



**Annual Report
Of Joint Stock Company
«Tau-Ken Samruk»
National Mining Company»
For 2014**

Astana, 2015

Content

1. Address of CEO of Board of Directors	4
2. Address of CEO of Management Board.....	5
3. About Company	6
3.1. General Information	6
3.2. Development Strategy	6
3.3. Charter Capital Structure.....	6
4. Basic Events of the Year.....	7
4.1. Key Performance Indicators.....	7
4.1.1. Production Figures	7
4.1.2. Financial Results	8
5. Company Structure	11
5.1 Structure of Assets.....	11
5.2 Organizational Structure.....	12
6. Review of Production Operations.....	12
6.1 Refinery	12
6.2 Metallurgical Silicon Production Plant	13
7. Development Projects	14
8. Geological Exploration Projects	15
9. Review of Registering Subsoil Use Contract	19
10. Investment Plans.....	19
11. Innovative and Technological Development.....	19
12. Interaction with Investors and Participation at Exhibitions	20
13. Review of Industry-Average Performances and Development Trends in Mining and Metallurgical Industry	21
14. Review of Regulatory Environment of Sector	26
15. Corporate Governance.....	27
15.1 Sole Shareholder.....	29
15.2 Board of Directors	30
15.3 Internal Audit Service	49
15.4 Management Board	50

15.5 Risk Management.....	58
15.6 Clearing Conflict of Interests	60
15.7 Business Ethics and Mechanisms Providing the Compliance of Business Ethics	64
16. Corporate Social Responsibility	65
17. Information about External Auditor	71
18. Plans for 2015.....	73
18.1. Key Performance Indicators	73
18.2. Key Events	73
Annex. Consolidated Financial Statements of JSC «Tau-Ken Samruk» National Mining Company» for 2014 is attached with reports of independent auditors separately (confirmed by Resolution of Board of Directors of JSC «Tau-Ken Samruk», dated April 1, 2015, Minutes № 03/15).	74

1. Address of CEO of Board of Directors

Dear Readers and Colleagues!



The present annual report of JSC «Tau-Ken Samruk» for 2014 contains the information about the results of Company's activity in various aspects, presenting interests for the whole audience of readers.

2014 for JSC «Tau-Ken Samruk» has been characterized by number of important events, making effect on strengthening the Company's role in mining sector of Kazakhstan.

100% shares of JSC «ShalkiyaZink Ltd» has been transferred to JSC «Tau-Ken Samruk» in 2014 that allow the Company to be one of the leading mining company both in the territory of Kazakhstan, Central Asia and Russia.

Due to joint efforts, JSC «Tau-Ken Samruk» has arranged transactions on acquisition of stake of LLP «Masalsky Mining and Processing Plant». Further, the given acquisition will give the positive effect on mining sector at the expense of developing «Masalsky» iron ore deposit, of mining and processing complex in cooperation with metallurgic plant on steel production of different sorts.

The important event of 2014 is launching the Refinery LLP «Tau-Ken Altyn» and dispatching 99,99% standard bank gold bullion bars to National Bank of the Republic of Kazakhstan. The total dispatched gold is 5914,1 kg and costs more than 40 mlrd. KZ Tenge.

In the framework of large-scale transformations in corporate management, JSC «Tau-Ken Samruk» is the participant of the II stage of Transformation programme of JSC «Samruk-Kazyna». At the present, the methodical work is being arranged in implementing the Road Map of JSC «Tau-Ken Samruk» on Transformation for 2014-2017, approved by Board of Directors of the Company.

JSC «Tau-Ken Samruk» remains committed to high standards of corporate management, the Regulation on managing the subsidiaries and related entities of JSC «Tau-Ken Samruk» was approved by Board of Directors.

During the whole 2014, we have been continuing to pay attention to developing the personnel and improving the processes to enhance the teamwork efficiency. Thus, Board of Directors approved the Personnel policy of JSC «Tau-Ken Samruk» for 2014-2022.

Our understanding is that the further joint cooperation will allow the opportunity for JSC «Tau-Ken Samruk» to raise the financial and operational results and achieve the level of world analogues on the parameters. On behalf of the Board of Directors of JSC «Tau-Ken Samruk» I would like to express the gratitude to Management Board, the whole team and Sole Shareholder for joint efforts in developing and forming JSC «Tau-Ken Samruk».

**CEO of Board of Directors of
JSC «Tau-Ken Samruk»**

K. Bektemirov

2. Address of CEO of Management Board

Dear Partners and Colleagues!



We would like to bring to your attention the Annual Report of JSC «Tau-Ken Samruk» for 2014. The important tasks we are facing are the following: the information sharing with our partners about Company's activities; results achieved in 2014; and the basic principles of interaction with the concerned parties, we followed.

Today world economy is passing through the complicated conditions that may negatively effect to the economy of Kazakhstan. Smart drop in prices for raw materials, currency devaluation of Russian ruble have set complex situations for Kazakhstan enterprises. Meeting the challenge before the country, President of the Republic of Kazakhstan Nursultan Nazarbayev declared «Nurly Zhol» New economic policy.

Implementing «Nurly Zhol» will be the driving body of the economy for next years. Infrastructure development will allow to decrease the capital expenditure for prospective projects of the Company and to reduce the logistics expenditure that will enhance the project investment attractiveness for investors.

Meeting the modern challenges, group of companies of JSC «Samruk-Kazyna» has launched the Transformation Programme of the Fund, approved by President of the Republic of Kazakhstan Nursultan Nazarbayev. It is necessary to obtain doubling of assets cost, increasing productivity and efficiency of production and commercial operations in five years.

Implementing the purposes and objectives of the Company, during 3 years period we succeeded to increase the assets cost for 55 times, as of the end of 2014 – 305 mlrd. KZ Tenge.

The impressive growth is impossible without support of JSC «Samruk-Kazyna», Government and concentrated efforts of the whole team.

The following complex and ambitious objectives were set before the Company: involving into operation the technologically complex deposits with significant mineral resources; recovery of silicon production; ensuring with the refined gold produced in Kazakhstan and opening new deposits of mineral resources.

I would like to thank the partners and team of the Company for joint fruitful work during the year, 2014.

I wish everyone the further success and realization of the intended ideas!

**CEO of Management Board of
JSC «Tau-Ken Samruk»**

M. Turmagambetov

3. About Company

3.1. General Information

Joint Stock Company «Tau-Ken Samruk» National Mining Company» (hereinafter – Company) was founded in accordance with №10 Resolution of the Government of the Republic of Kazakhstan, dated January 15, 2009 in order to ensure effective operation of subsoil use in the following fields: Exploration, development, production, processing and marketing of solid minerals; Effective management of transmitted Company shares of mining and metallurgic industry; Development and introduction of new high-tech and efficient technologies in mining industry; Reproduction of mineral resources potential of the republic; Development of non-commercial reserves deposits.

3.2. Development Strategy

Mission - a fundamental improvement in the trajectory of the mining and metallurgical sector in Kazakhstan.

Vision - to become a leading large-scale national company of mining and metallurgical sector in Kazakhstan, introduce advanced technology and the best international practices.

The main goal - to achieve a qualitatively new level of development of the mining industry in Kazakhstan through increased exploration programs of growth and efficient use of assets.

In 2014, the Company implemented the arrangements of the first stage of Development strategy for 2013-2022, approved by the decision of Board of Directors and Action Programme on implementing Strategy approved by the decision of Board of Directors of the Company in 2013.

For implementing the strategic purposes the following objectives of the Company have been determined:

1. Development of the resource potential on prior solid minerals due to activation of exploration works with access to the investment in exploration for 200 mln. USD per annum;
2. Implementation of mining projects and the development of new projects;
3. Strengthening and expansion of the human resources potential of the Company;
4. Development of innovative and technological potential of Company.
5. Purchasing new assets and developing the works with the Company transmitted shares of the industry.

The Road map was developed in terms of the set objectives for implementing the development strategy.

3.3. Charter Capital Structure

The ownership structure of the Company is as follows:

- The total number of authorized shares is 400,981 ordinary shares, nominal value of 1000 tenge;
- The number of outstanding common shares is 292 617;
- The number of unplaced common shares is 108 364;
- There are no common shares of the Company;
- All the shares directly owned by the Sole Shareholder, the Board of Directors and the Management Board do not own shares.

As of 31.12.2014 the authorized capital of the Company amounted to 230,386,253 thousand KZ Tenge, own capital - 305 386 145 thousand KZ Tenge.

4. Basic Events of the Year

The basic achievements of the Company in 2014 were the following:

1. Starting the operations of the Refinery - LLP «Tau-Ken Altyn» and dispatching the batch of 99,99% standard bank gold bullion bar to National Bank of the Republic of Kazakhstan. Total dispatched gold is 5 914,1 kg with the amount more than 40 mlrd. KZ Tenge.
2. Share acquisition of 93% equity interest in charter capital of LLP «Masalsky Mining and Processing Plant ».
3. Share acquisition of 100% shares of JSC «ShalkiyaZink Ltd» by JSC «Samruk - Kazyna» and transferring them to JSC «Tau-Ken Samruk».
4. On October 15, 2014 after recovery works of the metallurgic silicon production plant of Karagandy, the first melting operation at the ore-thermal furnace №1 was executed and metallurgic silicon was produced; about 2000 tons were produced during 2,5 months period after launching.

4.1. Key Performance Indicators

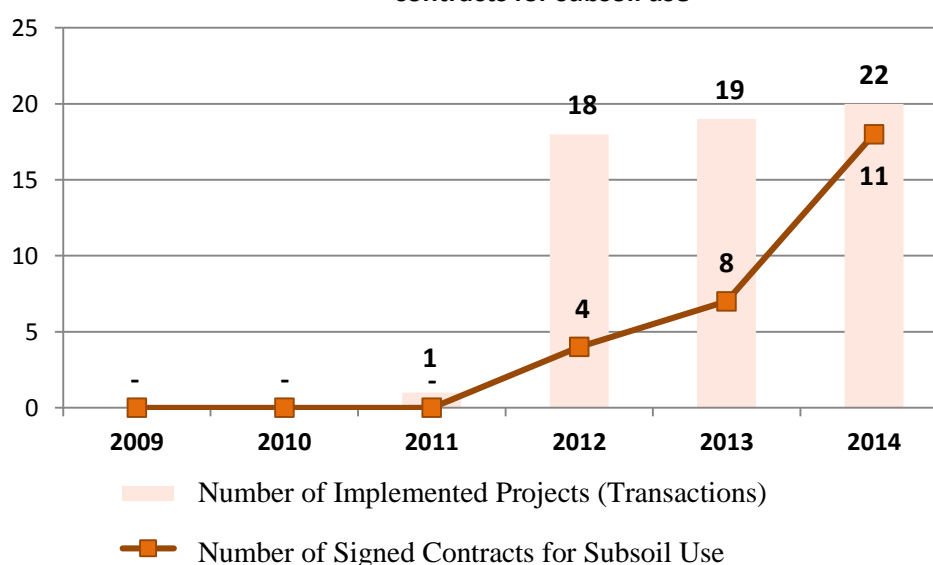
4.1.1. Production Figures

Signing Contracts for Subsoil Use

In 2014, 3 contracts for subsoil use (3 by plan), including the following projects were signed with Ministry of Investments and Developmet of the Republic of Kazakhstan:

1. «Exploration of gold ore at Shokpar deposit in Zhambyl region, Republic of Kazakhstan, January 14, 2014;
2. «Exploration of nonferrous metals (except bauxite) at the area of Kostanay region», December 23, 2014;
3. «Exploration of gold at Progress deposit in Karaganda region», December 23, 2014.

Number of implemented projects (transactions) and signed contracts for subsoil use



Labor Productivity

Name	Unit of Measure	<u>2012</u> Fact	<u>2013</u> Fact	<u>2014</u> Plan	<u>2014</u> Fact
Labor Productivity of Refined Gold	thousand ounces/person	-	-	5,59	2,93

Performance of Efficiency Coefficient of «Labor productivity of refined gold» is 2,93 thousand ounces/per person or 52% of the plan.

The decrease of the results are caused by non-performance of refined gold production, in consequence of the supply shortage of gold-bearing rock delivered to Astana Refinery.

Refined Gold Production

In 2014 the refined gold production was 6,3 tons (202,5 thousand ounces) or 53% of the plan (378,9 thousand ounces).

4.1.2. Financial Results

Key Financial Results

Name	Unit of Measure	<u>2012</u> Fact	<u>2013</u> Fact	<u>2014</u> Plan	<u>2014</u> Fact
ROACE*	%	(2,7)	1,2	2,5	0,06
EBITDA margin*	%	-	-	(4,04)	(3,78)
Net Profit (loss)	mln. KZT	(608)	1 670	5 827	147

** the results are calculated by the method approved by Sole Shareholder*

According to the results of 2014, profitability of «ROACE» capital employed was 0,06%.

The decrease of the results comparing with plans and facts of 2013 is caused by reducing the financial Efficiency Coefficient «Net Profit (loss)».

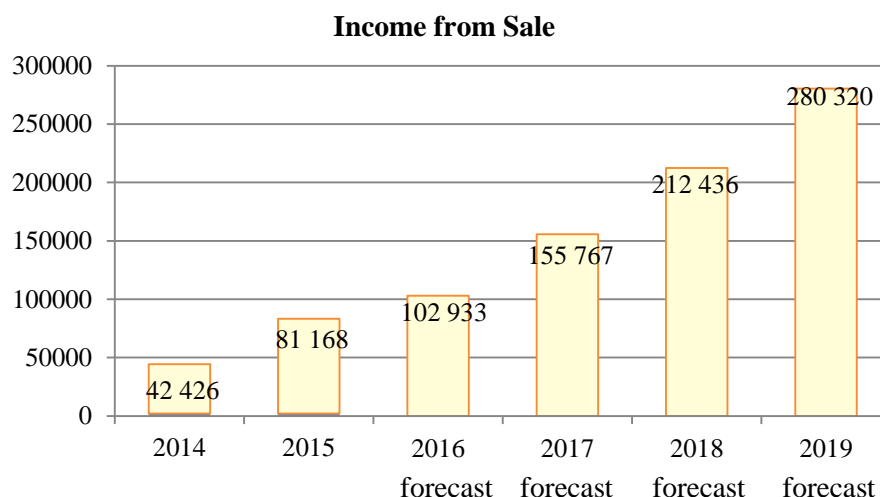
Performing the Efficiency Coefficient «EBITDA margin» in the accounting period is - 3,78% at the plan - 4,04 or 93%. The growth is caused by reducing the general and administrative expenditures.

EBITDA margin for 2013 was not calculated owing to the absence of sales income.

As a result of 2014 the Company got the consolidated net income from financial and operational activities in the amount of 147 mln. KZ Tenge.

Reducing the financial Efficiency Coefficient «Net Profit/(loss)» in the accounting period from 5 827 mln. KZ Tenge to 147 mln. KZ Tenge is caused by reducing the net profit of LLP «Kazzink», taking into account the method of participation interest for 6 938 mln. KZ Tenge, reducing the general and administrative expenditures for 1 618 mln. KZ Tenge, deterioration of reserves for 430 mln. KZ Tenge, increasing the other operational expenditure for 242 mln. KZ Tenge, increasing the other non-operational expenditure for 570 млн. тенге, reducing gross profit for 110 mln. KZ Tenge and growth of profit from non-core operations for 425 mln. KZ Tenge.

Projected Income



Including the types of products, %:

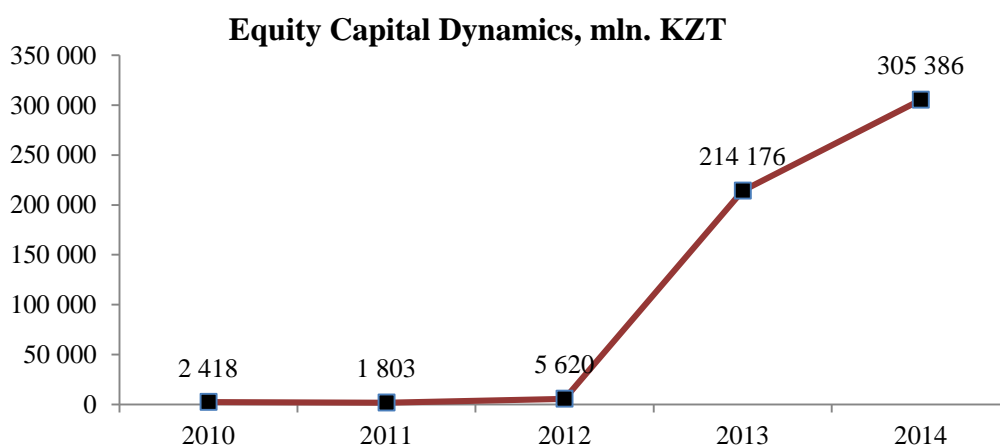
Name	2014	2015	2016 forecast	2017 forecast	2018 forecast	2019 forecast
Fine Gold	100,0%	93,8%	90,1%	75,2%	74,6%	74,7%
Metallurgical Silicon	0,0%	6,2%	9,9%	6,8%	5,0%	3,8%
Zink in Concentrate	0,0%	0,0%	0,0%	3,1%	3,4%	3,8%
Lead in Concentrate	0,0%	0,0%	0,0%	14,9%	17,0%	17,7%

As a result of 2014, sales of products was 42 426 mln. KZ Tenge. Taking into account the operation launch of the Refinery in Astana city, the fine gold with the amount of 42 425 mln. KZ Tenge was sold in 2014. In the framework of rehabilitating the operation of silicon production plant in Karagandy city, the production for 1,2 mln. KZ Tenge was implemented in the reporting period.

For 2015 it is planned to implement the fine gold for 76 159 mln. KZ Tenge in the amount of 333,7 thousand ounces and metallurgic silicon for 5 008 mln. KZ Tenge in the amount of 9 249 tons.

For 2016-2019 the sale of lead and zink concentrate is planned in connection with the planned commissioning of mining and processing plants at Alaigyr and Shalkiya.

Capital Adequacy



Equity capital of the Company for December 31, 2014 was 305 386 mln. KZ Tenge. Increasing the equity capital for 91 210 mln. KZ Tenge comparing with 2013 was caused by the following factors:

- Transferring 100% shares of JSC «ShalkiyaZink Ltd» to charter capital of the Company with well-priced cost 32 165 mln. KZ Tenge;
- Contribution of JSC «Samruk-Kazyna» to charter capital of the Company in the amount of 22 981 mln. KZ Tenge for financing the implementation of the Project «Industrial development of polymetallic ore with the construction of processing plant at Shalkiya deposit in Kyzylorda region of the Republic of Kazakhstan»; acquisition of stake in LLP «Masalsky mining and processing plant»; conducting the preparation works for launching the plant producing the metallurgic silicon in Karaganda region; preparations for financing and implementing new projects in the field of subsoil use of solid minerals.
- Increasing the other components of the capital in the amount of 37 130 mln. KZ Tenge, caused by the impact of currency translation financial reporting of investments of LLP «Kazzink» for accounting period, due to the Tenge depreciation conducted by National Bank of the Republic of Kazakhstan in February 2014;
- Decreasing the undistributed profits for 1 488 mln. KZ Tenge;
- As a result of 2014 the Company has not any debt capital and loan obligations from financial institutions.

