



**National Mining Company
Tau-Ken Samruk JSC**

Consolidated financial statements

For the year ended December 31, 2019

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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.

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.


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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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	88,885
		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.

Alpichsheva A. Zh.

Chief accountant

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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE 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



Kuanshatiyev E.S.

Chief accountant

Alpichsheva A. Zh.

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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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		(294,972)	(915,351)
Dividends received from an associate	9	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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC
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		
As at January 1, 2018		252,874,907	223,340,451	114,257,379	590,472,737	590,523,362
Profit for the year		—	—	44,107,425	44,107,425	44,086,006
Other comprehensive income	9	—	61,061,800	—	61,061,800	61,061,800
<i>Total comprehensive income for the year</i>		—	61,061,800	44,107,425	105,169,225	105,147,806
Change in non-controlling interest		—	—	(95,970)	(95,970)	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	628,582,884
Profit for the year		—	—	40,206,668	40,206,668	40,205,173
Other comprehensive income	9	—	(2,541,728)	—	(2,541,728)	(2,541,728)
<i>Total comprehensive income for the year</i>		—	(2,541,728)	40,206,668	37,664,940	37,663,445
Change in non-controlling interest		—	—	—	—	(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	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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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.

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

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 Masalskiy GOK LLP dated November 26, 2018, ownership interest in Masalskiy 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.

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

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.

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.

2. BASIS OF PREPARATION (CONTINUED)

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate consideration transferred measured at fair value at acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group measures the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, fair value of any previously held equity interest in acquired organization is remeasured at its fair value at the acquisition date and any resulting difference is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments: Recognition and Measurement*, is measured at fair value, changes in fair value recognized either in profit or loss or as a change in other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

2. BASIS OF PREPARATION (CONTINUED)

Business combinations (continued)

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing of goodwill acquired in a business combination from the acquisition date, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated as a part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations under common control

Acquisitions of subsidiaries from parties under common control (entities controlled by the ultimate shareholder) are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at their carrying amounts of the transferring entity (the predecessor) at the date of transfer. Related goodwill, inherent in the predecessor's original acquisition is also recorded in these consolidated financial statements. Difference between the total book value of net assets, including the predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (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.

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.

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

IFRS 16 Leases (continued)

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.

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.

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

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.

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.

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

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where 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.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mining assets

Development and production arrangement costs

Development and production arrangement costs include previously capitalized (and reclassified at the start of development) acquisition costs of the subsoil use rights, exploration and evaluation costs; construction of landfills, installation of surface technological facilities required for production, gathering and preparation of mineral resources at the fields; other costs incurred during arrangement of commercial production at the fields; capitalized discounted costs on mine abandonment and site restoration. Development costs are capitalized as property, plant and equipment (mining assets) and accounted for on a field-by-field basis.

Depreciation of mining assets (as part of property, plant and equipment and intangible assets)

Mining assets are amortized using unit of production method based on the actual production from the start of commercial production at the field. Acquisition costs of the subsoil use rights, including discounted mine abandonment and site restoration costs, are amortized on the basis of total proved reserves. Other field development costs are amortized based on the proved developed reserves.

Property, plant and equipment

Property, plant and equipment are stated at cost less of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacement of equipment parts and borrowing costs for long-term construction projects if capitalization criteria are met. When significant parts of property, plant and equipment are required to be replaced in particular time intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates it appropriately. Similarly, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if all recognition criteria are met.

All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost of asset retirement after its use is included in the cost of the respective asset if the recognition criteria for a provision 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.

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Impairment of financial assets carried at amortised cost

Expected credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ("cash shortfalls"). This difference is discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The assessment of impairment for financial assets can either be individually or collectively and is based on how an entity manages its credit risk. If an entity has a small number of receivables with large value and these receivables are managed on an account basis (i.e. individually) it may not be appropriate in that case to base the impairment on a provision matrix as such a matrix would unlikely be in line with the expected credit loss of the individual receivable.

Recognition of credit losses is no longer dependent on the Group identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1");
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2");
- "Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash at banks and on hand and short-term deposits with a maturity of 3 months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above minus outstanding bank overdrafts, as they are considered an integral part of the Group's cash management activities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories of the Group include materials, work in process, raw materials, intended for use in the production process of finished goods or rendering of services. The Group measures for inventories at the lower of cost or net realizable value.

Cost of inventories includes all actual expenses for purchase, processing costs and other costs incurred in order to bring the inventory to its existing condition and location. Inventories are accounted on the basis of weighted average cost method.

Inventories are measured at the lower of two values: cost or net realizable value. The Group recognizes corresponding provision, by reducing the cost of slow-moving and underutilized inventories to net realizable value. The actual sale amount on disposal of such inventories may differ from the net realizable value. Any such differences could have a material effect on future operating results.

Current corporate income tax

Tax assets and liabilities attributable to the current corporate income tax for the current and previous periods are measured at the amount recoverable from tax authorities, or payable to tax authorities. Tax rates and tax laws used to calculate these amounts, are the rates and laws, which have been actually adopted as at the reporting date in the countries in which the Group operates and generates taxable income.

