



Tay-Ken **Самрук**

National Mining Company Tau-Ken Samruk JSC

**Interim condensed consolidated financial statements
(unaudited)**

*With report on review of interim condensed consolidated
financial statements for six months ended June 30, 2019*

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019

Management of National Mining Company Tau-Ken Samruk JSC (hereinafter – the “Company”) and its subsidiaries (hereinafter together – the “Group”) is responsible for the preparation of the interim condensed consolidated financial statements, that fairly present, in all material respects, financial position of the Group as at June 30, 2019, the results of its operations, cash flows and changes in equity for six months then ended, in accordance with International Accounting Standard 34 (IAS 34).

In preparing these interim condensed consolidated financial statements, the 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 understanding of such information;
- using of reasonable and appropriate estimates and assumptions;
- providing additional disclosures when compliance with the requirements of IAS 34 is insufficient for users of the interim condensed 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 operations; 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 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 the interim condensed consolidated financial statements with IAS 34;
- 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.

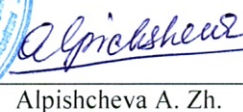
The interim condensed consolidated financial statements of the Group for six months ended June 30, 2019 were approved by management on August 7, 2019.

Chief financial officer



Kuanshaliyev B. S.

Chief accountant



Alpishcheva A. Zh.

Grant Thornton LLP

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholder and Management of National Mining Company Tau-Ken Samruk JSC

Introduction

We have reviewed of the accompanying interim condensed consolidated financial statements of National Mining Company Tau-Ken Samruk JSC (hereinafter – the “Company”) and its subsidiaries (hereinafter together – the “Group”), which comprise the interim condensed consolidated statement of financial position as at June 30, 2019, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for six months then ended, and the notes to the interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting” (hereinafter – “IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

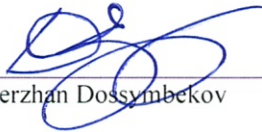
Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of National Mining Company Tau-Ken Samruk JSC and its subsidiaries was not prepared, in all material respects, in accordance with IAS 34.

Grant Thornton LLP



Yerzhan Dossymbekov

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 (Initial issuance date – July 27, 2011) to conduct an audit business 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

August 7, 2019
Almaty, the Republic of Kazakhstan

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

| In thousands of tenge | Notes | June 30, 2019 (unaudited) | December 31, 2018 |
|--|-------|---------------------------------|----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 3 | 67,625,413 | 62,180,591 |
| Intangible assets | 4 | 47,108,795 | 52,752,009 |
| Exploration and evaluation assets | | – | 3,302,015 |
| Investments in associate | 5 | 431,865,870 | 483,722,801 |
| Prepayment of corporate income tax | | 1,216,639 | 1,213,257 |
| Deferred tax assets | | 1,641,179 | 965,880 |
| Inventories | | 3,259,039 | 2,310,181 |
| Investment securities | 7 | 2,007,622 | 5,439,249 |
| Other non-current assets | 8 | 10,511,162 | 9,808,286 |
| | | 565,235,719 | 621,694,269 |
| Current assets | | | |
| Inventories | 6 | 27,774,013 | 23,516,693 |
| Accounts receivable | | 2,048,188 | 650,724 |
| Prepayment of corporate income tax | | 52,343 | 51,298 |
| Other current assets | | 1,622,615 | 1,457,899 |
| Short-term bank deposits | 10 | 564,444 | 3,664,166 |
| Cash and cash equivalents | 9 | 7,679,694 | 5,043,644 |
| | | 39,741,297 | 34,384,424 |
| Assets held for sale | | 749,720 | 2,324,608 |
| TOTAL ASSETS | | 605,726,736 | 658,403,301 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 11 | 252,874,907 | 252,874,907 |
| Retained earnings | | 42,497,560 | 91,177,956 |
| Other equity components | | 279,787,774 | 284,402,251 |
| Equity attributable to shareholder of the parent company | | 575,160,241 | 628,455,114 |
| Non-controlling interests | | 126,569 | 127,770 |
| TOTAL EQUITY | | 575,286,810 | 628,582,884 |

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019 (CONTINUED)

| In thousands of tenge | Notes | June 30, 2019 (unaudited) | December 31, 2018 |
|---|-------|---------------------------------|----------------------|
| Non-current liabilities | | | |
| Loans received | | 1,781,150 | 1,552,138 |
| Accounts payable for acquisition of subsidiary | 12 | 5,948,862 | 5,793,232 |
| Deferred corporate income tax liability | | 10,176,025 | 10,246,454 |
| Finance lease liabilities | | 431,645 | - |
| Other non-current liabilities | | 382,011 | 298,049 |
| | | 18,719,693 | 17,889,873 |
| Current liabilities | | | |
| Accounts payable | 12 | 5,414,256 | 4,660,120 |
| Contractual liabilities | 13 | 4,921,164 | 2,379,519 |
| Dividends payable | | - | 3,600,477 |
| Other current liabilities | | 1,371,935 | 1,285,701 |
| | | 11,707,355 | 11,925,817 |
| Liabilities directly associated with assets held for sale | | 12,878 | 4,727 |
| TOTAL LIABILITIES | | 30,439,926 | 29,820,417 |
| TOTAL EQUITY AND LIABILITIES | | 605,726,736 | 658,408,301 |


Accompanying notes on pages 8 to 26 are an integral part of these interim condensed consolidated financial statements.

Chief financial officer



Kuanshaliyev B. S.

Chief accountant



Alpishcheva A. Zh.

August 7, 2019
Nur-Sultan, the Republic of Kazakhstan

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE AND SIX MONTHS ENDED JUNE 30, 2019