Liquidity Figures

As a result of 2014 года financial leverage index is 0,03, equity capital concentration is 0,97, that characterizes the current financial situation of the Company as stable and independent of external creditors.

Index ratio of the current liquidity is 2,62 that positively characterizes the current financial situation of the Company due to the sufficient scope of the free resources before current obligations.

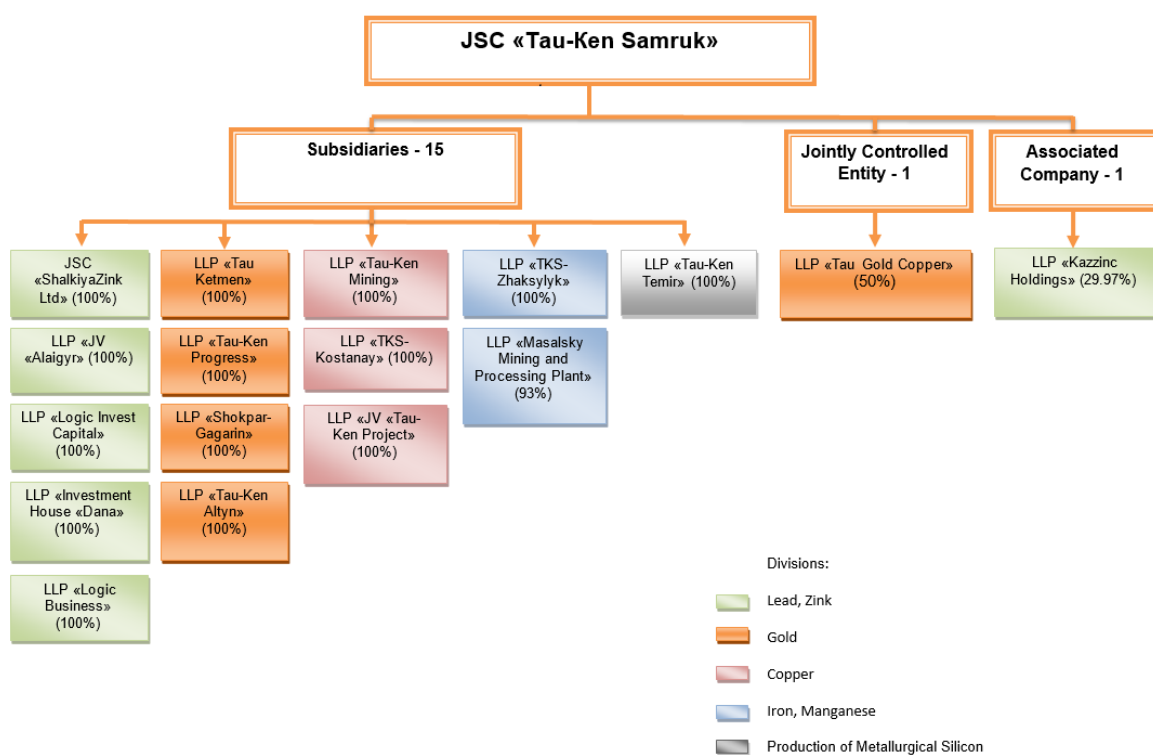
5. Company Structure

5.1 Structure of Assets

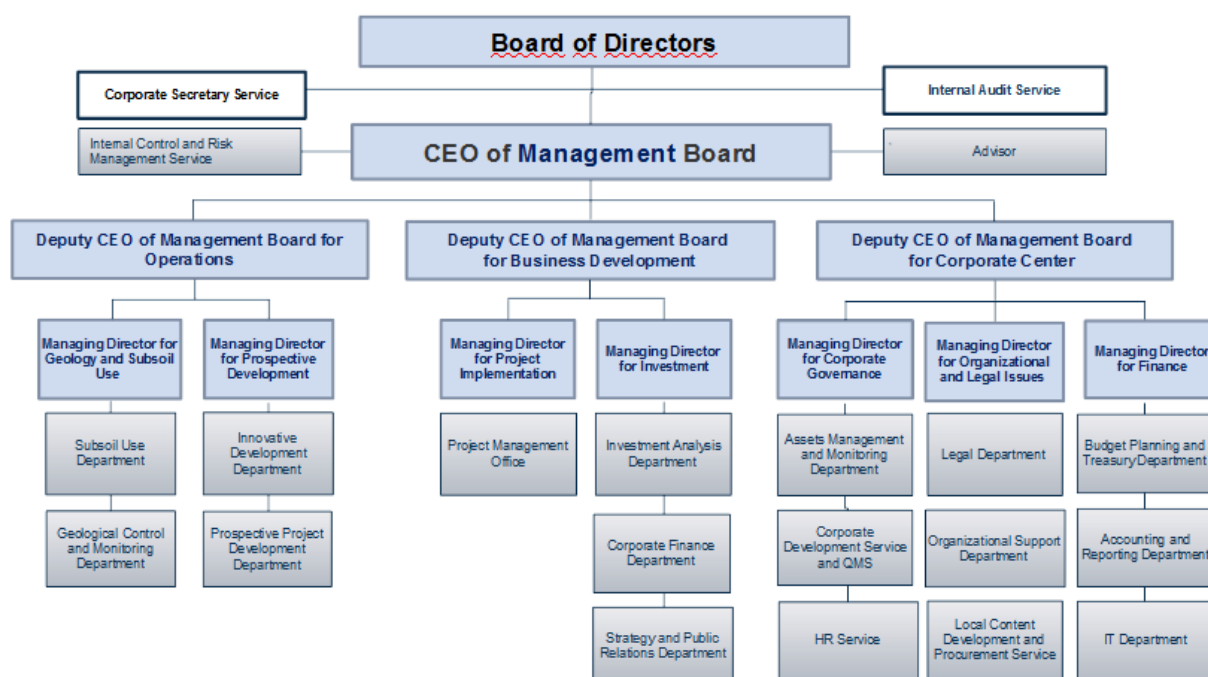
In 2014, the Company established the following subsidiaries in order to implement the investment activity (100%):

1. LLP «Shokpar-Gagarin» (Exploration of gold ore at Shokpar and Gagarin deposits in Zhambyl region);
2. LLP «Tau-Ken Progress» (Exploration of gold ore at Progress deposit in Karagandy region);
3. LLP «TKS-Kostanay» (Exploration of non-ferrous metals (excluding bauxite) in the area of Kostanay region);
4. LLP «TKC-Zhaksylyk» (Exploration of manganese ore at Zhaksylyk area of Akmola region).

The current structure of assets is presented in the given scheme:



5.2 Organizational Structure



Staff – 126 units

1

The organizational structure of the central administrative office of the Company with 126 personnel staff was approved by the decision of Board of Directors (Protocol №03/14, dated February 26, 2014).

6. Review of Production Operations

6.1 Refinery

Construction of the Refinery was completed in the end of 2013. In December 2013 President of the Republic of Kazakhstan Nursultan Nazarbayev has visited the plant and attended the start-up and commissioning operation of producing the first product.

The aim of the Project is to provide an effective operation to the use of resources of precious metals of Kazakhstan, to increase the recycling of raw materials and the creation of conditions for the replenishment of gold reserves of the country.

The plant is equipped with the modern and efficient equipment of Italian company «IECO Keeps On Improving», a leading manufacturer of the world producing the given equipment. The plant specialists have been trained at the company's plants in Italy.

The design capacity of the refinery is 25 tons of refined gold and 50 tons of silver, currently the Project is at the stage of output at full capacity.

In 2014, a business plan and feasibility study for the Project «Introduction of vacuum distillation technology of silver at the refinery» was elaborated in order to reduce production costs. The proposed technology allow to reduce the process cycle time of producing gold, to reduce operating costs, to break free the recirculated metal from the production in progress and to exclude gas and liquid wastes.

In 2014, the Contract for delivery of raw materials was signed between the Refinery LLP «Tau-Ken Altyn» and gold mining companies: 11 650.85 kg of gold and 4 810.67 kg of silver.

The factual amount of purchased raw materials (chemically pure gold and silver) for the period in 2014 was as follows: gold – 7 106.9 kg, silver – 3 477.46 kg. The production of refined gold – 6 300 kg (202.550 thousand ounces), implemented to National Bank of RK – 5 914.1 kg. The production is: gold – 801 kg, silver – 3 477.46 kg. Thus, the planned designed capacity for 2014 of 12 tons was 52%. The maximum production capacity is 25 tons of refined gold per annum.

6.2 Metallurgical Silicon Production Plant

At the meeting of the Council for mining industry, geology and subsoil use of solid minerals at the President of the Republic of Kazakhstan, dated December 5, 2013 working out the issues of the agreement on the recruitment of staff, technical audit of production facilities and the development of a feasibility study of restoring production of LLP «Silicium Kazakhstan», the metallurgical silicon production plant in Karaganda city was tasked to JSC «Investment Fund of Kazakhstan» and JSC «Tau-Ken Samruk».

100% subsidiary of JSC «Tau-Ken Samruk» the engineering company LLP «Tau-Ken Temir» directly started the implementation of the approved action plan from the date of signing the agreement.

LLP «Tau-Ken Temir» solved and worked out the organizational issues, and in February 17, 2014 the Custodial services contract was signed between IFC and LLP «Tau-Ken Temir». In the period from February to September 2014, the maintenance works of main and auxiliary equipment were carried out, including the partial repair of the furnace №1.

The plant was launched in October 15, 2014, and the issues of ensuring the production of raw materials were solved. The skilled personnel was recruited, primarily due to the previously employed workers. In accordance with the action plan the major repairs of the furnace № 2 and auxiliary equipment were carried out.

LLP «Tau-Ken Temir» simultaneously conducts the measures to ensure the production of raw materials.

Total in 2014 for 2.5 months since the launch of the plant about 2.000 tons of silicon was produced and 477 tons of silicon was dispatched to Europe and 440 tons of silicon to United States.

Currently JSC «Tau-Ken Samruk» considering the possibility of pay-out of the complex.

7. Development Projects

Project «Production of polymetallic ores at Alaigr deposit in Karagandy region»

The deposit is located in Karagandy region, the balance reserves of lead, approved by National Reserves Committee of RK amounted 18.5 mln. tons of ore (1 mln tons of metal) with an average lead content of 5.69%. The construction of mining and processing plant producing the lead concentrate is planned in the framework of the Project. The annual capacity of ore processing will be about 1 mln. tons and 60 thousand tons of concentrate per year. Project implementation period is 2016-2020.

In 2014, the mining development (stripping) works of 290.0 thousand cubic meters were conducted with the preparation of sites for infrastructure.

The technological tests were sent to JSC «Uralmekhanobr», Ekaterinburg city (Russia) and the technology regulations for beneficiation were completed.

The works on registration of the real estate within the boundaries of the mine allotment were completed and the act for right of temporary land use was received. The highway from the village Kamkor to deposit «Alaigr» of category 5 was put into operation on October 30, 2014.

A draft of feasibility study of Mining and Processing Plant with the section of Pre-EIA, public hearings were conducted, the basin inspections approval and pre-trial detention of the Department of Environment were received, the project aims to review and approval to the Committee of ecological regulations.

The utility flow diagram was developed and directed to JSC «KEGOC» to obtain technical specifications for connecting to the power grid. The works on the preparation of technical specifications for abutting the access road at the former №5 track section (Aschysu-Saumalkol of Karagandy branch).

Project «Production and processing of iron ores at Masalsky deposit in Akmola region»

As of September 1, 2013 balance reserves, approved by the State Reserves Committee of RK amounted 729.15 mln. tons of ore with an average iron content of 15.82%.

The creation of mining and metallurgical complex based on the Masalsky deposit will provide an annual output of high-quality steel grades in the volume of 1-1.5 mln. tons.

June 24, 2014, Purchase and sale agreement was signed between the Company and LLP «Mining Bureau» for the acquisition of 63% stake in LLP «Masalsky Mining and Processing Plant». In June 30, 2014 63% stake in LLP «Masalsky Mining and Processing Plant» was re-registered in favor of «Tau-Ken Samruk».

July 1, 2014 Purchase and sale agreement was signed between JSC «Tau-Ken Samruk» and JSC «NC «SEC «Yessil» for the acquisition of 30% stake in LLP «Masalsky Mining and Processing Plant». In July 8, 2014 30% stake in LLP Masalsky Mining and Processing Plant» was re-registered in favor of «Tau-Ken Samruk».

A Memorandum of Understanding was signed between JSC «Tau-Ken Samruk» and «Beijing Shen Wu Environment & Energy Technology Co., Ltd.» (China), under the terms of which the Chinese part will conduct laboratory and pilot studies to determine and select the direct reduction of iron (DRI) of titanium and magnetite concentrates.

As part of the technological research the samples in a volume of 10 tons were selected, JSC «Uralmekhanobr» (Russia) and Outotec (Germany) conducted laboratory tests and technological tests, in its turn the concentrate will be sent to ShenWu (China) for laboratory

and semi-selection research of direct reduction iron (DRI) of titanium and magnetite concentrates.

Project «Industrial development of polymetallic ores at Shalkiya deposit in Kyzylorda region»

The deposit is located 20 km from the village Zhanakorgan of Kyzylorda region and is one of the largest lead and zinc deposits in the world. Balance reserves approved by the State Reserves Committee of RK amounted 127.5 mln. tons of ore (1.6 mln. tons of lead and 5.5 mln tons of zinc) with an average lead content of 1.31%. The design capacity of Mining and processing plant on extraction and beneficiation amounted 4.0 mln. tons of ore. The construction period of the 1st stage of Mining and processing plant - 3 years (from 2015 to 2017).

In July 11, 2014 100% of shares of «ShalkiyaZinc Ltd» was transferred to JSC «Tau-Ken Samruk».

The implementation of the Project is included in the Comprehensive Plan for the development of mining and metallurgic industry of RK for 2014-2018 and the Road Map for the development of mining and metallurgic sectors in Kyzylorda region.

In 2014, the diagnostics and rehabilitation of the existing infrastructure of the mine were conducted: maintenance of office buildings, intra-roads, the buildings of mines and other facilities.

Since November 2014 the capital mining operations were started, since November 2014 the mine workings were passed within the sections 9 sq.m of total length of over 450 meters. Drifting the horizontal permanent workings was carried out with the use of self-propelled equipment.

The adjustment of the basic Project of Mining and processing plant was practically completed.

8. Geological Exploration Projects

In 2014 the exploration works were conducted in the following sites of subsoil use:

1. Exploration of titanium magnetite ores at the West Sayak deposit in Karagandy region;
2. Exploration of manganese ore at Zhaksylyk area in Akmola region;
3. Exploration of copper, lead, barite at Tuyuk Temirlik ore district in Almaty region;
4. Exploration of gold at Predgorny Ketmen site in Almaty region;
5. Exploration of copper, gold and associated components of the Spassky copper mineralization zone in Karagandy region;
6. Exploration of gold ore at Gagarin deposit in Zhambyl region;
7. Exploration of gold ore at Shokpar deposit in Zhambyl region.

Project «Exploration of titanium magnetite ores at the West Sayak deposit in Karaganda region»

Administratively the section is located in the territory of Aktogay district in Karagandy region, 35 km west of Sayak ore mine.

The Project is financed by the Company in accordance with the Project of exploration works at Western Sayak titanium magnetite deposit in Karagandy region for 2012-2014. Contracts for exploration of titanium magnetite ores at deposits of Western Sayak in Karagandy region №4132, dated at 31.07.2012.

Field works were conducted during the period of 2013-2014 and completed on the 1st quarter of 2014. According to the results of the works «Report on exploration works at the Western Sayak titanium magnetite deposit in Karagandy region with calculation of forecasting resources of iron ore and gold with categories P1 and P2» with textual and graphical annexes were prepared.

According to the feasibility analysis of the Interregional Department «Tsentrkaznedra», there is no need for further estimation works at the field in view of economic unexpediency. In this connection, the further implementation of the project is not feasible, and the termination of the project was decided.

Project «Exploration of manganese ore at Zhaksylyk area in Akmola region»

Administratively, the 158.73 sq.km section is located in the territory of Zhaksylyk district in Akmola region.

The project was carried out at the expenses of the Company.

However, in order to effectively manage the Company assets, the subsoil use rights for the project were transmitted to the 100% subsidiary LLP «TKS-Zhaksylyk».

Exploration works on the project were carried out in 2013, the main field works were held (exploration routes, mining, drilling and etc.). In 2014, the basic laboratory works were carried out: laboratory - analytical studies, technological studies of manganese ore concentrating (washability), metallurgic tests for the possible manganese metal production by hydrometallurgical method.

In 2014, 107 thin sections and polished sections were made, 240 samples of internal and external control were selected, 507 samples and study of the 1st technological samples were analyzed.

As a result of office studies the Feasibility study of industrial conditions was elaborated, that currently undergoing the approval process at the NRC of RK. As a result of the positive statements of Feasibility conditions, in 2015, the approval and production to state balance of RK on manganese ore reserves of Zhaksylyk section in the amount of ~ 2.8 mln. tons (C1+C2 categories).

«Exploration of copper, lead, barite at Tuyuk Temirlik ore district in Almaty region»

Tuyuk Temirlik ore district is located in the border of southeastern part of Almaty region, at the territory of Uygur and Raiymbek districts. Almaty city is 200 km west of the ore field, the nearest urban area is the district center Kegen, at 15 km south-west. The Tuyuk mine is located in the center. The state border with China extends 85 km to the East of the ore field, the border with Kyrgyzstan is 40 km south-west.

The project is carried out at the expenses of the Company.

As a result at the area of the contract territory of 375.9 sq.km on the results of the provided works for 2013-2014 and taking into account the historical data, 16 local areas were established.

The main works are focused on the following sites:

- Temirlik ore field, which includes the Temirlik copper deposit and Karasai and Mezhdurechensk occurrences, located North-West and Koktas mineralization 8 km to the West of Temirlik deposit;
- Zhana-Arasan ore field (Zhanaarasan, Zhanarasan Central and Eastern sections);
- East and West flanks of Tuyuk ore field.

Throughout the conducted geophysical work on the electric dipole sensing method of induced polarization (EDS-IP (JP d/d), the results of which highlighted the anomalous zone. In order to study these anomalous zones and verify the nature of maximum polarization in accordance with the recommendations of the geological and physical studies on the data, the exploratory holes are drilled at the given sites.

Also the expansion works were conducted at the contract area for the purpose of increment to the geological allotment of excluded parts of the Tuyuk deposit (the most promising reserves of increasing copper, lead, and barite), where the copper ore reserves are located and not listed on the State balance of RK.

In 2014 the following exploration works were executed: 585 line km exploration routes, 6.3 month completed topographic works, 15.940 cubic meters of mining works (ditches, trenches), 14.356 lm drilling works, 9.267 lm borehole geophysics, 50.7 line km of geophysical works, 11.351 samples selected and 1.060 samples analyzed.

At the end of 2014, the factual performance of exploration works was 879.681 mln. KZ Tenge (including VAT).