Current corporate income tax attributable to items recognized directly in equity is recognized in equity.

Deferred corporate income tax

The deferred corporate income tax is calculated using the liability method by determining temporary differences as at the reporting date between the tax base of assets and liabilities and their carrying amount for the purposes of consolidated financial statements.

Deferred corporate income tax liabilities are recognized for all taxable temporary differences. Deferred corporate income tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. Tax assets and tax liabilities are not recognized in the consolidated financial statements when a temporary difference arises as a result of the initial recognition of asset or liability in a deal other than business combination, and, at the time of the transaction, does not affect neither accounting profit nor taxable profit or loss.

The carrying amount of deferred corporate income tax assets is reviewed at each reporting date and reduced to the extent that it is unlikely that sufficient taxable profit will be available to allow utilizing the entire or part of the deferred tax asset.

Unrecognized deferred corporate income tax assets are revised at each reporting date and recognized to the extent that it becomes probable that future taxable profit will allow utilizing the deferred corporate income tax assets.

Deferred 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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.

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.

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

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).

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of tenge	Land	Mining assets	Buildings and constructions	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)	(233,871)	–	(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)
Net book value:									
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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

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, Masalskiy GOK LLP and Severnyi Katpar LLP.

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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

8. EXPLORATION AND EVALUATION ASSETS

In thousands of tenge	Explorat: on and evaluat: on assets
As at December 31, 2017	6,848,471
Additions	916,885
Transfers to property, plant and equipment (Note 6)	(199,690)
Disposals	(1,970,633)
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.

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

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

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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

13. OTHER CURRENT ASSETS (CONTINUED)

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

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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

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

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

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
<i>Non-current</i>					
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
<i>Current</i>					
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.

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.

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

18. LOANS RECEIVED (CONTINUED)

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	1,087,357
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.

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

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)

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

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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

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							
Property, plant and equipment	(361,808)	–	(108,554)	(253,254)	–	(31,583)	(221,671)
Assessment of intangible assets at fair value	(10,020,678)	–	(27,478)	(9,993,200)	–	13,438	(10,006,638)
Other liabilities	–	–	–	–	–	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.

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.

26. CONTRACTUAL AND CONTINGENT LIABILITIES (CONTINUED)

Taxation (continued)

The Group believes that it has paid or accrued all applicable taxes. In uncertain cases, the Group has accrued tax liabilities based on management's estimates. Accrual of contingent liabilities in the reporting period, in which there is a possibility of additional costs, which can be determined with reasonable accuracy, is allowed by the policy of the Group.

The potential amount of taxes, fines and penalties may exceed the amount expensed to date and accrued as at December 31, 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.

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.

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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

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	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 Kayrakyaty deposit	585,186	81,133	-	-	-	-
Masalskoye deposit	71,425	96,208	62,349	398,197,101	381,533,668	-
South-Moiyniy 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

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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

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		Obligations under long-term working program				
	December 31, 2018	2018	2019	2020	2021-2026	2027-2037	2038-2047
Shaikiya 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 Kayraky deposit	455,044	490,350	81,133	—	—	—	—
Masalskoye deposit	215,895	17,796,000	3,652,000	2,313,000	30,787,000	—	—
South-Moiyniy 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, ShalkiyaZinc 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.

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.

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES
(CONTINUED)

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

Credit risk

The Group is exposed to credit risk related to financial assets, which include accounts receivable, investment securities, cash and cash equivalents and short-term bank deposits. The risk of the Group is related to the possibility of default of a counterparty, with a maximum exposure equal to the carrying amount of these instruments. The risk of the Group is related to the possibility of the counterparty default, with the maximum risk being equal to the carrying amount of these instruments. The Group is exposed to credit risk as a result of its operating activities and certain investment activities. In the course of its investment activities, the Group mainly places deposits in Kazakhstani banks.

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

Credit risk (continued)

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 2019	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 Jysan 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

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

27. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVE 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.

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

27. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVE 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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

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
<i>Entities under common control of Samruk-Kazyna:</i>			
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
<i>Entities related with the Government of the Republic of Kazakhstan:</i>			
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
<i>Entities related with the Government of the Republic of Kazakhstan:</i>			
Investment Fund of Kazakhstan JSC		5,910,535	5,793,232
	17	5,910,535	5,793,232

Advances paid

In thousands of tenge	Note	December 31, 2019	December 31, 2018
<i>Entities under common control of Samruk-Kazyna:</i>			
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

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Purchases of goods and services

In thousands of tenge	2019	2018
<i>Entities under common control of Samruk-Kazyna:</i>		
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
<i>Associates of the Group:</i>		
Kazzinc LLP	170	289,029
	2,676,566	2,726,289

Sales to related parties

In thousands of tenge	2019	2018
<i>Entities related with the Government of the Republic of Kazakhstan:</i>		
National Bank of the Republic of Kazakhstan	434,411,050	257,215,574
<i>Entities related with Samruk-Kazyna:</i>		
KazMunaiGas JSC	1	7
NAC Kazatomprom JSC	–	154,794
Samruk-Kazyna JSC	–	15,500
<i>Associates of the Group:</i>		
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.