| In thousands of tenge | Notes | For six months ended June 30 | | For three months ended June 30 | |
|---|-------|------------------------------|---------------------|--------------------------------|---------------------|
| | | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Revenues from contracts with customers | 14 | 171,638,033 | 118,907,090 | 98,431,882 | 71,236,892 |
| Cost of goods sold | 15 | (170,035,253) | (118,246,037) | (97,807,470) | (70,772,401) |
| Gross profit | | 1,602,780 | 661,053 | 624,412 | 464,491 |
| General and administrative expenses | | (1,966,945) | (1,668,175) | (1,108,321) | (910,480) |
| Selling expenses | | (180,709) | (167,190) | (101,607) | (101,391) |
| Operating loss | | (544,874) | (1,174,312) | (585,516) | (547,380) |
| Finance income | | 347,195 | 1,433,472 | 135,442 | 1,010,577 |
| Finance costs | | (296,154) | (253,135) | (157,066) | (106,929) |
| Share in profit of associate | 5 | 26,429,764 | 25,626,874 | 16,494,488 | 9,072,093 |
| Other non-operating income | | 452,942 | 886,309 | 383,394 | 803,043 |
| Other non-operating expenses | | (384,953) | (350,282) | (264,591) | 250,465 |
| Gain/(loss) on impairment of financial assets | | 383,816 | (204,384) | 87,341 | (204,384) |
| Loss from impairment of non-financial assets | 16 | (11,972,853) | (1,772,989) | (11,982,515) | (1,751,037) |
| Foreign exchange gain, net | | 65,630 | 595,815 | 77,408 | 1,374,762 |
| Profit before tax for the period | | 14,480,513 | 24,787,368 | 4,188,385 | 9,901,210 |
| Corporate income tax expense | | (22,429) | (2,620) | (13,857) | (1,141) |
| Profit for the period | | 14,458,084 | 24,784,748 | 4,174,528 | 9,900,069 |
| Profit for the period attributable to: | | | | | |
| Shareholder of the parent company | | 14,459,285 | 24,793,835 | 4,174,982 | 9,908,695 |
| Non-controlling interests | 11 | (1,201) | (9,087) | (454) | (8,626) |

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE AND SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

| In thousands of tenge | Notes | For six months ended June 30 | | For three months ended June 30 | |
|--|-------|------------------------------|---------------------|--------------------------------|---------------------|
| | | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Other comprehensive loss | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| <i>Foreign currency exchange differences on translation of investments to the currency of the financial statements</i> | | | | | |
| | 5 | (4,614,477) | 8,602,367 | 558,000 | 26,832,580 |
| Other comprehensive (loss) / income for the period | | (4,614,477) | 8,602,367 | 558,000 | 26,832,580 |
| Total comprehensive income for the period | | 9,843,607 | 33,387,115 | 4,732,982 | 36,732,649 |
| Total comprehensive income for the period attributable to: | | | | | |
| Shareholder of the parent company | | 9,844,808 | 33,396,202 | 4,732,982 | 36,741,275 |
| Non-controlling interests | | 11 | (1,201) | (454) | (8,626) |
| | | 9,843,607 | 33,387,115 | 4,732,528 | 36,732,649 |

Accompanying notes on pages 8 to 26 are an integral part of these interim condensed consolidated financial statements.

Chief financial officer



Kuanshaliyev B. S.

Chief accountant



Alpishcheva A. Zh.

August 7, 2019
Nur-Sultan, the Republic of Kazakhstan

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR SIX MONTHS ENDED JUNE 30, 2019

| In thousands of tenge | Notes | For six months ended June 30 | |
|--|-------|------------------------------|-----------------------|
| | | 2019 (unaudited) | 2018 (unaudited) * |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash receipts from customers | | 172,625,076 | 119,617,350 |
| Other cash receipts | | 753,147 | 2,513,188 |
| Interests received | | 120,463 | 1,107,170 |
| Cash payments to suppliers | | (173,112,004) | (116,760,705) |
| Cash payments to employees | | (1,549,260) | (1,385,887) |
| Income tax paid | | (207,021) | (74) |
| Other taxes and payments | | (732,175) | (741,364) |
| Other payments | | (307,764) | (951,761) |
| Net cash flows (used in) / received from operating activities | | (2,409,538) | 3,397,917 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property, plant and equipment | | (1,829,325) | (3,569,574) |
| Purchase of other non-current assets | | (6,334,207) | (6,242,681) |
| Proceeds from sale of other non-current assets | | – | 1,041,600 |
| Purchase of intangible assets | | (2,040) | (22,684) |
| Purchase of exploration and evaluation assets | | – | (375,114) |
| Dividends received from an associate | 5 | 73,672,218 | 67,311,600 |
| Placement of bank deposits | | (3,517,284) | (13,948,951) |
| Withdrawal of bank deposits | | 6,425,917 | 16,208,490 |
| Cash received from investing activities | | 68,415,279 | 60,402,656 |

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

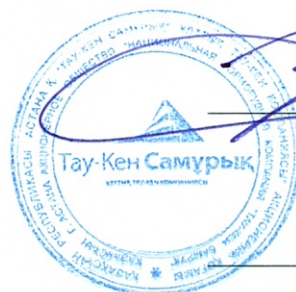
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

| In thousands of tenge | Notes | For six months ended June 30 | |
|---|----------|------------------------------|-----------------------|
| | | 2019 (unaudited) | 2018 (unaudited) * |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payment of loans received from Shareholder | | – | (7,746,811) |
| Proceeds from loans | | 243,403 | – |
| Dividends paid | 11 | (63,600,477) | (45,000,000) |
| Other payments | | (63,206) | – |
| Cash used in financing activities | | (63,420,280) | (52,746,811) |
| Net change in cash and cash equivalents | | 2,585,461 | 11,053,792 |
| Effect of change in foreign exchange rates on cash and cash equivalents | | 87,888 | 334,888 |
| Effect from application of IFRS 9 on cash and cash equivalents | | – | (115,203) |
| (Accrual)/reversal of expected credit losses on cash and cash equivalents related to IFRS 9 | 9 | (37,299) | 100,579 |
| Cash and cash equivalents at the beginning of the period | 9 | 5,043,644 | 22,360,756 |
| Cash and cash equivalents at the end of the period | 9 | 7,679,694 | 33,734,812 |

* The cash flows statement for six months ended June 30, 2018 does not correspond to the one presented in the interim condensed consolidated financial statements for six months ended June 30, 2018, as the Company changed the method of presentation of the cash flows statement, as detailed in *Note 2*.

Accompanying notes on pages 8 to 26 are an integral part of these interim condensed consolidated financial statements.

Chief financial officer



Kuanshaliyev B. S.

Chief accountant

Alpishcheva A. Zh.