Field exploration, processing and interpretation of the data are ongoing.

Project «Exploration of gold at Predgorny Ketmen site in Almaty region»

Administratively, the Predgorny Ketmen site covers the Uygur and Raiymbek Districts of Almaty region. The state border with China stretches in 30 km east of the working area. The district center of Raiymbek District - Kegen is located at 110 km south-west of the working area. The site area is 17.1 sq.m.

The project is carried out at the expenses of the Company.

Now the first exploration phase of exploration works, pits and pit-wells of 20x400-600m network are completed at the Predgorny Ketmen site in accordance with the Exploration Project. The comprehensive study of placer gold in the Contract Area is performed by tunneling mines and wells, and their testing, larger-scale laboratory technological sample of 1.9 tons was selected among the valley placers. According to the analysis of the pit-wells within sections 10, 18, 22, 26, 30, 34, 42 the higher gold content is established, confined mainly to the II and III of the valley terraces of Ketmen.

In 2014 the following exploration works were executed: 60.9 lm mining (pits), 924 lm drilling works, 1760 samples selected, 2285 samples analyzed. Currently, the analysis, processing and interpretation of the primary documentation of the Project received on the results of the first stage are being under consideration, as a result the solutions will be elaborated for further project implementation.

At the end of 2014, the factual acquisition of exploration works was 78.105 mln. KZ Tenge (including VAT).

Project «Exploration of gold, copper at Eshkeolmes deposit in Akmola region»

The Eshkeolmes deposit is located in the territory of Yereimentau district of Akmola region, 70 km north-west from the regional center and Yereimentau railway station. The nearest settlements are Novomarkovka 12 km southwest and Kyzyltu 17 km to the east. Yereimentau - Aksu railway line passes 12 km east of the mine, Netsvetaevka railway station is 23 km to the northeast.

The deposit belongs to gold-sulphide skarn (Sayak) type, 8 skarn ore zones are allocated: 1-4 - in the western sector, 5-8 - in the eastern sector.

In 2014 geological allotment was changed according to the location of Eshkeolmes deposit and exploration period was prolonged until February 28, 2016, the contract area extended and the exploration period prolonged.

Project «Exploration of copper, gold and associated components of the Spassky copper mineralization zone in Karagandy region»

Spassky copper ore zone is located in the northern part of Central Kazakhstan, reaching in sublatitudinal east-north-eastern direction for 330 km and a width of 30-40 km zone. The total area is 12,549 sq.km. Spassky deposit covers three districts (Bukhar-Zhyrausky, Osakarovsky and Abay) of Karagandy region.

The project is carried out at the expenses of the Company.

The works were carried out on ore clusters, in accordance with the sequence of exploration works. So, after the geophysical and metallometric works the processing and interpretation of the data were carried out, geophysical sections and maps of geochemical halos were compiled. As a result of laboratory and analytical works the further works on ore nodes will be determined.

In 2014 the following works were conducted: 258.9 line km search routes, 530.0 line km of geophysical surveys, 14.206 line meters of drilling, 28.842 line meters of borehole geophysics, 1480.8 cubic meter of mining (ditches) and 24.299 samples were selected and analyzed. Overall, the project noted that Spassky copper ore zone refers to major projects in the upper section has small, but rich in content copper objects for testing of an open manner.

At the end of 2014, the factual performance of exploration works was 442.8 mln. KZ Tenge (including VAT).

Project «Exploration of gold at Shokpar and Gagarin deposits in Zhambyl region»

The Company created a subsidiary – LPP «Shokpar-Gagarin» in order to ensure implementation of the projects «Exploration of gold at Gagarin deposit in Zhambyl region» and «Exploration of gold at Shokpar deposit in Zhambyl region».

According to the objects in 2014 an environmental audit, the complex of ground geophysical surveys were conducted, the presence of the known ore bodies were confirmed, the previously unknown zone of anomalies (Gagarin) was revealed, and 12 appraisal wells were drilled at Gagarin deposit and 4 wells at Shokpar deposit.

The mining and topographic works were conducted with the restoration of historical exploration profiles and search routes.

In 2014, the following works were conducted at Gagarin deposit: 50 line km search routes, 3 sq km topographical works, 1 797.6 cubic meters of mining works (ditches, trenches) 3000 line meters drilling, 3000 line meters borehole geophysics, and analysis of 2835 samples. The following works were conducted at Shokpar deposit: 30 line km search routes, 320 cubic meters of mining works (ditches, trenches), 831.4 line meters drilling, 831.4 line meters borehole geophysics, and selection of 507 samples.

At the end of 2014, the factual performance of exploration works was 216.562 thousand KZ Tenge (Gagarin - 150.7 mln. KZ Tenge, Shokpar - 65.9 mln. KZ Tenge (including VAT)).

9. Review of Registering Subsoil Use Contract

In 2014, between the Company and the Ministry of Investment and Development of the Republic of Kazakhstan the following contracts were signed:

1. Exploration of gold ores at Shokpar deposit in Zhambyl region;
2. Exploration of gold ores at Progress deposit in Karagandy region;
3. Exploration of nonferrous metals (except bauxite) at the area of Kostanay region.

On the basis of direct negotiations with the Ministry of Investment and Development of the Republic of Kazakhstan, the Company continues designing subsoil use rights for eight sites:

1. Exploration of gold at Karatas-Maybulak area in Zhambyl region;
2. Exploration of gold at South Moynty area in Karagandy region;
3. Exploration of chalcedony at Baikadam occurrence in Zhambyl region;
4. Exploration of rodingites at Shaytansimes deposit in Zhambyl region;
5. Production of barite, polymetallic ores and silver at Tuyuk deposit in Almaty region;
6. Exploration of turquoise at Zhilandy deposit in Pavlodar region;
7. Production of dendrite-agate at Eastern Pstan in Karagandy region;
8. Production of chrysoprase at Sarykuboldy deposit in Karagandy region.

10. Investment Plans

JSC «Tau-Ken Samruk» approved the Investment program for 2014-2018, including 25 projects with total amount of 52.150.947 thousand KZ Tenge.

The Investment program defines the objectives of the investment policy, investment projects and capital investments in order to maintain the current level of production (works, services) and intentions on the implementation of promising investment projects.

The exploration works at the deposits, expanding raw material assets due to the acquisition of right susceptible of assignment for subsoil use will be completed in order to implement the objectives of developing the resource potential on prior mineral resources due to the increased exploration works.

JSC «Tau-Ken Samruk» will start the implementation of investment projects at the stage of ore mining and commissioning of beneficiation processing stages of raw material processing, ensuring the efficient production of activities due to the use of innovative technologies and equipment.

Major investment projects are:

- Production of polymetallic ores at Alaigyr deposit;
- Production of metallurgical silicon in Karaganda region;
- Industrial development of deposits of polymetallic ores at Shalkiya in Kyzylorda region with the construction of the Processing plant;
- Production and processing of iron ore at Masalsky deposit in Akmola region.

11. Innovative and Technological Development

In 2014, the Company conducted the following issues on technological researches and development of technological regulations for the selection of technologies for developing the deposits in the implementation of investment projects:

- Processing the polymetallic ores at Alaigyr deposit;
- Enrichment and metallurgical processing for Masalsky deposit;

- Industrial development of deposits of polymetallic ores at Shalkiya in Kyzylorda region.

The relevant agreements were signed in the framework of cooperation with domestic and foreign engineering, consulting and designing companies.

The Company elaborated the Concept on creation of Research development and experimental-industrial base for testing and adaptation of innovative technologies with the raw materials of Kazakhstan for the entire process chain of Mining and processing plant.

Creating the own database will allow to carry out the technological research at prior deposits of the Company and to create favorable infrastructure conditions for enhancing the innovation and development of knowledge-intensive industries.

The laboratory, enlarged and semi-processed studies of iron, polymetallic, copper and persistent auriferous gold ores for the development of technological regulations for ore deposits, mining and optimization of new technological processes and the designing the industrial production and development of project feasibility studies will be carried out at the given platform.

12. Interactions with Investors and Participation at Exhibitions

JSC «Tau-Ken Samruk» is actively working with international companies to bring them to implementation of the joint projects in the mining industry of Kazakhstan, annually participates in major international mining exhibitions.

JSC «Tau-Ken Samruk» took part in the largest PDAC international industry exhibition and conference in 2014 (Prospectors & Development Association of Canada), that was held during February 27 - March 4, 2014 in Toronto, Canada.

The Company represented 4 most developed project: Spassky copper ore zone Alaigyr, Shalkiya, Tuyuk-Temirlik ore districts. Presentation material is focused on a wide range of potential investors, represented by both large and medium-sized mining and metallurgic companies in the world, as well as the investment companies and private equity funds.

During the exhibition, JSC «Tau-Ken Samruk» received the information from service companies for the exploration and appraisal work on technical innovations in the industry.

As a result of the exhibition the important conclusions were provided for internal solutions. Thus, in the context of metals, the most highly demanded among potential investors are also (in comparison with the previous year) the projects of precious metals and copper ore deposits that are necessary to focus on in the future, with the participation of such events.

In addition, the representatives of JSC «Tau-Ken Samruk» participated in:

- IV International Mining and Metallurgy Congress ASTANA MINING & METALLURGY 2014 (Astana, June);
- 16th International Exhibition of Mining Equipment and Technologies, Metallurgic and Coal Industry «MinTech-2014»;
- 20th Anniversary of International Exhibition «Mining World Kazakhstan», (Almaty, September);
- Scientific-Practical Conference «PIBC-2014» (St. Petersburg, November).

13. Review of Industry-Average Performances and Development Trends in Mining and Metallurgical Industry

As shown in date performed by the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, during 2008 - 2014 the dynamics of mining industry production was positive.

Particularly, for periods from 2010 to 2014, production capacity of metallurgic industry was increased from 1,4 billion KZ Tenge in 2008 to 1,9 trillion KZ Tenge in 2014, or in real terms for 10%.

GDP of domestic industry in 2014 was 27,6% (in 2013 - 28,4%), including the mining industry and quarry development – 15,3% (in 2013 - 15,5%), manufacturing industry - 10,4% (in 2013 - 10,9%).

In monetary terms in 2014 the iron ore for 573,5 mlrd. KZ Tenge was extracted (the growth comparing with 2013 was 15%), manufacture of metallurgic industry products – 1 245,7 mlrd. KZ Tenge (the growth comparing with 2013 was 5,8%).

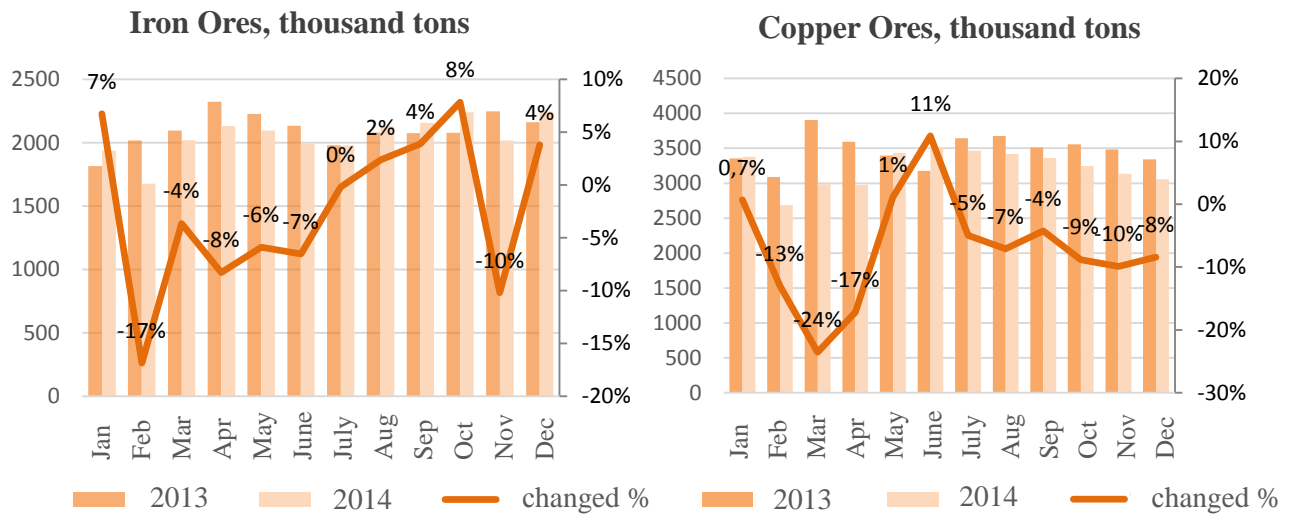
In monetary terms in the structure of industrial production of the Republic of Kazakhstan in 2014 (18 492,7 mlrd. KZ Tenge), the scope of Mining and Metallurgic Company was 11 245,9 mlrd. KZ Tenge, that is 2,46% higher than in 2013 (10 975,8 mlrd. KZ Tenge).

In 2014 in monetary terms, metal ore production in the scope of Mining and Metallurgic Company was 882,3 mln. KZ Tenge, iron ore production was 223,3 mlrd. KZ Tenge or 25,3%, non-ferrous metal ore production - 659,0 mlrd. KZ Tenge or 74,7%. In bulk of metallurgy industry, composing 1 915,2 mlrd. KZ Tenge, ferrous metal production was 765,4 mlrd. KZ Tenge or 40,3%, main precious and non-ferrous metal production - 1 141,9 mlrd. KZ Tenge or 59,3%.

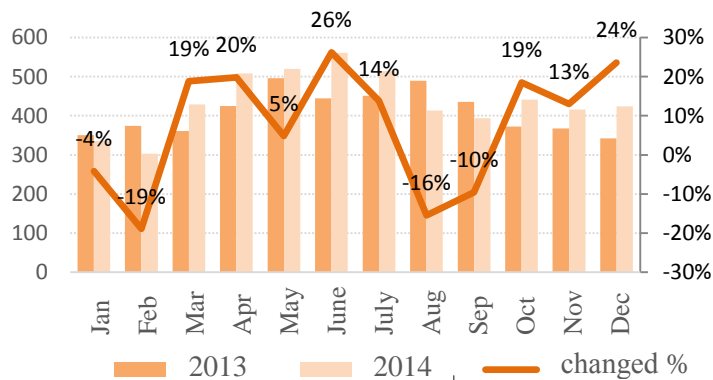
In 2014 in mining industry and quarry operations the quantum index to 2013 was 99,7%, metal ore production - 106,3%, iron ore - 99,3%, maintenance services in mining industry - 103,1%, non-ferrous metal ore production - 109,7%, metallurgy industry - 100,2%, ferrous metal production - 108,6%, main precious and non-ferrous metal production - 95,2%.

The investments to nominal capital of Mining and Metallurgic Company have a tendency to the growth and for 2014 the amount was 1 933 mlrd. KZ Tenge, including the metal ore production - 274,6 mlrd. KZ Tenge, (or 14,2% of overall volume), metallurgy industry - 304,6 mlrd. KZ Tenge (or 15,6%).

Industry-average indicators of mining and metallurgy sector of the Republic of Kazakhstan in 2014 testify the slight decline of the production capacity of metal ore, including, the iron ore production was 24 628,3 thousand tons, contrary to 25 228,2 thousand tons in 2013, copper - 38 660,6 thousand tons (in 2013 - 41 291,3 thousand tons), copper and zink - 5 260,2 thousand tons:



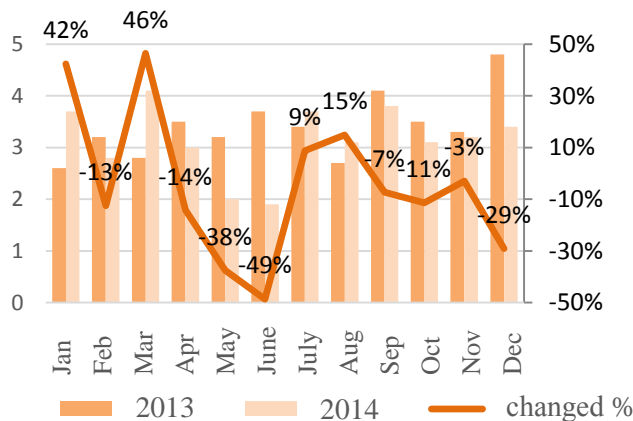
Copper-Zink Ores, thousand tons



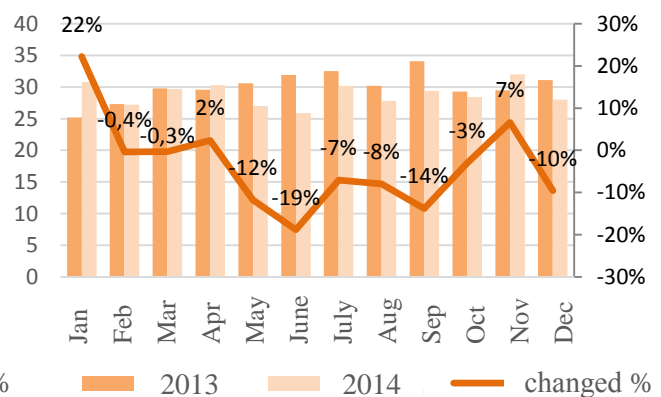
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

In 2014 lead production in lead concentrate - 37,8 thousand tons (in 2013 - 40,1 thousand tons), zink in zink concentrate - 346,6 thousand tons (in 2013 - 361,5 thousand tons):

Lead in lead concentrate, thousand tons



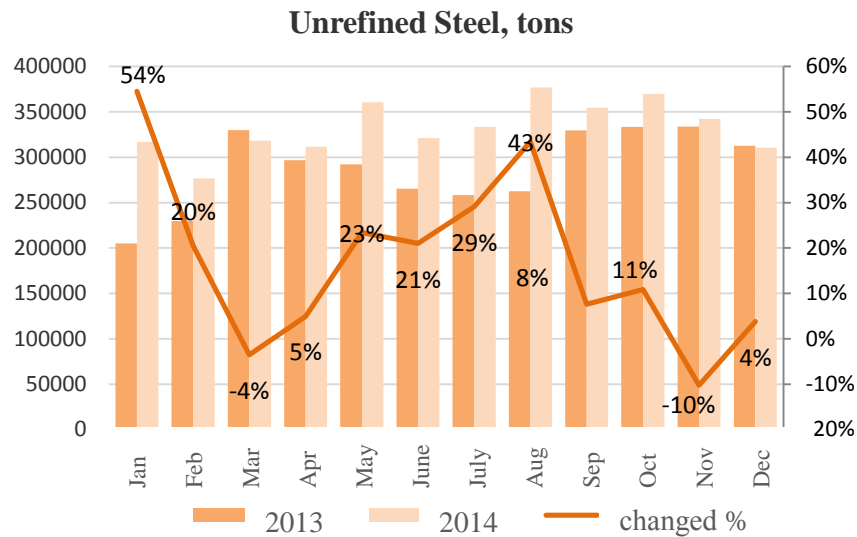
Zink in zink concentrate, thousand tons



Source: Committee on Statistics

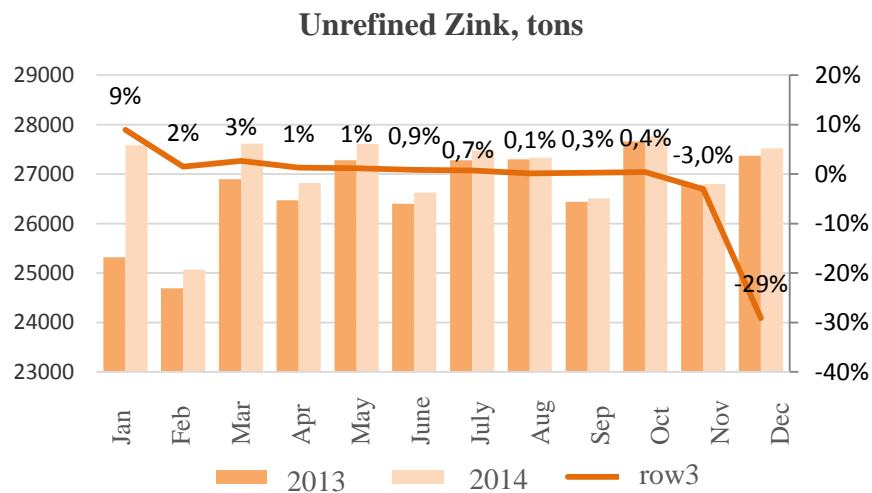
Comparing with the results of 2013, there was a growth trend in metal production in 2014 (zink, lead, steel and gold), except for copper production, that was mainly connected with petering out the copper content at the operated deposits.

