SRC RK, the study of the technological properties of ore deposits is continuing. The research works on dearsenation of ores are being conducted.

AURIFEROUS ORES EXPLORATION PROJECTS

79
Au
Gold

Auriferous ores prospecting on 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^2
Location: Karaganda region, Aktogay district
The purpose of the project: Identification of industrial significant object for further involvement in the development

Performance results for 2019

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.

INFORMATION ON THE MAJOR TRANSACTIONS

2 May 2019

An acceptance certificate for the sale of a 100% interest in Tau-Ken Progress LLP between Tau-Ken Samruk NMC JSC and ASIA GROUPKZ LLP was signed

31 May 2019

A purchase and sale agreement was signed for 100% participation in SARECO LLP between Tau-Ken Samruk NMC JSC and ATEK LLC

17 September 2019

An agreement on the sale of subsoil use rights for the Spassky copper mineralization zone was signed; on October 16, a corresponding acceptance certificate was signed

4

OPERATIONAL AND FINANCIAL PERFORMANCE REPORT

2015

The company actively invests in its development, conducts exploration, design, construction works, carries out production activities. The total amount of investments aimed at the implementation of projects amounted to almost 9 billion tenge.

A new asset was acquired - Northern Katpar LLP.

Important events were the commissioning of a second ore-thermal furnace at a silicon plant and the introduction of vacuum silver distillation technology at a refinery.

The subsoil use right was obtained for exploration of gold on the South Moiynty Area in Karaganda region.

KEY PERFORMANCE INDICATORS

Performance figures

Denomination	2017	2018	2019	
	Fact	Fact	Plan	Plan
Refining gold manufacture, thous. ounces/tons	420.4/13.5	729.6/22.7	**803.8/25.0**	**938.7/29.2**
Metallurgical silicon manufacture, tons	12,732	14,408.0	**17,098.8**	**14,134.0**

Actual Refining Gold Production for 2019 is EXCEEDED by

16.8%

in relation to the plan

The refined gold production at Astana refinery in the reporting period amounted to 938.7 thous. ounces (29.7 tons), of which 127.33 thous. ounces (3.96 tons) were reprocessed from the raw material received on the give-and-take basis (tolling). As a result, the factual indicator of the refining gold manufacture for 2019 was exceeded by 16.8% against the plan.

The metallurgical silicon manufacture for 2019 in the plant in Karaganda city during the reporting period, was performed at 82.7%.

Financial indicators

Denomination	2017	2018	2019
EBITDA margin*, %	(0.8)	0.16	**0.12**
Net profit (loss), bln tenge	56.6	44.1	**40.2**

* indicators are calculated using methodology approved by the Sole Shareholder

For 2019 the factual indicator **EBITDA margin** was equal to 0.12%. The decrease of dynamics of the indicator EBITDA margin, in comparison with the similar period of the last year, is determined by the impairment of assets.

The decrease in net income by 3.9 billion tenge for 2019, compared with the same period in 2018, is mainly due to the creation of a reserve for impairment of assets and a decrease in non-operating profit. At the same time, there was an increase in the net profit of Kazzinc LLP, accounted for by the Company using the equity method, and an increase in operating profit.

Income and expense dynamisc

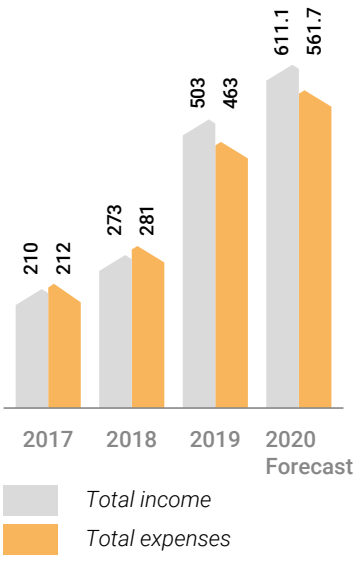
Total income for 2019 amounted to - 503.1 billion tenge and was formed mainly by the sale of refined gold in the amount of 436.1 billion tenge (86.7%). In addition, income from the sale of metallurgical silicon amounted to 8.6 billion tenge, refined silver – 2.6 billion tenge, profit from the sale of assets – 1.2 billion tenge, financial income amounted to 0.8 billion tenge, recovery of asset impairment – 0.7 billion tenge. The income accounted for using the equity method in the associated Kazzinc LLP amounted to 51.6 billion tenge.

Total expenses for 2019 amounted to 462.9 billion tenge and were formed mainly due to the acquisition of auriferous raw materials and expenses accounted for in the production of refined gold and metallurgical silicon in the amount of only 444.2 billion tenge, general and administrative expenses of the corporate center of the Company and its subsidiaries (4.0 billion tenge), selling expenses (0.4 billion tenge), and other non-operating expenses (1.3 billion tenge).

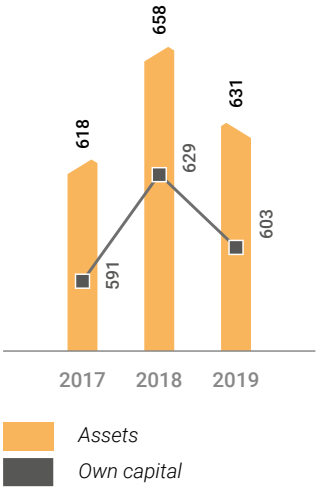
Total revenues for 2020 are projected at 611.1 billion tenge and will be represented mainly by revenues from the sale of refined gold.

Total expenses are expected in the amount of 561.7 billion tenge and include, first of all, expenses for the purchase of auriferous raw materials and expenses accounted for in the production of refined gold, totaling 548.1 billion tenge, general and administrative expenses of the corporate center of the Company and subsidiaries in the amount of 3.8 billion tenge, selling expenses in the amount of 0.1 billion tenge, as well as non-operating expenses in the amount of 1.4 billion tenge.

Dynamics of income and expenses, bln tenge



Dynamics of the own capital, bln tenge



Data on Capital adequacy ratio

The own capital of the Company as of 2019 amounted to 603 bln tenge. The decrease of the own capital by 25.5 bln tenge, against 2018, is mainly due to the following factors:

- decrease in retained earnings of the Company by KZT 22.9 billion due to the payment of dividends to the Sole Shareholder.
- a decrease in other components of capital in the amount of 2.5 billion tenge due to the translation of the reporting currency of Kazzinc LLP.

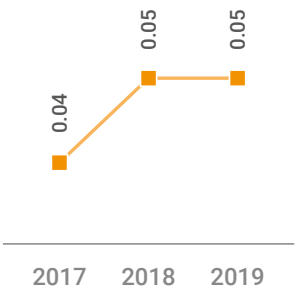
The size of the own capital in the balance sheet structure following the results of 2019 amounted to 96%.

Data on liquidity ratio

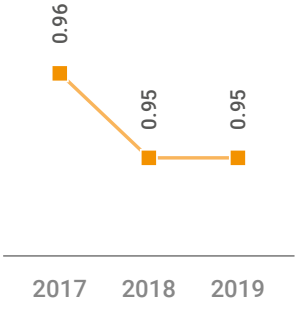
According to the results of 2019, the financial dependency ratio is 0.05, the concentration of own capital is 0.95. Therefore, the current financial condition of the Company is characterized as stable and independent from external creditors.

The indicator of the current liquidity ratio was 3.65, due to the sufficient amount of free resources against the current liabilities.

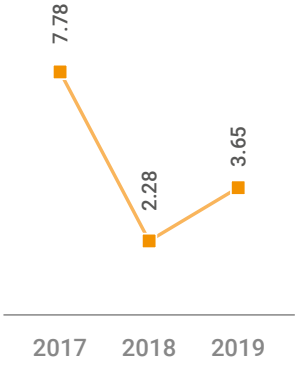
Financial dependency Ratio



Concentration of own Capital



Current liquidity ratio



ENVIRONMENTAL ANALYSIS

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 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 was introduced the Code on subsoil and subsoil use, replacing the law on subsoil and subsoil use, which contributed to a significant improvement in the country's investment climate.

Gold market conjuncture

In 2019, there was observed the better dynamics of gold prices on world markets since 2010 – the price growth was 18.4% in dollar terms. The cost of an ounce of gold was 1,279 US dollars at the beginning of 2019, and reached us 1,474 US dollars by the end of the year. The gold price outperformed the main global ratings of emerging market bonds and stocks over the same period.

According to analysts of AXI Trader, the main factor in the growth of gold prices in 2019 was a global decrease in interest rates against the background of the geopolitical uncertainties growing in Europe due to Brexit, as well as the trade war between the US and China.

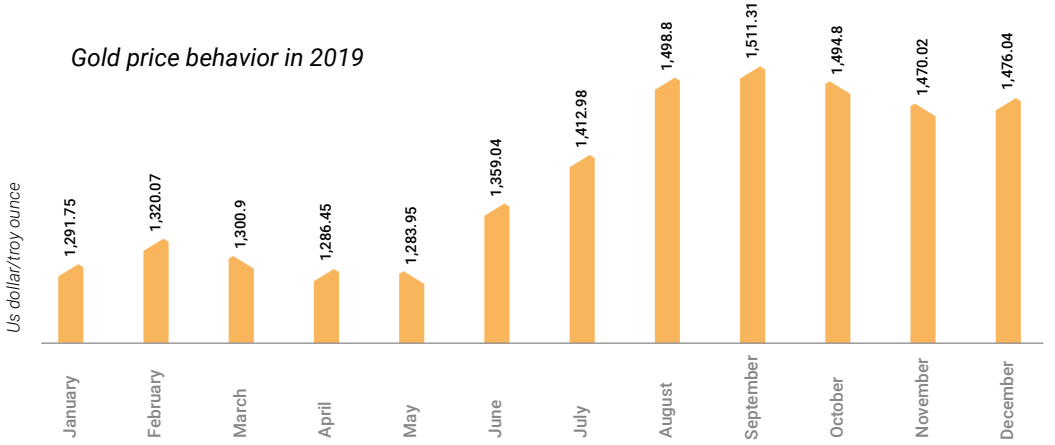
The demand for gold fell by 1% to 4,355.7 t in 2019, as a huge increase in investment flows into gold-backed ETF was accompanied by a decline in consumer demand.

The total annual gold supply increased by 2% to 4,776.1 t. The jump in processing, in response to the sharp rise in gold prices, was the main reason for the increase.

The production of gold mines was 3,463.7 t in 2019, which is by 1% lower than in 2018, and this is the first annual decline in production since 2008. The production growth was mainly provided by the new deposits. The production growth was observed in Russia, Australia, Turkey and West Africa. But this was outweighed by the decline in other regions. The mine production in China is declining for the third year running, also has declined the production in South Africa and South America.

The secondary gold supply in 2019 increased by 11% up to 1,304 tons. This is the highest level of utilization since 2012 (when the gold price was significantly higher). The cost was the defeating factor for this growth. The jump in gold prices has attracted the attention of consumers, especially in consumer markets with a weak national currency.

Gold price behavior in 2019

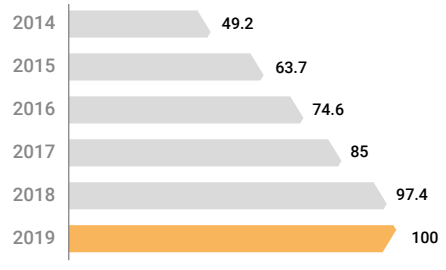


Source: LBMA gold prices 2019

Prospects of changes in market situation

The analysts of World Gold Council believe, that in 2020, the investors will face a growing number of geopolitical challenges, while many pre-existing problems are likely to remain unresolved. In addition, very low interest rates around the world are likely to support the high share prices. In this context, there are reasons to invest in safe assets such as gold. One of the key drivers of the gold market, especially in the short and mid-term, is the cost of its retention in regards to other assets, such as bonds.

Gold production in Kazakhstan, tons



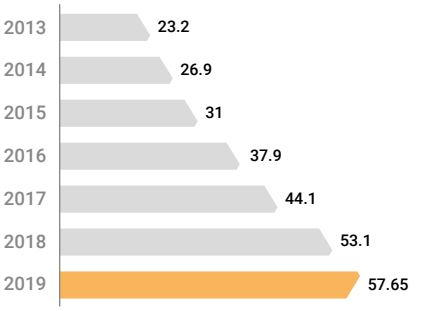
Source: Committee on Statistics RK

Gold production in Kazakhstan

In 2019 in Kazakhstan were produced the record 100 tons of unwrought gold (+2.8% per year). 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.

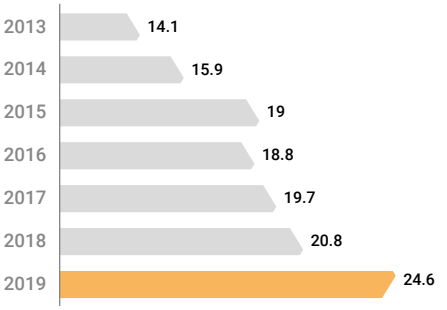
Following the results of 2019, 57.65 tons of refined gold were produced in the Republic. This is by 8.6% more than a year earlier. The peak happened in August, when the volume reached the record 5.47 tons.

Refined gold production in Kazakhstan, tons



The production of gold-bearing ores in the RK increased by 18.3% per year, to 24.6 mln tons. At the end of 2018, there was also an increase: by 5.6% per year, to 20.8 mln tons.

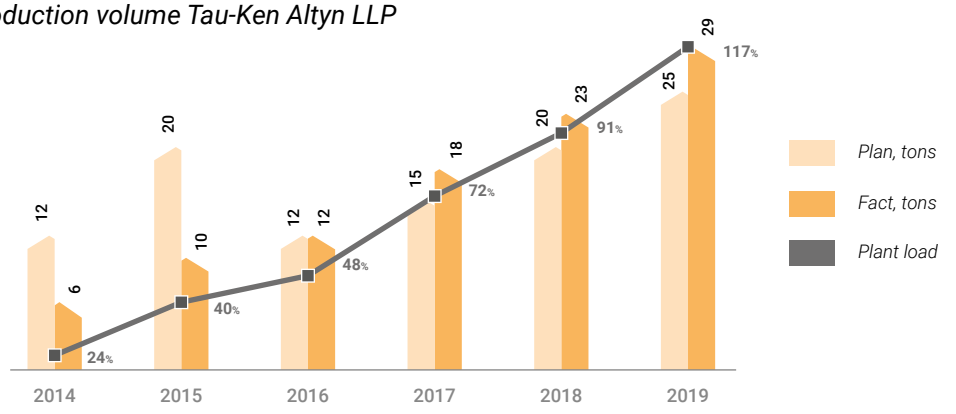
Production of gold bearing ores, mln tons



Source: Committee on Statistics RK

Following the results of twelve months of 2019 Tau-Ken Altyn LLP produced 29.19 tons of refined gold 2019, which is by 29% more than in the same period a year earlier. The share of Tau-Ken Altyn LLP in the gold market in Kazakhstan is 50.63%.

Production volume Tau-Ken Altyn LLP



Silicon Market Conditions

Silicon production volume

According to U.S. Geological Survey, in 2019, the worldwide production with reserves of technical silicon is approximately equal to 7 mln tons of silicon.

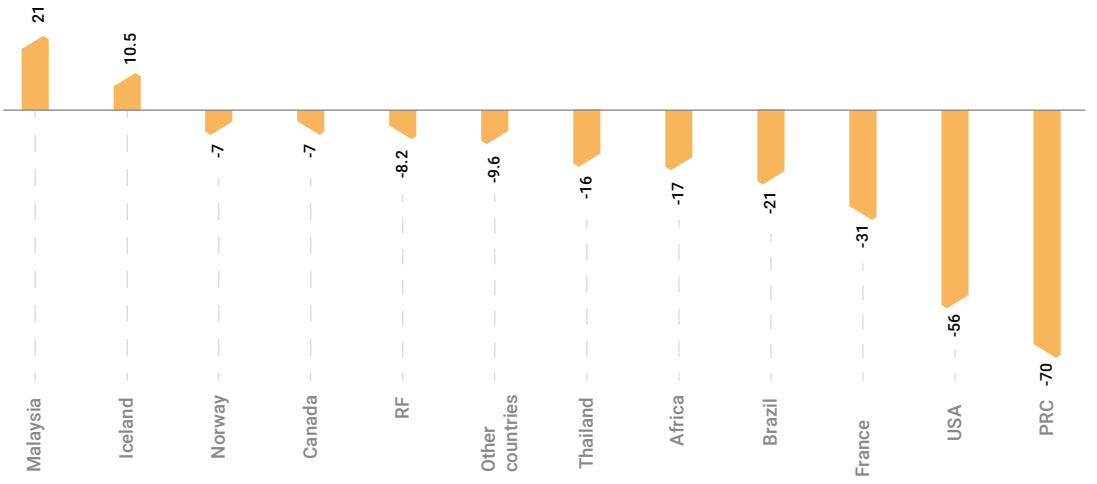
Industrial silicon production volumes by countries for 2018-2019, thous. tons

Country	China	Russia	Norway	USA	Other countries	Brazil	Malaysia	France	Bhutan	Iceland	Spain	Canada	India	Ukraine	Poland	Total
2018	4,800	600	370	430	290	220	140	140	90	83	69	57	57	49	43	7,438
2019	4,500	600	370	320	290	210	150	140	90	80	70	60	60	50	36	7,026

Source: USGS

There is a global decline in the production of technical silicon due to market oversaturation and economic unreasonableness. For example, the largest supplier of silicon, the PRC, in connection with the current situation, reduced the production in 2019 by 10% compared to 2018. In the period from the end of 2017 to the beginning of 2018, a significant number of production furnaces were activated during the resumption of operation. As a result, the second and third quarters of 2018 saw the record amount of silicon produced. This trend in production growth was caused by the strengthening of the US dollar and a sharp decline in the price of electrodes. As a result, the volume of finished products outweighed the demand for this product, which led to a decrease in the price.

Change in silicon production by the largest countries-producers in 2018-2019, thous. tons



Source: CRU

In 2017–2018, the USA silicon market, due to the anti-dumping investigation initiated by Ferroglobe against a number of countries (Malaysia, Norway, Australia, Brazil, Kazakhstan), was replenished by the largest producers of the PRC (Xinjiang and Yunnan provinces), as well as by Ferroglobe with manufacturers in the USA. During this period, the European market turned to be saturated with this material due to the concentration of supplies from the above mentioned manufacturers. In 2018, the US market opened because of the decision of the Committee on International trade USA to suspend the alleged charges against the mentioned above countries.

Ferroglobe failed to optimize the balance between supply and demand in time, while losing sales of some part of the US and EU market, that led to the fall of stocks price of the company during the 3-rd and 4-th quarters of 2019. These errors led to the closure of some plants in the USA, France, Spain, and RSA. The less developed players immediately reacted to the state of the market by suspending their furnaces, including 1 out of 3 in Bosnia, 1 out of 4 in Brazil, Elkem in Norway, 1 plant from two of RUSAL.

In 2019, world production with technical silicon reserves aproximates

7 mln

tons of silicon

Demand rate in silicon

The silicon is one of the most important materials when producing the alloys and products out of secondary aluminum as an alloying element:

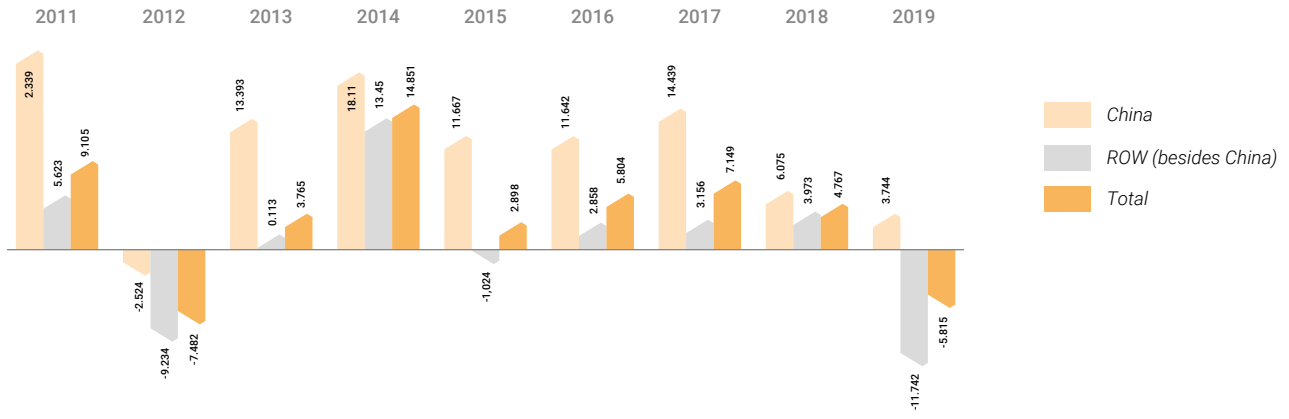
- Automative industry (butt ends, cylinder blocks, wheel disks, etc.)
- Construction (structures)

In this connection, the prices for silicon are closely associated with quotations for secondary aluminum and have the identical demand dynamics.

Slowing economic growth weakened demand for aluminum, especially in China, the largest consumer of aluminum.

According to CRU estimates, in 2019, silicon consumption in aluminum production decreased by 12%. Slowing economic growth weakened demand for aluminum, which led to this trend..

CHANGE OF DEMAND COMPARED TO THE PREVIOUS PERIOD, %



Source: RUSAL LLC 2019 Financial Results report

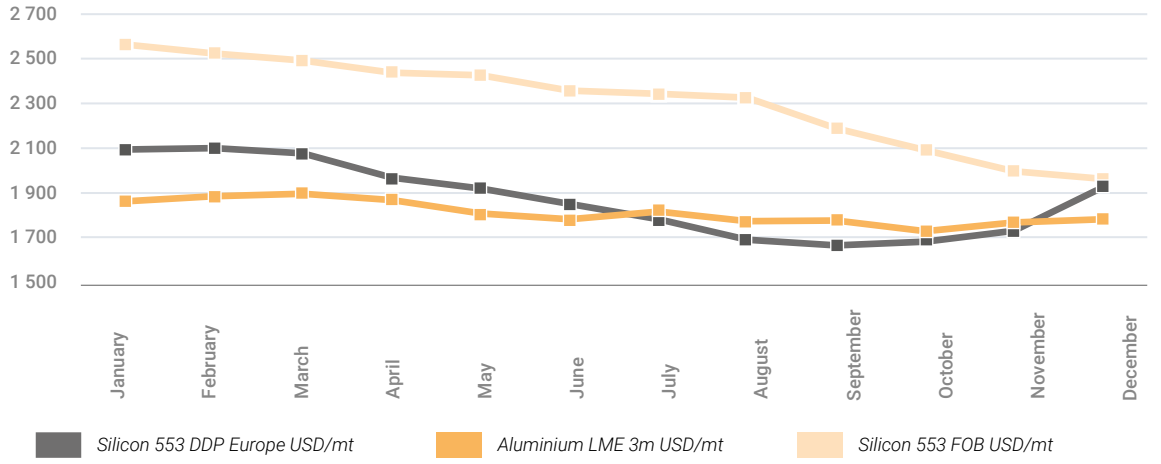
Following the results of 2019, there was a significant decrease in demand for silicon. The Vice President of CRU Jorn P. de Linde said in the Silicon Market Conference in Budapest that this trend of declining demand indicates such global economic obstacles as:

- large economic downfall (slowing in 2019 from 2.9% to 2.5% compared to 2018 – Rusal 2019 Fin. Report),
- the continuing trade conflicts between the USA and China have increased the uncertainty, exerting the disproportionate impact on production,
- decline in global automotive manufacture,
- reactivation of a number of furnaces at the end 2017 / at the beginning 2018,
- the record high level of silicon production in 2018 Q2 / Q3.

Dynamics of prices for silicon

Historically, the silicon prices, due to their close relationship to the prices for aluminum and steel, have a rather cyclical nature. The behavior of the price for silicon can be traced by means of the metals quotations used in this sector.