August 7, 2019
Nur-Sultan, the Republic of Kazakhstan

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED JUNE 30, 2019

| In thousands of tenge | Notes | Equity attributable to shareholder of the parent company | | | Non-controlling interests | Total equity |
|---|-------|--|-------------------------|--------------------|---------------------------|--------------------|
| | | Share capital | Other equity components | Retained earnings | | |
| As at January 1, 2018, as presented before (audited) | | 252,874,907 | 223,340,451 | 114,582,487 | 50,625 | 590,848,470 |
| <i>Effect of IFRS 9 application</i> | | - | - | (325,108) | - | (325,108) |
| As at January 1, 2018 (restated) | | 252,874,907 | 223,340,451 | 114,257,379 | 50,625 | 590,523,362 |
| Profit/(loss) for the period (unaudited) | | - | - | 24,793,835 | (9,087) | 24,784,748 |
| Other comprehensive income (unaudited) | | - | 8,602,367 | - | - | 8,602,367 |
| Total comprehensive income/(loss) for the period (unaudited) | | - | 8,602,367 | 24,793,835 | (9,087) | 33,387,115 |
| Dividends (unaudited) | 11 | - | - | (45,000,000) | - | (45,000,000) |
| Other operations with the shareholder (unaudited) | | - | - | (4,594,196) | - | (4,594,196) |
| As at June 30, 2018 (unaudited) | | 252,874,907 | 231,942,818 | 89,457,018 | 41,538 | 574,316,281 |
| As at January 1, 2019 | | 252,874,907 | 284,402,251 | 91,177,956 | 127,770 | 628,582,884 |
| Profit/(loss) for the period (unaudited) | | - | - | 14,459,285 | (1,201) | 14,458,084 |
| Other comprehensive income/(loss) (unaudited) | | - | (4,614,477) | - | - | (4,614,477) |
| Total comprehensive income/(loss) for the period (unaudited) | | - | (4,614,477) | 14,459,285 | (1,201) | 9,843,607 |
| Dividends (unaudited) | 11 | - | - | (60,000,000) | - | (60,000,000) |
| Discount on investment securities, net of tax effect (unaudited) | | - | - | (3,139,681) | - | (3,139,681) |
| As at June 30, 2019 (unaudited) | | 252,874,907 | 279,787,774 | 42,497,560 | 126,569 | 575,286,810 |

Accompanying notes on pages 8 to 26 are an integral part of these interim condensed consolidated financial statements.

Chief financial officer



Kuanshaliyev B. S.

Chief accountant



Alpishcheva A. Zh.

August 7, 2019
Nur-Sultan, the Republic of Kazakhstan

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019

1. GENERAL INFORMATION

National Mining Company Tau-Ken Samruk JSC (hereinafter – “Tau-Ken Samruk” or the “Company”) was established in accordance with the Resolution of the Government of the Republic of Kazakhstan #10 dated January 15, 2009 and was registered as a joint stock company on February 2, 2009.

As at June 30, 2019 and December 31, 2018 the sole shareholder of the Company was Sovereign Wealth Fund Samruk-Kazyna JSC (hereinafter – “Samruk-Kazyna”). The sole shareholder of Samruk-Kazyna is the Government of the Republic of Kazakhstan.

These interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (hereinafter together – the “Group”).

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

As at June 30, 2019 number of employees of the Group was 1,322 people (December 31, 2018: 1,345 people).

As at June 30, 2019, and December 31, 2018, the following companies were subsidiaries of the Group:

| Company | Type of operations | Region | June 30, 2019 | December 31, 2018 |
|--------------------------|---|------------------|---------------|-------------------|
| Logic Business LLP | Management of investment in Kazzinc LLP | Nur-Sultan | 100% | 100% |
| Logic Invest Capital LLP | Management of investment in Kazzinc LLP | Nur-Sultan | 100% | 100% |
| Investing house Dana LLP | Management of investment in Kazzinc LLP | Nur-Sultan | 100% | 100% |
| ShalkiyaZinc LTD JSC | Exploration, mining and processing of mixed lead-zinc ore | Kyzylorda region | 100% | 100% |
| 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% | 100% |
| Severnyi Katpar LLP | Extraction of tungsten | Karaganda region | 100% | 100% |
| Tau-Ken Mining LLP | Exploration of non-ferrous metals | Almaty region | 100% | 100% |
| Tau-Ken Temir LLP | Metallurgical silicon and by-products production | Karaganda region | 100% | 100% |
| JV Alaigyr LLP | Extraction of polymetallic ores | Karaganda region | 100% | 100% |
| JV Tau-Ken Project LLP | Exploration of copper, gold and associated components | Karaganda region | 100% | 100% |
| Shokpar-Gagarinskoe LLP | Extraction of gold ore | Jambyl region | 100% | 100% |
| Tau-Ken Progress LLP | Exploration of non-ferrous metals | Nur-Sultan | 100% | 100% |
| Masalskiy MGOK LLP | Development and extraction of iron ore | Akmola region | 93% | 93% |
| Silicon mining LLP | Mining of quartz | Nur-Sultan | 100% | 100% |
| SARECO LLP | Rare metal production | Akmola region | 100% | 100% |

During six months ended June 30, 2019 the Group announced the decision of the Board of Directors to sell SARECO LLP, a wholly-owned subsidiary of the Group. On May 30, 2019 the Group entered into a sale-purchase contract with a third party. As of 30 June 2019, SARECO LLP was classified as an asset held for sale.

1. GENERAL INFORMATION (CONTINUED)

Principal activities

The principal activities of the Group, among others, include:

- Operations in the area of exploration, development, extraction, processing and sale of solid minerals;
- Increase of mineral resources of the Republic of Kazakhstan;
- Development of mining industry of the Republic of Kazakhstan through implementation of new technologies and increase of effectiveness of state participation in execution of subsoil use projects.

2. BASIS OF PREPARATION

Basis of preparation

The interim condensed consolidated financial statements for six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all information and disclosures required in preparation of the consolidated financial statements and should be considered in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2018.

Statement of compliance

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments.

The interim condensed consolidated financial statements of the Group are presented in Kazakhstani tenge (hereinafter – “tenge”). The functional and presentation currency of the interim condensed consolidated financial statements of the Group is tenge, except for the interim condensed consolidated financial statements of an associate, whose functional currency is the US dollar. All amounts in these interim condensed consolidated financial statements are rounded to thousand unless otherwise stated.

Going concern basis

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 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 believes that the Group will be able to generate sufficient cash for timely repayment of its liabilities. The management of the Group has neither intention nor necessity to liquidate or significantly reduce the size of its business.

Accrual basis

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

Foreign currency translation

Weighted average exchange rates established on the Kazakhstan Stock Exchange (hereinafter – “KASE”) are used as official exchange rates in the Republic of Kazakhstan.

2. BASIS OF PREPARATION (CONTINUED)

Foreign currency translation (continued)

Currency exchange rates of KASE used by the Group in preparing the interim condensed consolidated financial statements are as follows:

| | June 30, 2019 | December 31, 2018 |
|----------------|---------------|-------------------|
| US dollar | 380.53 | 384.2 |
| Russian rouble | 6.04 | 5.52 |
| Euro | 433.08 | 439.37 |

Basis of preparation and changes to the Group's accounting policies

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

Since 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 on cash flows from operating activities, which is not available in the case of the indirect method. As a result, the Group restated the consolidated statement of cash flows for six months ended June 30, 2018 using the direct method.