So, in 2014 3 993 thousand tons of unrefined steel was produced (in 2013 - 3462,8 thousand tons), the growth - 15,3%:



Source: Committee on Statistics
of the Ministry of National Economy of the Republic of Kazakhstan

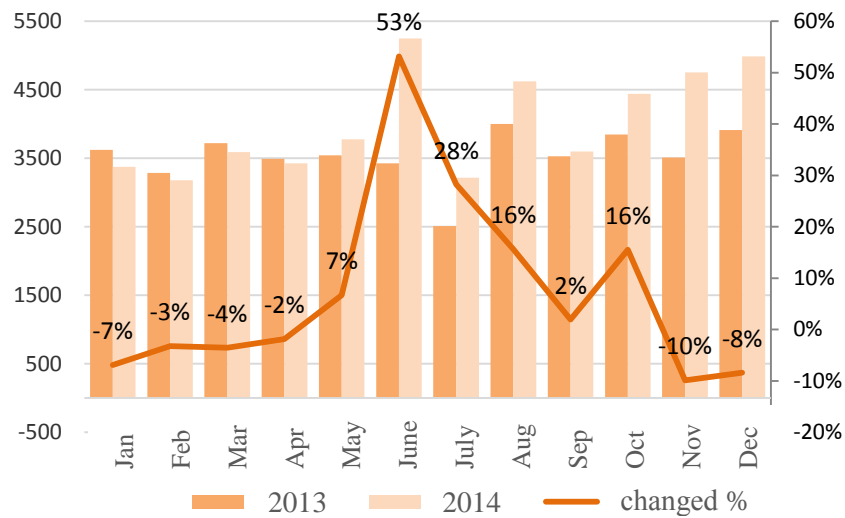
Comparing with the previous year the unrefined zink production in 2014 was 10,8% more - 324,7 thousand tons (in 2013 - 320,15 thousand tons):



Source: Committee on Statistics
of the Ministry of National Economy of the Republic of Kazakhstan

In 2014 the production capacity of unrefined gold or in powder condition was 49, 207 tons, that is 15,6% more than the previous year (in 2013 - 42,552 tons):

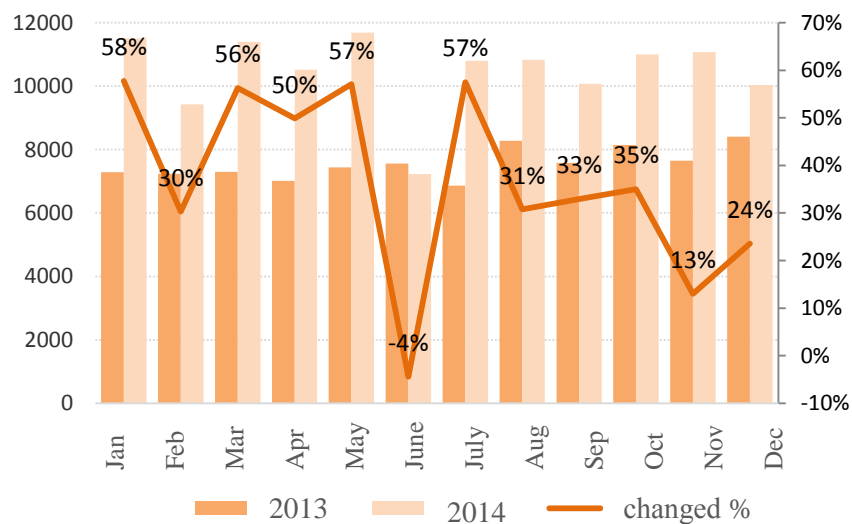
Gold Unrefined and Semi-refined or in Powder, kg



Source: Committee on Statistics
of the Ministry of National Economy of the Republic of Kazakhstan

Comparing with the 2013 the unrefined lead production in 2014 was 37,6% more, consequently 125,3 thousand tons and 91,072 thousand tons:

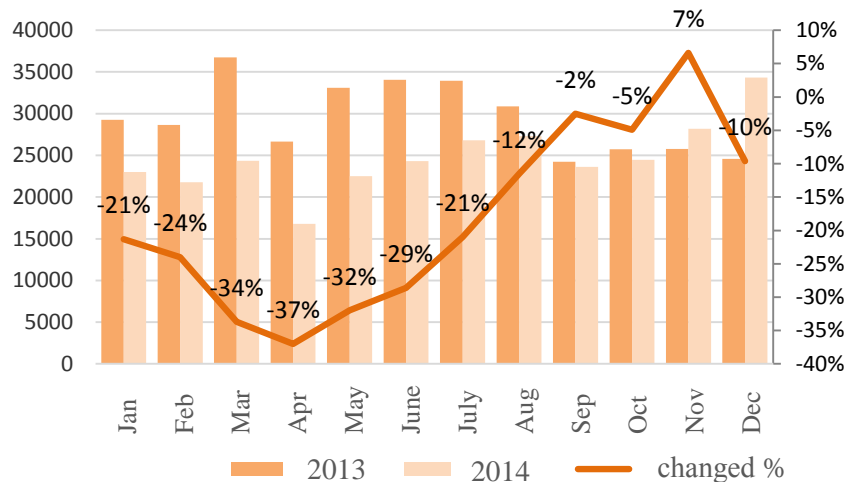
Unrefined Lead, tons



Source: Committee on Statistics
of the Ministry of National Economy of the Republic of Kazakhstan

Moreover, comparing with the previous year in 2014 the refined copper production and unrefined copper alloy was decreased to 14,5%, consequently 297, 5 thousand tons and 352,1 thousand tons:

Refined copper and copper alloys, unrefined; alloy as the copper base, tons



Source: Committee on Statistics
of the Ministry of National Economy of the Republic of Kazakhstan

In 2014 the export of raw commodities to the Customs Union countries was 2 50,4 mln. US Dollars, that composed 93,2% comparing with 2013, including iron ores and concentrates, except non-agglomerated calcinated pyrite – 377,1 mln. US Dollars or 14,8 % (68,8% comparing with 2013), copper ores and concentrates – 161,2 mln. US Dollars or 6,3 % (82,2% comparing with 2013), ores and zink concentrates – 70,1 mln. US Dollars or 2,8% (110,5% comparing with 2013).

In 2014 the import of raw commodities to the Customs Union countries was 815,7 mln. US Dollars (23,6% comparing with 2013), including lead ores and concentrates – 94,0 mln. US Dollars or 11,3% (97% comparing with 2013), zink ores and concentrates – 5,9 mln. US Dollars or 0,7% (78,8% comparing with 2013).

In these conditions about 100% import was remained: welding profiles and steel sheet piles and articles made of ferrous metal for railway lines, ferromanganese, pipes and cast fittings for pipes, to 40-80%: pipes of various diameters, pipes of large and small diameters, wire, reached by cold stretch, webs and hot-rolled bars.

In 2013 the innovative and active enterprises share of Mining and Metallurgic Company of the operating enterprises in the field of real sectors of economy was 16,5% (72 enterprises).

Labour productivity in metallurgy industry for the period from 2008 to 2014 increased to 70,6 thousand US Dollars (according to recent reports) or 194,5%.

During 2014 the basic and precious metal cost was decreased, that resulted the decline of the growth rate in economy of the countries, the large consumers of products of mining and metallurgy sector, and also the decline of free market price for oil.

Market Forecast

Copper. According to J.P. Morgan in 2015 – 2016 cathode copper market will remain balanced, in 2015 the world production of refined copper will increase to 3,7%, and 3,2% in 2016, at the expense of enhancing power by plants of China, launched in 2013 - 2014.

Lead. According to ILZSG forecasts, lead production in 2015 will increase to 5,2% and achieves 5,66 mln. tons, primarily due to growth of demand in Australia and China. China will be the mainspring, where the growth of indicator is expected to 7,4%.

Zink. According to Wood Mackenzie analysts forecasts, in 2015 the shortage of zink production will be expected in the amount of 227 thousand tons, and in 2016 the shortage will be expected not only for metal in the amount of 226 thousand tons, but also the zink concentrate in the amount of 232 thousand tons. Generally, the shortage is connected with finishing the production at number of large mines of the world.

Gold. In 2015 world demand for gold will increase to 15%, that corresponds 4127 tons of precious metals. For comparison: According to World Gold Council (WGC), peak year of gold demand is considered to be 2011, when 4582,3 tons of precious metals were sold.

14. Review of Regulatory Environment of Sector

Regulatory environment of activities in the mining industry is presented by the the following regulations:

- The Civil Code of the Republic of Kazakhstan (General Part) (with amendments, dated 26.12.2012);
- The Law of the Republic of Kazakhstan «On Subsoil and Subsoil Use» (with amendments, dated 26.12.2012);
- The Law of the Republic of Kazakhstan «On Sovereign Welfare Fund»;
- The Law of the Republic of Kazakhstan № 415-II, dated May 13, 2003 «On Joint Stock Companies» (with amendments, dated 24.12.2012);

The activities of JSC «Tau-Ken Samruk» are performed, but not limited to the following regulatory legal acts of the Republic of Kazakhstan:

- The Resolution of the Government of the Republic of Kazakhstan №120 «On Approval of Rules of determination of historical expenditures and the costs of geological information», dated February 10, 2011;
- The Resolution of the Government of the Republic of Kazakhstan №123 «On Approval of Uniform Rules on rational and comprehensive utilization of mineral resources in the exploration and extraction of mineral resources», dated February 10, 2011;
- The Resolution of the Government of the Republic of Kazakhstan №10 «On establishment of joint-stock company «National Mining Company «Tau-Ken Samruk», dated January 15, 2009;
- The Resolution of the Government of the Republic of Kazakhstan №1456 «On approval of rules granting the rights for subsoil use», dated December 30, 2010;
- The Resolution of the Government of the Republic of Kazakhstan №1382 «On approval of the Concept of the development of social and entrepreneurial corporations», dated October 31, 2012.

Information about State Impact, including List of Issues Demanding Coordination with State Bodies

In accordance with the legislation of the Republic of Kazakhstan on subsoil use, the Company appeals to the competent authority and other public bodies, including the local executive bodies for subsoil use rights registration and coordination (examination) of documentation, registration of land and other issues for exploration and mining the mineral resources. The coordination with the competent authority of the Company is carried out during

the transfer of subsoil use contracts to the subsidiaries (dependent organization), as well as in the sale of the subsoil use right, and facilities associated with the subsoil use right.

In accordance with the legislation of the Republic of Kazakhstan in the field of competition, the Company refers to the antimonopoly authority for obtaining consent for the creation of subsidiaries, also with the purpose of implementation of joint venture agreements with strategic partners, as well as obtaining the consent of the economic concentration in transactions for the acquisition of mining assets (equity).

According to the Law of the Republic of Kazakhstan «On Subsoil and Subsoil Use» the Company is a national company of the subsoil use with the right of subsoil use of direct negotiations for the right of subsoil use and the prior right to acquire the alienated subsoil use right (objects associated with subsoil use right), in connection with public authorities may have impact on the Company in terms of status and authority by initiating changes in the law or decision-making management.

15. Corporate Governance

Principles of Corporate Governance

Code of Corporate Governance was approved by the decision of the Sole Shareholder dated September 9, 2009.

Corporate governance is based on the principles of fairness, integrity, responsibility, transparency, professionalism and competence. The effective corporate governance structure presupposes the respect for the rights and interests of all the interested parties of Company's activities and promotes the success of the Company, including the increase in its value, maintaining the financial stability and profitability.

The principles of corporate governance aimed at creating the confidence in relation of arising in connection with the Company management.

The fundamental principles of corporate governance of the Company are:

- Principle of accuracy and balance of the purposes and objectives of the Company;
- Principle of protection of the rights and interests of the Sole Shareholder;
- Principle of effective management of the Board of Directors of the Company and Management Board;
- Principle of independent activity and non-intervention of the Sole Shareholder and public bodies in the operational activities of the Company;
- Principles of transparency and objectivity of disclosure of the Company's activities;
- Principles of legality and ethics;
- Principles of effective dividend policy;
- Principle of corporate social responsibility;
- Principle of good corporate governance in subsidiaries and affiliated companies;
- Principle of effective regulation of corporate conflicts and conflicts of interest.

The Company adheres to the basic principles of corporate governance. Report on the adherence to the principles of the Corporate Governance Code for 2014 has been considered by the Board of Directors of the Company on March 27, 2015.

Improving the Corporate Governance System

The systematic work have been conducted to improve the individual subsystems of the corporate governance; since the beginning of the year a number of documents on risk

management, HR management, information disclosure, sustainable development, combating infringements (fraud, corruption and other irregularities) have been developed.

In accordance with the expectations Shareholders for 2014, the Company developed the Concept of corporate governance in group of companies and submitted for consideration by the Board of Directors, in accordance with the best corporate governance practices and experiences in the functioning industrial holding companies.

The concept involves the role and objectives of the corporate center in creating the added value, the model of the corporate center as a strategic controller, management processes and interactions with subsidiaries and a set of management tools for subsidiaries. As a result of considering the draft Concept at the meeting of the Board of Directors, it was decided to finalize the draft Concept. Currently the revision and changes are presented and the interrelation with the plans for the transformation and the introduction of the new Corporate Governance Code of the Fund are being proposed in project Concept.

In addition, a number of issues on managing the subsidiaries, the distribution of authorities in decision-making subsidiaries were regulated in developed Regulations of the current year on the Company management subsidiaries and affiliated organizations.

The Company employees take an active part in elaborating the draft of the Corporate Governance Code of JSC «Samruk-Kazyna» in the new format, including the draft section of the Management Code for Group of companies.

Systematization works on sustainable development are in progress. The Regulation was developed and approved on the strategy development in the field of sustainable development and reporting on sustainable development. A report on sustainable development, updating the Strategy and Policy for sustainable development, the consideration of the relevance of other policies in the field of sustainable development are planned for 2015.

In the framework of implementing the measures for the development and implementation of quality management system of JSC «JSC «Tau-Ken Samruk», scheduled for 2013-2015, the Action Plan was approved to develop and implement the quality management system for 2013-2015. A number of information sessions were executed at the Company: the issues of QMS importance, the documentation system of the Company, changes of the Action Plan for the development and implementation of QMS of JSC «Tau-Ken Samruk» for 2013-2015 for the management and employees of the Company.

Training the internal auditors of quality management system were held, and 9 personnel passed the training at the courses «Internal Auditor of Quality Management System».

8 new documents developed in accordance with the requirements of the standard ISO 9001/ST RK ISO 9001 were approved, including the Policy and Purposes of quality, Rules of monitoring, measurement and analysis processes, Rules of internal audit of quality management system and control of non-conformities, corrective and preventive measures, Classifiers and Maps of business processes, and Quality manual.

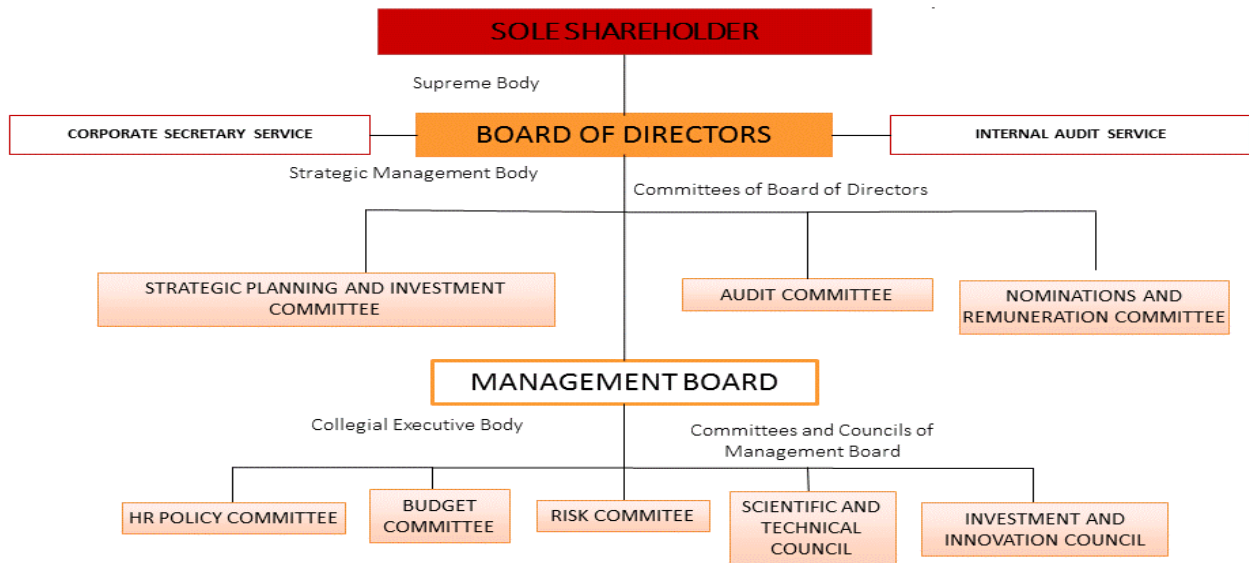
3 documents, regulating the basic business processes and 46 documents, regulating the auxiliary business processes were updated.

Structure and Competences of Company Bodies

In accordance with Charter of JSC «Tau-Ken Samruk» the bodies of the Company are the following:

1. Superior body – Sole Shareholder;
2. Administration body – Board of Directors;
3. Executive body – Management Board of the Company;

4. The body, conducting the financial and operational activities of the Company, assessment of internal control, risk management, document execution in corporate management and consulting with the purpose of improving the Company's activities – Internal Audit Service.
5. Other bodies in accordance with the legislations and Charter of the Company. Activities of Board of Directors, Management Board and Internal Audit Service are regulated by Regulation of JSC «Tau-Ken Samruk» and corresponding Regulations. Management Structure of the Company is presented in the scheme:



15.1 Sole Shareholder

100% of the shares of JSC «Tau-Ken Samruk» belongs to JSC «Sovereign Wealth Fund «Samruk-Kazyna».