Dynamics of prices for industrial silicon of grade 553 and for aluminium LME 3m in 2019



Source: Argus Metals, Platts

The prices for silicon have been falling in all major markets for six consecutive quarters running through October 2019 due to permanent excessive supply.

The lowering of prices, according to the analytical Agency CRU, was caused by:

- the significant reduction in the overall demand for silicon (-5% in 2019 against 2018),
- the escalation of economic and trade barriers between the US and China, which led to mutual sanctions (market of aluminium scrap delivered from US to China has dropped sharply, and in return, there was an oversaturation of aluminum scrap in the USA),

- fast excess of supply over demand curve,
- the negative dynamics of the automotive industry, both in the USA and in the EU,

respectively, the associated metallurgical sector is experiencing issues in commercial and economic terms.

However, despite the low demand in Europe, the prices began to rise at the end of the 4-th quarter of 2019 due to reduced supplies to the primary operations.

Prospects

In general, market recovery depends on the return of demand.

The outbreak of coronavirus in China and the resulting economic crisis in late January exacerbated limited supplies to Europe, as production in the Asia-Pacific region declined. Market participants said that major European manufacturers such as Elkem and Ferroglobe did not offer any materials, leaving very few finished products in the spot market.

This took place during most of the first quarter of 2020 after a decrease in production at both manufacturers, which began last year.

Thus, due to interruptions in the supply of silicon caused by the coronavirus pandemic during the first and beginning of the second quarter, an increase in spot prices for silicon was observed. According to analysts at Argus Metals, coronavirus could stop the rise in silicon prices, which it helped launch if the outbreak spreads around the world.

The market is likely to witness a change in the direction of prices, since the spread of the virus outside of China can reduce demand from lower markets.

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

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.

INNOVATIVE ACTIVITY

One of the main goals of the Innovation and technological strategy of Tau-Ken Samruk JSC is the development and implementation of new high-tech and efficient technologies in the mining and metallurgical industry. The conducting R & D research increases the Company competitiveness due to the improvement of technical and economic performance indicators – the growth of metal recovery, labor productivity, increase of enterprises operations reliability, etc., and as a result, leads to the reduction of operating costs.

In the framework of the R & D program execution for 2019 were conducted various research in the subsidiaries. In Alaigyr JV LLP the preliminary evaluation of the ore preparation evaluation of enrichability of the deposit ores by means of the gravity field methods and the studies of enrichability by means of flotation methods; the adjustment of process regulations in terms of requirements for the composition and content of technological regulations. In addition, the extended tests were conducted to assess the possibility and efficiency of pre-enrichment of deposits ores based on X-ray radiometric separation technology. In order to optimize the design solutions, was performed the calculation and justification of the optimal parameters of open casts.

In the Upper Kayrakty LLP were completed the research on the possibility of separation of tungsten-containing ore of the Upper Kayrakty deposit using the X-ray luminescent and X-ray enrichment methods.

In 2019 Tau-Ken Temir LLP carried out the following set of research:

1. The continuation of pilot-industrial tests of the technology of X-ray radiometric separation of gangue quartz, fossil coal, industrial silicon.

2. The approbation of technology for melting industrial silicon with the use of a briquetted mixture based on the microsilica and riddlings of carbonaceous reducing agent.

3. The pilot-industrial tests on the removing of refractory slags when the smelting of industrial silicon with the use of borate ores.

4. The development of technology and pilot-industrial implementation of the conditioning process of industrial silicon of 2–10 mm fraction into the corresponding products of 10–100 mm fraction by remelting.

5. The R&D conducting “The research of possibility of improving the quality of industrial silicon by means of liquation refining”.

5

CORPORATE GOVERNANCE

2016

An important event for the Tau-Ken Samruk NMC JSC group of companies was the conclusion of a contract with the Ministry of Investment and Development of the Republic of Kazakhstan for the combined exploration and production of tungsten-molybdenum ores at the Upper Kairakty deposit in Karaganda region.

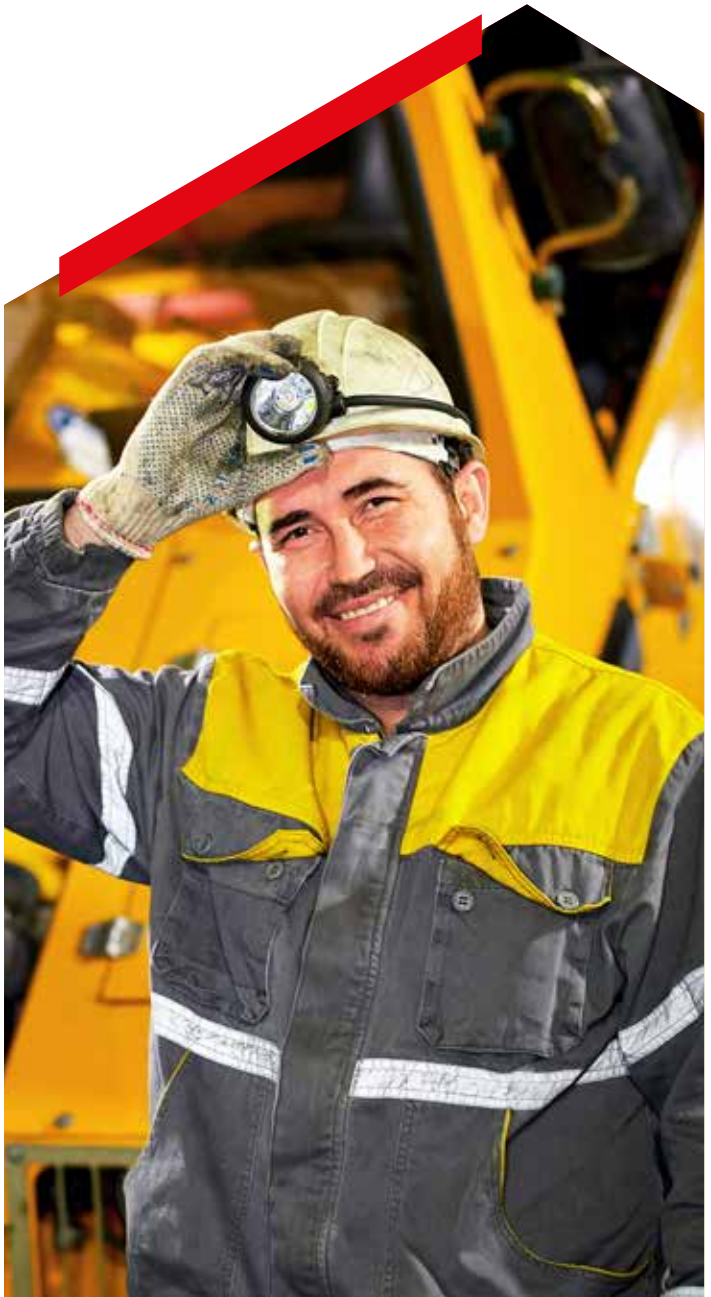
A stake in Silicon mining LLP was acquired from Investment Fund of Kazakhstan JSC.

General description of the CG system and the Code

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:



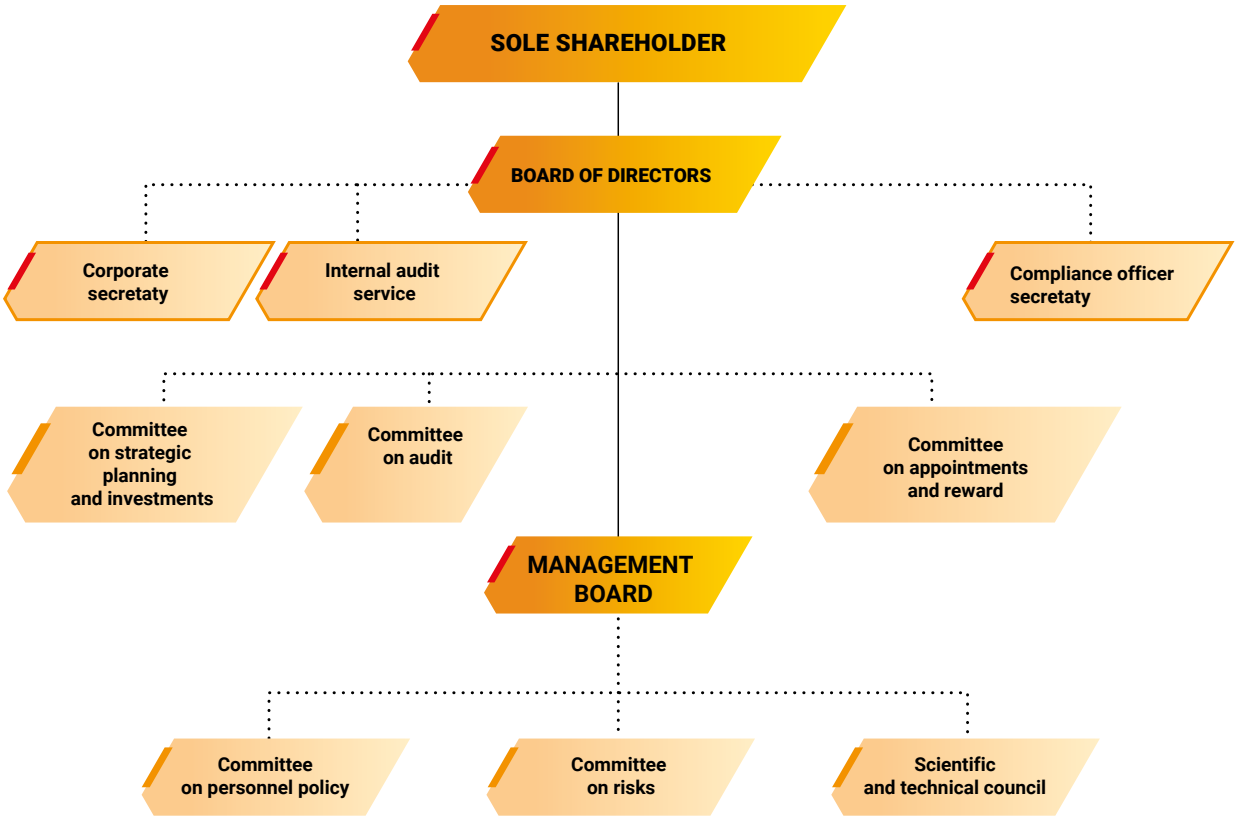
- Government as a shareholder
- Interaction of the Sole shareholder and organizations
- Sustainable development
- Shareholder rights and treating shareholders fairly
- Efficiency of the Board of Directors and the executive body
- Risk management, internal control and audit
- Transparency

The Action Plan on the improvement of the corporate governance of Tau-Ken Samruk NMC JSC Code for 2019–2020, in view of the results of the independent assessment, is approved by the decision of the Board of Directors on March 26, 2019, Minutes No. 02/19. The changes and additions to this plan were brought by the decision of the Board of Directors dated July 26, 2019, Minutes 06/19.

In 2020 it's planned to carry out the independent diagnostics of the corporate governance of the portfolio companies.

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

The basic information about the shares of Tau-Ken Samruk NMC JSC:

- 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 aricle.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 2019
the Company authorized capital amounted to
252.9 bln tenge,
equity –
603 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 *(Hereinafter– the Fund).*

The Fund was established in 2008 by the decree of the President of the Republic of Kazakhstan and represents a commercial structure – an investment holding, whose mission is to increase the national welfare of the Republic of Kazakhstan and support the modernization of the national economy.

The Sole shareholder of the Fund is the Government of the Republic of Kazakhstan.

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.

Nomination Procedure

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 reelection 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, the presence of competencies in areas and industries;
- 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. The information is published on the Company's website and a press release is issued.

In accordance with 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

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:

- any member of the Board of Directors;
- the audit organization that audits the Company;
- the Sole shareholder;
- the Company internal audit Service.

A meeting of the Board of Directors makes 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.

Remuneration policy

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:

- fixed remuneration;
- 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.

Composition of the Board of Directors as of the end of 2019

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 decisions of the Board of Samruk-Kazyna JSC of September 26, 2012, of December 26, 2018 (Minutes No. 13/18), of May 20, 2019.

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:

- 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;
- Since 2014 - Deputy Chief Director for Business Development of Samruk-Kazyna JSC;
- From January 2018 through the present, Co-managing Director of Assets Development Department – member of the Board of Samruk-Kazyna JSC.

Work and membership in boards of directors of other organizations in 2019:

- member of the Supervisory Board of Samruk-Kazyna Invest LLP, member of the Board of Directors of Real Estate Fund SK, member of the Supervisory Board of the United Chemical Company LLP.

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, of May 20, 2019.

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 2004 – January 2007 – Akim of the Kyzylorda region of the Republic of Kazakhstan (04.2004–01.2007).
- from 2007 to 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.
- from 2011 to 2017 – deputy of the Senate of the Parliament of the Republic of Kazakhstan.

Work and membership in the Board of Directors of other organizations in 2019:

- member of the Supervisory Board of the United Chemical Company LLP (from May 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.

Arslanova
Zarina Fuatovna

Senior independent director

Date of the first election to the BD, date of the current election to the BD:

- the decisions of the Board of Samruk-Kazyna JSC of August 7, 2012, of January 29, 2015, of May 20, 2019.

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: economist, Ph.D. in Economics. In 1992-1996, she underwent training at the World Bank Institute of economic education.

Work experience:

She hold different management positions in private institutions during the last 18 years. 2007 – 2010 – Independent Director of Insurance Company Alliance Policy.

- in 2007– president of AXIS Corporation LLP.
- in 2009– managing partner of RKF Astana LLP;
- in 2015– advisor, member of the managing Committee of Dala Mining LLP;

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 in the Board of Directors of other organizations in 2019:

- International University of information technologies 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, of May 20 2019.

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:

- 2001–2004, he held the 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.
- From 2014 to the present, Chief Operating Officer of Friona Commerce LLC.

Company shares ownership: no.

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

Narbayeva
Ayslu Zharmukhametovna

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.

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:

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

Work and membership in the Board of Directors of other organizations in 2019: 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, of May 20, 2019

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:

- Since 2001 – Chief Assistant Prosecutor, the Semirechensk transport Prosecutor's office.
- Since 2004 – Deputy Director – head of the negotiations and legal service of the Legal Department, Kazakhtelecom 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).
- From 2007 to 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.
- From April 23, 2018 to the present – Chairman of the Board of NMC Tau-Ken Samruk JSC.

Work and membership in the Board of Directors of other organizations in 2019:

- 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 2019, 12 meetings were held, including 1 meeting by correspondence, at which 162 issues were addressed and resolved.

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

- Consolidated Development Plan for 2020–2024;
- Corporate key performance indicators and their target values for 2020;
- Efficiency of the implementation of Investment projects;
- Improvement of the risk management systems, internal control and continuity of business control;
- 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.

Information on the evaluation of the BD

In the frame of the comprehensive process of assessment the effectiveness of the Board of Directors, the Action Plan for assessment the performance of the Board of Directors and its Committees, the Chairman, members of the Board of Directors and the Corporate Secretary of Tau-Ken Samruk NMC JSC for 2019–2020 was developed and approved.

The purpose of the assessment is to determine the degree of efficiency of the activity and to improve the quality of work of the Board of Directors, its Committees, the Chairman, each member of the Board of Directors and Corporate Secretary, and, as a consequence, to increase the contribution of the Board of Directors in the long-term value growth and sustainable development of the Company.

The Action for assessment the performance of the Board of Directors and its Committees, the Chairman, members of the Board of Directors and the Corporate Secretary of Tau-Ken Samruk NMC JSC for 2019–2020 has been prepared in accordance with the Methodology for diagnostics of the corporate governance in legal entities, more than fifty percent of the voting shares of which are directly or indirectly owned by Samruk-Kazyna JSC, approved by the decision of the Board of the Fund dated September 26,2016 No. 35/16.

The plan includes the assessment activities, approaches and tools of the assessment carrying out, as well as deadlines for the activities execution.

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;
- Nomination and Remuneration Committee;
- 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, 2019, 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

In 2019, the Audit Committee held 11 in-person meetings, at which were addressed 61 issues and provided relevant recommendations.

Participation of members of the Audit Committee in its meetings in 2019

Date	06/02/19 02.2019	25/02/19	26/03/19	17/04/19	14/05/19	25/07/19	02/09/19	26/09/19	31/10/19	26/11/19	26/12/19	%
Arslanova Z.F.												100
Kalandadze D.N.												100
Narbayeva A.Zh.												100

During 2019 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;
- etter 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-st half year and 9 months of 2019.

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

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, 2019, 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 59 issues and provided relevant recommendations to the Board of Directors.

Personal participation of members of the Appointments and Remuneration Committee in its meetings in 2019

Date	06/02/19	26/03/19	17/04/19	14/05/19	15/07/19	25/07/19	02/09/19	26/09/19	31/10/19	26/11/19	12/12/19	26/12/19	%
Arslanova Z.F.													100
Adyrbek I.A.													100
Kalandadze D.N.													100
Narbayeva A.Zh.													100

The key matters considered by the Key issues considered by the Nomination and Remuneration Committee in 2019:

- Consideration of the organizational structure.
- 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.

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. Also 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, 2019, 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
- **Dukenova Marzhan Bekturganovna** – expert of the Committee without vote

During the reporting period, the strategic planning and investment Committee held 7 in-person meetings, at which were addressed 18 issues and provided relevant recommendations to the Board of Directors.

Personal participation of members of the strategic planning and investment Committee in its meetings in 2019

Date	06/02/19	26/03/19	17/04/19	02/09/19	26/09/19	26/11/19	26/12/19	%
Kalandadze D.N.								100
Adyrbek I.A.								100
Arslanova Z.F.								100
Narbayeva A.Zh.								100

During 2019, the Committee on strategic planning and investment provided the relevant recommendations to the Board of Directors, including on:

- Consideration, discussion of the main directions of activities for actualization of the Strategy of Development for 2020–2030.
- Consideration of Reports on the implementation of the Strategy of Development.
- 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 in the section "Reports and Results".

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, the Board was elected as follows:

- Kudaybergen Kanat Zhakupuly
- Saurambaev Nurlan Batyrgalievich
- Kuanshaliev Buyrzhan Seytzhanovich
- Itemgenov Nurlan Gaysanovich

Composition of the Board

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", Geneva Business School (2016) and MBA "Mining Management", NUST Moscow Institute of Steel and Alloys (2017).

Professional activity:

- 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 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 Production" Division of NAC Kazatomprom JSC.
- From April 23, 2018 – Chairman of the Management Board of Tau-Ken Samruk NMC 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 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.
- From 2013 to 2015 – General Director of Arbat JV LLP as combined duties.
- From 2014 – First Deputy Chairman in SAT & Company JSC.
- From 2012– to 2016 – a member of the Board of Directors of IC Standard SK JSC.
- From 2015 to 2018 – Chairman of the Board of SAT & Company JSC.
- From May 22, 2018 – Chief Director for Business Development, Tau-Ken Samruk NMC 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.

Kuanshaliev
Bauyrzhan Seytzhanovich

Chief director
on economics and finance

Carries out the management of all financial, economic and control activities. He is responsible for the economic efficiency of the Company's activities, mid-term financial and economic planning, analysis of the company's economic activities, organization and coordination of works on automation of the Company's activities processes.

Date of the election:

- Decision of the Board of Directors of Tau-Ken Samruk NMC JSC of April 18, 2019, Minutes No. 03-19.

Citizenship: Republic of Kazakhstan

Date of birth: November 10, 1985

Education:

- He graduated from Kazakhstani Institute of Management, Economics and Forecasting (KIMEP), with degree in the "Finances" (2007).

Professional activity:

- 2007–2010 – Specialist, Senior Auditor of the Department in Deloitte LLP
- 2011 – auditor SAT & Company JSC
- 2012 – Managing Director, member of Board SK Standard JSC
- 2013 – Managing Director AF Bank OJSC
- 2014 – Finance Director of Taraz metallurgical plant LLP
- 2015 – Managing Director of the Department of budgeting and investment projects of SAT & Company JSC
- 2016 – General director of Taraz metallurgical plant LLP
- 2018 – President of Ecotone + JSC
- He was employed in Tau-Ken Samruk NMC JSC on April 08, 2019

Company shares ownership: no.

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

Itemgenov
Nurlan Gaysanovich

Chief director
on business ensuring

Ensures the organization of corporate governance, legal support for the Company's activities, human resource management processes, interaction with government agencies, ensures the continuity of administrative and economic activities for the long-term, balanced and sustainable development of the Company.

Date of the election:

- Decision of the Board of Directors of Tau-Ken Samruk NMC JSC of July 26, 2019, Minutes No. 06/19.

Citizenship: Republic of Kazakhstan

Date of birth: February 14, 1968

Education:

- He graduated from Karaganda state medical institute, with degree – Stomatologist (1992), Rudnenskiy state industrial Institute, majoring in "Economist-manager" (2004), Kazakhstani Humanitarian-Law University, with degree in Jurisprudence (2005).

Professional activity:

- 1992 – Stomatologist of the medical and preventive Department, Rudny city;
- 1998 – Hospital chief executive of the 'Rassvet' Health Care center, Rudny city;
- From 1999 to 2002 – Director of the Health and Wellness Center, Acting Vice President, Vice President of Sokolovsk-Sarabaysky Mining and Processing Production Association OJSC, Rudny;
- Since 2004 – Deputy of the Mazhilis of the Parliament of the Republic of Kazakhstan, Astana city;
- From 2007 – Deputy Director of the Center for forensic examination of the Ministry of Justice of the Republic of Kazakhstan, Astana city;
- From 2010 – Director of the Center for forensic examination of the Ministry of Justice of the Republic of Kazakhstan, Astana city;
- Since 2012 – Head of the Human Resources Department of the Agency of the Republic of Kazakhstan for fight against economic and corruption criminality (Financial Police Department), Astana city;
- Since 2014 – Head of Administrative and Personnel Department, National Atomic Company Kazatomprom JSC LLP, Trade and transport company, head of Administrative and Personnel Department, Astana city;
- Since 2016 – Deputy Director of the Center for forensic examination of the Ministry of Justice of the Republic of Kazakhstan, Astana city;
- In 2017 – Advisor to the Minister of Justice of the Republic of Kazakhstan, Astana city; Deputy Director on Research work of the Center for forensic examination of the Ministry of Justice of the Republic of Kazakhstan, Astana city; Director of the Center for forensic examination of Ministry of justice of the Republic of Kazakhstan, Astana city.
- Since July 26, he has been the Chief Business Support Director of Nau-Ken Samruk NMC 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 performance

Indicator	2018	2019
Number of meetings	60	**36**
Number of matters considered	344	**307**

Remuneration Policy

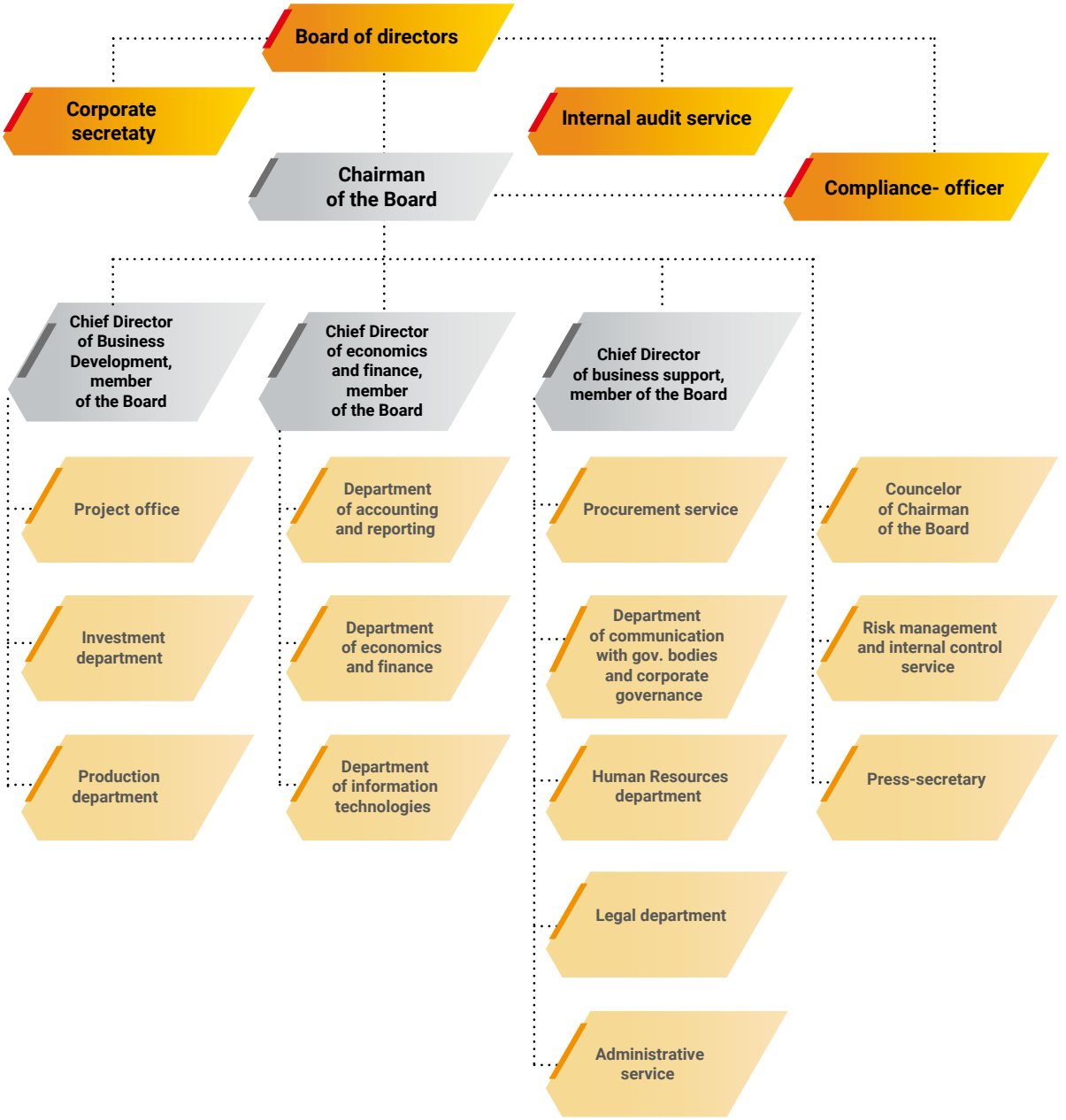
The remuneration policy of the members of the Management Board is implemented in accordance with the Rules for activity assessment and remuneration of managers and executive staff of Tau-Ken Samruk NMC JSC, developed in accordance with the legislation of the Republic of Kazakhstan, the Policy for activity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



The organization structure is approved by the decision of the Company's Board of Directors dated November 01, 2019 (minutes No10/19) with headcount of 71 units.