New standards, interpretation and amendments to existing standards and interpretations for the first time adopted by the Group

The accounting policy adopted in the preparation of the interim condensed consolidated financial statements is consistent with that applied in the preparation of the Group's consolidated 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 standards, interpretations or amendments that have been issued but not yet effective.

The Group applies, for the first time, IFRS 16 Leases, which requires restatement of previously presented financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

In 2019 the Group applied certain other amendments and interpretations for the first time, but they do not have an impact on its interim condensed 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 account for most leases under a single on-balance sheet model.

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 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. According to this method, the standard is applied retrospectively, recognizing the cumulative effect of its initial application at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

As at January 1, 2019, the application of IFRS 16 had no effect on the Group's interim condensed consolidated financial statements.

2. BASIS OF PREPARATION (CONTINUED)

New standards, interpretation and amendments to existing standards and interpretations for the first time adopted by the Group (continued)

IFRS 16 «Leases» (continued)

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- Right-of-use assets

The Group recognizes 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment test.

- Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance 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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment of 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 of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

- Significant judgement 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 to exercise the option to renew. 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., a change in business strategy).

2. BASIS OF PREPARATION (CONTINUED)

New standards, interpretation and amendments to existing standards and interpretations for the first time adopted by the Group (continued)

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;

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

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 interim condensed 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 interim condensed 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 amortized 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 interim condensed consolidated financial statements of the Group.

2. BASIS OF PREPARATION (CONTINUED)

New standards, interpretation and amendments to existing standards and interpretations for the first time adopted by the Group (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).

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

Annual IFRS 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 interim condensed consolidated financial statements of the Group due to absence of such transactions in presented periods.

IFRS 11 «Joint arrangement»

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

2. BASIS OF PREPARATION (CONTINUED)

Annual improvements 2015-2017 Cycle (continued)

IFRS 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 recognized those past transactions or events.

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

IFRS 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 these amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies these amendments or after this date.

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

Consolidation principles

These interim condensed consolidated financial statements include the interim condensed financial statements of the Company and enterprises controlled by the Company (subsidiaries). The enterprise is controlled by the Company if the Company has a right to manage the financial and operating policy of the enterprise in order to obtain benefits from its activity.

Revenues and expenses of subsidiaries, that were disposed and acquired during the period, are included in the interim condensed consolidated statement of profit and loss and other comprehensive income starting from the moment of its factual acquisition or until its factual date of disposal, respectively.

If necessary, the financial statements of subsidiaries are adjusted in order to align their accounting policy principles with principles of the Group.

All transactions between entities of the Group, corresponding balances and unrealized gains or losses from operations within the Group are eliminated during consolidation.

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT

| In thousands of tenge | Land | Mine development costs | Buildings and constructions | Machinery and equipment | Vehicles | Right-of-use assets | Other | Construction-in-progress | Total |
|---|----------------|------------------------|-----------------------------|-------------------------|------------------|---------------------|------------------|--------------------------|-------------------|
| As at December 31, 2017 | 604,452 | 11,940,130 | 8,914,258 | 10,101,139 | 898,143 | | 951,162 | 12,358,273 | 45,767,557 |
| Additions (unaudited) | - | 2,923,294 | 2,200 | 1,075,671 | 53,147 | - | 97,231 | 3,587,984 | 7,739,527 |
| Change in estimates (unaudited) | - | (4,658) | - | - | - | - | - | - | (4,658) |
| Internal transfers (unaudited) | 295 | - | 617,252 | (161,938) | 4,650 | - | 27,630 | (487,889) | - |
| Transfers from inventory (unaudited) | - | - | 19,095 | 4,713 | - | - | 2,001 | (70,237) | (44,428) |
| Disposals (unaudited) | (5,461) | - | (780) | (7,229) | - | - | (731) | (36,225) | (50,426) |
| Depreciation charge (unaudited) | - | - | (191,089) | (480,670) | (67,789) | - | (77,023) | - | (816,571) |
| Depreciation on disposals (unaudited) | - | - | - | - | - | - | 451 | - | 451 |
| As at June 30, 2018 (unaudited) | 599,286 | 14,858,766 | 9,360,936 | 10,531,686 | 888,151 | | 1,000,721 | 15,351,906 | 52,591,452 |
| As at December 31, 2018 (audited) | 607,858 | 18,017,881 | 10,000,239 | 8,843,770 | 4,417,893 | | 1,069,932 | 19,223,018 | 62,180,591 |
| Additions (unaudited) | - | 2,755,815 | 12,712 | 182,143 | 859,346 | 510,675 | 102,088 | 2,604,102 | 7,026,881 |
| Changes in estimates (unaudited) | - | (10,330) | - | - | - | - | - | - | (10,330) |
| Internal transfers (unaudited) | - | - | 504,992 | 488,510 | 20,828 | - | 39,037 | (1,053,367) | - |
| Transfers to inventory (unaudited) | - | - | - | - | - | - | - | 47,531 | 47,531 |
| Transfers to intangible assets (unaudited) | - | - | - | (3,322) | - | - | (7,586) | (8,992) | (19,900) |
| Transfers from exploration assets (unaudited) | (8,887) | 5,386,657 | - | - | - | - | (667) | - | 5,386,657 |
| Transfers to assets held for sale (unaudited) | - | - | (71,418) | (96,169) | (8,998) | - | - | - | (186,139) |
| Impairment (unaudited) | - | (965,935) | (544,950) | (974) | (3,512) | - | (150,740) | (3,947,428) | (5,613,539) |
| Disposals (unaudited) | - | - | (31,464) | (2,438) | - | - | (17,182) | (523) | (51,607) |
| Depreciation charge (unaudited) | - | - | (231,963) | (420,571) | (347,977) | (42,571) | (111,396) | - | (1,154,478) |
| Depreciation on disposals (unaudited) | - | - | 2,618 | - | - | - | 17,128 | - | 19,746 |
| As at June 30, 2019 (unaudited) | 598,971 | 25,184,088 | 9,640,766 | 8,990,949 | 4,937,580 | 468,104 | 940,614 | 16,864,341 | 67,625,413 |
| Cost as at June 30, 2018 (unaudited) | 599,286 | 14,858,766 | 10,202,867 | 13,195,909 | 1,186,162 | - | 1,382,282 | 15,351,906 | 56,777,178 |
| Accumulated depreciation and impairment as at June 30, 2018 (unaudited) | - | - | (841,931) | (2,664,223) | (298,011) | - | (381,561) | - | (4,185,726) |
| Net book value as at June 30, 2018 (unaudited) | 599,286 | 14,858,766 | 9,360,936 | 10,531,686 | 888,151 | | 1,000,721 | 15,351,906 | 52,591,452 |
| Cost as of 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 |
| Accumulated depreciation and impairment as of December 31, 2018 | - | - | (1,043,109) | (3,083,571) | (550,031) | - | (467,410) | - | (5,144,121) |
| Net book value as of 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 |
| Cost as at June 30, 2019 (unaudited) | 598,971 | 25,184,088 | 10,913,220 | 12,495,091 | 5,835,588 | 510,675 | 1,519,420 | 16,864,341 | 73,921,394 |
| Accumulated depreciation and impairment as at June 30, 2019 (unaudited) | - | - | (1,272,454) | (3,504,142) | (898,008) | (42,571) | (578,806) | - | (6,295,981) |
| Net book value as at June 30, 2019 (unaudited) | 598,971 | 25,184,088 | 9,640,766 | 8,990,949 | 4,937,580 | 468,104 | 940,614 | 16,864,341 | 67,625,413 |

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The amount of borrowing costs that were capitalized during six months ended June 30, 2019 amounted to 56,303 thousand tenge (six months ended June 30, 2018: 19,698 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.