JSC «Sovereign Wealth Fund «Samruk-Kazyna» was founded in accordance with the Decree of President of the Republic of Kazakhstan № 669 «On some measures of competitiveness and sustainability of national economy» (dated October 13, 2008) and the Decree of the Government of the Republic of Kazakhstan № 962 «On measures of realization of the Decree of President of the Republic of Kazakhstan № 669» (dated October 17, 2008) by combining two joint stock companies «Kazyna» Sustainable Development Fund» and «Samruk» Kazakhstan Holding for State Assets Management».

Sovereign Wealth Fund «Samruk-Kazyna» is established in order to enhance competitiveness and sustainability of national economy and prevent any potential negative impact of changes in the world markets on economic growth of the country.

The key purpose of the Fund is to manage shares (interests) of national development institutions, national companies and other legal entities it owns to maximize their long-term value and competitiveness in the world markets.

Procedure of bringing issues for consideration of the Sole Shareholder

Bringing an issue for consideration of the Company's Sole Shareholder related to general

meeting competence shall be initiated by the Board of Directors of the Company.

Bringing the rest issues for the consideration of the Company's Sole Shareholder related to the Sole Shareholder competence may be initiated by the Sole Shareholder and/or the Board of Directors, the Company and in case of voluntary liquidation - by the liquidation committee of the Company.

The Company shall bear the costs of bringing the issue for the consideration of the Sole Shareholder, except in cases established by law.

The information and materials provided to the Sole Shareholder of the Company, shall be organized in relation to the issues brought for the consideration of the Sole Shareholder and provide information to the extent necessary to make informed decisions on these issues.

Materials concerning the election of the Company's bodies shall include the following information on the candidates proposed:

- Surname, name and patronymic (as an option);
- Educational background;
- Affiliation to the Company;
- Place of work and positions held during the last three years;
- Other information confirming the candidates' qualification and experience.

Materials related to the issues subject to the competence of the Annual General Meeting to be considered by the Sole Shareholder of the Company, shall include:

- The Annual Financial Statements of the Company;
- The auditor's report to the Annual Financial Statements of the Company;
- The proposals of the Board of Directors of the Company on the procedure for distribution of net profit for the past financial year and the amount of the dividend per ordinary share of the Company;
- Information concerning the Sole Shareholder requests related to the Company and its officers' activities and the results of their consideration;
- Other documents.

Decisions of the Sole Shareholder of the Company shall be archived by the Management of the Company and be available to the Sole Shareholder of the Company for inspection at any time.

15.2 Board of Directors

In accordance with the requirements of the Law «On Joint Stock Companies», the Board of Directors of the Company is elected by Sole Shareholder.

The number of members of the Board of Directors is determined by Sole Shareholder and must consist of more than five persons, among them one third must be of independent directors.

The term of office is also set by the decision of Sole Shareholder (not more than three years, otherwise it is subject to special consideration taking into account the necessity of the qualitative changes of Board of Directors members) and expires at the time of making decision by Sole Shareholder on electing the new members of Board of Directors.

Board of Directors

In 2014 the Board of Directors of the Company in different periods consisted of 5 directors, including 3 independent directors.

№	Name	Position
1	Kuanysh Abdugaliyevich Bektemirov	CEO of the Board of Directors of JSC "Tau-Ken Samruk", Chief Director on Assets Management of JSC "Samruk-Kazyna"
2	Zarina Fuatovna Arslanova	Member of the Board of Directors of JSC "Tau-Ken Samruk", Independent Director
3	Arman Anuarbekovich Argingazin	Member of the Board of Directors of JSC "Tau-Ken Samruk", Independent Director
4	Nartay Nurtayevich Dutbayev	Member of the Board of Directors of JSC "Tau-Ken Samruk", Independent Director (from 10.04.2014 to 20.10.2014)
5	Mazhit Abdykalikovich Turmagambetov	Member of the Board of Directors of JSC "Tau-Ken Samruk", CEO of Management Board of JSC "Tau-Ken Samruk"

The changes of Board of Directors of the Company:

Nartay Nurtayevich Dutbayev was elected to the membership of Board of Directors of JSC «Tau-Ken Samruk» by the decision of the Management Board of JSC «Samruk-Kazyna», dated April 10, 2014 (Minutes №10/14).

In October 20, 2014 Nartay Nurtayevich Dutbayev was removed from the membership of Board of Directors of JSC «Tau-Ken Samruk» on his own initiative (decision №49/14 of Management Board of JSC «Samruk-Kazyna», dated October 31, 2014).

Information about Members of Board of Directors

Kuanysh Abdugaliyevich Bektemirov

CEO of Board of Directors, Representative of the Sole Shareholder.

Date of the first election to BD, date of current election to BD: Decision of Management Board of JSC «Samruk-Kazyna», dated January 31, 2012, Minutes №08/12, Decision of Management Board of JSC «Samruk-Kazyna», dated January 29, 2015, Minutes №04/15.

Citizenship: Republic of Kazakhstan

Date of Birth: May 24, 1970

Academic Background: In 1993 graduated from Kazakh State University named after Al-Farabi, major «Physics», in 2004 graduated from Kazakh National Academy of Management, qualification «Engineer-Electrician».

Work Experience:

1993-1999 – «Atameken» Financing and Investment Corporation, Almaty city; JSC «Altyn-Bidai», Tekeli town (Almaty region), LLP «Vostok-Service», Taldykorgan city.

Well-experienced in managing positions of municipal communal and energy services sectors.

In various period since 1999 worked in managing positions in MUS «Taldykorganteplo-communenergo», in SOPE «Taldykorganteplo-service», JSC «Astanaenergосervice», SI «Energy Management and Communal Services of South Kazakhstan region», RSE «Kazgidromet» and LLP «Astanaenergocontract».

Awarded the merit certificate by the Minister of Energy and Mineral Resources «For contribution to the development of electric power industry of RK», awarded with «Honorary Power Engineer of RK», the anniversary medal «10th Anniversary of Astana».

Work and membership in BD and other organizations: Chief Director on Asset Management of JSC «Samruk-Kazyna», CEO of the Board of Directors of JSC «Samruk-Energo», Member of Board of Directors of JSC «NAC «Kazatomprom».

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.



Mazhit Abdykalikovich Turmagambetov

Member of Board of Directors, CEO of the Management Board.

The range of issues under the responsibility of the Company: provides overall management of JSC «Tau-Ken Samruk».

Date of the first election to BD, date of current election to BD: Decision of Management Board of JSC «Samruk-Kazyna», dated January 31, 2012, Minutes №08/12, Decision of Management Board of JSC «Samruk-Kazyna», dated January 29, 2015, Minutes №04/15.

Citizenship: Republic of Kazakhstan

Date of Birth: February 1, 1961

Academic Background: Moscow Higher Technical College named after N.E. Bauman (1984), qualification «Engineer-Mechanic».

Work Experience:

1984 – Master, Deputy Head of the Workshop, Machine-Building Plant named after S.M. Kirov, Almaty city. 1989 – Deputy Director of SE «Damis».

1991 – Deputy Managing Director of JSC «Kazakh Central Real Estate Exchange». 1992 – General Director of «Damis93». 1996 – Deputy General Director of JV «Almaz» Jewellery Corporation».

1997 – Deputy Director of Industry Department of the Ministry of Economy and Trade of RK. 1998 – Deputy Chairman, Chairman of the Committee for State Control on Production and Sale of Alcohol Products of MF RK, MEaT RK, MSI RK.

2001 – Vice-Minister of the Ministry of Natural Resources and Environment Protection of RK. 2003 – Deputy Chairman of the Management Board of JSC «Innovation Fund». 2004 – Chairman of the Management Board of JSC «AstanaEnergoService». 2006 – managing positions in commercial structures. 2008 – Director of LLP «Maximum» Regional Investment Center» (South-Kazakhstan region). 2008 – Deputy Akim of South-Kazakhstan region. March 2009 – Vice-Minister of the Ministry of Environment Protection of RK.

Since January 2012 to the present – CEO of the Management Board of JSC «Tau-Ken Samruk» National Mining Company».

Awarded the medal «10th Anniversary of the Constitution of Kazakhstan» (2005), «10th Anniversary of Astana» (2008), «20th Anniversary of Independence of the Republic of Kazakhstan» (2011), «Kurmet» (2014).

Work and membership in BD and other organizations: Member of Board of Directors of JSC «NAC «Kazatomprom», LLP «Kazcinc Holdings».

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.



Arman Anuarbekovich Argingazin

Independent Director

Status: Independent Director

Date of the first election to BD, date of current election to BD: Decision of Management Board of JSC «Samruk-Kazyna», dated April 18, 2011, Minutes №15/11, Decision of Management Board of JSC «Samruk-Kazyna», dated January 29, 2015, Minutes №04/15.

Citizenship: Republic of Kazakhstan

Date of Birth: December 1, 1978

Academic Background: Boston University (USA, 2000), Academic degree of Bachelor of Business Administration. Advanced Training Courses at ABN AMRO Academy during 2002-2010.

Work Experience: 2000 – financial analyst at Savings Bank of Kazakhstan «Halyk». Continuous work at «HSBC Kazakhstan» as Credit Officer, in the period of 2004 - 2006 in various positions at ABN AMRO Bank Kazakhstan, and as a Head of Mining Industry and Metal Department and Director of Astana Branch.

In 2012 appointed as a Managing Director of UBS in Kazakhstan.

Arman Argingazin has a 10 years work experience in the sphere of interaction with companies of mining sector, took part in initial public offering (IPO) of ENRC Plc at London Stock Exchange.

Work and membership in BD and other organizations: No membership.

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.



Zarina Fuatovna Arslanova

Independent Director

Status: Independent Director

Date of the first election to BD, date of current election to BD: Decision of Management Board of JSC «Samruk-Kazyna», dated August 7, 2012, Minutes №33/12, Decision of Management Board of JSC «Samruk-Kazyna», dated January 29, 2015, Minutes №04/15.

Citizenship: Republic of Kazakhstan

Date of Birth: December 22, 1960

Academic Background: Kazakh State University named after S.M. Kirov (1983), qualification «Economist», Candidate of Economic Sciences (PhD). Speaks fluent English. Advanced Training Courses: financial analysis at University of Kentucky (1992); project analysis and risk management in financial and banking sector, banking and investment financing, business planning and enterprise reorganization, enterprise management in the process of post-privatization reorganization, banking credit policy and financing design at the Institute of Economic Education of the World Bank (1992 – 1996); corporate governance: role of government and private sector at Joint Vienna Institute (1996); productivity and decision-making process at Asian Productivity Organization in Tokio (1998); corporate governance at the center of private entrepreneurship of CCI of USA (1999).

Work Experience: 18 years of experience in various managing positions of private organizations. The Founder and Rector of University of International Business (1992-2002), President of IBS Consulting (2002-2005), Vice-Rector on Academic Issues of KBTU (2005-2007), President of LLP «AXIS Corporation» (2007-2009). Since 2009 managing partner of LLP «RKF Astana».

Having the wide range of work experience, provides the consulting services to private and state sectors on corporate finance, IFRS, management account, project management, strategic management, investment project analysis, introduction of MTSP system, budget, corporate governance, ERP systems.

Work and membership in BD and other organizations: Independent Director of JSC «NAC «Kazatomprom», JSC «International University of Information Technologies».

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.



Nartay Nurtayevich Durbayev

Independent Director

Status: Independent Director

Date of the first election to BD, date of current election to BD:
Decision of Management Board of JSC «Samruk-Kazyna», dated April 10, 2014, Minutes №10/14, Decision of Management Board of JSC «Samruk-Kazyna», dated October 31, 2014, Minutes №49/14.

Citizenship: Republic of Kazakhstan

Date of Birth: January 7, 1956

Academic Background: Kazakh Polytechnic Institute named after V.I. Lenin (1978), Almaty. Higher Courses of SSC of USSR (1982) Minsk. Higher School of SSC of USSR (1989) Moscow.

Work Experience: 1978 – engineer of Kazakh Research Institute «Giprofosfor». 1982 - 2008 worked in various positions of SSC of Kazakh SSR – NSC of RK, junior special agent – Chairman of NSC of RK, Lieutenant General.

February 2008 – Advisor of the President of the Republic of Kazakhstan. September 2008 to August 2009 - Vice-President of JSC «National Atomic Company «Kazatomprom».

Work and membership in BD and other organizations: 2013 – March 2014 Independent Director, CEO of the Board of Directors Committee of JSC «NC «Kazakhstan Engineering».

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.



Nominating procedure of candidates for Board of Directors

Candidates for members of the Board of Directors and members of the Board of Directors shall have relevant experience, knowledge, skills, positive developments in the business and (or) industry environment necessary for the performance of his duties and the organization of effective working environment of the entire Board of Directors in the interests of the Sole Shareholder and the Company.

Member of the Board of Directors shall not be elected by the following features:

- 1) Has outstanding or removed criminal record in accordance with the law;
- 2) Previously CEO of the Board of Directors, the first executive (CEO of Management Board), deputy executive, chief accountant of another legal entity in the period of no more than one year before the decision on compulsory liquidation or compulsory redemption of shares, or conservation of another legal entity declared bankrupt according to established order. This requirement shall apply five years after the date of the decision on compulsory liquidation or compulsory redemption of shares or conservation of other legal entity recognized as bankrupt in the established order.

Criteria for Independent Directors

The presence of independence of the Sole shareholder and management of the company directors, who are the guarantee of making objective decisions meeting the interests of the Company, is necessary in order to implement the best practices of corporate governance.

In accordance with Subparagraph 20) of Article 1 of the Law «On Joint Stock Companies», «Independent Director» is defined as: a member of the Board of Directors that is not an affiliated person of the Joint Stock Company and has not been affiliated for three years prior to the election to the Board of Directors (except the case of acting as an independent director of the Joint Stock Company); is not an affiliated person in relation to the affiliated

persons of the Joint Stock Company; not bound by subordination with officials of the Joint Stock Company or organizations - affiliates of the given Company and was not associated with the subordination of these persons during three years prior to the election to the Board of Directors; not a civil servant; not an auditor of the Company and has not been named for three years prior to the election to the Board of Directors; not participate in the audit of the Company as an auditor, working as part of the audit organization and has not participated in such audit during three years preceding the election to the Board of Directors.

In accordance with Paragraph 105 of the Corporate Governance Code and Article 9 of the Regulation on the Board of Directors of the Company, the Director may be considered independent, if Director:

- Is not an employee of the Company or its subsidiaries and affiliates in the past five years;
- Has not received or does not receive additional remunerations of the Company except for remuneration of the Board of Directors;
- Does not occupy a similar position in other organizations or bodies, it has significant relationships with other members of the Board of Directors through the participation in other organizations or bodies;
- Does not represent the Sole Shareholder or state governmental bodies;
- Is not a member of the Board of Directors for more than nine consecutive years.

Development of Directors

The Company has a Policy to improve the skills of members of the Board of Directors of JSC «Tau-Ken Samruk» and attraction of external experts by the Board of Directors, whose aim is to increase the operations efficiency and balanced decisions of the Board of Directors of the Company by implementing a systematic, structured and transparent mechanisms for improving the skills and qualifications of members of the Board of Directors; and their right to attract external experts in case of necessity for external professionals and independent expertise in solving the issues addressed by the Board of Directors.

In accordance with the present Policy, Z.F. Arslanova received a certificate of the course «Certified Director» under the program «Confirmed Director» in 2014 in order to enhance the skills.

Procedure for the proposals to the agenda of the meetings of the Board of Directors

Board of Directors meeting may be convened on the initiative of CEO or the Management Board of the Company or at the request of:

- Any member of the Board of Directors;
- Audit organization performing the audit of the Company;
- The Sole Shareholder;
- Internal Audit Service.

The requirement to convene the meeting of the Board of Directors of the Company shall be presented to CEO of the Board of Directors by sending a written notice containing the proposed agenda of the meeting of the Board of Directors.

In case of refusal of CEO of the Board of Directors to convene a meeting, the proponent may apply the specified requirement in the Management Board of the Company, which is obliged to convene a meeting of the Board of Directors of the Company.

The CEO of the Board of Directors or the Management Board shall convene the meeting of the Board of Directors of the Company no later than seven calendar days after receipt of the request to convene.

The meeting of the Board of Directors shall be held with a mandatory invitation to persons presenting the requirement.

The procedure for giving notice to members of the Board of Directors about the meeting of the Board of Directors shall be determined by the Board of Directors of the Company.

In accordance with the Charter of the Company, the Board of Directors is not entitled to make decisions on issues that are referred to the exclusive competence of the Management Board of the Company and to make decisions contrary to the decision of the Sole Shareholder.

At the meeting of the Board of Directors, the decisions are taken on issues included in the agenda of this meeting.

The initiator of the inclusion of items on the agenda may be occurred at any time prior to the decision, to exclude the question of the agenda shall necessarily be recorded in the minutes.

During any meeting of the Board of Directors, attended by 2/3 (two thirds) of the total staff of the Board of Directors, the agenda may include and deal the further issues, in case that that their inclusion in the agenda will be voted by all present members of the Board of Directors.

Report of Board of Directors

In 2014, 13 meetings of the Board of Directors, including 4 meetings of voting in absentia were held. Participation of members of the Board of Directors in meetings in presentia of the Board of Directors of «Tau-Ken Samruk»:

№	Members of Board of Directors	Attendance Record of Board of Directors at Meetings	%	Period of Membership of Board of Directors in the Reporting Period
1.	Bektemirov K.A	13(13)	100%	01.01.2014 – 31.12.2014
2.	Argingazin A.A.	11(13)	84%	01.01.2014 – 31.12.2014
3.	Arslanova Z.F	13(13)	100%	01.01.2014 – 31.12.2014
4.	Dutbayev N.N.*	6 (13)	46%	10.04.2014 – 20.10.2014
5.	Turmagambetov M.A.	13(13)	100%	01.01.2014 – 31.12.2014

* Dutbayev N.N. - removed from the membership of Board of Directors of JSC «Tau-Ken Samruk», dated October 20, 2014. (Minutes №49/14, dated 31.10.2014).

The Board of Directors meets on a regular basis, in accordance with the annual Action Plan of the Board of Directors, and as far as necessary.

In general, during 2014 the Board of Directors decided 164 issues, therefrom 2 issues with 1 voted «Abstain» with the dissenting opinion; 1 issue with 1 vote «For» with the written opinion, 1 issue with 2 votes «Abstain» on the basis of Article 71 of the Law «On Joint Stock Companies», 1 issue with 1 vote «Abstain»; on other issues the Board of Directors voted «Unanimously».

During the current year, at the periodic meetings of the Board of Directors issues were discussed and considered on the Company's strategy, budget adjustments, investment projects, evaluation of the Management Board members, the reports of the Management Board and the

Internal Audit Service, changes in the staff of the Board of Directors, Committees and Management Board.