RISK MANAGEMENT AND INTERNAL CONTROL

To reduce the uncertainty of the risks impact on the achievement of goals and minimize possible consequences of the risk occurrence, in Tau-Ken Samruk NMC JSC is established a corporate risk management system (hereinafter – CRMS), which is integrated into decision-making processes at all levels.

The CRMS is aimed at providing reasonable assurance of achieving the following goals:

- strategic goals;
- operational goals - efficient and effective use of resources, preservation of assets;
- objectives in the field of preparing the reliable financial statements;
- goals in the field of compliance with applicable laws and internal requirements

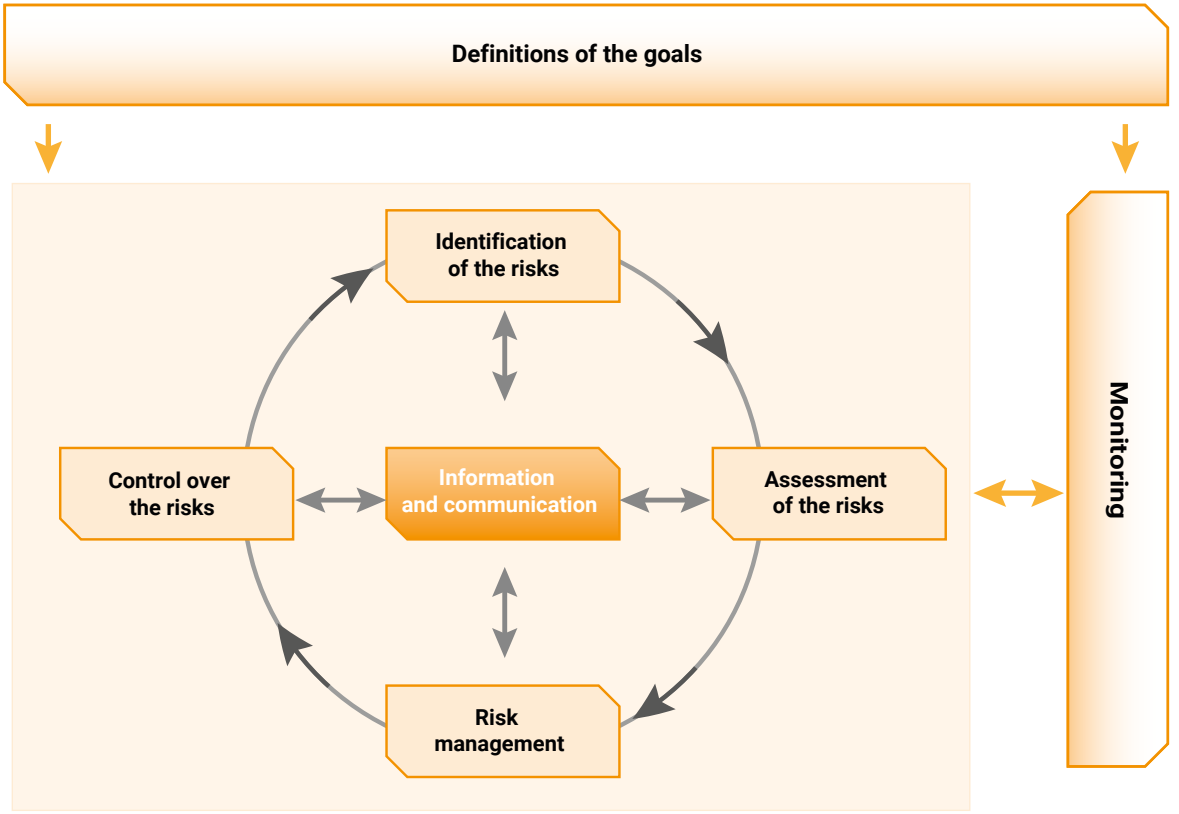
Whereas the CRMS is focused on achieving the goals on four listed above categories, the internal control is focused on achieving the operational goals, goals in the field of preparing the reliable reporting and compliance with applicable laws and internal requirements.

Risk management system

The CRMS is based on a constant cyclic risk management process of identifying, assessing and management of risks, that may affect the performance indicators in the short and long term and the implementation of the Company's strategy, taking into account economic, environmental and social aspects.

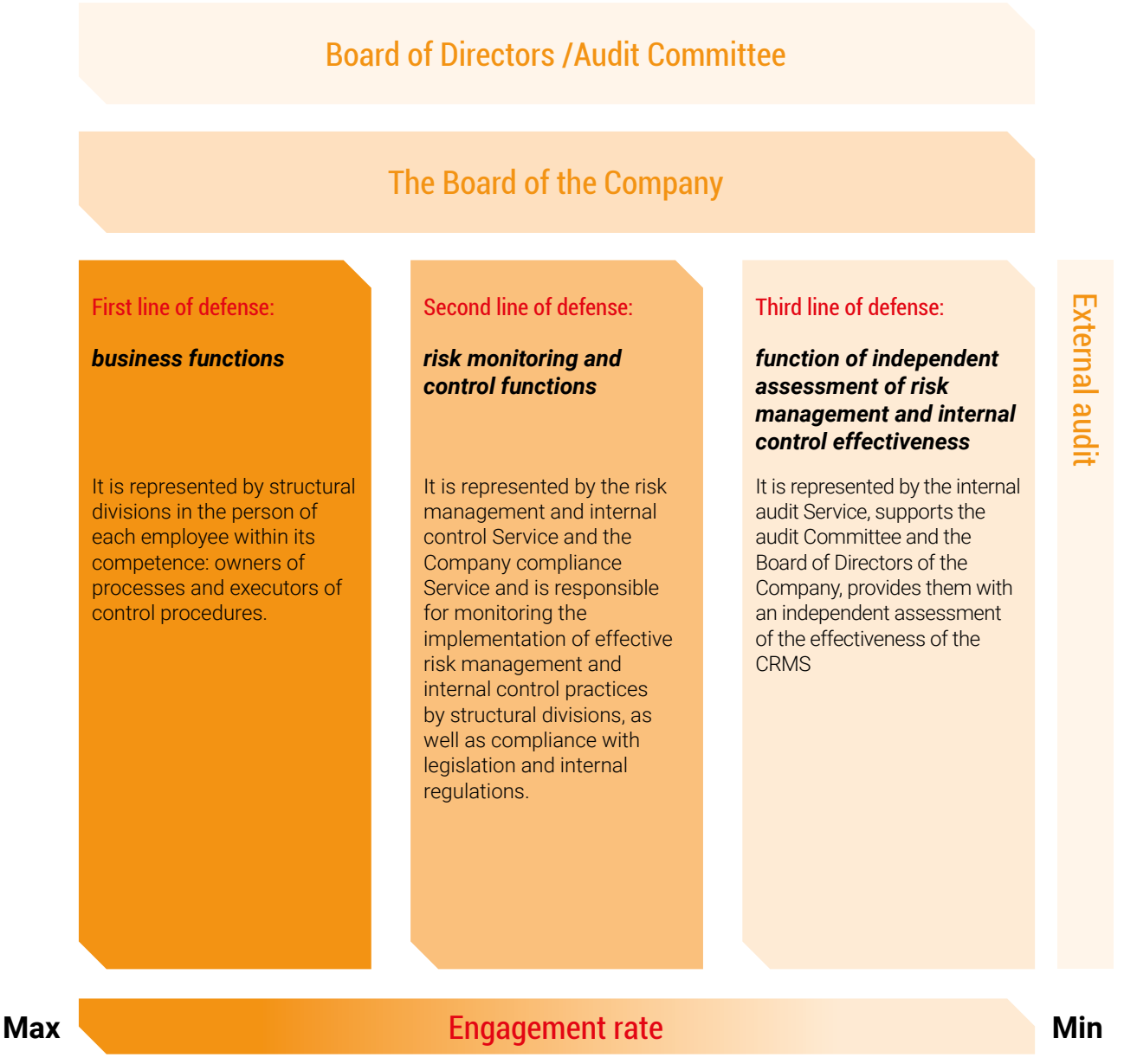
The Board of Directors of Tau-Ken Samruk NMC JSC approved the risk management Rules, which define the main components of the risk management system and its structure, ensures the systematic and consistent approach to the implementation of the risk management process in the Company and its subsidiaries.

Corporate risk management system



Corporate risk management system

At the core of the CRMS structure is the «Three lines of defense» Model – an approach to the organization of CRMS based on the fact that for effective risk management and internal control under the guidance of the Company's Board of Directors, it is necessary to divide the roles and responsibilities between three separate groups (lines of defense): business functions (each structural division of the Company), risk monitoring and control function (Internal control and risk management service and Compliance service), and function of independent evaluation of risk management and internal control effectiveness (internal audit Service).

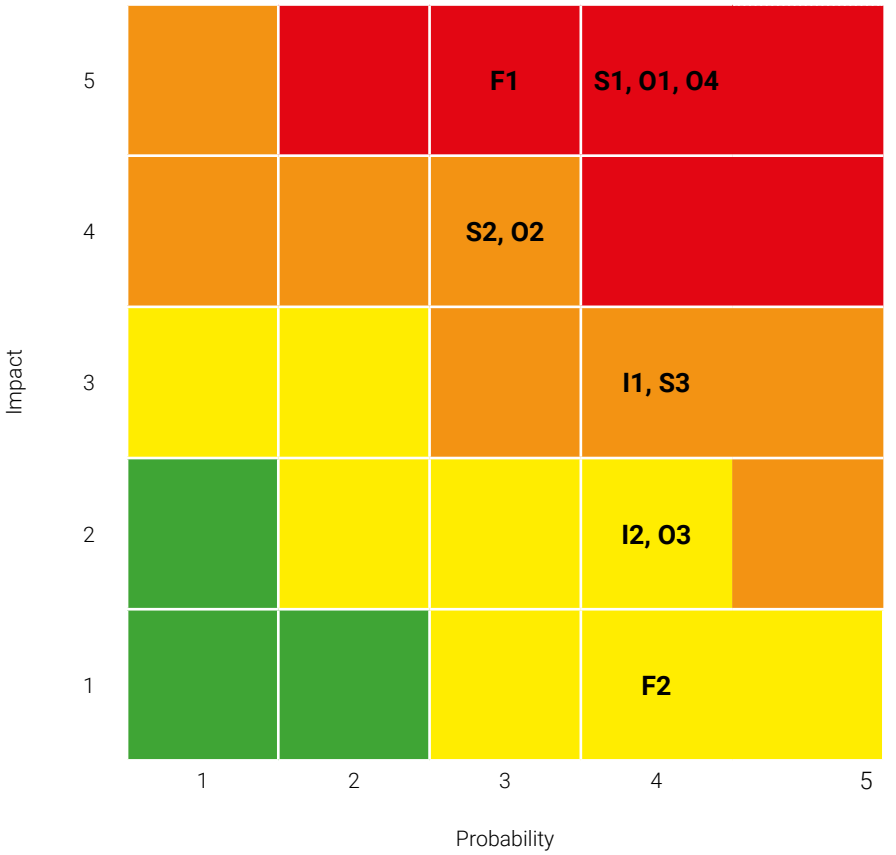


Company Risk Map

On an annual basis, the Company calculates the risk-appetite, forms the risk Register and the risk Map for the coming year, which are approved by the Board of Directors. Identified risks are systematized in the form of a risk Register, assessed by the degree of impact, probability of occurrence and time of effect, and then are indicated on the Company's Risk Map.

According to the risk register for 2019, the results of the risk prioritization process are shown in the Map below.

Risk Map



Within the CRMS performance, the Company has identified a list of critical risks in four areas (strategic, investment, financial, operational and legal), the risk owners are identified, the risks are assessed, are developed and implemented actions to manage them, the dynamics of key risks and the implementation of actions for their reduction is continuously monitored.

On a quarterly basis, the risk reports with updating the risk map and risk management plans are submitted for consideration by the Company's Board of Directors, Boards of Directors/ Supervisory Boards of Subsidiaries.

Company key risks: factors and management practice

Strategic risks

S1	Risk of not attracting strategic investors	• Economic situation on the world market; • Non-confirmation of technical and technological parameters of deposits; • Investment unattractiveness of the project; • Social tension in the country related to the rejection of a strategic partner; • Inefficiency of technological processes; • Unsatisfactory condition of process equipment.
S2	Risk of entering into unprofitable projects	• Limited access to historical geological information; • Lack of promising subsoil use projects in the RK; • Insufficient financing or lack of financing sources; • Poor-quality/untimely geological and economic assessment of the deposit; • Lack of qualified personnel.
S3	Price risk	• Reducing the demand of consuming industries; • Decline in the global economy; • Instability of the markets; • Lack of consumers of silicon in Kazakhstan; • Political instability.

In the frame of risk management integration into the main key business processes, the Company updated the current rules for entering projects, supporting their implementation, as well as exiting projects, taking into account the lessons learned and using the assessment of potential risks. The close cooperation with state institutions is underway for timely access to geological funds, the study of geological data for finding promising sites and timely geological and economic assessment.

In order to reduce the impact of price risk, monthly information was provided on prices and trends in the metal markets, and long-term contracts were concluded.

In addition, is conducted a systematic search for investors (participation in forums, conferences, meetings, mailing out information teasers), conducting additional technological research.

Investment risks

I1	Risk of ineffective Project management	• Poorly made design (increase in the volume of Construction and Assembly Operations (CAO) ipso facto); • Lack of control over the execution of the project schedule; • Breach by the contractors of their obligations; • Delays in internal procedures for acceptance, approval and payment of completed works; • Increase in the cost of the project due to the increase in GWS prices.
I2	Risk of ineffective Cash management	• Late financing of the project; • Lack of relevant competencies; • Delays in internal procedures for acceptance, approval and payment of completed works.

In order to reduce the investment risks, the company actively implements the best practices of project management. On an ongoing basis, the construction schedule compliance is analyzed in order to prevent the rescheduling, ensure the timely financing, monitor the cash budget execution.

Operational risks

O1	Risk of non-fulfillment of licensing and contractual conditions	• Poor quality planning of actions for the licensing and contractual conditions (LCC) execution; • Lack of relevant competencies; • Lack of control over the implementation of LCS by the contract holders; • Late financing.
O2	Risk of violation of procurement procedures	• Inattentiveness/incompetence of employees; • Violation of the requirements of procurement rules and other Normative legal acts (NLA) via actions and/or failure to act; • Lack of evaluation of the activities of employees responsible for procurement;
O3	Risk of environmental damage	• Lack of monitoring over compliance with environmental legislation; • Non-compliance with security measures and technology; • Industrial accidents resulting in environmental damage
O4	Risk of ineffective planning and weak control	• Ineffective communication and interaction between departments; • Lack of relevant competencies; • Lack or weak control over the quality, timing and priority of work performed; • Non-compliance with technical regulations and scheduled preventive maintenance

Within the CRMS, the Company analyzes the business processes to identify risks and mitigate them by creating the risk matrices and controls, and applying them in practice. The action plan for the risk culture development has been approved and is being implemented, the training of risk coordinators and risk owners is being performed. A number of trainings for purchasing specialists was carried out with the issuance of appropriate certificates.

On a weekly basis, the control is being carried out over the execution of Road maps of subsidiaries and project implementation schedules, as well as recommendations based on the results of audits of the Internal audit Service.

Financial risks

F1	Credit risk	• Violation of established limits for counterparties; • Lack of relevant competencies; • Insufficient monitoring of the Bank-counterparty financial condition; • Ignoring risks identified in the second-tier banks (STB)
F2	Currency risk	• Changes in currency exchange rate; • Presence of significant open foreign-currency position; • Lack of monitoring and analysis of the currency market by the responsible structural unit.

In order to manage the credit risks, the Company monitors the financial condition of second-tier banks, including the calculated limits, monitors the placement of temporarily available funds in the most financially stable banks in the RK. The monitoring of the debit indebtedness, the financial condition of counterparties, as well as implementing of the system of internal ratings of counterparty solvability, are also some of the tools for reducing the credit risk. The currency risk management actions include maintaining the balance of claims and currency liabilities (natural hedge) by managing the timing of payments and revenues. The Company also performs the daily monitoring of the indicators that affect the exchange rate.

Internal control

The internal control system of the Company is an integral part of the corporate governance system, it covers all management levels, all internal processes and operations of the Company and is able to respond promptly to risks, to exercise control over main and auxiliary business processes and daily operations of the Company, as well as immediately communicate any significant deficiencies and areas for improvement to senior executives. The 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.

The internal control in Tau-Ken Samruk NMC JSC is subject to the Regulations on the internal control system, 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.

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.

When the development of the annual audit plan, the service applies 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 2019 the audit assignments were carried out in the corporate center and its subsidiaries:

- Comprehensive audit of the personnel department of the group of companies of Tau-Ken Samruk NMC JSC;
- Verification of calculations of key performance indicators and calculations of remuneration amounts for the Company Executive and managerial employees based on the results of 2018, availability of supporting documents;
- Comprehensive verification of compliance with the rules of the Fund procurement Rules (Tau-Ken Samruk NMC JSC Group of companies), including verification of contractual activities, assessment the process of forming and collection of debit and creditor indebtedness, etc.;
- Assessment of the effectiveness of the adopted action plan and its implementation in relation to credit and interest rate risk mitigation;
- Evaluation of procurement and contracting activities for certain types of administrative expenses of the Tau-Ken Samruk NMC JSC Annual Budget for 2019;
- Assessment of the project office activity in ShalkiyaZinc Ltd JSC for 2016–2018;
- Assessment of the process of forming, monitoring and controlling of the reporting on the execution of licensing and contractual conditions for the Tau-Ken Samruk NMC JSC group of companies.

Based on the results of the audit inspections, the Service submitted recommendations aimed at improving the internal control and risk management in various processes. The consulting tasks have been carried out 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 2019, 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 improvement of knowledge, skills and competencies, during the reporting period, there were provided the training activities for the Service staff.

In 2019 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.

Tau-Ken Samruk
NATIONAL MINING COMPANY

6

REPORT ON SUSTAINABLE DEVELOPMENT

2018

The company initiated the creation of the Association of Gold Mining Enterprises.

A purchase and sale agreement was signed with a 100% participation interest in Tau-Ken Samruk JSC in the authorized capital of Tau-Ken Progress LLP in favor of a Kazakhstan company.

Tau-Ken Samruk NMC JSC entered the top three in the Transparency Rating of the largest companies in Kazakhstan.

Statement of Chairman of the Management Board regarding sustainable development

> Tau-Ken Samruk NMC CJSC consistently works on the development of corporate governance and seeks to regularly provide the necessary information to all stakeholders on sustainable development issues.

Kudaybergen Kanat Zhakypuly

Chairman of the Board
of Tau-Ken Samruk NMC JSC

The Company annually prepares the report in accordance with the Standards of the Global Reporting Initiative (GRI), which allow to ensure the high-quality disclosure of relevant information. This is already the fourth Report prepared in this format.

In this report, you will find information on the staff management, the work on creating the safe working conditions, minimizing the impact on the environment when the implementation of operating activities, maintaining 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. We are committed to ensure our sustainable development in the long term, balancing the interests of stakeholders, and with this, we are guided by the initiatives of the United Nations Global Compact.

In 2019, we will continue the work on further implementation of the sustainable development principles in the operating activities of the group.

KUDAYBERGEN
KANAT ZHAKYPULY

Chairman of the Board
of Tau-Ken Samruk NMC JSC

About the report

The Tau-Ken Samruk MMC JSC consolidated annual report represents a comprehensive overview of the performance of the Tau-Ken Samruk NMC JSC Group of companies from January 1 to December 31, 2019. The report is issued on an annual basis.

Tau-Ken Samruk NMC JSC has been preparing the sustainable development report for the fourth year in accordance with the principles of the Global Reporting Initiative (GRI) and International Financial Reporting Standards. The report on the results of 2019 was prepared in accordance with GRI Standards: "Main compliance option"; the industry Protocol to the GRI G4 Guidance was also taken into account. The Table indicating the location of standard elements in the Report is disclosed in Annex 3: Indicator of GRI elements content.

The sustainable development report has not been attested by external independent experts. At the same time, the Company management confirms the reliability of the data and their compliance with international standards.

The Company plans to annually publish the reporting in the field of sustainable development in order to ensure the clarity and transparency of its activities for stakeholders in accordance with international GRI standards.

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:

Stakeholder engagement

In preparing the Report and determining its content, the Company took into account the expectations and interests of stakeholders in order to ensure information transparency and accessibility.

Sustainability context

Within the frame of the Report is provided the information in the context of sustainable development, including three components in the field of economics, ecology and social sphere.

Materiality

The Company discloses the results of its performance covering those aspects that are significant and relevant for internal and external stakeholders and reflect the significant economic, environmental and social impact on them.