For six months ended June 30, 2019, the Group recognized an impairment loss of 5,613,539 thousand tenge (for six months ended June 30, 2018: nil) (Note 16).

As at June 30, 2019 the property, plant and equipment amounting to 3,412,268 thousand tenge were pledged as additional collateral under the loan agreement from the EBRD (as of December 31, 2018: 3,515,825 thousand tenge).

4. INTANGIBLE ASSETS

| In thousands of tenge | Subsurface use rights | Others | Total |
|--|--------------------------|----------------|-------------------|
| As at December 31, 2017 | 52,504,453 | 175,880 | 52,680,333 |
| Additions (unaudited) | – | 52,113 | 52,113 |
| Disposals (unaudited) | – | (261) | (261) |
| Amortization on disposals (unaudited) | – | 82 | 82 |
| Amortization (unaudited) | – | (16,349) | (16,349) |
| As at June 30, 2018 (unaudited) | 52,504,453 | 211,465 | 52,715,918 |
| As at December 31, 2018 | 52,543,399 | 208,610 | 52,752,009 |
| Additions (unaudited) | – | 2,893 | 2,893 |
| Disposals (unaudited) | – | (185) | (185) |
| Transfers from PPE (Note 3) (unaudited) | – | 19,900 | 19,900 |
| Impairment (unaudited) | (5,607,243) | (678) | (5,607,921) |
| Transfers to assets held for sale (unaudited) | (38,946) | (12) | (38,958) |
| Amortization (unaudited) | – | (19,026) | (19,026) |
| Amortization on disposals (unaudited) | – | 83 | 83 |
| As at June 30, 2019 (unaudited) | 46,897,210 | 211,585 | 47,108,795 |
| Cost as at June 30, 2018 (unaudited) | 52,504,453 | 316,150 | 52,820,603 |
| Accumulated amortization as at June 30, 2018 (unaudited) | – | (104,685) | (104,685) |
| Net book value as at June 30, 2018 (unaudited) | 52,504,453 | 211,465 | 52,715,918 |
| Cost as at December 31, 2018 | 52,543,399 | 329,718 | 52,873,117 |
| Accumulated amortization as at December 31, 2018 | – | (121,108) | (121,108) |
| Net book value as at December 31, 2018 | 52,543,399 | 208,610 | 52,752,009 |
| Cost as at June 30, 2019 (unaudited) | 46,897,210 | 351,636 | 47,248,846 |
| Accumulated amortization as at June 30, 2019 (unaudited) | – | (140,051) | (140,051) |
| Net book value as at June 30, 2019 (unaudited) | 46,897,210 | 211,585 | 47,108,795 |

Subsoil use rights are recognized intangible assets acquired as a result of business combinations of Shalkiya Zinc LTD, Masalskiy GOK and Severnyi Katpar LLP.

For six months ended June 30, 2019, the Group recognized an impairment loss of intangible assets in the amount of 5,607,921 thousand tenge (for six months ended June 30, 2018: nil) (Note 16).

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

5. INVESTMENTS IN ASSOCIATE

| In thousands of tenge | June 30, 2019 (unaudited) | | December 31, 2018 | |
|-----------------------|------------------------------|-------------|-------------------|-------------|
| | Share | Amount | Share | Amount |
| Kazzinc LLP | 29.8221% | 431,865,870 | 29.8221% | 483,722,801 |

| Operation | Location | Description of the nature of the relationship between the Group and the organization and whether it is strategically important to the Group | Fair value of investments (if investments are accounted for using the share method, if there is a quoted market price for the investment) | |
|-------------|----------------------------|---|---|----------|
| Kazzinc LLP | The Republic of Kazakhstan | Mining and processing of metal ores, production of refined metals | The organization is strategically important for the Shareholder of the Group | Unquoted |

Movements in investments in associate were presented as follows:

| In thousands of tenge | |
|---|--------------------|
| As at December 31, 2017 | 443,335,588 |
| Share in profit of joint ventures and associate | 25,626,874 |
| Dividends received | (67,311,600) |
| Foreign currency exchange differences on translation of investments to the currency of financial statements | 8,602,367 |
| As at June 30, 2018 (unaudited) | 410,253,229 |
| As at December 31, 2018 | 483,722,801 |
| Share in profit of joint ventures and associate | 26,429,764 |
| Dividends received | (73,672,218) |
| Foreign currency exchange differences on translation of investments to the currency of financial statements | (4,614,477) |
| As at June 30, 2019 (unaudited) | 431,865,870 |

Kazzinc LLP

In accordance with a decision of the general meeting of owners of Kazzinc LLP net income distribution order of Kazzinc LLP based on 2018 results was approved on March 29, 2019. The total amount of dividends declared and paid to the owners of Kazzinc LLP for six months ended June 30, 2019 amounted to 650,000,000 US dollars, out of 193,843,650 US dollars (equivalent 73,672,218 thousand tenge) were distributed to the Group and fully paid in cash.

In accordance with a decision of the general meeting of owners of Kazzinc LLP net income distribution order of Kazzinc LLP based on 2017 results was approved on March 15, 2018. The total amount of dividends declared to the owners of Kazzinc LLP for six months ended June 30, 2018 amounted 700,000,000 US dollars, out of 208,754,700 US dollars (equivalent 67,311,600 thousand tenge) were distributed to the Group and fully paid in cash.

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

6. INVENTORIES

Current assets include the following inventories:

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|---|------------------------------|-------------------|
| Finished goods | 17,632,623 | 13,345,996 |
| Work-in-progress | 7,962,694 | 7,748,892 |
| Raw materials and supplies | 2,191,451 | 2,453,021 |
| Goods | 3,438 | 2,640 |
| Less: reserve on write-off of inventories to net realizable value | (16,193) | (33,856) |
| | 27,774,013 | 23,516,693 |

Finished products include mainly refined gold and silver bullion. Work in progress includes mainly semi-finished gold and silver and an electrolyte of gold and silver. Raw materials and supplies comprise mainly semi-finished gold and silver purchased from third parties for processing.