The more detailed information on the most important issues, discussed at the meetings of the Board of Directors of the Company during the year is presented below.

In January, the Board of Directors of «Tau-Ken Samruk» considered the project «Industrial development of Shalkiya polymetallic ores deposit in Kyzylorda region of the Republic of Kazakhstan with the construction of processing plant»; as well as the information about the exclusion area of North Balkhash-1 in Karaganda region of the List of subsoil use facilities offered by JSC «Tau-Ken Samruk» for joint implementation.

In February, the Management Board considered the periodic report for the 2nd half of 2013 before the Board of Directors of the Company. The following information was considered: the execution of the Action Plan to improve the corporate governance system of JSC «Tau-Ken Samruk» for 2013; approved the organizational structure of JSC «Tau-Ken Samruk», HR Policy of JSC «Tau-Ken Samruk» for 2014-2022 and the Action Plan to meet the expectations of the Sole Shareholder of JSC «Tau-Ken Samruk» National Mining Company» for 2014.

In March, the Company made the adjustments to the Development Plan of JSC «Tau-Ken Samruk» for 2014-2018; pre-approved the annual financial statements of JSC «Tau-Ken Samruk» for 2013; established three subsidiaries - LLP «TKS-Zhaksylyk», LLP «Tau-Ken Progress», LLP «TKS-Kostanay»; confirmed the key performance indicators of the members of the Management Board of JSC «Tau-Ken Samruk» for 2014 were; published the Risk Register of JSC «Tau-Ken Samruk» for 2014 in a new edition and a number of internal documents.

In April, the Company approved the annual report of JSC «Tau-Ken Samruk» for 2013 was previously; considered a number of quarterly reports on the improvement of the internal control and risk; discussed a report on the implementation of the Development Plan of JSC «Tau-Ken Samruk» for 2011-2015 and for 2013; approved the information policy of JSC «Tau-Ken Samruk» in the new edition; assessed the activities of the members of the Management Board of JSC «Tau-Ken Samruk» on the basis of execution of performance coefficient for 2013.

In May, the Company decided the placement (sale) of shares of JSC «Tau-Ken Samruk»; considered the reports on the implementation of the Development Strategy of JSC «Tau-Ken Samruk» for 2013 and the quarterly reports on implementing the Development Plan of JSC «Tau-Ken Samruk»; established the Committee for Strategic Planning and Investment; corrected the changes of the existing Committees staff; confirmed the Policy on notices of alleged violations of JSC «Tau-Ken Samruk», considered the issue of providing the onerous loan to LLP «JV «Tau-Ken Project».

In June, the Company took the decision on placement (sale) of shares of JSC «Tau-Ken Samruk».

In July, the Company considered the Adjustment plan of JSC «Tau-Ken Samruk» for 2014 – 2018; confirmed the Regulation on management for subsidiaries and dependent companies of JSC «Tau-Ken Samruk»; took a number of decisions for LLP «Shokpar-Gagarin»; adopted the report on the activities of the Internal Audit Service of JSC «Tau-Ken Samruk» for 2013; approved the Regulations on the Committee for Strategic Planning and Investment.

In August, the Management Board reviewed the Company's periodic report for the 1st half of 2014; approved the policy on risk management fraud and theft of JSC «Tau-Ken

Samruk», Rules of risk management of JSC «Tau-Ken Samruk» (Corporate Standard), Matrix of risks and controls of JSC «Tau-Ken Samruk» for 2014, the Code of Business Ethics of JSC «Tau-Ken Samruk»; decisions on issues of «ShalkiyaZinc Ltd».

In November, the Company approved the Development Plan for of JSC «Tau-Ken Samruk» for 2015 – 2019; decided the quantity of staff of the Management Board of JSC «Tau-Ken Samruk»; changes in the staff of Committees and the list of subsoil use facilities, offered by JSC «Tau-Ken Samruk» to joint implementation; approved the Risk Register and Risk Map of JSC «Tau-Ken Samruk» for 2015; considered candidates for the vacant positions of Senior Auditor and Auditor of Internal Audit Service of JSC «Tau-Ken Samruk».

In December, the Company approved the Board of Directors Work Plan for 2015, the Regulation on the establishment and organization of work with the personnel reserve of JSC «Tau-Ken Samruk», as well as the implementation of the indicative terms of interests of JSC «Tau-Ken Samruk» in investment projects at the stage of exploration works; considered the Road Map for Transformation of JSC «Tau-Ken Samruk».

The Annual Report of JSC «Tau-Ken Samruk» for 2013 and annual financial statements for 2013 were sent among the considered issues at meetings of the Board of Directors for consideration and approval by the Sole Shareholder in the framework of its competence.

The additional information about the decisions of the Board of Directors, adopted in 2014 is available on the Company website www.tks.kz.

Committees of Board of Directors

Nominations and Remuneration Committee, Audit Committee, and Committee on Strategic Planning and Investment are working to review the most important issues and make appropriate recommendations to the Board of Directors of JSC «Tau-Ken Samruk».

Audit Committee

Role. In accordance with the Regulation on the Audit Committee of the Board of Directors, the Committee's activities aimed at assisting the Board of Directors on issues of financial statements, internal control and risk management, external and internal audit, compliance of legislations and other issues on behalf of the Board of Directors.

Status, staff, mode of operation, competence and functions of the Audit Committee, the procedure of convening and holding the meetings, designing solutions, as well as the rights and responsibilities of members of the Committee are defined by the Regulation on the Audit Committee.

The Audit Committee reports the Board of Directors of the Company and shall act under the powers granted to it by the Board of Directors of the Company.

Staff. In accordance with paragraphs 10-14 of the Regulation on the Audit Committee, approved by the Board of Directors, dated 14.12.2010. (Protocol №10/10), amended on October 31, 2013 (Protocol № 11/13), the Audit Committee shall consist of at least two persons, including the independent director(s). The Chairperson of the Audit Committee shall be elected among the independent directors.

In accordance with the decision №04/13 of the Board of Directors, dated 25.04.2013 the following Committee staff was determined:

- Arslanova Z.F. - Chairperson of the Audit Committee, Independent Director;
- Argingazin A.A. - Member of the Audit Committee, Independent Director.

According to the decision №07/14 of the Board of Directors of JSC «Tau-Ken Samruk», dated May 28, 2014 Bauyrzhan Alpysbaevich Ainabekov, the Senior Expert of the Energy and

Mining Assets Direction of JSC «Samruk-Kazyna» was appointed as an expert of the Committee.

Thus, the current staff of the Committee is the following:

- Arslanova Z.F. – Chairperson of the Audit Committee, Independent Director;
- Argingazin A.A. – Member of the Audit Committee, Independent Director;
- Ainabekov B.A. – Expert of the Audit Committee.

Report. During the reporting period, the Audit Committee held 9 meetings in presentia. The personal participation of members of the Audit Committee at the meetings in 2014 as follows:

№	Date of Meeting	Members of Audit Committee		
		Argingazin A.A.	Arslanova Z.F.	Ainabekov B.A.*
1.	February 26, 2014	✓	✓	
2.	March 20, 2014	✓	✓	
3.	March 31, 2014	✓	✓	
4.	April 28, 2014	✓	✓	
5.	May 28, 2014	✓	✓	
6.	July 16, 2014	✓	✓	-
7.	August 29, 2014	✓	✓	-
8.	October 29, 2014	✓	✓	-
9.	December 19, 2014	✓	✓	-
	Total	100%	100%	0

* Ainabekov B.A was elected to membership of Audit Committee in May 28, 2014, №07/14

The Audit Committee had considered 47 issues within its competence, and given the appropriate recommendations to the Board of Directors of the Company:

1. Considering the Report on implementing the Action Plan to improve the corporate governance system of JSC «Tau-Ken Samruk» for 2013;
2. Considering the Plan of corrective and/or preventive actions of JSC «Tau-Ken Samruk», proposed by the audit object as a result of the audit assessment for transparency and efficiency of the processes of disclosing JSC «Tau-Ken Samruk» for 2012 and the first 9 months of 2013, conducted by Internal Audit Service of JSC «Tau-Ken Samruk», taking into account the results of the analysis of disclosing the information by Kazakhstani companies;
3. Considering the Policies in attracting the services of audit organizations of JSC «National Mining Company «Tau-Ken Samruk» in the new edition;
4. On amendments and additions to the Risk Register, Risk Maps, determining the risk appetite and risk tolerance of JSC «Tau-Ken Samruk» for 2014, approved by the Board of Directors of JSC «Tau-Ken Samruk», dated 27.12.2013 (Protocol №13/13);
5. Considering the key performance indicators of the Internal Audit Service of JSC «Tau-Ken Samruk» and the managers for 2014;
6. Considering the Annual Audit Plan of the Internal Audit Service of JSC «Tau-Ken Samruk» for 2014;

7. Considering the Report on the activities of the Audit Committee of the Board of Directors of JSC «Tau-Ken Samruk» for 2013;
8. Preliminary approval of the issue on confirming the additional limits on-balance sheet and off-balance sheet liabilities for counterparty banks of JSC «Tau-Ken Samruk».
9. Approval of the Risk Register of JSC «Tau-Ken Samruk» for 2014 in the new edition.
10. Approval of the Annual separate and consolidated financial statements of JSC «Tau-Ken Samruk» for 2013;
11. Considering the Correspondence to the management of JSC «Tau-Ken Samruk» by the results of the audit of the consolidated financial statements for 2013 in the framework of the meeting with the external auditor;
12. Approval of the Program of accounting personnel development of JSC «Tau-Ken Samruk» and its subsidiaries;
13. Considering the Regulations on the Internal Audit Service of JSC «Tau-Ken Samruk» in the new edition;
14. Considering the Guidelines on the organization of internal audit of JSC «Tau-Ken Samruk» in the new edition;
15. Considering the Risk Register of JSC «Tau-Ken Samruk» for 2014 in the new edition (again).
16. Considering the Report on the evaluation of the effectiveness of the internal control system of JSC «Tau-Ken Samruk».
17. Considering the Report on risk management with the description and analysis of the key risks (including legal risks), information on compliance with the limits of the risks, the information about plans to minimize the risks for 2013.
18. Considering the Report on the implementation of the Action Plan for the improvement of the internal control system of JSC «Tau-Ken Samruk» for 2013-2015, for the 4th quarter of 2013.
19. Considering the Report on the implementation of the Action Plan for the improvement of the internal control system of "Tau-Ken Samruk" for 2013-2015. for the 1st quarter 2014.
20. Considering the draft Regulations on the internal control system of JSC «Tau-Ken Samruk».
21. On some issues of personnel of the Internal Audit Service of JSC «Tau-Ken Samruk».
22. Considering the Policies on notices of the alleged infringement of JSC «Tau-Ken Samruk».
23. Preliminary approval of the Report on the risks of JSC «Tau-Ken Samruk» for the 1st quarter of 2014.
24. Preliminary approval of additional limits on-balance sheet and off-balance sheet liabilities for counterparty banks of JSC «Tau-Ken Samruk».
25. Considering the issues on changes in job titles and wages of employees of the Internal Audit Service of JSC «Tau-Ken Samruk».
26. Considering the Report on the activities of the Internal Audit Service of JSC «Tau-Ken Samruk» for 2013.
27. The preliminary assessment of the activities of Internal Audit Service of JSC «Tau-Ken Samruk» and the managers for 2013.

28. Preliminary approval of the Long-term development strategy of the corporate risk management system of the Company for 2014-2022.
29. Preliminary approval of the Continuity Plan of activities of JSC «Tau-Ken Samruk».
30. Considering the draft Action Plan for the improvement of the internal control system of JSC «Tau-Ken Samruk» for 2014-2015.
31. Approval of Risk Management Policies of fraud and embezzlement of JSC «Tau-Ken Samruk».
32. Considering and approval of Risk Management Rules of JSC «Tau-Ken Samruk» (Corporate Standard).
33. Considering and approval of the Matrix of risks and controls of JSC «Tau-Ken Samruk» for 2014.
34. Preliminary approval of the Long-term development strategy of the corporate risk management system of the Company for 2014-2022 (again).
35. Considering the Report on the risks of JSC «Tau-Ken Samruk» for the 2nd quarter of 2014.
36. Preliminary approval of the Risk Management Policy of JSC «National Mining Company «Tau-Ken Samruk» in the new edition.
37. Considering the interim review of the separate and consolidated financial statements of JSC «Tau-Ken Samruk» for the 1st half of 2014 in the framework of the meetings with external auditors.
38. Considering the candidates for the vacant position of Senior Auditor and Auditor for Internal Audit Service of JSC «Tau-Ken Samruk».
39. Considering the feasibility of the external evaluation of the activities of Internal Audit Service of JSC «Tau-Ken Samruk» for 2014.
40. Preliminary approval of the Statement of risk appetite and determination of levels of tolerance to critical risks of JSC «Tau-Ken Samruk» for 2015.
41. Preliminary approval of the Risk Register and Risk Map of JSC «Tau-Ken Samruk» for 2015.
42. Preliminary approval of the Action Plan for the management of critical (key) risks of JSC «Tau-Ken Samruk» for 2015.
43. Preliminary approval of additional limits on-balance sheet and off-balance sheet liabilities for counterparty banks of JSC «Tau-Ken Samruk».
44. Preliminary approval of additional limits on-balance sheet and off-balance sheet liabilities for counterparty banks of JSC «Tau-Ken Samruk».
45. Considering and approval of the preliminary Report on the implementation of the Action Plan for the improvement of the internal control system of JSC «Tau-Ken Samruk» for 2014-2015, for the 3rd quarter of 2014;
46. Preliminary approval of the Report on the risks of JSC «Tau-Ken Samruk» for the 3rd quarter of 2014.
47. On approval of the Audit Committee of the Board of Directors of JSC «National Mining Company «Tau-Ken Samruk» for 2015.

Nominations and Remuneration Committee

Role. The Committee is an advisory body of the Board of Directors of the Company on personnel policy and motivation policy, addressing issues of the nominations and remuneration, within the competence of the Board of Directors, as well as controlling the implementation of decisions taken by the Board of Directors of the Company.

The Committee was established for the following: to review and make recommendations to the Board of Directors of the Company to attract the qualified management of the Company, including the Board of Directors, Management Board and other positions of the Company; the appointment by the Board of Directors of the Company, as well as the issues of remuneration of the members of the Board of Directors, the members of Management Board and other employees of the Company; appointment by the Board of Directors of the Company.

Status, staff, mode of operation, competence and functions of the Committee, the procedure of convening and holding the meetings, designing solutions, as well as the rights and responsibilities of members of the Committee are defined by the Regulations on the Nominations and Remuneration Committee.

Staff. According to the decision of the Board of Directors of the Company, dated 20.07.2011 (Minutes №2/11) the Nominations Committee and Remuneration Committee of the Board of Directors were joined into Nominations and Remuneration Committee of the Board of Directors of the Company.

In accordance with Paragraphs 11-15 of the Regulation on the Nominations and Remuneration Committee of the Board of Directors of the Company, approved by the Board of Directors of the Company, dated April 11, 2012. (Minutes №6/12), with amendments, dated 28.03.13 (Minutes № 03/13), the Committee is composed of at least three directors, at least two thirds of whom must be independent directors. The members are elected by the majority vote of the Board of Directors. The CEO of the management Board shall be a member of the Committee. If necessary, the Committee may include experts with the necessary professional skills to work at the Committee. The terms of office of the Committee members coincide with their terms of office of Directors, however, these terms may be reviewed annually by the Board of Directors. The Chairperson of the Committee shall be elected by the Board of Directors among Independent Directors.

In accordance with the decision of the Board of Directors, dated 25.04.2013 (Minutes №04/13) the following staff of the Nominations and Remuneration Committee was determined:

- Arman Anuarbekovich Argingazin, Independent Director, Chairperson of the Nominations and Remuneration Committee;
- Zarina Fuatovna Arslanovna, Independent Director, Member of the Nominations and Remuneration Committee.

According to the decision №07/14 of the Board of Directors, dated May 28, 2014 the following staff of the Nominations and Remuneration Committee was determined:

- Arman Anuarbekovich Argingazin – Independent Director, Chairperson of the Nominations and Remuneration Committee of the Board of Directors of JSC «Tau-Ken Samruk»;
- Nartay Nurtayevich Dutbayev – Independent Director, Member of the Nominations and Remuneration Committee of the Board of Directors of JSC «Tau-Ken Samruk»;
- Bauyrzhan Alpysbayevich Ainabekov – the Senior Expert of the Energy and Mining Assets Direction of JSC «Samruk-Kazyna», Expert of the Nominations and Remuneration Committee of the Board of Directors of JSC «Tau-Ken Samruk».

In connection with the early termination of office of the Independent Director Dutbaev N.N. (based on the decision of the Management Board №49/14, dated October 31, 2014 of JSC «Samruk-Kazyna»), and the decision the Board of Directors of the Company №11/14, dated November 4, 2014 the schedule powers of Dutbaev N.N. as a member of the Nominations and

Remuneration Committee was terminated, and the current staff of the Nominations and Remuneration Committee of the Board of Directors of JSC «Tau-Ken Samruk» is as follows:

- Arman Anuarbekovich Argingazin – Independent Director, Chairperson of the Nominations and Remuneration Committee of the Board of Directors of JSC «Tau-Ken Samruk»;
- Zarina Fuatovna Arslanovna, Independent Director, Member of the Nominations and Remuneration Committee of the Board of Directors of JSC «Tau-Ken Samruk»;
- Bauyrzhan Alpysbayevich Ainabekov – the Senior Expert of the Energy and Mining Assets Direction of JSC «Samruk-Kazyna», Expert of the Nominations and Remuneration Committee of the Board of Directors of JSC «Tau-Ken Samruk».

Report. Meetings of the Committee during the accounting period were carried out in a full staff. During the accounting period the Committee held 8 meetings in presentia.

Personal participation of members of the Committee at meetings held during the accounting period is as follows:

№	Date of Meeting	Argingazin A.A.	Arslanova Z.F.	Dutbayev N.N.*	Ainabekov B.A.*
1.	February 26, 2014	✓	✓	Not member of the Committee	Not member of the Committee
2.	March 31, 2014	✓	✓		
3.	April 28, 2014	✓	✓		
4.	July 16, 2014	✓	Not member of the Committee	✓	-
5.	August 29, 2014	✓		✓	-
6.	November 04, 2014	✓	✓	Not member of the Committee	-
7.	December 08, 2014	✓	✓		-
8.	December 19, 2014	✓	✓		-
Total		100%	75%	25%	0

* Dutbayev N.N. terminated the term of office as the Independent Director since October 20, 2014 (according to the decision of the Management Board №49/14, dated October 31, 2014 of JSC «Samruk-Kazyna»).