Completeness

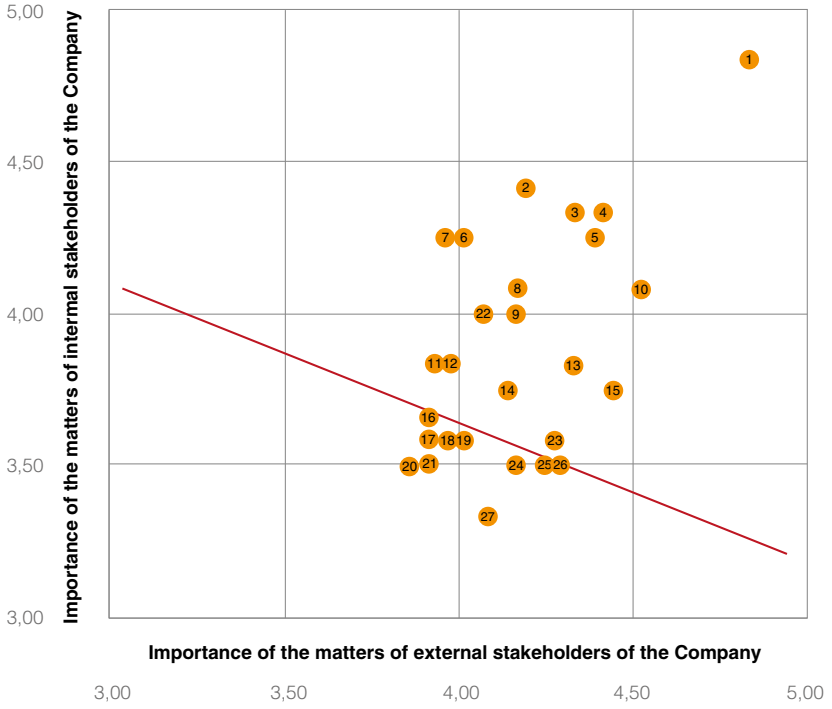
For the purpose of enabling stakeholders to assess the results of its performance, the Company has prepared the consolidated report with due account for financial and nonfinancial performance of all its subsidiaries for the reporting period.

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

Material aspects and limits

When disclosing information about the sustainable development, the Company follows the principle of materiality and selects the most significant topics that deserve to be reflected in the Report. The selection is based on the taking into account of opinions of internal and external stakeholders.

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 in terms of economic, social and environmental impact of the Company's operations. And the materiality Matrix presented below, was built. The topics in the upper right corner of the Matrix were considered the most significant and are reflected in this report.



1. Economic efficiency
2. Personnel and management relations
3. Employment
4. Occupational health
5. Education and training
6. Non-discrimination
7. Market presence
8. Safety practice
9. Products and services
10. Anti-corruption
11. The mechanism for filing complaints of human rights violations
12. Competition discouragement
13. Local communities
14. State policy
15. Compliance
16. Energy
17. Transport
18. Human Rights Violation Complaint Mechanism
19. Purchasing practice
20. Marking of productsand services
21. Compliance with the requirements
22. Water
23. Emissions
24. Environmental supplier assessment
25. Equal opportunities for men and women
26. Effluents and waste
27. Indirect economic influence

Category "Economic"

- Economic performance
- Market presence
- Anti-corruption management

Category "Ecological"

- Energy
- Emissions
- Effluents and waste
- Compliance with the requirements

Category "Social"

- Employment
- Relationships of staff and management
- Occupational health
- Training and education
- Human Rights Violation Complaint Mechanism
- Equal opportunities

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 socioeconomic impact on the regions of its operations.

Within the organization, the most significant group of stakeholders are, in particular, employees. And the report reflects the important aspects of personnel policy.

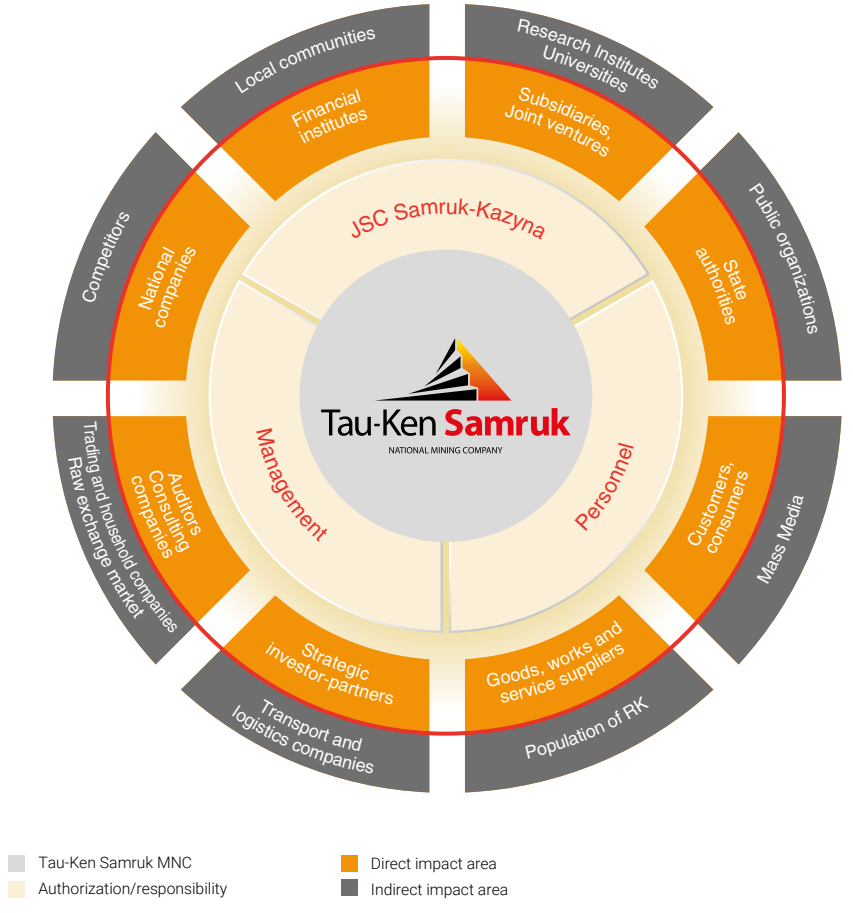
The company provides social guarantees for employees, development of their professional level, health protection and decent working conditions.

The interaction with the stakeholders is a first-order condition for the development of the Company and the achievement of its strategic goals. The Company's management strives to take into account the opinions of key stakeholder groups when making decisions.

Interaction with the stakeholders

The company considers its stakeholders as a group of individuals or organizations that influence its activities or are affected by the activities of the Company.

For these purposes, Tau-Ken Samruk NMC JSC conducted a ranking of interested parties by the degree of impact on the activities of the Company.



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

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

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

The effective interaction with stakeholders allows to:

- combine the resources (knowledge, personnel, money, and technology) to solve problems and achieve goals;
- evaluate the external environment, including the market development, as well as to identify new strategic opportunities;
- improve the business processes;
- carry out a policy of openness and transparency of activities.

Interaction with stakeholders

Stakeholders	Level of interaction	Methods of interaction	Raised key topics and interest
Domain of responsibility/authorizations			
Sole shareholder	Grant of authority	• meetings, hearing of reports • annual report • appointments and negotiations • web site • correspondence and requests • exhibitions, forums and presentations	• Financial, operational indicators • Dividends • Sustainable development, Report on Sustainable Development
Management	Grant of authority	• integration of matters of interaction in management, strategy and operating activity • meetings of the Board	• Interaction with Sole shareholder and Board of Directors • Implementation of Strategy
Personnel	Cooperation	• survey and questionnaire polls • correspondence and requests • assessment • training	• Advance training, training and professional training • Equal opportunities
Domain of direct impact			
State bodies	Cooperation	• joint projects • joint ventures • partnership • correspondence and requests • joint initiatives • non-financial reports • web site	• Compliance with regulatory requirements • Taxes • Environmental responsibility • Occupational health and industrial safety
National companies	Cooperation	• joint projects • joint initiatives • correspondence and requests • web site	• Long-term cooperation • Participation in working groups, forums
Auditors, Consulting companies	Advice, Involvement	• contracts execution • consulting panels, appointments • feedback provision schemes • correspondence and requests	• Long-term cooperation

Stakeholders	Level of interaction	Methods of interaction	Raised key topics and interest
Subsidiaries, joint ventures	Cooperation	• process of decisions joint making • appointments and meetings • advice • purchase • non-financial reports • working visits	• Equal opportunities • Environmental responsibility • Occupational health and industrial safety • Advance training, training and professional training
Strategic partners-investors	Cooperation	• joint projects • joint ventures, partnership • joint initiatives • non-financial reports • working visits • business appointment • web site	• Execution of contracts, records on long-term cooperation on project implementation
Suppliers of goods, works and services	Cooperation	• concluded contracts and memorandums • partnership • working visits • business appointment • correspondence and requests • information disclosure through various communication channels • conduct of negotiations with potential suppliers	• Full compliance with the law • Occupational health and industrial safety • Environmental impact
Customers, consumers	Cooperation	• concluded contracts • partnership • purchase • appointments • correspondence and requests	• Long-term cooperation • Sales of goods / services rendering
Financial institutions	Cooperation	• concluded contracts • web site • correspondence and requests • financial accounts • partnership	• Long-term cooperation • Financial activity
Domain of indirect impact			
Local communities	Negotiations	• non-financial reports • collective negotiations based on social partnership principles • web site • corporate events	• Employment of the population • Impact on the environment and population
Media	Involvement	• web site • non-financial reports • press-releases • corporate events • press conferences	• Provision of transparency • Openness policy
Transport and logistics companies	Cooperation	• concluded contracts and memorandums • partnership • joint initiatives • web site	• Transportation and sales of products
R&D establishments, higher educational institutions	Advice	• questionnaires • concluded contracts and memorandums • appointments • public appointments, workshops • advisory councils	• Participation in research carrying out • Methodological support • Staff development
Trading companies (commodity exchanges) I	Involvement	• multilateral forums • consulting panels • focus-groups • web site	• Realization of commercial goods

Stakeholders	Level of interaction	Methods of interaction	Raised key topics and interest
Public organizations	Negotiations	• collective negotiations based on social partnership principles • questionnaires • concluded contracts and memorandums • appointments • public appointments, workshops • advisory councils	• Joint participation in international and industry events
Population of the Republic of Kazakhstan	Negotiations	• collective negotiations based on social partnership principles • questionnaires • concluded contracts and memorandums • appointments • public appointments, workshops • advisory councils	• Environmental responsibility • Creation of jobs
Competitors	Negotiations	• interaction through the industry organizations	• Fair competition • Development of the industry

Economic aspects of sustainable development

The efficient financial management is of great strategic importance both for the Company itself, and for the national economy as a whole. Implementing the investment projects, the Company exercises the significant socio-economic impact on the regions of its presence and is a major employer. In all major regions of its presence, the Company looks to maximize its positive impact, which includes, taking into account the interests of local communities.

The Business plan (Development plan) of the Company is approved by the Board of Directors and its performance is monitored quarterly.

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

Indicator	2019	2018	Change
Generated economic value			
Income	**447,804.5**	267,909.6	67%
Distributed economic value			
Operating costs	**4,892.9**	4,206.6	16%
Salary and other benefits and facilities paid to employees	**3,370.6**	3,465.8	-3%
Taxes	**85.2**	110.7	-23%
Corporate Income Tax (CIT)	**324.1**	295.6	10%
Payments to capital providers	**60 501,1**	60 496,9	0%
Investments to local communities	**-**	-	
Retained economic value	**378,630.6**	199,333.9	90%

Information obtained from the audited consolidated financial statements of the Company for 2019. The detailed information on the financial-and-economic results of the Company activity for 2019 is presented in the audited consolidated financial statements in Appendix 2 to the Report.

Ecological responsibility

Environment protection

Tau-Ken Samruk NMC JSC pays the primary attention to measures to minimize the negative impact of its activities on the environment and builds the strategy of rational natural resources use.

The Company has the corporate environmental policy in the frame of which Tau-Ken Samruk NMC JSC assumes the obligations on preservation of the favorable environment in the regions of its operating activity, including its subsidiaries.

The Company's environmental activity is conform to the following fundamental 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.

The Company undertakes the following obligations:

- To 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;
- To conduct on the regular basis the environmental monitoring and audit of the operating activity Company and its subsidiaries;
- To ensure the wide accessibility of the environmental information related to the Company activity and its subsidiaries in the field of environmental protection and to the decisions taken in this area.

Use of energy resources

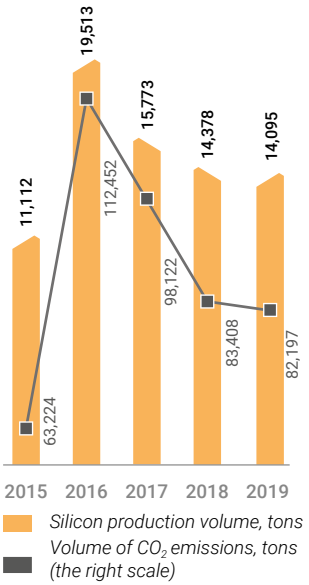
In total, during the reporting period, the consumption of fuel-and-energy resources by the Tau-Ken Samruk NMC JSC groups of companies amounted to 926,492.5 GJ, including the electrical energy 884,471.26 GJ, which is slightly below the 2018 level. It should be noted that the main consumer of the electric power is the silicon plant of Tau-Ken Temir LLP.

Energy consumption inside the Company for 2019

Fuel-and-energy resources	Consumption volume, GJ
Fuel from non-renewable energy resource (diesel fuel, gasoline, fuel oil):	36,260.67
Energy	884,471.26
Energy for heating	5 696.76
Energy for cooling	**64.152**
Total	**926,492.5**

**When calculating, was used the international KPIfficient (it was used the online converter from kW to GJ)*

Volume of CO_2 emissions of Tau-Ken Temir LLP silicon plant



Greenhouse gas emissions

The greenhouse gas emissions from Tau-Ken Temir LLP group of companies, 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 and is the main emitter of greenhouse gas in the Group.

The Company keeps records of direct greenhouse gas emissions, on an annual basis after validation and verification the report is sent to the authorized body.[1]

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 greenhouse gas emissions.

The state regulation of greenhouse gas emissions in Kazakhstan is carried out in terms of carbon dioxide (CO_2) emissions. The total volume of carbon dioxide emissions of Tau-Ken Temir LLP for 2019 was 82,197 tons.

[1] *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.*

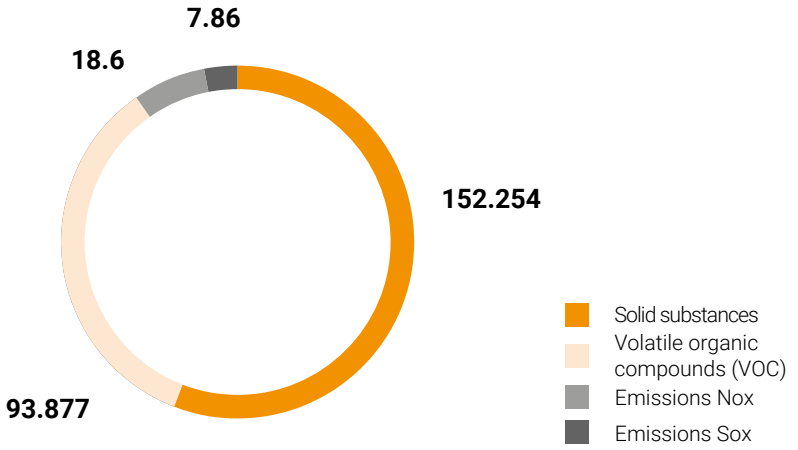
Atmospheric air protection

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

Gross emissions of polluting substances into atmospheric air, tons[2]

	2017	2018	2019
Mining projects	165.492	180.119	**218.237**
Metallurgic projects	227.438	182.321	**134.76**
Total	392.93	362.44	**352.997**

Structure of gross emissions of polluting substances into atmosphere, tons in 2019



The total of gross emissions of polluting substances in 2019 decreased by 10 tons compared with 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.

[2] *Whe the calculation, was used the Methodology of determining the emission limit values for the environment (approved by the order of the Minister of environmental protection of the Republic of Kazakhstan dated April 16, 2012 No. 110-п)*

Use of water resources

The facilities of Tau-Ken Samruk JSC use groundwater and water from municipal water supply systems for their industrial and domestic needs.[3]

Water intake volume in 2019

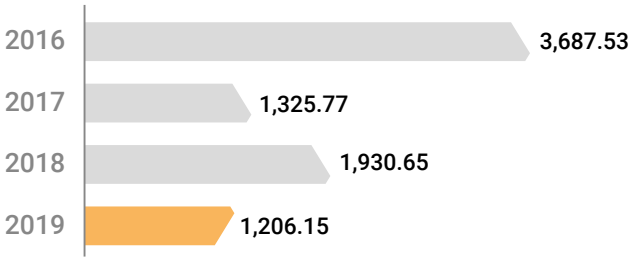
Source of water	Water volume, thous. m³
From underground sources	384.362
From municipal and other systems of water supply	11.423
Total	**395.785**

The mine and household waste water was discharged in 2019 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 at the facilities in 2019 amounted to 1,206.15 thous. m³. The decrease of the water discharge compared to 2018 is connected to the open-cast drying non-performance in the deposit Northern Katpar.

The water discharge at the facilities is carried out into their own storage ponds or transferred to third-party organizations under a contract. The water discharge into other bodies of water by the Tau-Ken Samruk MMC JSC group of companies is not carried out.

Total volume of water discharge, thous. m³



Water discharge structure along the directions in 2019

Receiving facility	Volume, thous. m³
Storage pond	1,194.73
Transfer to third parties	11.42
Wastewater reused	**161.650**

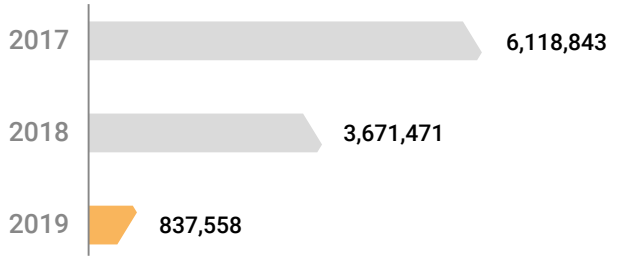
[3] *When calculating the water intake volume, were used the Water supply Primary metering Rules, approved by the Order of the Minister of Agriculture of the RK of March 20, 2015 No. 19/1-274*

Waste management

The total waste volume is generated by the activity of the ShalkiyaZinc LTD JSC, Alaigyr 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 Alaigyr 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. The significant reduction in waste generation in 2019 is due to the non-performance and reduction of overburden operations at the Alaigyr and Shalkiya fields.

Waste generation, tons



Total waste volume by location mode

Mode of waste location	Waste volume, tons
Total waste volume	837,558
Recycling	46,762
Location in disposal	162
Storage in the enterprise site	785,638
Other method of removal	4,996

Monetary value of fines

According to the environmental legislation of the RK, the state organizes the scheduled and unscheduled inspections, at the results of which the fines for violating the requirements of the law may be charged.

In 2019, according to the results of inspections by the authorized body, 8 violations were detected, the sum of fines amounted to 525 thous. tenge. In addition, we received 3 prescriptions from the supervisory authorities. All prescriptions were executed on time.

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Personnel policy

The main strategic capital of the Company is its human resources, which allow to successfully accomplish the set tasks and achieve its goals. The effective personnel management policy is an integral part of the long-term sustainable development of Tau-Ken Samruk NMC JSC.

The Company's approved personnel policy defines the management system, as well as key directions and approaches to human resource management. The provisions of this policy apply to all subsidiaries of the Company.

The goals of the company's personnel policy are:

1) ensuring the success of the Company's investment by creating and supporting the development of human resources and talent to compete effectively and ensure the Company's ability to adapt and respond to changes in a global, highly competitive and constantly evolving market;

2) planning of human resources by evaluating the potential of personnel, forecasting future needs, identifying gaps in the necessary competencies and integration with the Company's strategic goals, a plan to attract, retain, develop and motivate the professional and highly effective employees with the necessary competencies;

3) creating the working atmosphere in the team, in which employees will be maximum involved, highly productive, motivated and loyal to the Company;

4) development of the corporate culture, meritocracy-oriented, introduction of new models of behavior to achieve the high production rate, "commercial mentality" and readiness for changes.

Key directions of the Personnel Policy:

- Effective staff workload,
- Corporate culture improvement,
- Personnel training and development,
- Assessment of the personnel,
- Motivation of the personnel,
- Social support of the personnel.

Occupational Health & Safety

For Tau-Ken Samruk NMC JSC the 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:

- to continuously improve the methods and tools for occupational health and safety management;
- to strive to the accident-free operation and absence of technological disturbances that could have a negative impact on people and equipment;
- to comply with the legislative requirements of the Republic of Kazakhstan and the Company's requirements in the field of occupational health and safety.

Main directions of the work in this area:

- improvement of sanitary and housekeeping conditions,
- aspiration to avoid injuries,
- prevention of technological violations,
- reducing the impact of harmful and hazardous production factors,
- creating safe working conditions.

The Company is working to create the culture of "zero accident", in which each employee takes personal responsibility for his own safety and the safety of his colleagues. The responsible behavior is encouraged to ensure the safe working conditions for all the employees and contractors.

The Company has undertaken the following obligations in the field of occupational health and safety:

- to continuously improve the methods and tools for occupational health and safety management;
- be open to external stakeholders and partners in the field of ensuring and managing occupational safety and health;
- to openly require partners to have responsible attitude for ensuring safety and occupational health when the operations, delivery of goods and provision of services;
- to actively involve employees in continuous work on issues of ensuring safety and occupational health;
- to comply with the requirements of the legislation of the Republic of Kazakhstan and the Company's requirements in the field of safety and occupational health;
- to strive for zero accident rate and absence of technological violations that can have a negative impact on people and equipment.

Industrial accidents statistics

Indicator	2017	2018	2019
Number of group accidents	0	1	**0**
Number of fatal accidents	0	0	**0**
Number of lost time incidents	2	4	**2**
Number of accidents involving the contractors	0	0	**0**
Number of recordable Road traffic accidents (RTA)	0	0	**3**
Number of man-caused emergencies (uncontrolled explosion, fire, release and spill of High toxic substances)	3	2	**0**
Total number of accident victims	2	10	**2**

In order to prevent the injuries and exposure to harmful and dangerous industrial factors, the operational staff is provided by the employer with special clothes, special shoes and other personal protective equipment, in accordance with the industry standards for providing and issuing personal protective equipment. In order to prevent occupational diseases, poisoning and to improve the health of employees, milk and healthy and dietary meal are provided on a regular basis at the expense of the employer. Also, to prevent the occupational diseases and reduce injuries, the employees undergo an annual periodic medical examination and a daily medical check-up in accordance with the requirements of the legislation in the field of the public health of the Republic of Kazakhstan.

The big attention is paid to technical actions to prevent the injuries and technological violations, such as control over the technical condition of ventilation and aspiration systems, measuring air samples of working areas for gas accumulation and dust content, control over the excavation support and irrigation, conducting ventilation work in mine workings, installing FLV (Fan for Local Ventilation) and airway stoppings, control over the technical condition of working and emergency lighting.

In order to improve the skills of personnel in accordance with the requirements of legislative and regulatory documents of the Republic of Kazakhstan in the field of Occupational Health & Safety and civil defence, are carried out training and testing of knowledge on safety Rules, fire safety Rules, operating Rules and Regulations, industrial safety Requirements, electrical Safety, as well as on a regular basis, are carried out the emergency response drills and fire drills with the involvement of the forces of specialized organizations for the rescue and elimination of emergency situations when the operations of hazardous industrial facilities and technical devices.

Tau-Ken Samruk NMC JSC, in accordance with the Regulations on interaction with subsidiaries on industrial safety, Occupational Health & Safety and Ecology, constantly controls and monitors the activities of subsidiaries in the field of industrial safety, Occupational Health & Safety and ecology. Quarterly the Company's Management Board members are provided with a report on the main indicators. In addition, the activities of subsidiaries are checked for compliance with Occupational Health & Safety, industrial safety and environmental legislation. Based on the results of inspections, the corrective action Plans are developed to eliminate the identified non-conformities, and is carried out the control over the execution of the above-mentioned Plans.

In 2019, the Company, together with the OHS, IS and ecology specialists of the subsidiaries, developed the basic procedures in the field of industrial safety, Occupational Health & Safety and ecology in order to form the common requirements. Currently, the subsidiaries approve and implement these procedures.