7. INVESTMENT SECURITIES

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|--|------------------------------|-------------------|
| Tsesnabank JSC bonds | | |
| Nominal value | 10,604,910 | 10,604,910 |
| Interest receivable | 82,018 | 36,190 |
| Discount | (8,547,304) | (4,829,397) |
| Less: provision for expected credit losses | (132,002) | (372,454) |
| | 2,007,622 | 5,439,249 |

In November 2018 the Group purchased coupon bonds of Tsesnabank JSC in the amount of 10,604,910 thousand tenge with a maturity of 10 years, with a nominal interest rate of 4% per annum.

In January 2019 the nominal interest rate was changed to 0.1% per annum, and the maturity date was extended to January 15, 2034. Due to the mentioned significant changes, the Group made a change in the recognition of the financial instrument at the new market rate. As a result, an additional discount in the amount of 3,139,681 thousand tenge was recognized less the tax effect, from the difference between the discounted amount at the market rate at the date of the change in 12.19% per annum and the nominal rate.

8. OTHER NON-CURRENT ASSETS

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|--|------------------------------|-------------------|
| Taxes recoverable, except corporate income tax | 5,476,900 | 4,801,517 |
| Prepaid expenses | 2,591,214 | 2,186,578 |
| Advances for non-current assets | 2,092,981 | 2,512,950 |
| Other non-current assets | 350,067 | 307,241 |
| | 10,511,162 | 9,808,286 |

As at June 30, 2019 prepaid expenses include the loan reservation fee in the amount of 2,591,214 thousand tenge paid to EBRD under the loan agreement (31 December 2018: 2,186,578 thousand tenge).

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

9. CASH AND CASH EQUIVALENTS

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|--|------------------------------|-------------------|
| Bank deposits with maturity less than three months, US dollars | 5,220,015 | 24,915 |
| Bank deposits with maturity less than three months, tenge | 1,548,867 | 3,457,195 |
| Short-term bank deposits with maturity less than 90 days, tenge | 670,336 | 1,526,507 |
| Current bank accounts in euro | 272,557 | 29,099 |
| Current bank accounts in other currencies | 4,069 | 6 |
| Cash on hand | 1,174 | 671 |
| Short-term bank deposits with maturity less than 90 days, US dollars | – | 5,276 |
| Less: provision for expected credit losses | (37,324) | (25) |
| | 7,679,694 | 5,043,644 |

The movement in the provision for expected credit losses on cash and cash equivalents is presented as follows:

| In thousands of tenge | 2019 | 2018 |
|-------------------------------------|--------|-----------|
| As at January 1 | 25 | – |
| Effect of IFRS 9 adoption | – | 115,203 |
| Accrual / (reversal) for the period | 37,299 | (100,579) |
| As at June 30 | 37,324 | 14,624 |

10. SHORT-TERM BANK DEPOSITS

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|---|------------------------------|-------------------|
| Short-term bank deposits with a maturity from 90 days to one year, US dollars | 385,679 | 1,842,362 |
| Short-term bank deposits with a maturity from 90 days to one year, tenge | 179,647 | 1,881,351 |
| Less: provision for expected credit losses | (882) | (59,547) |
| | 564,444 | 3,664,166 |

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

| In thousands of tenge | 2019 | 2018 |
|-------------------------------------|----------|---------|
| As at January 1 | 59,547 | – |
| Effect of IFRS 9 | – | 207,809 |
| Accrual / (reversal) for the period | (58,665) | 304,963 |
| As at June 30 | (882) | 512,772 |

11. EQUITY

Share capital

For six months and three months ended June 30, 2019, there were no changes in the share capital.

| In thousands of tenge | Ordinary shares | |
|---------------------------------|-----------------|-------------|
| | Quantity | Amount |
| As at December 31, 2018 | 292,887 | 252,874,907 |
| Issue of shares (unaudited) | – | – |
| As at June 30, 2019 (unaudited) | 292,887 | 252,874,907 |

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

11. EQUITY

Dividends

In accordance with the management Board decision of the Sole Shareholder of the Group dated May 20, 2019 there were dividends declared and paid in the amount of 44,086,006 thousand tenge based on the results of 2018, and there were also dividends paid based on the results of 2016 in the amount of 15,913,994 thousand tenge; based on the results of 2017 - 3,600,477 thousand tenge (decision of the management Board of the Sole shareholder of the Group dated September 3, 2018).

During six months ended June 30, 2018 in accordance with the decision of the management Board of the Group's Sole shareholder dated May 14, 2018 there were dividends declared and paid in the amount of 45,000,000 thousand tenge based on the results of 2017.

Non-controlling interests

| In thousands of tenge | 2018 |
|---|----------------|
| As at December 31, 2017 | 50,625 |
| Total comprehensive loss for the period attributable to non-controlling interests | (9,087) |
| As at June 30, 2018 (unaudited) | 41,538 |
| In thousands of tenge | 2019 |
| As at December 31, 2018 | 127,770 |
| Total comprehensive loss for the period attributable to non-controlling interests | (1,201) |
| As at June 30, 2019 (unaudited) | 126,569 |

12. ACCOUNTS PAYABLE

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|---|------------------------------|-------------------|
| Accounts payable for the acquisition of a subsidiary (<i>Note 19</i>) | 5,948,862 | 5,793,232 |
| Accounts payable to third parties | 5,343,648 | 4,486,401 |
| Accounts payable to related parties | 70,608 | 173,719 |
| | 11,363,118 | 10,533,352 |
| Current portion | 5,414,256 | 4,660,120 |
| Non-current portion of accounts payable for the acquisition of subsidiary | 5,948,862 | 5,793,232 |
| | 11,363,118 | 10,453,352 |

13. CONTRACTUAL LIABILITIES

As at June 30, 2019 and December 31, 2018 the contractual liabilities in the amount of 4,921,164 thousand tenge and 2,379,519 thousand tenge, respectively, are represented by advances received from the National Bank of the Republic of Kazakhstan, an organization under common control, for the sale of finished goods in the form of gold bullions (*Note 19*).