** Ainabekov B.A was elected to the staff of Nominations and Remunerations Committee, dated May 28, 2014, №07/14.

During the reporting period the Committee held 8 meetings in presentia and 22 issues were discussed and recommended to submit the Board of Directors of the Company:

1. Considering the personnel Policy of JSC «Tau-Ken Samruk» for 2014-2022.
2. Considering the Report on the activities of the Nominations and Remuneration Committee of the Board of Directors of JSC «Tau-Ken Samruk» for 2013.
3. Evaluation of the activities of the Management Board members of JSC «Tau-Ken Samruk» on the basis of performance coefficient for 2013.
4. Considering the key performance indicators of the members of the Management Board of JSC «Tau-Ken Samruk» and their targets for 2014.
5. Considering the Regulations on the Internal Audit Service of JSC «Tau-Ken Samruk» in the new edition.
6. Considering the Guidelines on the organization of internal audit of JSC «Tau-Ken Samruk» in the new edition.
7. Evaluation of the members of the Management Board of JSC «Tau-Ken Samruk» on the basis of performance coefficient for 2013 (again).

8. Considering the Report on the activities of the Corporate Secretary of JSC «Tau-Ken Samruk» for the 1st quarter of 2014.
9. Approval of the key indicators of the members of the Management Board of JSC «Tau-Ken Samruk» for 2014 in the new edition.
10. Considering the Report on the activities of the Corporate Secretary of JSC «Tau-Ken Samruk» for the 2nd quarter of 2014.
11. Considering the amount of salary of the Corporate Secretary of JSC «Tau-Ken Samruk».
12. Considering the key performance indicators of the Corporate Secretary of JSC «Tau-Ken Samruk» for 2014.
13. On Approval of the Rules of performance evaluation and remuneration for administrative employees of JSC «Tau-Ken Samruk» in the new edition.
14. Considering the Report on the implementation of the program in the field of succession planning at JSC «Tau-Ken Samruk» for the 1st half of 2014.
15. On the quantitative staff of the Management Board of JSC «Tau-Ken Samruk».
16. Considering the candidates for the vacant positions of Senior Auditor and Auditor of Internal Audit Service of JSC «Tau-Ken Samruk».
17. Considering the Report on the activities of the Corporate Secretary of JSC «Tau-Ken Samruk» for the 3rd quarter of 2014.
18. Preliminary consideration of candidates for the position of Independent Director of JSC «Tau-Ken Samruk».
19. On approval of the formation and organization of the works with the personnel reserve of JSC «National Mining Company «Tau-Ken Samruk».
20. On approval of the Action Plan of the Nominations and Remuneration Committee of the Board of Directors of JSC «National Mining Company «Tau-Ken Samruk» for 2015.
21. Considering the Report on the activities of the Corporate Secretary of JSC «Tau-Ken Samruk» for the 4th quarter of 2014.
22. Considering the key performance indicators and targets of the members of the Management Board of JSC «Tau-Ken Samruk» for 2015.

Strategic Planning and Investment Committee

Role. The Committee is an advisory body of the Board of Directors of the Company, which was established to develop and present to the Board of Directors the recommendations on strategic development of the Company, including strategic goals and objectives of the Company, as well as the implementation of investment and other issues within the competence of the Committee.

Status, staff, mode of operation, competence and functions of the Committee, the procedure of convening and holding the meetings, designing solutions, as well as the rights and responsibilities of members of the Committee shall be defined by the Regulations on the Strategic Planning and Investment Committee.

Staff. In accordance with the decision of the Board of Directors, dated 28.05.2014 (Minutes №07/14) the Strategic Planning and Investment Committee of the Board of Directors of JSC «Tau-Ken Samruk» was established with the following staff:

- Nartay Nurtayevich Dutbayev – Independent Director, Chairperson of the Strategic Planning and Investment Committee of the Board of Directors of JSC «Tau-Ken Samruk»;

- Zarina Fuatovna Arslanovna, Independent Director, Member of the Strategic Planning and Investment Committee of the Board of Directors of JSC «Tau-Ken Samruk»;
- Aleksey Vladimirovich Ogay – Deputy Chief Director on Assets Management of JSC «Samruk-Kazyna», Expert of the Strategic Planning and Investment Committee of the Board of Directors of JSC «Tau-Ken Samruk».

In connection with the early termination of office of an Independent Director Dutbaev N.N. (based on the decision of the Management Board №49/14, dated October 31, 2014 of JSC «Samruk-Kazyna»), according to the decision the Board of Directors of the Company, dated November 4, 2014 №11/14, the schedule powers of Dutbaev N.N. as a Chairperson of the Strategic Planning and Investment Committee were terminated ahead.

According to the decision of the Board of Directors №11/14, dated November 4, 2014 the current membership of the Committee has been defined:

- Zarina Fuatovna Arslanovna – Independent Director, Member of the Strategic Planning and Investment Committee of the Board of Directors of JSC «Tau-Ken Samruk»;
- Arman Anuarbekovich Argingazin – Independent Director, Member of the Strategic Planning and Investment Committee of the Board of Directors of JSC «Tau-Ken Samruk»;
- Aleksey Vladimirovich Ogay – Deputy Chief Director on Assets Management of JSC «Samruk-Kazyna», Expert of the Strategic Planning and Investment Committee of the Board of Directors of JSC «Tau-Ken Samruk».

Report. During the accounting period, the Committee has held 4 meetings in presentia. Personal participation of members of the Committee meetings held during the accounting period is as follows:

№	Date of Meeting	Argingazin A.A.	Arslanova Z.F.	Dutbayev N.N.*	Ogay A.V.
1.	July 16, 2014	Not member of the Committee	✓	✓	✓
2.	August 29, 2014		✓	✓	✓
3.	November 04, 2014	✓	✓	Not member of the Committee	✓
4.	December 19, 2014	✓	✓		✓
	Total	50%	100%	50%	100%

* Argingazin A.A was elected to the staff of Strategic Planning and Investment Committee, dated November 4, 2014, №11/14.

** Dutbayev N.N. terminated the term of office as the Independent Director since October 20, 2014 (according to the decision of the Management Board №49/14, dated October 31, 2014 of JSC «Samruk-Kazyna»).

During the reporting period, the Committee has held 4 meetings in presentia, reviewed and made recommendations on 12 issues submitted to the Board of Directors of the Company:

1. Considering the Regulations on the Strategic Planning and Investment Committee of the Board of Directors of JSC «Tau-Ken Samruk».
2. Approval of Long-term investment master plan for the development of JSC «Tau-Ken Samruk» for 2022, and the final parameters of implementation of investment projects of JSC «Tau-Ken Samruk».

3. Considering the Report on monitoring implementation of the investment program of JSC «Tau-Ken Samruk» for the 1st half of 2014.
4. Approval of the Project «Introduction of vacuum distillation technology of silver to refinery in Astana».
5. Considering the Report on monitoring implementation of the investment program of JSC «Tau-Ken Samruk» for 9 months of 2014.
6. Considering the draft Innovation Technology Strategy of JSC «Tau-Ken Samruk» for 2014-2022.
7. Approval of the Work Plan of the Strategic Planning and Investment Committee of Board of Directors of JSC «National Mining Company «Tau-Ken Samruk» for 2015.
8. Approval of the indicative terms of the realization of interests of JSC «Tau-Ken Samruk» in investment projects at the stage of exploration.

Evaluation Policy of the Board of Directors Activity

The Company has approved the Regulation on the evaluation of the Board of Directors activity.

In December 2014, the Board of Directors decided to conduct the evaluation of activities of the Board of Directors, Committees of the Board of Directors and members of the Board of Directors of JSC «Tau-Ken Samruk» by the questionnaire method.

The purpose of the evaluation is to determine the effectiveness and efficiency that will allow the Board of Directors to analyze and identify the strengths and weaknesses of activities, to make any necessary adjustments to the Board of Directors and to adjust the target area of the activities.

The Board of Directors shall prepare and discuss the corresponding report on the base of the results.

Remuneration Policy of Members of the Board of Directors

In accordance with Subparagraph 9) of paragraph 52 of the Company Charter, determination of the amount and terms of remuneration for members of the Board of Directors within the exclusive competence of the Sole Shareholder.

Remuneration for Independent Directors of the Company are paid on the basis of the Rules of remuneration and reimbursement of expenses for independent directors of the Company JSC «Samruk-Kazyna», approved by the decision of the Management Board of «Samruk-Kazyna» №55/09, dated 22.05.2009, with amendments dated 24.05.2012 (Protocol №23/12).

According to the above Regulation, the payment of remuneration for Independent Directors is carried out under the following conditions:

- The fulfillment in good faith of a member of the Board of Directors, using the methods that reflect the interests of the Company in the best way;
- Guiding the legislations of the Republic of Kazakhstan, the Charter and internal documents of the Company in decision-making procedures;
- Participation at meetings of the Board of Directors, with the exception of illness, vacation, and business trips.

Independent directors are paid the following fees:

- Fixed remuneration;
- The additional remuneration for participation at meetings in presentia of Committees of the Board of Directors.

The amount of the annual fixed remuneration and the additional independent directors are set by the individual decisions of the Sole Shareholder.

The remuneration shall not be paid for members of the Board of Directors in respect of which the legislation provides restriction or ban on the receipt of any payments from commercial organizations, and members of the Board of Directors who are the representatives of the Sole Shareholder and CEO of the Management Board.

Thus, the remuneration is paid only for independent directors. The terms and procedure of remuneration and compensation for members of the Board of Directors are determined by the resolution of the Sole Shareholder.

In accordance with best international practices of corporate governance, the Company uses the following basic forms of remuneration

- Fixed annual remuneration for membership at the Board of Directors – 1 200 000 (one million and two hundred thousand), after taxes and other mandatory payments (paid semiannually in proportion to the period of work in the corresponding six months of the calendar year, during the month following the reporting period of remuneration payment);
- Additional remuneration for participating at the work for every person at meeting in presentia of the Committee of Board of Directors – 75 000 (seventy five thousand) (paid in the month following the date of the meeting in presentia);
- Reimbursement of expenses (travel, accommodation, per diems, telephone communications in the Republic of Kazakhstan, scanning services, photocopying, fax, printing, printing documents, access to the Internet in the Republic of Kazakhstan), associated with the departure of the Board of Directors meetings, held outside the place of permanent residence of Independent Directors (within the norms of reimbursement of business trips expenses of the CEO of the Management Board, provided by the internal documents of the Company).

The members of the Board of Directors do not receive any other remuneration or benefits, as well as there are no upper limits for compensation or other remuneration provided in the form of shares of JSC «Tau-Ken Samruk».

Thus, the fixed remuneration shall not be paid in case of participation of independent directors less than the half of all meetings both in presentia and absentia of the Board of Directors of the Company in the accounting period, except the absence at meetings in presentia due to illness, vacation, or business trip.

Thus, in 2014 the Board of Directors carried out in full the goals, objectives and responsibilities established by the Corporate Governance Code of the Company, Regulations on the Board of Directors, as well as the Work Plan of the Board of Directors for 2014.

15.3 Internal Audit Service

The Internal Audit Service is the body of the Company, subordinate organizational and functional reporting to the Board of Directors. The service supervises the activities of the Audit Committee Service of the Board of Directors.

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

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

In developing the Annual audit plan, the Service uses the risk-based approach. Audits are carried out on the basis of the Annual audit plan approved by the Audit Committee and confirmed by the Board of Directors.

Guided by the main goals and objectives set by the Board of Directors of the Company to the Service, in 2014 the assessment of corporate system of internal controls and risk management were conducted, as well as the diagnostics of corporate governance of the Company was started. As a result of the audits, the Service made recommendations to improve the indicated corporate systems.

On a quarterly basis, the monitoring of implementation of recommendations issued by both Service and the external auditor was held.

In order to coordinate activities to ensure proper coverage and minimize the duplication of works, the Service provides the information on the internal control system of the Company's external auditor.

In the framework of resource management in the accounting period the number of service was increased, job titles and levels of employees payment were revised, and the Service equipment was provided.

In order to ensure the continuous professional development, continuous improvement of knowledge, skills and competences of Service employees in the accounting period was provided by participating in training activities.

In the accounting period the systematic work was executed on implementation and improvement of internal regulations governing the activities of the Service. Revision of the provisions of the Internal Audit Manual and Internal Audit of the Company, a policy of notices of alleged infringement by the Company was developed.

In 2014, the Audit Committee and the Board of Directors of the Company conducted an internal evaluation of the effectiveness of the Service.

15.4 Management Board

The Management Board, as a collegial executive body, carries out the decisions of the Sole Shareholder and the Board of Directors, accountable to the Board of Directors and is responsible for the performance of assigned duties.

The rights and obligations of the members of the Management Board are determined by the Charter, the Regulations on the Management Board and the labor contract.

According to Paragraph 108 of the Charter of the Company, The Management Board consists of no less than three (3) persons.

According to the decision of the Board of Directors of the Company, dated November 4, 2014 (Protocol № 11/14) the staff of the Management Board of six persons was determined.

In view of available vacancy of Deputy CEO for Business Development, the current staff of the Management Board consists of five Management Board members, who are listed below according to the information

Staff of Management Board

№	Name	Position
1	Mazhit Abdykalykovich Turmagambetov	CEO of Management Board, Member of Board of Directors of JSC "Tau-Ken Samruk"
2	Kylyshbek Satylganovich Izbaskhanov	Deputy CEO of Management Board for Operations of JSC "Tau-Ken Samruk"
3	Talgat Zhanbolatovich Bigozhin	Deputy CEO of Management Board for Finance and Monitoring of JSC "Tau-Ken Samruk"
4	Aibek Baldayevich Izhanov	Managing Director for Geology and Subsoil Use of JSC "Tau-Ken Samruk"
5	Damir Amangeldyuly Karim	Managing Director for Finance of JSC "Tau-Ken Samruk"

Information about Management Board Members

Mazhit Abdykalikovich Turmagambetov

CEO of the Management Board, Member of Board of Directors.

The range of issues under the responsibility of the Company: provides overall management of JSC «Tau-Ken Samruk».

Date of the first election to BD, date of current election to BD: Decision of Management Board of JSC «Samruk-Kazyna», dated January 31, 2012, Minutes №08/12, Decision of Management Board of JSC «Samruk-Kazyna», dated January 29, 2015, Minutes №04/15.

Citizenship: Republic of Kazakhstan

Date of Birth: February 1, 1961

Academic Background: Moscow Higher Technical College named after N.E. Bauman (1984), qualification «Engineer-Mechanic».

Work Experience:

1984 – Master, Deputy Head of the Workshop, Machine-Building Plant named after S.M. Kirov, Almaty city. 1989 – Deputy Director of SE «Damis».

1991 – Deputy Managing Director of JSC «Kazakh Central Real Estate Exchange». 1992 – General Director of «Damis93». 1996 – Deputy General Director of JV «Almaz» Jewellery Corporation».

1997 – Deputy Director of Industry Department of the Ministry of Economy and Trade of RK. 1998 – Deputy Chairman, Chairman of the Committee for State Control on Production and Sale of Alcohol Products of MF RK, MEaT RK, MSI RK.

2001 – Vice-Minister of the Ministry of Natural Resources and Environment Protection of RK. 2003 – Deputy Chairman of the Management Board of JSC «Innovation Fund». 2004 – Chairman of the Management Board of JSC «AstanaEnergService». 2006 – managing positions in commercial structures. 2008 – Director of LLP «Maximum» Regional Investment Center» (South-Kazakhstan region). 2008 – Deputy Akim of South-Kazakhstan region. March 2009 – Vice-Minister of the Ministry of Environment Protection of RK.

Since January 2012 to the present – CEO of the Management Board of JSC «Tau-Ken Samruk» National Mining Company».

Awarded the medal «10th Anniversary of the Constitution of Kazakhstan» (2005), «10th Anniversary of Astana» (2008), «20th Anniversary of Independence of the Republic of Kazakhstan» (2011), «Kurmet» (2014).

Work and membership in BD and other organizations: Member of Board of Directors of JSC «NAC «Kazatomprom», LLP «Kazcinc Holdings».

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.



Kylyshbek Satylganovich Izbaskhanov

Deputy CEO of the Management Board for Operations.

The range of issues under the responsibility of the Company: provides the formation and implementation of the policy on innovative and technological development.

Citizenship: Republic of Kazakhstan

Date of Birth: October 26, 1952

Academic Background: Kazakh Polytechnical Institute named after V.I. Lenin (1975), major «Metallurgic Engineer».

Work Experience:

1975 – Burner of Ust-Kamenogorsk lead and zink plant.

1976 – from furnace operator to the head of the melting shop of Chimkent Lead Plant. 1985– Director of Chimkent Lead Plant.

1991 – Chairman of the State Committee of RK on Public Property. 1993 – President of the State Holding Company.

1996 – Deputy Akim of South Kazakhstan region. 1997 – Akim of Shymkent city of South Kazakhstan region.

1999 – Department Director of Agency for Regulation of Natural Monopoly, Competitiveness Protection and Small Business Support on South Kazakhstan region.

2000 – Deputy Akim of South Kazakhstan region. 2002 – Executive Director of JSC «NC «Kazakhstan Temir Zholy».

2006 – Vice-President of JSC «NC «Kazakhstan Engineering», 2009 – Director of Direction on Industrial Assets Management of JSC «SWF «Samruk-Kazyna».

2009 – Managing Director for Operations and Engineering of JSC «National Mining Company «Tau-Ken Samruk».

Awarded the medal «Kurmet» (2014), «Parasat» (2012), «Honorary Engineering Worker», «Honorary Metallurgist of USSR».

Work and membership in BD and other organizations: no acquisition.

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.



Talgat Zhanbolatovich Bigozhin

Deputy CEO of the Management Board for Finance and Monitoring.

The range of issues under the responsibility of the Company: provides the formation and implementation of investment policy of the Company.

Citizenship: Republic of Kazakhstan

Date of Birth: August 16, 1974

Academic Background: Karaganda State University (1996), major «Finance and Credit».

Work Experience:

1991 – 1995 work at Tax Office of Tokyrauynsky district of Karaganda region. 1995 – 2000 various position at Balkhash branch of JSB «Tsvetmetbank», Balkhash branch of Halyk Bank, JSC «Kazakhstan», OJSC «Tselinnyi Mining and Chemical Plant», JSC «Progress».

2000 – 2001 Head of Planning and Financing Department, Head of Retail Business Management of Akmola regional branch OJSC «Halyk Bank of Kazakhstan». 2001 – 2002 CJSC «Development Bank of Kazakhstan». 2003 – Financial Director of CJSC «Cooperation «Golden Grain Group», LLP «Agro-M-Holding».

2004 – Advisor of CEO of Management Board for Finance, Supply and General Provision of JSC «Astanaenergосervice». 2006 – Advisor of Director of LLP «Astanaenergосbyт». 2008 – 2012 the managing positions of JSC «Development Bank of Kazakhstan», JSC «Trade House «KazMunayGas», JSC «Kazaeroservice», RSE «Kazgidromet», LLP «Astanaenergocontract», JSC «NC «Prodcorporation».

2012 – Deputy CEO of the Management Board of JSC «National Mining Company «Tau-Ken Samruk» for Finance and Monitoring.

Awarded the medal «Eren enbegi ushin» (2012).

Work and membership in BD and other organizations: no acquisition.

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.



Aibek Baldayevich Izhanov

Managing Director for Geology and Subsoil Use.