At the same time, in order to improve the HSE management system, Samruk-Kazyna JSC has established a Committee on Occupational Health & Safety, Industrial safety and Environmental protection (OHS, IS and EP) (hereinafter – the Committee). The Committee includes all portfolio companies of Samruk-Kazyna JSC. A.M. Satkaliev, Managing Director for Samruk-Kazyna NWF

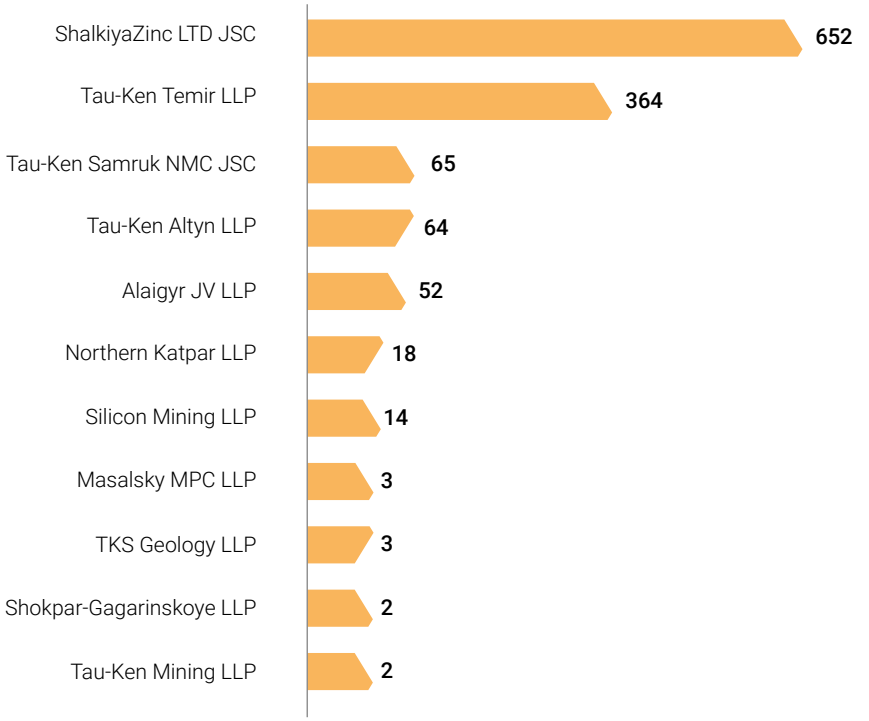
asset management, was appointed as the Chairman of the Committee.

In Committee's meetings are discussed the current state of HSE management systems and existing issues in portfolio companies. This Committee will allow to share good practice and solve current problems in OHS, IS and EP on a single platform of the Fund, as well as to bring the HSE management systems to the level of international standards.

Report on the personnel qualitative composition

The total average headcount of the Company and its subsidiaries, as of December 31, 2019 was 1,239 people. The average number of employees of the Company and its subsidiaries was 1,307 units.

Staff headcount of the Company and subsidiaries



Average headcount by region and gender

Region	Average headcount	Men	Women
Nur-Sultan city	159	98	61
Karaganda region	465	344	121
Kyzylorda region	683	598	85
Total	**1 ,307**	**1,041**	**266**

Structure of the staff by categories as of the end of 2019

	Indicator	Total, people	Fraction, %	Fraction in AMS, %	Fraction in operati-onal staff, %	Managerial positions, people	Fraction in Manage-ment, %
Staff strength		1,287				90	
Gender	Men	1,029	80	62	85	67	74
	Women	258	20	38	15	23	26
Age groups	Under 30 years	230	18	14	19	2	2
	From 30 to 50 years	786	61	76	57	61	68
	Elder 50 years	271	21	11	24	27	30

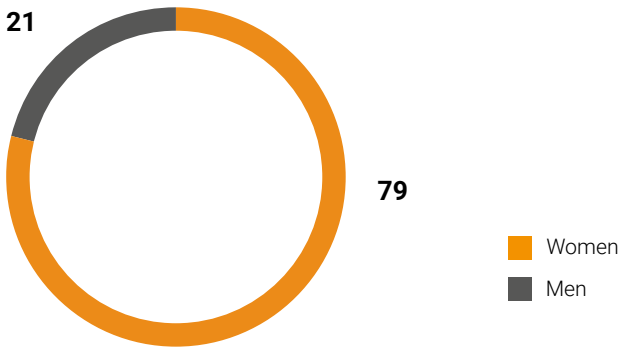
Average headcount of the Company employees by nationality in 2019

Nationality	Average headcount, total
Kazakhs	1,100
Russians	155
Germans	11
Koreans	8
Uzbeks	8
Ukrainians	7
Tatars	7
Belarusians	3

Nationality	Average headcount, total
Bashkirs	2
Uigurs	2
Armenians	2
Lithuanians	1
Moldavians	1
Mordvins	1
TOTAL:	**1,307**

The average age of employees is 38.8 years, with this, is maintained the balance of young employees and employees with experience.

Gender structure of the staff as of December 31, 2019

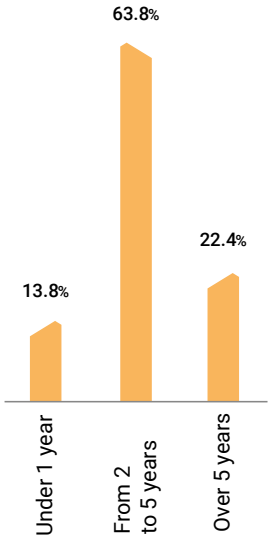


In the general structure of the staff, the share of men is 79.5% and 20.5% are women. The difference in the ratio is due to the specifics of the activity. 27.64% of female employees hold managerial positions. The Company and its subsidiaries adhere to the principle of equality and there is no differentiation in terms of labor remuneration based on gender. In the reporting year, there were no recorded cases of any form of discrimination or violations of human rights.

The average length of service of the Company's employees is 14.5 years, with this the average length of service in the Company is 4.1 years. The long-continued work experience indicates the loyalty of employees to the Company and commitment to cooperate.

100% of the Company employees have the higher education, including 10% of employees with foreign education, about 47% of employees have the higher industry-specific education and the work experience in the mining and metallurgical complex, 2% of employees have various degrees in the geological, economic, technical, chemical and other industries.

Length of service of the company employees as of December 31, 2019



Labor practices

Tau-Ken Samruk NMC JSC supports the effective labor relations practices and strives to remain among the best employers in the country. The company carries out the focused effort on attracting, engaging and retaining the best employees. The major importance is attached to the career development of employees and the recognition of labor by the degree of efficiency.

The Company has implemented the principles of competitive selection and recruitment for vacant positions. The employee selection rules regulate the process of competitive selection of candidates based on testing of professional knowledge, personal and business qualities of candidates

In order to motivate the employees, there is in the Company a system of material and non-material incentives based on the results of assessment of the work performed. The company provides employees with individual development plans, including various training, workshops and seminars. The employees are encouraged by various state awards, jubilee medals, certificates of merit.

The employees benefits and allowances, the Company grants maternity/paternity leave, life insurance, financial assistance and disability compensation.

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. Employees benefits and allowances are one of important factors of personnel involvement.

Social package of the Company employees and its subsidiaries

Granted benefits	Description
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	• payments in case of birth/adoption of a child at the rate of 1 monthly salary but no more than 100 MCI; • 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; • payment for medical treatment.

In accordance 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.

Structure of maternity/paternity leave for 2019

Maternity/paternity leave	Total	Men	Women
Total number of employees that have the right for maternity/ paternity leave (whose children were born in 2019)	**132**	119	13
Total number of employees who took maternity / paternity leave	**22**	2	20
Total number of employees who returned to work after maternity/ paternity leave and continued to work 12 months after returning to work	**0**	0	0

The strategic goal in the area of improving the staff selection and recruitment system is the implementation of a transparent procedure of the competitive selection for vacant positions with accordance of equal opportunities for all candidates.

In 2019, the Rules for competitive selection for vacant positions, recruitment and adaptation of personnel in Tau-Ken Samruk NMC JSC and its subsidiaries were updated. The Company's vacancies are posted in the Samruk Qyzmet Fund united portal, as well as in the Head Hunter website. The process of collecting and processing resumes was automated, and all candidates are tested for their knowledge of the state language. The results of the competitive selection are published in the single portal of the Samruk Qyzmet Fund.

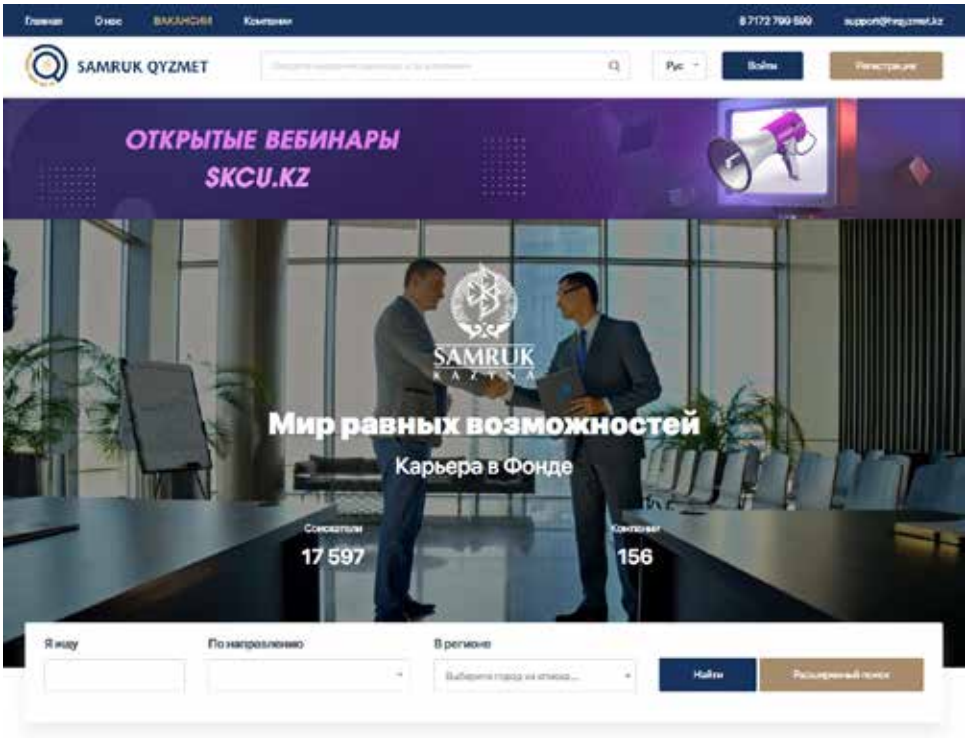


Figure. Samruk Qyzmet Fund single portal

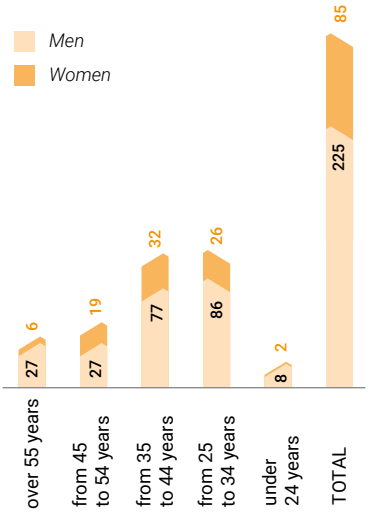
In 2019, 76 candidates took part in professional testing, testing their knowledge of the state language, of which 43 candidates were invited to the competition commission (who successfully passed the test). Following the results, 21 candidates were recruited.

Information on staff turnover within the Group of Companies

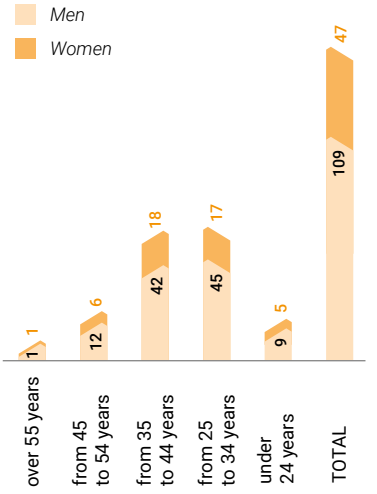
Period	Central Office	Within the Group of Companies, including Central Office
2015	18.3%	21%
2016	15.1%	22.7%
2017	14.27%	19.12%
2018	25.53%	22.87%
2019	**29.09%**	**20.81%**

In the reporting period, the Company employed a total of 156 people. The total number of resigned employees amounted to 310 people, including 225 men and 85 women.

Structure of dismissed staff in 2019 detailed per age and gender, people



Structure of newly incoming staff in 2019 detailed per age and gender, people



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 entrylevel 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.

Average established minimum wage within the Company Group in significant fields of activity in 2019, tenge

Minimum wage in Kazakhstan	Cost of living in Kazakhstan in 2018	Average minimum wage in the Company in significant fields of activity
42,500	29,698	89,293

Training and advanced training

In 2019, were organized 63 short-term training events, including the professional training for 4 employees, advanced training for 48 employees, 6 training events under a corporate format. Among others 5 employees of 2 departments underwent the certification.

In May 2019, was organized the team-building training "10-year path to success. Corporate culture of the Company" with the participation of the first managers of the Company's subsidiaries and members of the management Board (CEO-1 level), which allowed to solidate the training participants, raise team morale, strengthen partnering relationships, increase conciousness and responsibility of each manager.

Average annual number of training hours per employee in 2019 in Tau-Ken Samruk NMC JSC

Category of an employee	Men	Women
Administrative and managerial staff (AMS), including:	**60.4**	**49.7**
managers (from the first executive manager to the head of the service)	18.7	25.7
specialists	41.7	24
Operating staff, including:	-	-
Technical and engineering staff (TES)	-	-
Operators	-	-

During the year, the Company performs the annual assessment of employees performance in accordance with the approved Rules, which is meant to provide assistance in the identification of training and development needs and be a driving force in improving individual performance indicators. The performance assessment process is based on honest and fair feedback and is built on trust.

Number of employees who are subject to periodic assessment of performance and career development 2019

Category of an employee	Total, of them	Men	Women
Administrative and managerial staff (AMS), including:	**72**	**44**	**28**
managers (from the first executive manager to the head of the service)	26	20	6
specialists	46	24	22
Operating staff, including:	**51**	**44**	**7**
Technical and engineering staff (TES)	32	27	5
Operators	19	17	2

Corporate culture development

The Company Code of Business ethics was approved by the Board of Directors in new version.

In 2019, was also approved the Roadmap on the development of a Culture of high productivity for 2019–2028.

In the frame of the implementation of the Roadmap, were completed 5 out of 6 planned events for 2019:

- There were approved the individual development plans of the Board Members for 2019 by the decision of the Board of Directors;

- The team session was held in the frame of the process of taking the office of all members of the executive body (the team-building event). The workspace was optimized.

- The HR SSC received the composition of personnel processes. In this connection, the Company transferred the functions of personnel administration, administration of calculation and payroll of personnel and a single contact cente.

- The visiting strategic sessions were held with the Company's chief executives and top managers of the Subsidiaries with the purpose to determine the target corporate culture and develop the values of the Company and the Subsidiaries.

- The information about the Company's values is posted as banners in the corridor of the Company's Office, there is the Company's official page in the social network Facebook, is set up the emailing of the Samruk-Kazyna Corporate University SSC contact center.

Since July 2019, the distance teaching in the electronic library "Smart reading" has been launched. This subscription allowed to improve the corporate culture, share useful links, information, and conduct contests on personal effectiveness. The key aspect of the library activity is training, developing business skills and competencies in such sections as "Management", "Marketing and sales", "Success Stories", "Healthy lifestyle" and "Personal effectiveness".

In general, the work on the implementation of updated values, the introduction of an updated model of competencies, brand promotion and value proposition of the employer, organizational measures that strengthen the teamwork, loyalty, favorable and creative atmosphere in the company's team and its Subsidiaries.

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 to build the effective interaction with stakeholders 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.

- The Company complies with **safety, health and environmental requirements** in accordance with the requirements of legislation in this area. The 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.

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.

In 2019 was conducted the corruption risk assessment in the following areas:

- the corruption risk assessment in the purchase domain;
- the corruption risk when the hiring, promotion and dismissal of the staff;
- 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 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 8 appeals on the "hot line" in 2019, including:

- 2 requests from counterparties on non-compliance with anti-corruption legislation, violations of bidding procedures, and non-execution of agreement commitments under contracts. The facts stated in the appeals were not confirmed.
- 4 appeals on non-compliance with labor laws, ethics standards, violation of the terms of consideration of appeals in accordance with the legislation of the RK. The facts stated in the appeals were partially confirmed, and recommendation letters were sent to the heads of the Company's subsidiaries.
- 2 appeals on violation of anti-corruption and labor legislation. The facts were not confirmed.

There are no confirmed cases of corruption following the results of 2019 in the company.

On October of 2019, the meeting for all the employees of the Tau-Ken Samruk NMC JSC was held with the representative of the Anti-corruption Agency of the RK, on explanation of the Law of RK "On combating corruption".

The company's Board of Directors approved the anti-corruption Policy in Tau-Ken Samruk NMC JSC and its subsidiaries.

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.

Youth policy

The share of young specialists in the Company is 43% (31 people) of which 54% are women and 46% are men. 4 people are managers.

The action Plan for the carrying out of the Year of Youth in 2019 was approved by order of the Chairman of the Company's Management Board.

In accordance with the Plan, in order to support and encourage specialists who achieved a remarkable success in the production industry, the subsidiaries employees were selected and sent for the recreational and health-improving rest and to practical classes in English on the basis of the Prevention center. In total, 23 people participated in the program, the arrivals were organized weekly until 15.12.19.

There were organized the congratulations for veterans of the Great Patriotic War and home front workers on Victory Day. The Company's employees visited the Adult residential home together with the Fund youth Headquarters for the Older Persons Day. The employees also took part in the campaign "I am a donor" and in the Eco-quest.

In the subsidiary companies were held the charitable sports events. The employees of the subsidiary companies took part in the contest "Best by profession", the finalists were invited to the official award ceremony.

The employees of the Company and subsidiary companies took part in tree planting in the frame of the "Eco-Kazakhstan" program and in citywide 'subbotniks'. As well as in the Corporate ranking "Jas Samuryq". Also they actively participated in the Spartakiad of the Committee for Geology and subsoil use of the MIID RK dedicated to the professional day – Geologist's Day. The team of Tau-Ken Samruk NMC JSC took the First place in volleyball competition.

There were signed the agreements on the professional internship carrying out with L.N. Gumilyov Eurasian University, Federal state Autonomous educational institution of higher education "National research technological University "Moscow Institute of Steel and Alloys "(MISaA)", "University KAZSLU(Kazakh State Legal University)" JSC.

In general, the work continues, some long-term actions are included in the action Plan for the Volunteering Year for 2020.

Improving the system of social support of employees

With the purpose of successfully implementation of the Company personnel policy in the area of improving social support for employees, the following measures have been implemented.

In the field of employees health care:

The Company provides financial assistance for the rehabilitation of the employee on the occasion of the annual labor leave in the amount of two official salaries. The financial assistance for rehabilitation and medical insurance are the main types of guaranteed social package and constitute a significant expensive item of the Company's social package.

In the field of developing and maintaining a healthy lifestyle:

With the purpose of improving the socio-psychological climate in the team, the corporate events are held every year – Nauryz celebration, team building, professional day – the Metallurgist day, Spartakiads.

In the area of non-financial recognition of the employees:

For their fruitful work, high achievements in work and for their professionalism in the implementation of certain production projects, the employees of the Company and its subsidiaries were granted with state awards, Diploma of Merit of Samruk-Kazyna JSC, Diploma of Merit, Letter of Appreciation of the Chairman of the Board.

In 2019, 2 employees from the production staff of the Company subsidiaries were decorated with state awards (Diploma of Merit of the RK and the Medal "Yeren enbegi ushin").

On the Metallurgist day:

- 7 employees of the Company subsidiaries and 2 employees of the Company were awarded with Letters of Appreciation of the Fund Chairman of the Board,
- 9 employees of the Company subsidiaries and 3 employees of the Company were awarded with Diplomas of Merit of the Fund Chairman of the Board,
- 6 employees of the Company subsidiaries and 1 employee of the Company were awarded with Letters of Appreciation of the Company Chairman of the Board,
- 10 employees of the Company subsidiaries and 7 employees of the Company were awarded with Diplomas of Merit of the Company Chairman of the Board.

On the RK Independence Day:

- 5 employees of the Company subsidiaries and 5 employees of the Company were awarded with the Diplomas of Merit of the Fund Chairman of the Board,
- 13 employees of the Company subsidiaries and 3 employees of the Company were awarded with the Letters of Appreciation of the Company Chairman of the Board,
- 8 employees of the Company subsidiaries and 3 employees of the Company were awarded with the Diplomas of Merit of the Company Chairman of the Board.

INFORMATION ABOUT THE EXTERNAL AUDITOR

External audit policy

When the audit organizations services involvement, the Company is guided by the Audit organizations selection Rules for Samruk-Kazyna JSC and organizations, more than fifty percent of voting shares (participation shares) of which directly or indirectly belong to Samruk-Kazyna JSC on the right of ownership or trust management, approved by the decision of the Board of Samruk-Kazyna JSC dated December 27, 2016 (Minutes No. 46/16). The basic provisions, specified by the Rules, 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.

Selection of the auditor

The selection of the audit organization is carried out in accordance with the law of the Republic of Kazakhstan, the Audit organizations selection Rules developed by Samruk-Kazyna JSC, and the internal documents of the Company.

The main criteria determining selection of auditor are as follows:

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

- approach to service rendering;
- professional qualification of the audit team;
- quality of service;
- seriousness of intentions and reputation;
- compliance with professional and ethical behavior code;
- knowledge of business of the industry;

2) conformity of the working time and cost of services;

3) independence;

4) objectivity when the performance of duties;

5) timely exchange of information on the audit results with the management.

In the period of 2019, for the annual audit and review of the semi-annual separate and consolidated financial statements, the amount of remuneration, including VAT in tenge, amounted to

20 751 360

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 which the Company should replace its external auditor) is no more than 3 consecutive years. The auditor should prepare the succession plan to achieve this result and submit to the Audit Committee for review no 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.

REPORT ON CG CODE OBSERVANCE

№	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			
1.11.	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.
Chapter 3. Sustainable development			
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.	partially compliant	The Risk Management Rules are approved in the Tau-Ken Samruk NMC 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, financial and compliance-risks. The Risk Register of the Company for 2019 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.

№	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);	partially compliant	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 2019, the following indicators were included in the KPI of the Heads of subsidiaries of Tau-Ken Samruk NMC JSC: • Absence of the occupational injuries; • Reduction of the above-level amounts of excess payments to the environment in 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.

№	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) 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.
	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.
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	Shortcomings: 1.There is no evidence that the Company identifies the risks resulting from the potentially negative impact of its partners on the economic, environmental and social spheres. 2. There is no evidence that the Company takes measures to mitigate or prevent this negative impact in the event that the partner does not comply with the principles and standards of sustainable development, 3. There is no evidence that the Company evaluates the significance of such a partner for its business activities, and either determines the methods of motivation of such a partner to comply with these principles or considers the possibility of its replacement. In order to eliminate the non-conformity, the action Plan for improving the corporate governance provides for the appropriate measures.