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

| In thousands of tenge | For six months ended June 30 | | For three months ended June 30 | |
|-----------------------|------------------------------|---------------------|--------------------------------|---------------------|
| | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Sale of gold | 165,138,715 | 113,163,921 | 95,701,319 | 68,465,402 |
| Sale of silicon | 4,637,531 | 5,458,917 | 2,400,782 | 2,571,239 |
| Sale of silver | 1,713,409 | 14,506 | 253,996 | 14,506 |
| Refining services | 148,378 | 136,956 | 75,785 | 66,356 |
| Sale of quartz | – | 132,790 | – | 119,389 |
| | 171,638,033 | 118,907,090 | 98,431,882 | 71,236,892 |

15. COST OF GOODS SOLD

| In thousands of tenge | For six months ended June 30 | | For three months ended June 30 | |
|---|------------------------------|---------------------|--------------------------------|---------------------|
| | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Raw materials and supplies | 172,197,672 | 121,275,550 | 101,140,325 | 62,233,243 |
| Electricity | 1,494,730 | 1,472,770 | 495,667 | 783,868 |
| Payroll and related taxes | 661,181 | 528,468 | 414,924 | 311,003 |
| Depreciation and amortization | 430,830 | 345,131 | 270,433 | 195,119 |
| Other | 507,223 | 534,047 | 208,127 | 129,342 |
| Change in finished goods and work-in-progress | (5,256,383) | (5,909,929) | (4,722,006) | 7,119,826 |
| | 170,035,253 | 118,246,037 | 97,807,470 | 70,772,401 |

16. LOSS FROM IMPAIRMENT OF NON-FINANCIAL ASSETS

| In thousands of tenge | For six months ended June 30 | | For three months ended June 30 | |
|--|------------------------------|---------------------|--------------------------------|---------------------|
| | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Loss from impairment of PPE (Note 3) | (5,613,539) | – | (5,613,539) | – |
| Loss from impairment of intangible assets (Note 4) | (5,607,921) | – | (5,607,243) | – |
| Loss from impairment of exploration and evaluation assets (Note 3) | – | (1,712,768) | – | (1,712,768) |
| Loss from impairment of other non-financial assets | (751,393) | (60,221) | (761,733) | (38,269) |
| | (11,972,853) | (1,772,989) | (11,982,515) | (1,751,037) |

17. COMMITMENTS AND CONTINGENT LIABILITIES

Legal issues

The Group assesses the probability of material obligations arising under specific circumstances and recognizes corresponding provision in the interim condensed 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 obligations, if any, will not materially impact the current financial position and financial results of the Group. Therefore, no provisions were recognized in these interim condensed consolidated financial statements.

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

17. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Commitments under subsoil use contracts

As at June 30, 2019 the Group has the following commitments under long-term subsoil use working programs:

| In thousands of tenge | Long-term work program commitment | | | | |
|--|-----------------------------------|--------------------|----------------------|----------------------|--------------------|
| | 2019 | 2020 | 2021-2026 | 2027-2037 | 2038-2047 |
| Spasskaya CMZ deposit | 114,229,041 | 458,362,529 | 598,426,017 | – | – |
| Shalkiya deposit | 41,192,783 | 125,879,318 | 430,831,642 | 804,045,952 | 668,921,431 |
| Alaigyr deposit | 26,902,400 | 19,294,300 | 122,897,200 | 226,028,100 | – |
| Severnij Katpar deposit | 7,337,776 | 6,983,003 | 35,512,333 | 9,508,269 | – |
| Aktas deposit | 490,538 | 450,050 | 2,777,454 | 3,690,439 | – |
| South-Moyinskyi area deposit | 256,032 | 112,843 | – | – | – |
| Shalkiya deposit (subterranean waters) | 255,929 | 105,188 | 783,679 | 1,239,729 | – |
| Verhnee Kairakty deposit | 81,133 | – | – | – | – |
| Progress deposit | 68,937 | – | – | – | – |
| East-Alaigyr deposit (subterranean waters) | 63,177 | 52,897 | 326,655 | 324,422 | – |
| Masalskoe deposit | 51,462 | 16,962 | 247,413,088 | 161,166,334 | – |
| Gagarinskoe deposit | 21,705 | – | – | – | – |
| Shokpar deposit | 19,693 | – | – | – | – |
| | 190,970,606 | 611,257,090 | 1,438,968,068 | 1,206,003,245 | 668,921,431 |

The Group is subject to inspections by the state authorities with respect to execution of the subsoil use contracts requirements. Management cooperates with the state authorities to agree on remedial actions necessary to resolve any disputes arising from such inspections. Failure to comply with the terms of the subsoil use contract 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 of contract terms will be resolved through negotiations or remedial actions and will not have a significant impact on the interim condensed consolidated financial statements of the Group.

Loans and guarantees

Loans of subsidiaries

Loan agreement with the European Bank for reconstruction and development ("EBRD»)

As of June 30, 2019 a subsidiary ShalkiyaZinc LTD JSC is entitled to receive funds under a credit line with a LIBOR rate plus 2.5% per annum from EBRD in the amount of up to 295 million US dollars (June 30, 2018: up to 350 million US dollars) for the construction of an enrichment plant, a tailing dump, on-site networks, an ore distribution complex and mining and capital works at the Shalkiya mine. Under the terms of this line, the principal amount must be repaid in equal semi-annual installments 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 to fulfill the contractual terms associated with the implementation of the project. In accordance with the terms, ShalkiyaZinc LTD JSC must comply with the covenants throughout the term of the agreement, such as meeting the construction deadlines; compliance with the requirements of state, regulatory, tax authorities; the implementation of relevant financial indicators and others. As of June 30, 2019 ShalkiyaZinc LTD JSC was in compliance with these covenants.

As of June 30, 2019 ShalkiyaZinc LTD JSC did not receive funds under this loan agreement.

Investment related agreements

On October 2, 2018 the Group signed a turnkey contract for the supply of equipment, design and construction of an enrichment plant 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 productivity of the enrichment plant after reaching its designed capacity at the end of 2021 will be 4 million tons of polymetallic ores. It is expected that the of the first complex will be carried out in 2020 with a design capacity of 2 million tons of polymetallic ores, the launch of the second complex is planned in the 4th quarter of 2021 – with a total capacity of two complexes of 4 million tons of polymetallic ores.

17. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Investment related agreements (continued)

As at 30 June 2019 the Group considers termination of the Contract for the supply of equipment, design and construction for the enrichment plant at the Shalkiya lead-zinc Deposit with Engineering Dobersek GmbH in connection with the failure to comply with all contractual terms.

As at 30 June 2019 and 31 December 2018 the Group has no other investment related agreements other than those mentioned above, as well as subsoil use agreements.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 on active markets for identical assets or liabilities;
- Level 2: valuation models in which all inputs, having significant effect on the fair value recorded in the interim condensed consolidated financial statements, are directly or indirectly based on the information observable on the market;
- Level 3: valuation models in which all inputs, having significant effect on the fair value recorded in the interim condensed consolidated financial statements, are not based on the information observable on the market.