№	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 4. Rights of shareholders and fair treatment of shareholders			
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.	Not applicable	The Samruk-Kazyna JSC is a Sole shareholder of the Company.
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.	Not applicable	The Samruk-Kazyna JSC is a Sole shareholder of the Company

№	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 5. Effectiveness of the Board of Directors and the executive body			
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.	partially compliant	By the decision of the Board of Directors of Tau-Ken Samruk NMC JSC (No. 11/19 dated 11/27/19), an action plan for assessing the performance of the Board of Directors and its committees, the Chairman, members of the Board of Directors, and the Corporate Secretary was approved.
Chapter 6. Risk management, internal control and audit			
6.1.	An effective functioning risk management and internal control system should be created in organizations, aimed at ensuring reasonable assurance that organizations will achieve their strategic and operational goals, and representing a combination of organizational policies, procedures, standards of conduct and actions, management methods and mechanisms created by the Board of Directors and the executive body of organizations 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.	partially compliant	At Tau-Ken Samruk NMC JSC, the Board of Directors is responsible for organizing the corporate risk management system (CRMS). The process of organizing an effective risk management system and internal control is formalized in accordance with the Regulation on the internal control system and the Risk Management Rules. In addition, in order to minimize the implementation of risk and increase the responsibility of risk owners, the linking of goals for the reporting year with risk from the Company Risk Register has been introduced. According to an independent PWC assessment, risk analysis is not fully integrated into the budgeting and planning process.

№	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).	partially compliant	The company formalized the basic documents on risk management, approved critical risk management plans, quarterly monitoring of action plans based on the assessment of ICS and CRMS. The Company has a Risk Committee under the leadership of the Chairman of the Management Board of the Company. The meetings address risk management issues. On an ongoing basis, work is underway to provide expert opinions on the Company›s investment projects, annual budgets, and adjustments to the budget of the Company and its subsidiaries. A database of implemented risks is maintained and analyzed. Employee job descriptions and the Company's Risk Management Rules (Corporate Standard) contain obligations to formulate proposals on risk management methods and methods, provide periodic reports on the progress and results of the implementation of the risk minimization plan in the ICMS, and maintain a database of losses and incidents. Risk management and internal control regulations are compiled taking into account the 2017 COSO ERM model. In 2019, the Company launched a project to integrate risk management into the main processes of the Company. Changes were made to the internal regulatory documents governing investment processes, as well as project management processes in accordance with the risk-based approach to making management decisions. For 2020, measures are planned aimed at integrating a risk-based approach to optimizing other processes in the Company.
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.	partially compliant	The separate issues of IAS activity are not regulated, such as: • staff selection; • performance evaluation (employees). 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 2019 were approved by the decision of the Audit Committee of the Board of Directors.

№	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
6.14.	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	partially compliant	The Regulations on the IAS enshrine 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 July 25, 2019, Minutes No. 06/19, the guarantee and IAS quality improvement Program for 2019–2021 was approved. In 2018, the independent assessment of PWC was carried out and there 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 half-year of 2020, it is planned to develop and then to execute the guarantee and internal audit quality improvement Program for the period 2020–2022.
Chapter 7. Transparency			
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.	Not applicable	All shares of the Company are owned by the Sole Shareholder.

GRI INDEX

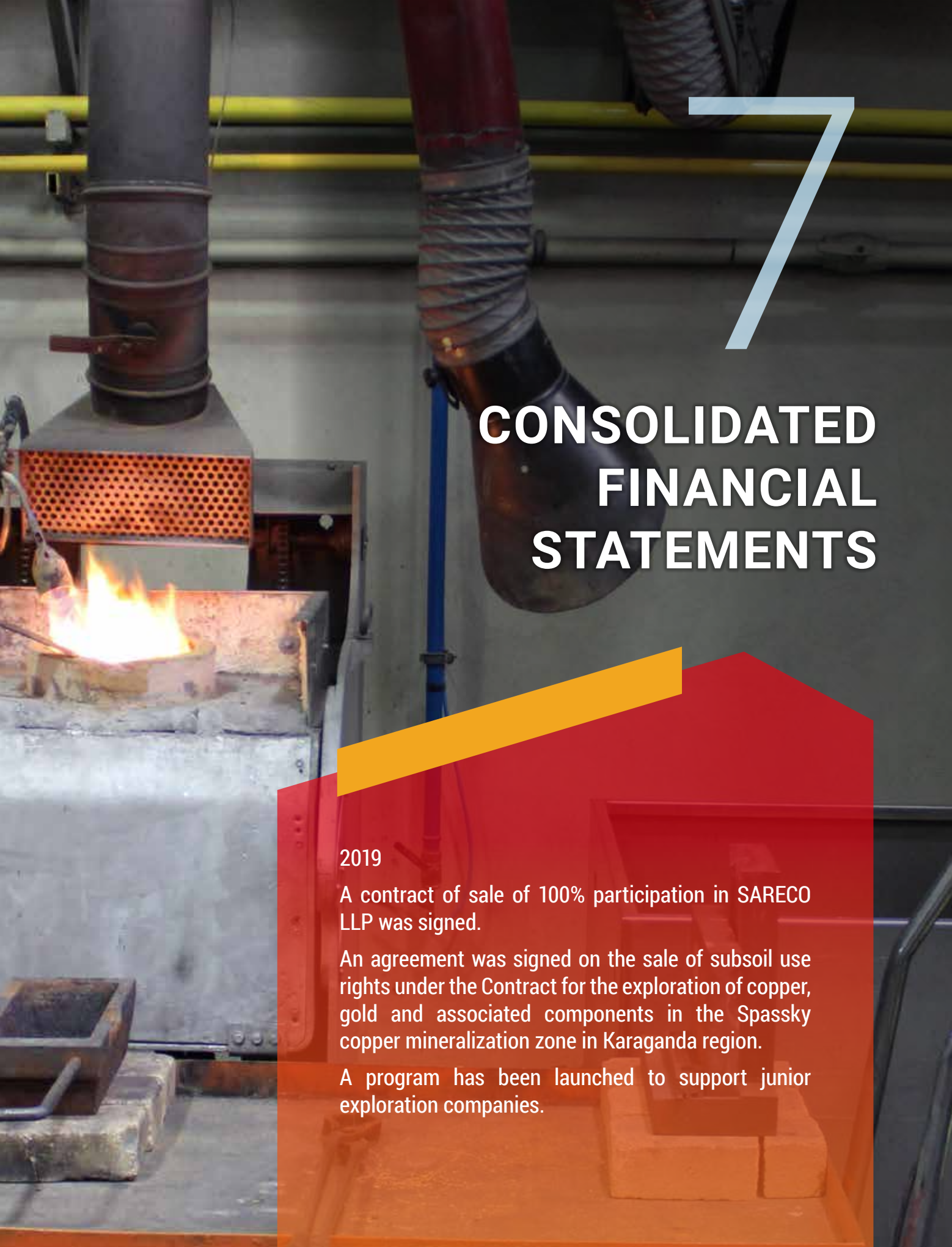
In the Table are indicated the Standards numbers and, in brackets, the year of their publication, also is mentioned the location of disclosure of specific indicators in this Annual report.

GRI standard	Number	Content	Section and Comments
GRI 102: General information (2016)			
	102–1	Corporate name	Section "About the Company"
	102–2	Directions of activities, brands, products and services	Section "About the Company"
	102–3	Location of the headquarters	Section "Contact information"
	102–4	Geography of activities	Section "Geography of activities"
	102–5	Form of ownership and organizational legal form	Section "About the Company"
	102–6	Presence in markets	Section "About the Company"
	102–7	Enterprise scale	Section "About the Company"
	102–8	Staff details	Section "Report on the personnel qualitative composition"
	102–9	Supply chain	Section "Business model"
	102–10	Significant changes in the scale, structure and ownership	Section «Operating activity review» 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 "Rusk management and internal control"
	102–12	Support for external initiatives	Section "About the Company"
	102–13	Membership in associations	Section "About the Company"
	102–14	Statement of the Chairman of the Management Board regarding sustainable development	Section "Statement of Chairman of the Management Board regarding sustainable development"
	102–16	Values, principles, standards and norms of behavior of the organization	Section "Business ethics in the Company"
	102–18	Structure of governance	Section "Structure of the corporate governance"
	102–23	Highest bodies of management	Section "Activity of the Board of directors"
	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"
	102–40	List of Stakeholders groups	Section "Interaction with the Stakeholders"
	102–41	Collective bargaining	The company has no practice of the collective bargaining.
	102–42	Stakeholders revelation and selection principles	Section "Interaction with the Stakeholders"
	102–43	Approach of the organization for interaction with the Stakeholders	Section "Interaction with the Stakeholders"
	102–44	Key topics and concerns raised by the stakeholders	Section "Interaction with the Stakeholders"
	102–45	Legal persons, whose reporting was included in the organization reporting	Section "About the report"

GRI standard	Number	Content	Section and Comments
	102–46	Methodology for definition of content of the report and limits of topics	Section "About the report"
	102–47	List of significant topics	Section "Significant aspects and limits"
	102–48	Results of all reformulations of the indicators published in the previous reports	Section "About the report"
	102–49	Significant change of Coverage and Limits of topics as compared to the previous reporting periods	Section "Significant aspects and limits"
	102–50	Reporting period	Section "About the report"
	102–51	Date of the last publication	Section "About the report"
	102–52	Reporting cycle	Section "About the report"
	102–53	Contact person for appealing on the report	Section "Contact information"
	102–54	Option of report preparing "in compliance" with GRI standards	Section "About the report"
	102–55	Table Index GRI	Section "GRI Index"
	102–56	Practice of the organization in regard to the external certification provision of the reporting	Section "About the report"
Specific elements			
GRI 200: Economic performance			
Economic performance			
GRI 103: Data on approaches in the field of management (2016)	103–1	Explanation on the essentiality of topics and their limits	Section "Significant aspects and Limits of the Report"
	103–2	Approach in the field of management to significant topics	Section "Economic aspects of sustainable development"
	103–3	Approach assessment in the field of management to significant topics	Section "Information on the evaluation policy of the Board of Directors"
GRI 201: Economic performance (2016)	201–1	Direct economic cost created and distributed	Section "Economic aspects of sustainable development"
Presence in markets			
GRI 103: Data on approaches in the field of management (2016)	103–1	Explanation on the essentiality of topics and their limits	Section "Significant aspects and Limits of the Report"
	103–2	Approach in the field of management to significant topics	Section "Labour practices"
	103–3	Approach assessment in the field of management to significant topics	Section "Information on the evaluation policy of the Board of Directors"
GRI 202:Presence in markets (2016)	202–1	Ratio of standard wages of the initial level of employees of different gender to the established minimum wage in significant regions of the organization activities	Section "Labour practices"
Fight against corruption			
GRI 103: Data on approaches in the field of management (2016)	103–1	Explanation on the essentiality of topics and their limits	Section "Significant aspects and Limits of the Report"
	103–2	Approach in the field of management to significant topics	Section "Business ethics in the Company"
	103–3	Approach assessment in the field of management to significant topics	Section "Information on the evaluation policy of the Board of Directors"

GRI standard	Number	Content	Section and Comments
GRI 205: Fight against corruption (2016)	205–1	Information on policies and methods of fight against corruption and their training.	Section "Business ethics in the Company"
	205–3	Reported events of corruption and actions taken	Section "Business ethics in the Company"
GRI 300: Ecological topics			
GRI 103: Data on approaches in the field of management (2016)	103–1	Explanation on the essentiality of topics and their limits	Section "Significant aspects and Limits of the Report"
	103–2	Approach in the field of management to significant topics	Section "Ecological responsibility"
	103–3	Approach assessment in the field of management to significant topics	Section "Information on the evaluation policy of the Board of Directors"
Energy			
GRI 302: Energy (2016)	302–1	Energy consumption within the organization	Section "Energy consumption"
Water			
GRI 303: Water (2018)	303–1	Water sources interaction	Section "Use of water resources"
	303–2	Waste-water discharges management	Section "Use of water resources"
	303–4	Waste-water discharges	Section "Use of water resources"
	303–5	Water consumption	Section "Use of water resources"
Emissions			
GRI 305: Emissions (2016)	305–1	Direct greenhouse gas emissions	Section "Greenhouse gas emissions"
	305–7	Significant atmospheric emissions	Section "Atmospheric air protection"
Waste			
GRI 306: Waste water and waste (2016)	306–2	Total mass of waste by type and method of disposal	Section "Waste management" "Non-hazardous" wastes constitute the minimum part of the total mass of waste and, therefore, are not allocated to the separate category
Compliance with the ecological requirements			
GRI 307: Compliance with the ecological requirements (2016)	307–1	Monetary value of significant fines and total number of non-financial sanctions, imposed for non-compliance with the environmental legislation and regulatory requirements	Section "Monetary value of fines"
GRI 400: Social topics			
GRI 103: Data on approaches in the field of management (2016)	103–1	Explanation on the essentiality of topics and their limits	Section "Monetary value of fines"
	103–2	Explanation on the essentiality of topics and their limits	Section «Significant aspects and Limits of the Report»
	103–3	Approach in the field of management to significant topics	Section "Personnel policy"
Employment			
GRI 401: Employment (2016)	401–1	Total number and percentage of newly recruited employees, also turnover of employees detailed per age group, gender and region	Section "Labour practices"
	401–3	Maternity/paternity leave	Section "Labour practices"
Interaction of employees and the management			
GRI 402: Interaction of employees and the management (2016)	402–1	402-1 Minimum notification period when significant changes in the organization's activity	Section "Labour practices"

GRI standard	Number	Content	Section and Comments
Health and safety			
GRI 403: Health and safety (2016)	403–1	Occupational health and industrial safety management system	Section "Occupational safety and health"
	403–2	Hazard identification, risk assessment and incidents investigation	Section "Occupational safety and health"
	403–3	Occupational safety and health services	Section "Occupational safety and health"
	403–4	Participation of employees, consultations	Section "Occupational safety and health"
	403–5	Occupational safety and health training for personnel	Section "Occupational safety and health"
	403–6	Strengthening the health of employees	Section "Occupational safety and health"
	403–7	Occupational safety and health risks prevention measures in business relations	Section "Occupational safety and health"
	403–9	Injuries rate indicator	Section "Occupational safety and health"
Education and training			
GRI 404: Education and training (2016)	404–1	Average annual number of training hours per one employee, detailed per gender and employees categories	Section "Training and advanced training"
	404–2	Skills development programs	Section "Training and advanced training"
	404–3	Fraction of employees whose performance and career development are periodically assessed, detailed per gender and employees categories	Section "Training and advanced training"
Diversification and equal opportunities			
GRI 405: Diversification and equal opportunities (2016)	405–1	Composition of the governing bodies and main categories of the organization staff, detailed per gender, age groups, affiliation to minorities groups and other diversification signs	Section "Report on the personnel qualitative composition"
Non-discrimination			
GRI 406: Non-discrimination (2016)	406–1	Total number of discrimination cases and corrective actions taken	Section "Report on the personnel qualitative composition"



7

CONSOLIDATED FINANCIAL STATEMENTS

2019

A contract of sale of 100% participation in SARECO LLP was signed.

An agreement was signed on the sale of subsoil use rights under the Contract for the exploration of copper, gold and associated components in the Spassky copper mineralization zone in Karaganda region.

A program has been launched to support junior exploration companies.

CONTENT

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019, 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 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.

The consolidated financial statements of the Group for the year ended December 31, 2019 were approved by management on February 28, 2020.

Chief financial officer Kuanshaliyev B.S.

Chief accountant Alpichsheva A. Zh.

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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, 2019, 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, 2019, 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 Group 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 2020 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continuation)

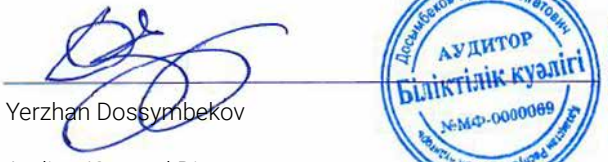
As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 LLP



Yerzhan Dossymbekov

Auditor/General Director

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 28, 2020
Almaty, the Republic of Kazakhstan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

In thousands of tenge	Notes	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	**70,587,496**	62,180,591
Intangible assets	7	**46,912,737**	52,752,009
Exploration and evaluation assets	8	**–**	3,302,015
Investments in an associate	9	**459,090,814**	483,722,801
Corporate income tax prepaid		**1,221,511**	1,213,257
Deferred corporate income tax assets	25	**1,604,928**	965,880
Inventories	11	**3,756,768**	2,310,181
Investment securities	10	**2,052,283**	5,439,249
Other non-current assets	12	**9,210,090**	9,808,286
		594,436,627	**621,694,269**
Current assets			
Inventories	11	**25,920,836**	23,516,693
Corporate income tax prepaid		**196,789**	51,298
Other current assets	13	**3,523,170**	2,108,623
Short-term bank deposits	15	**51,253**	3,664,166
Cash and cash equivalents	14	**7,365,979**	5,043,644
		37,058,027	34,384,424
Assets held for sale		**–**	2,324,608
TOTAL ASSETS		**631,494,654**	**658,403,301**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**252,874,907**	252,874,907
Retained earnings		**68,244,943**	91,177,956
Other components of equity	16	**281,860,523**	284,402,251
Equity attributable to equity holder of the parent		**602,980,373**	**628,455,114**
Non-controlling interests	16	**66,015**	127,770
TOTAL EQUITY		**603,046,388**	**628,582,884**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019 (CONTINUED)

In thousands of tenge	Notes	December 31, 2019	December 31, 2018
Non-current liabilities			
Loans received	18	**1,150,311**	1,552,138
Accounts payable for acquisition of subsidiary	17	**5,910,535**	5,793,232
Deferred corporate income tax liabilities	25	**10,382,486**	10,246,454
Lease liabilities		**354,092**	–
Non-current accounts payable		**291,528**	209,164
Other non-current liabilities		**207,648**	298,049
		18,296,600	**17,889,873**
Current liabilities			
Contract liabilities	17	**4,586,622**	2,379,519
Accounts payable	17	**3,855,651**	4,771,658
Loans received	18	**471,100**	–
Dividends payable		**–**	3,600,477
Lease liabilities		**83,447**	–
Other current liabilities	19	**1,154,846**	1,174,163
		10,151,666	**11,925,817**
Liabilities directly associated with assets held for sale		**–**	4,727
TOTAL LIABILITIES		**28,448,266**	**29,820,417**
TOTAL EQUITY AND LIABILITIES		**631,494,654**	**658,403,301**

Notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chief financial officer Kuanshaliyev B.S.

Chief accountant Alpichsheva A. Zh..

February 28, 2020
Nur-Sultan, the Republic of Kazakhstan

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER OMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

In thousands of tenge	Notes	2019	2018
Revenue from contracts with customers	20	**447,804,513**	267,909,576
Cost of goods sold	21	**(444,178,554)**	(266,816,144)
Gross profit		**3,625,959**	**1,093,432**
General and administrative expenses	22	**(3,993,981)**	(4,293,665)
Selling expenses		**(385,551)**	(452,939)
Operating loss		**(753,573)**	**(3,653,172)**
Finance income	23	**777,115**	2,362,286
Finance costs		**(501,128)**	(496,928)
Share in profit of an associate	9	**51,578,610**	46,637,013
Other non-operating income		**881,815**	1,514,053
Gain on disposal of a subsidiary		**765,569**	–
Other non-operating expenses		**(774,043)**	(1,063,833)
Recovery/(accrual) of loss on impairment of financial assets		**731,625**	(111,452)
Loss on impairment of non-financial assets	24	**(12,728,011)**	(522,053)
Gain/(loss) on disposal of exploration and evaluation assets		**467,132**	(1,970,033)
Net foreign exchange gain		**84,145**	1,685,714
Profit before income tax		**40,529,256**	**44,381,595**
Corporate income tax expense	25	**(324,083)**	(295,589)
Profit for the year		**40,205,173**	**44,086,006**
Profit for the year attributable to:			
Equity holders of the parent		**40,206,668**	44,107,425
Non-controlling interest	16	**(1,495)**	(21,419)
Profit for the year		**40,205,173**	**44,086,006**
Other comprehensive income			
Foreign currency exchange differences on translation	9	**(2,541,728)**	61,061,800
Total comprehensive income for the year		**37,663,445**	**105,147,806**
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the parent		**37,664,940**	105,169,225
Non-controlling interest	16	**(1,495)**	(21,419)
Total comprehensive income for the year		**37,663,445**	**105,147,806**

Notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chief financial officer — Kuanshaliyev B.S.

Chief accountant — Alpichsheva A. Zh..

February 28, 2020
Nur-Sultan, the Republic of Kazakhstan

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

In thousands of tenge	Notes	2019	2018*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash proceeds from customers		**440,348,798**	266,649,971
Other cash proceeds		**1,192,823**	2,330,504
Interest received		**320,969**	1,680,464
Cash payments to suppliers		**(434,978,216)**	(270,370,053)
Cash payments to employees		**(3,450,671)**	(3,076,912)
Corporate income tax paid		**(245,900)**	(22,455)
Other taxes and payments		**(1,043,136)**	(1,244,719)
Current lease payments		**(195,882)**	(116,691)
Interest paid		**(115,400)**	–
Other payments		**(596,311)**	(668,427)
Cash used in operating activities		**1,237,074**	**(4,838,318)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(12,968,985)**	(18,083,460)
Proceeds from sale of subsidiaries		**1,518,001**	
Purchase of other non-current assets		**(658,879)**	(690,417)
Proceeds from sale of other non-current assets		**30,206**	1,041,600
Purchase of intangible assets		**(22,042)**	(35,231)
Purchase of investment securities		**–**	(10,637,785)
Purchase of exploration and evaluation assets	9	**(294,972)**	(915,351)
Dividends received from an associate		**73,668,869**	67,311,600
Placement of bank deposits		**(1,380,429)**	(34,191,218)
Withdrawal of bank deposits		**4,819,672**	47,643,420
Other payments for investing activities		**(15,591)**	(1,033,107)
Cash flows from investing activities		**64,695,850**	**50,410,051**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED)

In thousands of tenge	Notes	2019	2018*
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of loans received		**(185,254)**	(7,746,811)
Proceeds from loans		**242,527**	778,116
Payment of lease liabilities		**(132,256)**	
Dividends paid	16	**(63,600,477)**	(56,399,523)
Cash used in financing activities		**(63,675,460)**	**(63,368,218)**
Net change in cash and cash equivalents		**2,257,464**	**(17,796,485)**
Effect of change in foreign exchange rates on cash and cash equivalents		**64,871**	479,373
Cash and cash equivalents at the beginning of the year	14	**5,043,644**	22,360,756
Cash and cash equivalents at the end of the year	**14**	**7,365,979**	**5,043,644**

* The cash flows statement for the year ended December 31, 2018, does not correspond to the one presented in the consolidated financial statements for the year ended 31 December 2018, as the Company changed the method of presentation of the cash flows statement, as detailed in *Note 2*.

Notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chief financial officer Kuanshaliyev B.S.

Chief accountant Alpichsheva A. Zh..

February 28, 2020
Nur-Sultan, the Republic of Kazakhstan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

In thousands of tenge	Notes	Equity attributable to equity holder of the parent				Non-controlling interests	Total equity
		Share capital	Other equity components	Retained earnings	Total		
As at January 1, 2018		**252,874,907**	**223,340,451**	**114,257,379**	**590,472,737**	**50,625**	**590,523,362**
Profit for the year		–	–	44,107,425	**44,107,425**	(21,419)	**44,086,006**
Other comprehensive income	9	–	61,061,800	–	**61,061,800**	–	**61,061,800**
Total comprehensive income for the year		**–**	**61,061,800**	**44,107,425**	**105,169,225**	**(21,419)**	**105,147,806**
Change in non-controlling interest		–	–	(95,970)	**(95,970)**	98,564	**2,594**
Other operations with the shareholder	18	–	–	(4,594,196)	**(4,594,196)**	–	**(4,594,196)**
Purchase of a subsidiary under common control	1	–	–	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	10	–	–	(3,882,876)	**(3,882,876)**	–	**(3,882,876)**
Dividends	16	–	–	(60,000,000)	**(60,000,000)**	–	**(60,000,000)**
As at December 31, 2018		**252,874,907**	**284,402,251**	**91,177,956**	**628,455,114**	**127,770**	**628,582,884**
Profit for the year		–	–	40,206,668	**40,206,668**	(1,495)	**40,205,173**
Other comprehensive income	9	–	(2,541,728)	–	**(2,541,728)**	–	**(2,541,728)**
Total comprehensive income for the year		–	(2,541,728)	40,206,668	**37,664,940**	(1,495)	**37,663,445**
Change in non-controlling interest		–	–	–	**–**	(60,260)	**(60,260)**
Discount on investment securities, net of tax effect in the amount of 677,073 thousand tenge	10	–	–	(3,139,681)	**(3,139,681)**	–	**(3,139,681)**
Dividends	16	–	–	(60,000,000)	**(60,000,000)**	–	**(60,000,000)**
As at December 31, 2019		**252,874,907**	**281,860,523**	**68,244,943**	**602,980,373**	**66,015**	**603,046,388**

Notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chief financial officer — Kuanshaliyev B.S.

Chief accountant — Alpichsheva A. Zh..

February 28, 2019
Nur-Sultan, the Republic of Kazakhstan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. GENERAL INFORMATION

National Mining Company Tau-Ken Samruk JSC (hereinafter – "Tau-Ken Samruk" or the "Company" or together with subsidiaries – "the Group") 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, 2019 and 2018 the sole shareholder of the Company is Sovereign Wealth Fund Samruk-Kazyna JSC (hereinafter – "Samruk-Kazyna"). The sole shareholder of Samruk-Kazyna is the Government of the Republic of Kazakhstan.

The Company's legal address is E-10 str., 17/10, Nur-Sultan, the Republic of Kazakhstan.

As at December 31, 2019 number of employees of the Group was 1,316 people (December 31, 2018: 1,342 people).

These consolidated financial statements include the financial statements of the Company and its subsidiaries.

As at December 31, 2019 and 2018 the following companies were subsidiaries of the Company:

Company	Type of operations	Region	December 31, 2019	December 31, 2018
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"	Nur-Sultan	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%
TKS Geology 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%
Masalskyi GOK LLP	Development and extraction of iron ore	Akmola region	99.19%	93.00%
Silicon mining LLP	Mining of quartz	Nur-Sultan	100.00%	100.00%
SARECO LLP	Production of rare earth metals	Akmola region	–	100.00%
Tau-Ken Progress LLP	Exploration of non-ferrous metals	Nur-Sultan	–	100.00%
Logic Business LLP	Management of investment in KazZinc LLP	Nur-Sultan	–	100.00%
Logic Invest Capital LLP	Management of investment in KazZinc LLP	Nur-Sultan	–	100.00%
Investing house Dana LLP	Management of investment in KazZinc LLP	Nur-Sultan	–	100.00%

** JV Tau-Ken Project LLP was renamed as TKS Geology LLP on December 30, 2019.*

During 2019, the Group disposed the subsidiaries SARECO LLP and Tau-Ken Progress LLP to third parties and liquidated the subsidiaries Investing house Dana LLP, Logic Invest Capital LLP, Logic Business LLP, whose business operation was managing of investment in Kazzinc LLP. Investment in Kazzinc LLP was transferred to the Company after their liquidation, as a result investment in Kazzinc LLP remained within the Group.

1. GENERAL INFORMATION (CONTINUED)

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% share 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 2019 share in Masalskiy GOC LLP was increased from 93% to 99.186% due to the acquisition of shares by owner NMC Tau-Ken Samruk JSC of the second owner ENRC N.V., which did not pay an increase in share capital.

In 2018 the Company increased its share in Silicon mining LLP from 90.01% to 100% as a result of acquisition for 10,228 thousand tenge.

During 2019 the Group decided not to sell Shokpar-Gagarinskoye LLP, accordingly it reclassified of assets and liabilities of Shokpar-Gagarinskoye LLP from assets held for sale into the Group's consolidated assets and liabilities.

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.

2. BASIS OF PREPARATION (CONTINUED)

Accrual basis

These consolidated financial statements were prepared on the accrual basis. The accrual basis ensures recognition of the results of business operations, as well as events in fact they occurred, regardless of the time of payment. Transactions and events are recorded and included in the consolidated financial statements for the periods to which they apply.

Recognition of the elements of consolidated financial statements

Current versus non-current classification of assets and liabilities

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 corporate income tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currency translation

In preparing the consolidated 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, 2019	Average for 2019	December 31, 2018	Average for 2018
1 US dollar	**382.59**	**382.87**	384.20	345.04
1 Euro	**429**	**428.61**	439.37	406.88

2. BASIS OF PREPARATION (CONTINUED)

Amendments in accounting policy and principles of disclosures

During the preparation of consolidated statements of financial position, the Group decided to change method of presentation of cash flows from operating activities.

Starting from January 1, 2019, the Group uses the direct method of presentation of cash flows from operating activities, as this method provides users with reliable and more relevant information of cash flows from operating activities, which is not available in case of the indirect method. As a result, the Group recalculated the consolidated statement of cash flows for the year ended December 31, 2018, using the direct method.

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.

2. BASIS OF PREPARATION (CONTINUED)

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 associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment 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 OCI of those investees is presented as part of the Group's OCI. 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.

2. BASIS OF PREPARATION (CONTINUED)

Investments in associates and joint ventures (continued)

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised 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.

2. BASIS OF PREPARATION (CONTINUED)

Non-current assets held for sale and discontinued operations (continued)

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.

2. BASIS OF PREPARATION (CONTINUED)

Business combinations (continued)

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

New standards, interpretations and amendments to standards and interpretations, adopted by the Group 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, 2018, except for the newly adopted standards and interpretations effective as at January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The Group applies IFRS 16 Leases for the first time, which require restatement of comparative information. According to requirements of IFRS, the nature and effect of the changes as a result of adoption of this new accounting standard is described below.

In 2019, the Group also applied some other amendments and interpretations for the first time, but they did not have any impact on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

3. EW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New standards, interpretations and amendments to standards and interpretations, adopted by the Group this year (continued)

IFRS 16 Leases (continued)

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at initial recognition. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group has applied exemption to recognition requirement for leases contracts concluded for not more than 12 month and which do not contains repurchase option (short-term lease) and leases of which base asset has low value (low-value assets).

As at January 1, 2019, the adoption of IFRS 16 did not affect the consolidated statement of financial statements of the Group.

The main principles of the Group new accounting policy, after adoption of IFRS 16 since initial recognition, presented below.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If the Group has not enough assurance, if ownership of the leased asset transfers to the Group at the end of the lease term, recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Rights-of-use assets are included in property, plant and equipment by the Group and tested for impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. EW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New standards, interpretations and amendments to standards and interpretations, adopted by the Group this year (continued)

IFRS 16 Leases (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgements in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., change in business strategy).

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 Income Taxes. It 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.

The organization determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

3. EW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New standards, interpretations and amendments to standards and interpretations, adopted by the Group this year (continued)

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 an 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. These amendments had no impact on the consolidated financial statements of 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 the 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. An entity is also required to determine the 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

3. EW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New standards, interpretations and amendments to standards and interpretations, adopted by the Group this year(continued)

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.

These amendments had no impact on the consolidated financial statements as the Group does not have long term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

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.

These amendments had no impact on the consolidated financial statements of the Group as there is no such kind of transactions in presented periods.

IFRS 11 Joint Arrangements

An entity 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 had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

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 it originally recognised those past transactions or events. When the 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.

Since the Group's current practice is in line with these amendments, their application had no impact on the consolidated financial statements of the Group.

3. EW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Annual Improvements 2015-2017 Cycle (continued)

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. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Since the Group's current practice is in line with these amendments, their application had no impact on the consolidated financial statements of the Group.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annual Improvements 2015-2017 Cycle (continued)

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 for future expenses are met. Depreciation is calculated on a straight-line method based on the estimated useful lives of property, plant and equipment. Estimated useful lives of certain assets are as follows:

Group of property, plant and equipment	Useful lives
Building and construction	8–100 years
Machinery and equipment, vehicles	2–50 years
Other	2–20 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 15), cash and cash equivalents (Note 14), accounts receivable (Note 13) and investment securities (Note 10). 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 payables, and accounts payables, for acquisition of subsidiary, contract liabilities, lease liabilities.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of revenues and expenses (continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 corporate income 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 2019 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 (2018: 9.5%). Part of the social tax in the amount of 3.5% is transferred to the Social Insurance State Fund JSC (2018: 3.5%).

In 2019 the Group pays compulsory medical insurance at the rate 1.5% of salaries and other payments to employees, including other benefits.

The Group also withholds up to 10% in 2019 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

During 2019, management of the Group identified indicators of impairment of some of subsidiaries' assets. As a result of detailed analysis, the impairment loss of non-current assets was recognised in the amount of 12,728,011 thousand tenge (2018: nil tenge) (Note 24).

ShalkiyaZinc LTD JSC

In assessing value in use of net assets of ShalkiyaZinc LTD JSC the Group's management used the following key assumptions:

- discount rate (cost of equity) of 11.31%;
- the factory will reach its design capacity of 4,000 thousand tons in 2023;
- project implementation period until 2045;
- the forecasted zinc price is 2,333 US dollars per tonne and is indexed by the US GDP deflator in the forecasted period.

Tau-Ken Temir LLP

The carrying value of the net assets of the subsidiary of Tau-Ken Temir LLP as at 31 December 2019 does not exceed the fair value of the asset, net of disposal costs, in accordance with IFRS 36.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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 corporate income tax assets

Deferred corporate income 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Asset retirement obligations (continued)

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, defined by Global Insight, used in the calculation varies in the range from 2.8% to 5.3% per annum, and the discount rate used to determine the liabilities as at December 31, 2019 is equal to 8.11% (in 2018: from 2.8% to 7.2% and 7.78%, respectively).

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of tenge	Land	Mining assets	Buildings and onstructions	Machinery and equipment	Vehicles	Right-of-use assets	Other	Construction in progress	Total
Historical cost:									
As at December 31, 2017	**604,452**	**11,940,130**	**9,565,100**	**12,284,692**	**1,128,365**	**–**	**1,256,151**	**12,358,273**	**49,137,163**
Additions	–	6,356,406	307,006	764,575	2,544,048	–	253,480	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	–	–	–	–	–	–	–	199,690	199,690
Transfers from inventories	–	–	4,125	4,713	–	–	2,001	13,574	24,413
Transfers to assets held for sale	–	–	–	–	–	–	(181)	–	(181)
Impairment	–	–	–	–	–	–	–	(408,006)	(408,006)
Disposals	(5,481)	(164,369)	(973)	(30,445)	(1,500)	–	(12,193)	(70,215)	(285,176)
As at December 31, 2018	**607,858**	**18,017,881**	**11,043,348**	**11,927,341**	**4,967,924**	**–**	**1,537,342**	**19,223,018**	**67,324,712**
Additions	–	5,653,412	163,890	480,156	842,577	497,420	427,586	6,365,820	14,430,861
Changes in accounting estimates	–	71,258	–	–		–	–	–	71,258
Internal transfers	–	–	666,453	392,029	32,728	–	90,221	(1,181,431)	–
Transfers from exploration and evaluation assets	–	2,458,304	–	–	–	–	–	–	2,458,304
Transfers from inventories	–	–	–	–	–	–	–	35,512	35,512
Transfers to intangible assets	–	–	–	(3,322)	–	–	(7,586)	–	(10,908)
Disposals of subsidiaries	(8,887)	–	(71,418)	(96,169)	(8,998)	–	(667)	–	(186,139)
Impairment	–	(2,098,813)	(10,008)	–	–	–	(138,148)	(3,620,178)	(5,867,147)
Disposals	–	(5,025)	(31,463)	(19,044)	(3,366)	–	(12,258)	(685)	(71,841)
As at December 31, 2019	**598,971**	**24,097,017**	**11,760,802**	**12,680,991**	**5,830,865**	**497,420**	**1,896,490**	**20,822,056**	**78,184,612**
Accumulated depreciation:									
As at December 31, 2017	**–**	**–**	**(650,842)**	**(2,183,553)**	**(230,222)**	**–**	**(304,989)**	**–**	**(3,369,606)**
Charge for the year	–	–	(392,267)	(906,292)	(320,209)	–	(170,667)	–	(1,789,435)
Depreciation on disposals	–	–	–	6,274	400	–	8,246	–	14,920
As at December 31, 2018	**–**	**–**	**(1,043,109)**	**(3,083,571)**	**(550,031)**	**–**	**(467,410)**	**–**	**(5,144,121)**
Charge for the year	–	–	(476,897)	(890,254)	(776,054)	(91,472)	(233,781)	–	(2,468,458)
Depreciation on disposals	–	–	2,618	4,002	–	–	8,843	–	15,463
As at December 31, 2019	**–**	**–**	**(1,517,388)**	**(3,969,823)**	**(1,326,085)**	**(91,472)**	**(692,348)**	**–**	**(7,597,116)**
As at December 31, 2018	**607,858**	**18,017,881**	**10,000,239**	**8,843,770**	**4,417,893**	**–**	**1,069,932**	**19,223,018**	**62,180,591**
As at December 31, 2019	**598,971**	**24,097,017**	**10,243,414**	**8,711,168**	**4,504,780**	**405,948**	**1,204,142**	**20,822,056**	**70,587,496**

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge for the year ended December 31, 2019 includes 797,514 thousand tenge (2018: 702,869 thousand tenge) recognized in cost of goods sold (Note 21), 129,106 thousand tenge recognized in general and administrative expenses (2018: 98,860 thousand tenge) (Note 22).

The amount of borrowing costs that were capitalized during the year ended December 31, 2019 amounted to 114,939 thousand tenge (2018: 70,411 thousand tenge). 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, 2019, property, plant and equipment with a carrying value of 3,332,753 thousand tenge were pledged as collateral under a loan agreement with Eurasian Development Bank JSC (2018: 244,079 thousand tenge) (Note 18).

In 2019, the Group recognised an impairment loss on property, plant and equipment of Masalskiy GOK LLP and JV Alaygyr LLP in the amount of 5,867,147 thousand tenge (2018: nil tenge) (Note 24).

7. INTANGIBLE ASSETS

In thousands of tenge	Subsoil use rights	Other	Total
Historical cost:			
As at December 31, 2017	**52,504,453**	**264,298**	**52,768,751**
Additions	–	66,971	66,971
Acquisition of subsidiaries	38,946	–	38,946
Disposals	–	(1,191)	(1,191)
Transfers to assets held for sale	–	(360)	(360)
As at December 31, 2018	**52,543,399**	**329,718**	**52,873,117**
Additions	–	22,042	22,042
Lost control over subsidiary	(38,946)	(12)	(38,958)
Disposals	–	(185)	(185)
Transfer from property, plant and equipment	–	10,908	10,908
Impairment (i)	(5,794,412)	–	(5,794,412)
As at December 31, 2019	**46,710,041**	**362,471**	**47,072,512**
Accumulated amortization:			
As at December 31, 2017	**–**	**(88,418)**	**(88,418)**
Amortization charge for year	–	(32,690)	(32,690)
As at December 31, 2018	**–**	**(121,108)**	**(121,108)**
Amortization charge for year	–	(38,750)	(38,750)
Amortization of disposals		83	83
As at December 31, 2019	**–**	**(159,775)**	**(159,775)**
Net book value:			
As at December 31, 2018	**52,543,399**	**208,610**	**52,752,009**
As at December 31, 2019	**46,710,041**	**202,696**	**46,912,737**

(i) In 2019 the Group recognised loss on impairment of intangible assets of Masalskiy GOK LLP and JV Alaygyr LLP in the amount of 5,794,412 thousand tenge (2018: nil tenge) (Note 24).

Amortization of intangible assets for 2019 includes 333 thousand tenge (2018: 288 thousand tenge) recognized in cost of goods sold (Note 21) and in general and administrative expenses 12,492 thousand tenge (2018: 11,818 thousand tenge) (Note 22).

Subsoil use rights are represented by recognized intangible assets acquired as a result of business combinations of ShalkiyaZinc LTD JSC, Masalskyi GOK LLP and Severnyi Katpar LLP.

As at December 31, 2019 and 2018 intangible assets of the Group were not pledged as collateral.

8. EXPLORATION AND EVALUATION ASSETS

In thousands of tenge	Exploration and evaluation assets
As at December 31, 2017	**6,848,471**
Additions	916,885
Transfers to property, plant and equipment (Note 6)	(199,690)
Disposals	(1,970,033)
Assets held for sale	(2,293,618)
As at December 31, 2018	**3,302,015**
Disposals	(843,711)
Transfers to property, plant and equipment (Note 6)	(2,458,304)
As at December 31, 2019	**–**

9. INVESTMENT IN AN ASSOCIATE

In thousands of tenge	December 31, 2019		December 31, 2018	
	Share	Amount	Share	Amount
Kazzinc LLP	29.8221%	459,090,814	29.8221%	483,722,801

In thousands of tenge	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)
Kazzinc LLP	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	2019	2018
As at January 1	**483,722,801**	**443,335,588**
Share in profit of an associate	**51,578,610**	46,637,013
Dividends	**(73,668,869)**	(67,311,600)
Foreign currency exchange differences on translation	**(2,541,728)**	61,061,800
As at December 31	**459,090,814**	**483,722,801**

Kazzinc LLP

In accordance with the decision of the general meeting of owners of Kazzinc LLP dated March 29, 2019, the allocation of net income of Kazzinc LLP for 2018 was approved. Total amount of dividends declared and dividends paid to the owners of Kazzinc LLP during the year ended December 31, 2019 was equal to 650,000,000 US dollars, including 193,843,650 US dollars (equivalent of 73,668,869 thousand tenge) distributed to the Group and paid in cash.

In accordance with the decision of the general meeting of owners of Kazzinc LLP dated March 15, 2018, the allocation of net income of Kazzinc LLP for 2017 was approved. Total amount of dividends declared and dividends paid to the owners of Kazzinc LLP during the year ended December 31, 2018 was equal to 700,000,000 US dollars, including 208,754,700 US dollars (equivalent of 67,311,600 thousand tenge) distributed to the Group and paid in cash.

9. INVESTMENTS IN AN ASSOCIATE (CONTINUED)

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, 2019	December 31, 2018
Current assets	**422,595,329**	373,228,720
Non-current assets	**1,513,170,608**	1,656,829,585
Current liabilities	**(110,027,930)**	(98,006,622)
Non-current liabilities	**(286,301,304)**	(310,018,280)
Equity	**1,539,436,703**	**1,622,033,403**
Carrying value of investment	**459,090,814**	**483,722,801**

In thousands of tenge	2019	2018
Revenue	**1,099,241,022**	1,081,320,447
Net profit	**172,955,399**	156,384,518
The Group's share in net profit for the year	**51,578,610**	**46,637,013**

10. INVESTMENT SECURITIES

In thousands of tenge	December 31, 2019	December 31, 2018
Bonds of First Heartland Jýsan Bank JSC		
Nominal value	**10,604,910**	10,604,910
Interest receivable	**2,092**	36,190
Discount	**(8,424,394)**	(4,829,397)
Less: provision for expected credit losses	**(130,325)**	(372,454)
	2,052,283	**5,439,249**

In November 2018 by decision of the Government of the Republic of Kazakhstan - the ultimate shareholder of the Group, the Group acquired 10,604,910 bonds of First Heartland Jysan Bank JSC (earlier Tsesnabank JSC) with a maturity of 10 years, with a nominal interest rate of 4% per annum.

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. In 2018, the discount amounted to 4,853,596 thousand tenge and was 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.

In January 2019 nominal interest rate was changed to 0.1% per annum, and maturity was prolonged till January 15, 2034. Due to this significant modification in the bond terms, the Group recognized new financial instrument at market rate. As a result, additional discount amounted to 3,816,754 thousand tenge was recognised in the consolidated statement of changes in equity in retained earnings less deferred corporate income tax in the amount of 677,073 thousand tenge.

11. INVENTORIES

Inventories include the following:

In thousands of tenge	December 31, 2019	December 31, 2018
Finished goods	**16,902,423**	13,345,996
Work-in-progress	**7,863,438**	7,748,892
Raw materials and suppliers	**1,404,487**	2,453,021
Goods	**260,691**	2,640
Less: provision on write off of inventories to net realizable value	**(510,203)**	(33,856)
	25,920,836	**23,516,693**

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.

As at December 31, 2019, long-term assets include inventories in the amount of 3,756,768 thousand tenge, which were planned to be used by the Group to produce finished goods (as at December 31, 2018: 2,310,181 thousand tenge).

12. OTHER NON-CURRENT ASSETS

In thousands of tenge	December 31, 2019	December 31, 2018
Taxes recoverable, except corporate income tax	**5,869,012**	4,801,517
Prepaid expenses	**2,942,553**	2,186,578
Advances for non-current assets	**194,468**	2,512,950
Other non-current assets	**373,885**	307,241
Less: provision for impairment on advances paid	**(169,828)**	–
	9,210,090	**9,808,286**

As at December 31, 2019, prepaid expenses include a commission and fee for reservation of a loan in the amount of 2,942,553 thousand tenge, paid to EBRD under a loan agreement (December 31, 2018: 2,186,578 thousand tenge) (Note 26).

The movement in provision for impairment on advances paid for the year ended December 31 is presented as follows:

In thousands of tenge	2019	2018
As at January 1	**–**	–
Accrued	**169,828**	–
As at December 31	**169,828**	**–**

13. OTHER CURRENT ASSETS

In thousands of tenge	December 31, 2019	December 31, 2018
Advances paid	**1,634,139**	238,777
Accounts receivable from third parties	**924,290**	681,915
VAT recoverable	**859,346**	1,048,281
Accounts receivable from related parties	**143,162**	33,697
Other current assets	**140,725**	170,841
Less: provision for expected credit losses	**(178,492)**	(64,888)
	3,523,170	**2,108,623**

The movement in provision for expected credit losses for the year ended December 31 is presented as follows:

In thousands of tenge	2019	2018
As at January 1	**64,888**	14,711
Accrued	**113,604**	50,177
As at December 31	**178,492**	**64,888**

14. CASH AND CASH EQUIVALENTS

In thousands of tenge	December 31, 2019	December 31, 2018
Current bank accounts in US dollars	**3,286,681**	24,915
Current bank accounts in tenge	**2,125,001**	3,457,195
Short-term bank deposits with maturity less than 90 days, in tenge	**1,034,885**	1,526,507
Current bank accounts in euro	**899,478**	29,099
Current bank accounts in other currencies	**45,531**	6
Short-term bank deposits with maturity less than 90 days, US dollar	**38,445**	5,276
Cash on hand	**81**	671
Less: provision for expected credit losses	**(25,678)**	(25)
Total cash and cash equivalents	**7,365,979**	**5,043,644**

Movement in the provision for expected credit losses in cash and cash equivalents is presented as follows:

In thousands of tenge	2019	2018
As at January 1	**25**	115,511
Accrued/(recovered)	**25,653**	(115,486)
As at December 31	**25,678**	**25**

15. SHORT-TERM BANK DEPOSITS

As at December 31, 2019, short-term bank deposits were placed in second-tier Kazakhstani banks with weighted average interest rate of 8.7% per annum in tenge and 2.5% per annum in US dollars, respectively (December 31, 2018: 8.13% per annum in tenge and 2.48% per annum in US dollars, respectively).

In thousands of tenge	December 31, 2019	December 31, 2018
Short-term bank deposits in tenge	**15,745**	1,881,351
Short-term bank deposits in US dollar	**38,445**	1,842,362
Less: provision for expected credit losses	**(2,937)**	(59,547)
Total short-term bank deposits	**51,253**	**3,664,166**

15. SHORT-TERM BANK DEPOSITS (CONTINUED)

Movement in the provision for expected credit losses in short-term bank deposits is presented as follows:

In thousands of tenge	2019	2018
As at January 1	**59,547**	205,063
Recovered	**(56,610)**	(145,516)
As at December 31	**2,937**	**59,547**

16. SHARE CAPITAL

Share capital

In thousands of tenge	Ordinary shares	
	Quantity	Amount
As at January 1, 2018 and 2019	292,887	252,874,907
As at December 31, 2018 and 2019	**292,887**	**252,874,907**

The Company's share capital comprises of ordinary shares. Each ordinary share gives a right for one vote. .