The following table represents an analysis of financial instruments in the interim condensed consolidated financial statements at fair value, in the context of a hierarchy of levels of the fair value at June 30, 2019 and December 31, 2018 as follows:

| In thousands of tenge | Fair value measurement as at June 30, 2019 (unaudited) | | | |
|---|---|-------------------|---------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Financial assets carried at amortized cost | | | | |
| Investment securities | – | 2,007,622 | – | 2,007,622 |
| Cash and cash equivalents, except cash on hand | 7,678,520 | – | – | 7,678,520 |
| Short-term bank deposits | – | 564,444 | – | 564,444 |
| Accounts receivable | – | 2,048,188 | – | 2,048,188 |
| Total fair value | 7,678,520 | 4,620,254 | – | 12,298,774 |
| Financial liabilities measured at amortized cost | | | | |
| Accounts payable | – | 5,997,848 | – | 5,997,848 |
| Loans received from the Shareholder | – | 1,781,150 | – | 1,781,150 |
| Finance lease liabilities | – | 510,391 | – | 510,391 |
| Payable for acquisition of subsidiary | – | 5,948,862 | – | 5,948,862 |
| Total fair value | – | 14,238,251 | – | 14,238,251 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

| In thousands of tenge | Fair value measurement as at December 31, 2018 | | | |
|---|--|-------------------|----------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Financial assets carried at amortized cost | | | | |
| Investment securities | – | 5,439,249 | – | 5,439,249 |
| Cash and cash equivalents, except cash on hand | 5,042,973 | – | – | 5,042,973 |
| Short-term bank deposits | – | 3,664,166 | – | 3,664,166 |
| Accounts receivable | – | 650,724 | – | 650,724 |
| Total fair value | 5,042,973 | 9,754,139 | – | 14,797,112 |
| Financial liabilities, which fair value is disclosed | | | | |
| Accounts payable | – | 4,980,822 | – | 4,980,822 |
| Loans received | – | 1,552,138 | – | 1,552,138 |
| Payable for acquisition of subsidiary | – | 5,793,232 | – | 5,793,232 |
| Total fair value | – | 12,326,192 | – | 12,326,192 |

During six months ended June 30, 2019 there were no transfers among Levels 1, 2 and 3.

19. RELATED PARTY TRANSACTIONS

Related parties include entities under control of Samruk-Kazyna and/or the Government, as well as entities in which Samruk-Kazyna and/or the Government have a significant influence or a joint control; key management personnel of the Group, the entities in which the management of the Group directly or indirectly holds a significant share.

Transactions with related parties were carried out on terms agreed between the parties, which were not necessarily carried out on market terms. The remaining operations with related parties as of June 30, 2019 and December 31, 2018 are as follows:

Accounts payable

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|---|------------------------------|-------------------|
| <i>Entities related with Samruk-Kazyna:</i> | | |
| Investment Fund of Kazakhstan JSC (Note 12) | 5,948,862 | 5,793,232 |
| KazMunayGas JSC | 40,476 | 62,380 |
| S-K Construction JSC | 15,529 | – |
| NAC Kazatomprom JSC | 9,040 | 65,593 |
| Kazpost JSC | 2,400 | 655 |
| Kazakhtelecom JSC | 1,707 | 1,776 |
| KEGOC JSC | 1,456 | 42,525 |
| Air Astana JSC | – | 790 |
| SWF Samruk-Kazyna JSC* | – | 3,600,477* |
| | 6,019,470 | 9,567,428 |

* –Dividends payable

NATIONAL MINING COMPANY TAU-KEN SAMRUK JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2019 (CONTINUED)

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Contractual liabilities

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|---|------------------------------|-------------------|
| <i>Entities related with the Government:</i> | | |
| The National Bank of the Republic of Kazakhstan (Note 13) | 4,921,164 | 2,379,519 |
| | 4,921,164 | 2,379,519 |

Advances paid

| In thousands of tenge | June 30, 2019 (unaudited) | December 31, 2018 |
|---|------------------------------|-------------------|
| <i>Entities related with Samruk-Kazyna:</i> | | |
| KEGOC JSC | 18,762 | – |
| KazMunayGas JSC | 5,314 | 2,005 |
| NAC Kazatomprom JSC | 5,000 | 34,809 |
| Kazakhstan Temir Zholy JSC | 1,624 | 2,178 |
| Air Astana JSC | 1,340 | 3,237 |
| Kazakhtelecom JSC | 202 | 224 |
| Kazpost JSC | 100 | 161 |
| | 32,342 | 42,614 |

Purchases

| In thousands of tenge | For six months ended June 30 | |
|---|------------------------------|------------------|
| | 2019 (unaudited) | 2018 (unaudited) |
| <i>Entities related with Samruk-Kazyna:</i> | | |
| KEGOC JSC | 279,904 | 363,595 |
| KazMunayGas JSC | 198,937 | 371,357 |
| S-K Construction JSC | 61,630 | – |
| Samruk-Kazyna Contract JSC | 25,639 | 33,912 |
| NAC Kazatomprom JSC | 20,839 | 315,125 |
| Kazakhstan Temir Zholy JSC | 16,377 | 12,042 |
| Kazpost JSC | 12,555 | 11,296 |
| Kazakhtelecom JSC | 9,252 | 10,494 |
| Air Astana JSC | 4,285 | 15,997 |
| <i>Associates of the Group</i> | | |
| Kazzinc LLP | – | 83 |
| | 629,418 | 1,133,901 |

Sales to related parties

| In thousands of tenge | For six months ended June 30 | |
|---|------------------------------|-------------------|
| | 2019 (unaudited) | 2018 (unaudited) |
| <i>Entities related with the Government:</i> | | |
| The National Bank of the Republic of Kazakhstan | 163,594,100 | 44,659,019 |
| NAC Kazatomprom JSC | – | 154,028 |
| <i>Associates of the Group</i> | | |
| Kazzinc LLP | 147,683 | – |
| | 163,741,783 | 44,813,047 |

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Key management personnel comprise members of the Management Board and the Members of the Board of Directors, a total of 9 people, including two independent directors as at June 30, 2019 (June 30, 2018: 10 persons, including 2 independent directors). Total compensation to the key management personnel included in general and administrative expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income for six months and three months ended June 30, 2019 amounted to 71,876 thousand tenge and 49,390 thousand tenge, respectively (six months and three months ended June 30, 2018: 47,933 thousand tenge and 18,883 thousand tenge, respectively).

20. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements of the Group were approved for issue by the Chief financial officer and Chief accountant of the Group on August 7, 2019.