Other components of equity

Other components of capital in the Statement of changes in equity represent a reserve on translation of the financial statements of the associate Kazzinc LLP into the presentation currency of the consolidated financial statements of the Group.

Dividends

During 2019, according to the Board decision of sole shareholder of the Group dated May 20, 2019, the dividends were declared and paid amounting to 44,086,006 thousand tenge based on the results of 2018 and 15,913,994 thousand tenge based on the results of 2016.

In addition, in 2019, according to the Board decision of sole shareholder of the Group dated September 3, 2018, the dividends were paid amounting to 3,600,477 thousand tenge based on the results of 2017.

During 2018, according to the Board decision of sole shareholder of the Group dated September 3, 2018, the dividends were declared in the amount of 60,000,000 thousand tenge.

During 2018, according to the Board decision of sole shareholder of the Group dated May 14, 2018 and September 3, 2018, the dividends were declared and paid in the amount of 56,399,523 thousand tenge

Non-controlling interest

In thousands of tenge	2019	2018
As at January 1	**127,770**	50,625
Change in non-controlling interest	**(60,260)**	83,342
Acquisition of a subsidiary	**–**	15,222
Total comprehensive loss for the period attributable to non-controlling interest	**(1,495)**	(21,419)
As at December 31	**66,015**	**127,770**

17. CONTRACT LIABILITIES AND ACCOUNTS PAYABLE

In thousands of tenge	December 31, 2019	December 31, 2018
Accounts payable for the acquisition of a subsidiary (Note 27)	**5,910,535**	5,793,232
Contract liabilities to related parties (Note 27)	**4,586,622**	2,379,519
Accounts payable to third parties	**4,065,738**	4,807,103
Accounts payable to related parties (Note 27)	**81,441**	173,719
	14,644,336	13,153,573
Current portion	**8,442,273**	7,151,177
Non-current portion	**6,202,063**	6,002,396
	14,644,336	**13,153,573**

As at December 31, 2019 and 2018 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% ownership interest in the authorized capital of Kremnii Kazakhstan LLP, which transferred assets and liabilities to Tau-Ken Temir LLP in 2016 (Note 27).

As at December 31, 2019 and 2018 contract liabilities received in the amount of 4,586,622 thousand tenge and 2,379,519 thousand tenge, respectively, represent advances received from the National Bank of the Republic of Kazakhstan, entity under common control, for sale of finished goods as gold bullions (Note 27).

18. LOANS RECEIVED

As at December 31, 2019 and 2018 loans received are presented as follows:

In thousands of tenge	Repayment date	Currency	Rate, %	December 31, 2019	December 31, 2018
Non-current					
Eurasian Bank of Development	December 30, 2023	US dollar	6.25%	**1,181,621**	1,596,622
Less: amortised loan origination fee				**(31,310)**	(44,484)
Total non-current part				**1,150,311**	**1,552,138**
Current					
Eurasian Bank of Development	December 30, 2023	US dollar	6.25%	**464,627**	
Short-term interest payable				**6,473**	–
Total current part				**471,100**	

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 EABD for the amount of 56 million US dollars to finance a construction of an enrichment plant with interest expense paid semiannually (every 6 month). In accordance with the signed agreement, JV Alaigyr LLP should comply with certain financial and non-financial covenants. As at December 31, 2019 and 2018 JV Alaigyr LLP complied with the covenants.

As security for the loan agreement, the Group provided the following to EABD 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 #50-17/2016-2 dated January 6, 2016 signed with Kazzinc LLP (collateral agreement #687 dated October 6, 2017);
- certain property, plant and equipment of the Group in the amount of 3,332,753 thousand tenge as at December 31, 2019 (2018: 244,079 thousand tenge) (Note 6);
- subsoil use right under the contract for the extraction of polymetallic ores at the Alaigyr field.

18. LOANS RECEIVED (CONTINUED)

Loan received from the Eurasian Bank of Development ("EABD") (CONTINUED)

According to the terms of the loan agreement, in 2019 the Group paid a fee for receiving a loan in the amount of 115,400 thousand tenge (2018: nil tenge). 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 consolidated statement of profit or loss.

During reporting period, the Group received 242,527 thousand tenge and repaid 185,254 thousand tenge (2018: received 778,116 thousand tenge).

19. OTHER CURRENT LIABILITIES

In thousands of tenge	December 31, 2019	December 31, 2018
Due to employees	**538,209**	613,460
Subsoil use contract obligations	**114,770**	117,360
Taxes payable, other than corporate income tax	**248,192**	310,302
Other current liabilities	**253,675**	133,041
	1,154,846	**1,174,163**

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of tenge	2019	2018
Sale of gold	**435,835,485**	257,475,423
Sale of silicon	**9,029,411**	10,138,776
Sale of silver	**2,648,372**	289,272
Refining services	**291,245**	6,105
	447,804,513	**267,909,576**

The Group mainly sells its finished products in the form of gold bullion weighting 12 kg. 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 2019 the Group sold gold bars with a total weight 24,975 kg (2018: 18,302 kg).

21. COST OF GOOD SOLD

In thousands of tenge	2019	2018
Materials and raw materials	**441,805,919**	271,197,970
Electricity	**2,922,831**	2,726,282
Payroll and related taxes	**1,401,343**	1,179,787
Depreciation and amortization (Notes 6 and 7)	**797,847**	703,157
Inventories	**7,049**	426,092
Other	**1,156,850**	1,053,501
Change in finished goods and work-in-progress	**(3,913,285)**	(10,470,645)
	444,178,554	**266,816,144**

Materials and raw materials mainly includes golden ore, including Dore alloys, precious metal scrap purchased from third parties for processing.

22. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	2019	2018
Payroll and related taxes	**2,442,185**	2,569,478
Professional and consulting services	**275,639**	307,900
Other services	**192,767**	163,345
Rent expenses	**190,009**	150,947
Business trip expenses	**164,611**	254,689
Depreciation and amortization (Notes 6 and 7)	**141,598**	110,678
Taxes other than corporate income tax	**99,432**	259,696
Utilities	**84,503**	61,663
Representative expenses	**84,227**	76,427
Provisions for expected credit losses on accounts receivable	**82,858**	50,177
Communication services	**31,028**	31,275
Write off of inventories to net realizable value	**–**	12,302
Other	**205,124**	245,088
	3,993,981	**4,293,665**

23. FINANCE INCOME

In thousands of tenge	2019	2018
Interest income from bank deposits	**550,668**	2,301,897
Interest income from investment securities	**226,447**	60,389
	777,115	**2,362,286**

24. LOSS ON IMPAIRMENT OF NON-FINANCIAL ASSETS

In thousands of tenge	2019	2018
Loss on impairment of property, plant and equipment (Note 6)	(5,867,147)	–
Loss on impairment of intangible assets (Note 7)	(5,794,412)	–
Loss on impairment other non-financial assets	(1,066,452)	(522,053)
	(12,728,011)	**(522,053)**

25. CORPORATE INCOME TAX

In 2019 and 2018 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	2019	2018
Current corporate income tax	**(150,026)**	(275,212)
Deferred corporate income tax	**(174,057)**	(20,377)
Corporate income tax expense	**(324,083)**	**(295,589)**

25. CORPORATE INCOME TAX (CONTINUED)

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, 2019 and 2018 is presented below:

In thousands of tenge	2019	2018
Profit before income tax	**40,529,256**	**44,381,595**
Statutory tax rate	**20%**	20%
Corporate income tax expense at the statutory rate	**8,105,851**	**8,876,319**
Change in unrecognised deferred tax assets	**2,176,828**	733,148
Share in profit of an associate	**(10,315,722)**	(9,327,403)
Other	**357,126**	13,525
Corporate income tax expense	**324,083**	**295,589**

25. CORPORATE INCOME TAX (CONTINUED)

As at 31 December, components of deferred corporate income tax assets and liabilities are as follows:

In thousands of tenge	2019	Changes recognized in the statement of changes in equity	Changes recognized in the statement of profit or loss and other comprehensive income	2018	Changes recognized in the statement of profit or loss and other comprehensive income	Changes recognized in the statement of profit or loss and other comprehensive income	2017
Deferred corporate income tax assets							
Tax loss carried forward	**897,119**	**–**	**(485,229)**	**1,382,348**	**–**	**496,104**	886,244
Discount on recognition of investment securities	**1,604,928**	**677,073**	**(38,025)**	**965,880**	**970,720**	**(4,840)**	–
Capitalized expenses in tax accounting	**305,288**	**–**	**(253,691)**	**558,979**	**–**	**–**	558,979
Provision for impairment of non-financial assets	**2,545,602**	**–**	**2,545,602**	**–**	**–**	**–**	–
Unused vacations reserve	**93,222**	**–**	**(8,739)**	**101,961**	**–**	**44,461**	57,500
Provision for expected credit losses	**330,412**	**–**	**244,007**	**86,405**	**–**	**86,405**	–
Accrued liabilities under subsoil use contracts	**23,513**	**–**	**(663)**	**24,176**	**–**	**(16,060)**	40,236
Provision for doubtful debts	**43,042**	**–**	**30,065**	**12,977**	**–**	**12,977**	–
Accrued liabilities for payment of subscription bonus	**–**	**–**	**–**	**–**	**–**	**(4,873)**	4,873
Other	**239,666**	**–**	**105,476**	**134,190**	**–**	**111,674**	22,516
	6,082,792	**677,073**	**2,138,803**	**3,266,916**	**970,720**	**725,848**	**1,570,348**
Less: unrecognized deferred income tax assets	**(4,477,864)**	**–**	**(2,176,828)**	**(2,301,036)**	**–**	**(730,688)**	**(1,570,348)**
Net deferred corporate income tax assets	**1,604,928**	**677,073**	**(38,025)**	**965,880**	**970,720**	**(4,840)**	**–**
Deferred corporate income tax liabilities	**(361,808)**	**–**	**(108,554)**	**(253,254)**	**–**	**(31,583)**	(221,671)
Property, plant and equipment	**(10,020,678)**	**–**	**(27,478)**	**(9,993,200)**	**–**	**13,438**	(10,006,638)
Assessment of intangible assets at fair value	**–**	**–**	**–**	**–**	**–**	**2,608**	(2,608)
Deferred corporate income tax liabilities	**(10,382,486)**	**–**	**(136,032)**	**(10,246,454)**	**–**	**(15,537)**	**(10,230,917)**
Net deferred corporate income tax liabilities	**(8,777,558)**	**677,073**	**174,057**	**(9,280,574)**	**970,720**	**(20,377)**	**(10,230,917)**

25. CORPORATE INCOME TAX (CONTINUED)

Reconciliation of deferred income tax liabilities, net:

In thousands of tenge	2019	2018
As at January 1	**9,280,574**	10,230,917
Income tax expense for the period recognized in profit or loss	**174 057**	20,377
Changes recognized in the statement of changes in equity	**(677,073)**	(970,720)
As at December 31	**8,777,558**	**9,280,574**

Deferred corporate income tax liability related to assessment of intangible assets at fair value represents deferred income tax acquired within business combination of ShalkiyaZinc LTD JSC, Masalskiy GOK LLP and Severnyi Katpar LLP.

As at December 31, 2019 unrecognised deferred corporate income tax assets in the amount of 4,477,864 thousand tenge (as at December 31, 2018: 2,301,036 thousand tenge) and were mainly attributed to the tax loss carried forward and impairment of non-financial assets. 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.

26. 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.

The management of the Group believes it is undertaking all necessary measures to support the economic sustainability of the Group in such circumstances.

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.

26. CONTRACTUAL AND CONTINGENT LIABILITIES (CONTINUED)

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.

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, 2019, 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, 2019 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

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.

26. CONTRACTUAL AND CONTINGENT LIABILITIES (CONTINUED)

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, 2019 the Group's insurance program was in compliance with the main terms of the subsoil use contracts.

26. CONTRACTUAL AND CONTINGENT LIABILITIES (CONTINUED)

Obligations under subsoil use contracts

As at December 31, 2019 the Group has the following obligations under long-term working programs of subsoil use contracts:

In thousands of tenge	Fulfillment of obligations for the year ended December 31, 2019	Obligations under long-term working program				
		2019	2020	2021–2026	2027–2037	2038–2047
Shalkiya deposit	10,375,568	10,196,595	49,707,295	595,896,804	990,544,369	745,625,913
Alaigyr deposit	3,818,848	26,902,400	19,294,300	122,897,200	226,028,100	–
Severnyi Katpar deposit	210,658	205,554	852,472	48,008,477	9,444,135	–
Aktas deposit	760,670	490,538	450,050	2,777,454	3,690,439	–
Verhniye Kayrakty deposit	585,186	81,133	–	–	–	–
Masalskoye deposit	71,425	96,208	62,349	398,197,101	381,533,668	–
South-Moiynty area deposit	28,360	256,032	112,843	–	–	–
Gagrinskoye deposit	34,926	24,623	–	–	–	–
Shokpar deposit	45,580	21,787	–	–	–	–
Boguty deposit	4,968	53,076	55,724	306,880	–	–
Aktas-3 deposit	310	4,545	4,772	23,064	–	–
Nadyrbayskoye ore deposit	386	5,808	6,097	33,933	–	–
East Alaigyr deposit	412	63,177	52,897	326,655	324,422	–
	15,937,297	**38,401,476**	**70,598,799**	**1,168,467,568**	**1,611,565,133**	**745,625,913**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED)

26. CONTRACTUAL AND CONTINGENT LIABILITIES (CONTINUED)

Obligations under subsoil use contracts (CONTINUED)

As at December 31, 2018 the Group has the following obligations under long-term working programs of subsoil use contracts:

In thousands of tenge	Fulfillment of obligations for the year ended December 31, 2018	Obligations under long-term working program					
		2018	2019	2020	2021–2026	2027–2037	2038–2047
Shalkiya deposit	15,257,261	18,264,160	72,659,354	62,199,621	200,366,725	653,113,609	593,739,644
Alaigyr deposit	4,265,346	7,064,700	26,902,400	19,294,300	122,897,200	226,028,100	–
Severnyi Katpar deposit	921,613	364,419	7,337,776	6,983,003	35,512,333	–	–
Spasskaya CMZ deposit	754,563	1,146,481	–	–	–	–	–
Aktas deposit	743,316	1,182,871	490,538	450,050	2,777,454	–	–
Verhniye Kayrakty deposit	455,044	490,350	81,133	–	–	–	–
Masalskoye deposit	215,895	17,796,000	3,652,000	2,313,000	30,787,000	–	–
South-Moiynty area deposit	15,343	257,013	256,032	112,843	–	–	–
Melovoe deposit	3,738	496,016	–	–	–	–	–
Progress deposit	1,590	204,431	68,937	–	–	–	–
East Alaigyr deposit	400	94,079	63,177	52,897	326,655	–	–
	22,634,109	**47,360,520**	**111,511,347**	**91,405,744**	**392,667,367**	**879,141,709**	**593,739,644**

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.

26. CONTRACTUAL AND CONTINGENT LIABILITIES (CONTINUED)

Loans and guarantees

Loan agreement with the European Bank for Reconstruction and Development ("EBRD")

As at December 31, 2019, ShalkiyaZinc LTD JSC, 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, 2018: up to 295 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, 2019, ShakliyaZinc LTD JSC complied with these covenants.

As at December 31, 2019, ShalkiyaZinc LTD JSC did not receive cash under this loan agreement. As at December 31, 2019, prepaid expenses include a commission and a fee for reserving a loan in the total amount of 2,942,553 thousand tenge, paid to the EBRD under this agreement (December 31, 2018: 2,186,578 thousand tenge) (Note 12).

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 million 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 was 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 4th quarter of 2021 - with a total capacity of two start-up complexes of 4 million tons of complex ores. However, in April 2019, it was decided to terminate the agreement with Engineering Dobersek GmbH since it did not comply with all agreement terms.

As at December 31, 2019 and December 31, 2018 the Group has no other investment related agreements, except for mentioned above, and subsoil use contracts.

27. 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.

27. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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
December 31, 2019						
Accounts payable	–	4,147,179	–	–	–	**4,147,179**
Loans received	–	–	470,915	1,469,079	–	**1,939,994**
Accounts payable for acquisition of subsidiary	–	–	461,100	7,531,300	–	**7,992,400**
Lease liabilities	–	35,652	106,956	427,824	–	**570,432**
Contract liabilities	–	4,586,622	–	–	–	**4,586,622**
	–	**8,769,453**	**1,038,971**	**9,428,203**	**–**	**19,236,627**

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, 2018						
Accounts payable	–	4,980,822	–	–	–	**4,980,822**
Loans received	–	–	248,488	570,675	1,151,684	**1,970,847**
Accounts payable for acquisition of subsidiary	–	–	296,761	7,992,400	–	**8,289,161**
Contract liabilities	–	2,379,519	–	–	–	**2,379,519**
	–	**7,360,341**	**545,249**	**8,563,075**	**1,151,684**	**17,620,349**

27. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OJECTIVE AND POLICIES (CONTINUED)

Credit risk (continued)

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, 2019	Rating as at December 31, 2018	December 31	December 31 2018
Halyk Bank of Kazakhstan JSC	BB/stable	BB/stable	**5,370,304**	4,985,927
Forte Bank JSC	B+/stable	B/stable	**1,054,968**	30,162
ATF Bank JSC	B-/stable	B/stable	**912,717**	1,830,323
Eurasion Bank JSC	B/stable	B/negative	**68,390**	46
Bank Centercredit JSC	B/negative	B/stable	**10,853**	1,818,673
Sberbank JSC	BB+/stable	BB+/positive	**–**	33,341
Citibank Kazakhstan JSC	A+/ stable	Not applicable	**–**	5,811
Kassa Nova Bank JSC	B/stable	B/stable	**–**	1,990
First Heartland Jýsan Bank JSC	B-/positive	B-/stable	**–**	1,239
Alfa Bank JSC	BB-/positive	BB+/stable	**–**	288
Bank of China Kazakhstan JSC	A/stable	Not applicable	**1**	10
			7,417,232	**8,707,810**

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, 2019 and 2018 is as follows:

In thousands of tenge	Liabilities		Assets	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
US dollar	**(1,762,024)**	(2,131,954)	**3,493,679**	1,833,767
Euro	**–**	–	**990,517**	29,099
	(1,762,024)	**(2,131,954)**	**4,484,196**	**1,862,866**

27. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OJECTIVE 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 12% for 2019 and 14% for 2018 in comparison to the respective currencies. The sensitivity level of 12% 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 12% 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			
	2019	2018	Liabilities		Assets	
			2019	2018	2019	2018
US dollar	12%	14%	**(211,443)**	(298,474)	**419,241**	256,727
Euro	12%	14%	**–**	–	**118,862**	4,074
			(211,443)	**(298,474)**	**538,104**	**260,801**

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, 2019 and December 31, 2018 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.

27. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OJECTIVE AND POLICIES (CONTINUED)

Procedures for estimating the fair value (continued)

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, 2019 and December 31, 2018 as follows:

In thousands of tenge	Fair value estimation of as at December 31, 2019				
	Date of measurement	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets, accounted for at amortised cost					
Investment securities	31.12.2019	–	**2,052,283**	–	**2,052,283**
Total fair value		**–**	**2,052,283**	**–**	**2,052,283**
Liabilities, which fair value is disclosed					
Accounts payable	31.12.2019	–	**4,147,179**	–	**4,147,179**
Loans received	31.12.2019	–	**1,621,411**	–	**1,621,411**
Lease liabilities	31.12.2019	–	**437,539**	–	**437,539**
Accounts payable for acquisition of subsidiary	31.12.2019	–	**5,910,535**	–	**5,910,535**
Total fair value		**–**	**12,116,664**	**–**	**12,116,664**

In thousands of tenge	Fair value estimation of as at December 31, 2018				
	Date of measurement	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets, accounted for at amortised cost					
Investment securities	31.12.2018	–	**5,439,249**	–	**5,439,249**
Total fair value		**–**	**5,439,249**	**–**	**5,439,249**
Liabilities, which fair value is disclosed					
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**
Total fair value		**–**	**12,326,192**	**–**	**12,326,192**

During 2019 and 2018 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, 2019	December 31, 2018
Interest-bearing loans and borrowings	1,621,411	1,552,138
Equity	603,046,388	628,582,884
Debt to equity coefficient	**0.003**	**0.002**

28. 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, 2019 and 2018 related party balances were presented as follows:

Contract liabilities and accounts payable

In thousands of tenge	Note	December 31, 2019	December 31, 2018
Entities under common control of Samruk-Kazyna:			
KazMunaiGas JSC		**56,357**	62,380
S-K Construction JSC		**11,884**	–
KEGOC JSC		**3,975**	42,525
Ekibastuz GRES-2 Station JSC		**3,810**	–
Kazpost JSC		**3,630**	655
Kazakhtelecom JSC		**1,408**	1,776
Kazakhstan Temir Zholy JSC		**377**	–
NAC Kazatomprom JSC		**–**	65,593
Air Astana JSC		**–**	790
	17	**81,441**	**173,719**
Entities related with the Government of the Republic of Kazakhstan:			–
National Bank of the Republic of Kazakhstan		**4,586,622**	2,379,519
	17	**4,586,622**	2,379,519

Accounts payable for acquisition of subsidiary

In thousands of tenge	Note	December 31, 2019	December 31, 2018
Entities related with the Government of the Republic of Kazakhstan:			
Investment Fund of Kazakhstan JSC		**5,910,535**	5,793,232
	17	**5,910,535**	**5,793,232**

Advances paid

In thousands of tenge		December 31, 2019	December 31, 2018
Entities under common control of Samruk-Kazyna:			
Air Astana JSC		**1,445**	3,237
Kazakhstan Temir Zholy JSC		**1,404**	2,178
Kazakhtelecom JSC		**168**	224
Kazpost JSC		**59**	161
NAC Kazatomprom JSC		**–**	34,809
KazMunaiGas JSC		**–**	2,005
	13	**3,076**	**42,614**

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Purchases of goods and services

In thousands of tenge	2019	2018
Entities under common control of Samruk-Kazyna:		
Ekibastuz GRES-2 Station JSC	**1,362,109**	–
KEGOC JSC	**641,606**	689,673
KazMunaiGas JSC	**368,678**	721,274
S-K Construction JSC	**133,282**	–
Samruk-Kazyna Contract JSC	**51,490**	69,561
Kazakhstan Temir Zholy JSC	**37,550**	31,137
Kazpost JSC	**35,499**	25,878
NAC Kazatomprom JSC	**19,281**	833,469
Air Astana JSC	**8,752**	44,679
Kazakhtelecom JSC	**18,149**	21,589
Associates of the Group:		
Kazzinc LLP	**170**	289,029
	2,676,566	**2,726,289**

Sales to related parties

In thousands of tenge	2019	2018
Entities related with the Government of the Republic of Kazakhstan:		
National Bank of the Republic of Kazakhstan	**434,411,050**	257,215,574
Entities related with Samruk-Kazyna:		
KazMunaiGas JSC	**1**	7
NAC Kazatomprom JSC	**–**	154,794
Samruk-Kazyna JSC	**–**	15,500
Associates of the Group:		
Kazzinc LLP	**147,683**	–
	434,558,734	**257,385,875**

Compensation to key management personnel

The key management personnel as at December 31, 2019 consists of 11 people (as at December 31, 2018: 13 people). For the year ended December 31, 2019, the total compensation of key management personnel included in general and administrative expenses in the consolidated statement of profit and loss amounted to 150,002 thousand tenge (for the year ended December 31, 2018: 132,063 thousand tenge).

29. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved for issuance by the chief financial officer and chief accountant of the Group on February 28, 2020.

30. EVENTS AFTER THE REPORTING DATE

During the period from reporting date till February 28, 2020 there were no significant events.

CONTACT INFORMATION

Take a close look at the latest events and activity of the Company in our website: 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:.

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«Feedback, suggestions and comments are appreciated. Your points of view and ideas regarding the Report are very important for usand 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

Tau-Ken Samruk
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