The range of issues under the responsibility of the Company: provides the organization of the Company activities for formation and implementation of policy in the field of geology and subsoil use.

Citizenship: Republic of Kazakhstan

Date of Birth: August 8, 1976

Academic Background: Kazakh National Technical University named after K.I. Satpayev, major «Technology and Techniques for Exploration of Mineral Deposits» (1998), qualification – Mining Engineer.



International Business Academy, Master of Business Administration, major «Management» (2011).

Work Experience:

1999 – 2001 drilling master, Head of Transportation and Drilling Workshop of JSC «Centrgeolsyemka», Karaganda city.

2001 – 2002 Maintenance Manager, Deputy Head of Maintenance and Procurement Department of JSC «Zhairemsky Mining and Processing Plant», Karaganda region.

2002 – 2007 Chief Expert, Head of Section of the Department for Subsoil Use of the ministry of Energy and Mineral resources of RK.

2007 – 2009 Director of Department for Subsoil Use of JSC «NC «SEC «Saryarka», Astana city.

2009 – 2013 Director of Department for Subsoil Use, Managing Director – Chief Geologist, Managing Director for Geology and Subsoil Use of JSC «Tau-Ken Samruk», since November 2014 in the Management Board staff of JSC «Tau-Ken Samruk», Managing Director for Geology and Subsoil Use.

Work and membership in BD and other organizations: no acquisition.

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.

Damir Amangeldiuly Karim

Managing Director for Finance.

The range of issues under the responsibility of the Company: provides the organization of activities on formation and implementation of the budget and treasury policies, policies for accounting and reporting, as well as information and organizational support.

Citizenship: Republic of Kazakhstan

Date of Birth: November 20, 1972

Academic Background: Karaganda State University, major «Economics and Management in the field of Mining Industry and Geological Exploration», qualification – Mining Engineer and Economist (1997), Kazakh State Law Academy, major «Jurisprudence», qualification – lawyer (2001), Karaganda State Technical University, major «Geology and Exploration of Mineral Deposits», academic degree of Bachelor of Techniques and Technology (2015).



Work Experience:

1997 – 2001 Economist at JSC «Alash», Karaganda city.

2002 – 2004 Chief Economist for Planning and Analysis of MGED, AFP of JSC «TNC «Kazchrom».

2004 – 2008 Head of Economic Planning Bureau, Head of Budget Planning of Mining Department «Kazmarganec» of JSC «TNC «Kazchrom» ENRC.

2008 – 2009 Senior Manager of JSC «SWF «Samruk-Kazyna».

2009 – 2014 Department Director for Budget Planning and Treasury, Managing Director for Finance of JSC «Tau-Ken Samruk», since November 2014 in the Management Board staff of JSC «Tau-Ken Samruk», Managing Director for Finance – Member of Management Board. Awarded Certificate of Merit of the President of the Republic of Kazakhstan (2014).

Work and membership in BD and other organizations: Member of the Board of Directors of LLP «KazzincHoldings».

Share acquisition of Suppliers and Competing Companies, quantity and participating interest in affiliated Companies: no acquisition.

Report of the Management Board

In 2014, 204 meetings of the Management Board were held, on which the decisions were made on 483 issues, among them 149 were submitted for consideration and decision by the Board of Directors of the Company, 9 for Investment and Innovation Committee of JSC «Samruk Kazyna», 2 for consideration of the Sole Shareholder.

Committees of Management Board

The following established consulting and advisory bodies have worked during the year - the Budget Committee, the Committee for HR Policy, Investment and Innovation Council and the Scientific and Technical Council.

Budget Committee

Role. A permanent advisory body that coordinates the implementation of the budgetary process of the Company.

In its activities the Committee guides the laws of the Republic of Kazakhstan, the Company Charter, decisions of the Sole Shareholder, Board of Directors, the Management Board, internal documents of the Company and these Regulations Committee.

Report. In 2014, 9 meetings of the Budget Committee were held. Among the major considered issues: Adjustment Plan for the Development of JSC «Tau-Ken Samruk» for 2014 - 2018; Considering Reports on implementation of the Development Plan of JSC «Tau-Ken Samruk» in the context of the reporting period; Considering the Report on the budget of JSC «Tau-Ken Samruk», as well as the subsidiaries in the context of the reporting period.

Scientific and Technical Council

Role. A permanent consulting and advisory body established for the purpose of scientific and methodical, informational and analytical, expert supporting activities of the Company.

In its activities, the Scientific and Technical Council guides the laws of the Republic of Kazakhstan, the Company Charter, the Regulations on the Scientific and Technical Council, as well as other internal documents of the Company.

On the issues about the competences, the STC makes decisions that are advisory in nature.

Report. During the accounting period 3 meetings of the STC were held, 8 issues were considered and 14 decisions were adopted, in particular, the draft were discussed for evaluation work on the geological and economic re-evaluation of Alaigyr polymetallic ores, innovative projects of LLP «Tau-Ken Altyn» - vacuum distillation of silver in refining gold and improving the production efficiency (installation of stamping line equipment).

The proposed technologies for industrial development of Shalkiya polymetallic ore by underground method, and the beneficiation of Alaigyr polymetallic ores were discussed.

Investment and Innovation Council

Role. A permanent collegial advisory body of the Management Board of the Company. The Council was established by the decision of the Management Board of the Company and reports directly to the Management Board of the Company.

The Board guides the laws of the Republic of Kazakhstan, resolutions of the Sole Shareholder of the Company, the Charter of the Company, Regulations and the internal documents of the Company.

Report. In 2014, 59 meetings of IIC of the Company were held. Among the major considered issues: approval of the purchase of 93% stake in the authorized capital of LLP "Masalskoe GOK", as well as approval of financing projects of Shalkiya, Silicium, Shokpar-Gagarin, Spasskaya copper ore zone and the introduction of vacuum distillation silver refinery.

Committee of HR Policy

Role. A governing body of JSC «Tau-Ken Samruk», operates on issues of the personnel management, implements the decisions of the Management Board and reports to the Management Board, and responsible to him for the performance of the assigned duties.

Rights and obligations of members of the HR Policy are determined by the Regulations on the Committee for HR Policy.

Report. In 2014, 13 meetings were held and included the following issues: HR Policy for 2014 – 2022, Target Maps of the personnel for 2014, evaluation of activities, rewarding and promoting employees, issues of labor discipline and others.

Evaluation of activities of Management Board Members' activities

The procedure for evaluating the performance of members of the Management Board of the Company consists of the following stages:

- Determination of motivational performance coefficient, setting the target values;
- Approval/correction of motivational performance coefficient;
- Monitoring of performance;
- Calculation and approval of factual performance.

Motivational performance coefficient is developed as the Map of performance coefficient by cascading the strategic objectives of the Company (Action Plan for the implementation of expectations of the Sole Shareholder, the Company's Development Plan, the existing Development Strategy of the Company, etc.) in specific indicators. Performance coefficient Maps for the members of the Management Board are developed by Nominations and Remuneration Committee of the Board of Directors and approved by the Board of Directors of the Company.

Remuneration of Management Board Members

Remuneration Policy of the Management Board members is implemented in accordance with the Rules of performance measurement and remuneration of administrative and managerial employees of JSC «Tau-Ken Samruk», developed in accordance with the laws of the Republic of Kazakhstan, the evaluation Policy and remuneration executives of companies of JSC «Samruk-Kazyna». These rules determine the conditions and the procedure for evaluation of performance and remuneration of administrative and managerial employees of the Company.

The main condition for the payment of remuneration for annual performance is the implementation of duly approved performance coefficient calculated taking into account the planned amount for the payment of remuneration. The right to receive remuneration for the performance is designed for employees actually worked in the period of not less than five (5) months, confirmed performance coefficient for the year. The maximum size of remuneration for annual performance of executives may not exceed 3 times the annual amount of wages (salary) of the employee.

15.5 Risk Management

Risk Management System

In the course of its activities JSC «Tau-Ken Samruk» is facing various risks that affect the achievement of planned indicators and targets, efficiency and effectiveness of decisions in general.

Thus, the Company recognizes the importance of risk management as a key component of the corporate governance system aimed at timely identification and taking measures to reduce the risks that may adversely affect its financial and business activities and reputation.

The introduction of the corporate risk management system in the Company is carried out in the framework of implementation of the recommendations of «SWF «Samruk – Kazyna», according to which the introduction of the corporate risk management should be in accordance with the concept of COSO (The Committee of Sponsoring Organizations of the Treadway Commission) and risk management systems.

The effective risk management system is an essential element of the activities and strategies of the Company. Accurate and timely identification, assessment, monitoring and responding to risks enable effective decision-making at all levels and ensure the achievement of strategic objectives and key performance indicators of the Company.

The main objective of CRMS of the Company is achieving the balance between the maximum use of opportunities for profit and loss prevention to protect the interests of the Sole Shareholder of the Company and the Group of Company, as well as ensuring the adequate return on equity of the Sole Shareholder and the increasing the Company's capitalization. This process is an important part of the management process and an integral part of the developed system of corporate governance.

Principles of Risk Management System

In accordance with the risk management policy of the Company, the basic principles of the risk management process are as follows:

- Integrity – consideration of the elements of the overall risk groups of the Company;
- Openness – ban on the consideration of the risk management system as a stand-alone or isolated;
- Structure – complex system of risk management has a clear structure;
- Awareness – risk management is accompanied by the presence of objective, reliable and relevant information;
- Continuity – the risk management process is carried out on an ongoing basis;
- Cyclical – the risk management process is a constantly recurring cycle built its main components;
- Efficiency – the risk management process to be effective (achieving the goals) and practical (optimal use of resources).

Approaches of Risk Management System

To achieve the goals, and compliance with established principles, the Company adheres to the following approaches of the risk management process:

- Reduction and control of risks – the impact on risk through the use of preventive measures and contingency planning in the event of a risk that involves changing the degree of probability of the risk of downward change, and the causes and consequences of the implementation of risk in order to reduce possible losses;
- Retention/risk taking, implying that the level is permissible for the Company and the Company accepts the possibility of its existence, it is also possible to accept the residual risk after the application of measures to minimize the risks;
- Risk financing – the transfer/risk sharing or partial transfer of the risk of the other party, including the use of various mechanisms (contracts, insurance arrangements, the definition of the structure), allowing the sharing of responsibilities and commitments;

- Care (avoiding) the risk/reduce the risk by decisions against continuing or taking action that is the source of the risk;
- Subsequent action – the strategy, providing the impact on the consequences of a risk event. This policy is applied to risks characterized by low levels of control and/or a low probability of realization. For such risks the contingency plans and plans to ensure business continuity are developed.

Risk management process in the Company is carried out in accordance with the internal documents on risk management approved by the Board of Directors of the Company. Risk Management Policy defines the structure of risk management, the main components of the risk management process, provides a systematic and consistent approach in the implementation of the risk management process of the Company and the subsidiaries.

Information about Internal Control System

The Company's activities in the framework of the internal control system are carried out in accordance with the Regulations on the Company's internal control system. Regulation defines the following: concept, purposes and objectives of the internal control system, the principles of its functioning, the key areas and key components of internal control, internal control procedures in the implementation of the Company's activities, the competence and responsibility of the subjects of the internal control for the implementation of internal control procedures and evaluating the system of internal control in the Company.

The Regulation also defines the responsibility of the Company for the provision of methodological and practical assistance for the organization of the internal control system, as well as for monitoring the effectiveness of internal control in the subsidiaries and dependent organizations of the Company.

15.6 Clearing Conflict of Interests

The Policy for the settlement of conflicts of interests, approved by the Board of Directors of the Company, dated March 4, 2013 (Minutes № 2/13), determines the general principles for the regulation of conflicts of interest and regulates the activities of the structural divisions of the Company for transactions and other activities affecting the area of regulating the conflict of interest.

All executive officers and employees of the Company in its operations are guided by the rule of the Company's interests.

All transactions in which there is an interest, can be carried out in case of:

- Positive decision of the Board of Directors or the Sole Shareholder, in case of Board of Directors are stakeholders or impossibility of decision due to lack of necessary number of votes for decision;
- Positive decision of the Management Board, in cases specified by the Rules of transactions between entities within the group of companies of JSC «Samruk Kazyna».

The policy defines a conflict of interest, the procedures to resolve the conflict of interest, the general requirements for the conclusion of transactions in which there is interest, conduct of business of the list of affiliated persons and others issues.

Transactions in which there is interest

In accordance with the Procurement Plan of JSC «Tau-Ken Samruk» in 2014, the conclusion of 14 deals was approved, in which there is an interest from organizations within

the group of companies the Sole Shareholder, the decision on which is adopted by the Management Board of JSC «Tau-Ken Samruk».

These transactions aimed at the procurement of the following goods, works and services:

№	Contract Title	Contract Number and Date	Transaction Party	Transaction Price (KZ Tenge, including VAT)	Details of Decision on Approval of Transactions by Management Board of Company
1	Contract on Procurement of Office Leasing Services and Building Maintenance	№ 2, dated 06.01.2014	LLP «KazMunayGas-Service»	116 977 875,84	№74-13, dated 30.12.2013.
2	Contract on Procurement of Parking Spaces renting an Car Parking	№ 3, dated 06.01.2014	LLP «KazMunayGas-Service»	806 400	№74-13, dated 30.12.2013
3	Contract on Procurement of Internet Services and Communication Services	№ 4, dated 06.01.2014	JSC «Kazakhtelecom»	8 249 812	№74-13, dated 30.12.2013
4	Contract on Services for Right of Use for Information System of E-Procurement of JSC «SWF «Samruk-Kazyna»	№ 7, dated 06.01.2014	LLP «Samruk-Kazyna Contract»	616 000	№74-13, dated 30.12.2013
5	Contract on Services for Uniform Stock Item Identification Guide of Goods and Services	№ 8, dated 06.01.2014	LLP «Samruk-Kazyna Contract»	56 000	№74-13, dated 30.12.2013
6	Contract on Services for Technical Support of Monitoring Map of Local Content	№ 9, dated 06.01.2014	LLP «Samruk-Kazyna Contract»	784 000	№74-13, dated 30.12.2013
7	Contract on Engagement Survey of Administrative and Managerial Staff of JSC «Tau-Ken Samruk»	№ 17, dated 20.01.2014	PE «Corporate University «Samruk-Kazyna»	466 790	№74-13, dated 30.12.2013
8	Contract on Procurement of Television and Telecommunication Equipment Renting Services (TV Broadcasting Services)	№ 19, dated 23.01.2014	CCT «AstanaTelecom», branch of JSC «Kazakhtelecom»	18 000	№74-13, dated 30.12.2013
9	Contract on Procurement of Printing Services	№ 20, dated 23.01.2014	LLP «ELECTRO NPOST.KZ»	3 000 000	№74-13, dated 30.12.2013

№	Contract Title	Contract Number and Date	Transaction Party	Transaction Price (KZ Tenge, including VAT)	Details of Decision on Approval of Transactions by Management Board of Company
10	Contract on Procurement of Periodic Printing Publication Services by Subscription	№ 22, dated 24.01.2014	JSC «Kazpost»	602 447,89	№74-13, dated 30.12.2013
11	Contract on EMS-post services	№ 23, dated 27.01.2014	JSC «Kazpost» - «EMS-Kazpost»	2 459 520	№74-13, dated 30.12.2013
12	Contract on Conference Participation	№ 40, dated 26.03.2014	PE «Corporate University «Samruk-Kazyna»	196 000	№74-13, dated 30.12.2013
13	Contract on Services for Organizing Seminars	№ 47, dated 07.04.2014	PE «Corporate University «Samruk-Kazyna»	331 652	№74-13, dated 30.12.2013
14	Contract on Procurement of Gym Leasing Services (Commissioning)	№ 52, dated 14.04.2014	LLP «Kazatomprom-Demeu»	1 453 491	Minutes № 55-14, dated 26.09.2014

In addition, the Company has concluded 6 transactions with interests from subsidiaries of the Company:

№	Contract Title	Contract Number and Date	Transaction Party	Transaction Price (KZ Tenge, including VAT)	Details of Decision on Approval of Transactions by Management Board of Company
1	Credit Contract	№ 15, dated 11.03.2014	LLP «Tau-Ken Altyn»	1 500 000 000	№14-14, dated 11.03.2014
2	Credit Contract	№ 51, dated 28.07.2014, Addendum №1 от 29.12.2014	JSC «ShalkiyaZink LTD»	12 000 000 000	Minutes № 44-14, dated 24.07.2014 Minutes № 75-14, dated 23.12.2014

№	Contract Title	Contract Number and Date	Transaction Party	Transaction Price (KZ Tenge, including VAT)	Details of Decision on Approval of Transactions by Management Board of Company
3	Credit Contract	№ 60, dated 05.09.2014	LLP «Shokpar-Gagarin»	437 293 000	Minutes № 53-14, dated 05.09.2014
4	Contract on Transports	№ 65, dated 29.09.2014	JSC «ShalkiyaZink LTD»	37 925 767	Minutes № 55-14, dated 26.09.2014
5	Credit Contract	№ 64, dated 18.09.2014, Addendum №1, dated 14.10.2014 № 2, dated 19.11.2014 № 3, dated 29.12.2014	LLP «Tau-Ken Altyn»	3 350 000 000 10 350 000 000 11 550 000 000	Minutes № 54-14, dated 16.09.2014 Minutes № 57-14, dated 13.10.2014 Minutes № 66-14, dated 18.11.2014 Minutes № 75-14, dated 29.12.2014
6	Credit Contract	№ 71, dated 19.11.2014	LLP «Tau-Ken Temir»	1 219 400 000	Minutes № 66-14, dated 18.11.2014

The Board of Directors of JSC «Tau-Ken Samruk», dated August 29 (Protocol №10/14), the conclusion of transactions was approved in which there is an interest of JSC «Tau-Ken Samruk» with affiliated organizations – the Framework arbitration agreement (Agreement on jurisdiction) with Pasar Holdings Incorporated AG, Kazastur Zing AG, LLP «Best Invest», LLP «Center Investment», LLP «Kazzink», LLP «Kazzinc Holdings», LLP «Logic Business», LLP «Logic Invest Capital», LLP «Investment House «Dana».

Information about Transactions with Related Parties

In accordance with IFRS 24 the Related party is an individual or entity associated with the company, preparing its financial statements.

Related parties of the Company include the key management personnel of the Groups of JSC «Tau-Ken Samruk», as well as organizations in which a substantial interest is owned directly or indirectly, to the Government of the Republic of Kazakhstan and JSC «Samruk-Kazyna».

Information on transactions with related parties, the nature of the relationship, the amount (volume) of operations, and etc. is shown in the consolidated financial statements of the Company for 2014.

Development of Local (Kazakhstan) Content and Procurement

In 2014, the share of the local (Kazakhstan) content in the procurement of JSC «Tau-Ken Samruk» was as follows: goods – 22% (the plan – 16%); services – 92% (the plan – 85%); work – 94%.

The total savings in the procurement of electronic procurement information system (recognized as valid) was 14%.

15.7 Business Ethics and Mechanisms Providing the Compliance of Business Ethics

The Code of Conduct was developed in accordance with the provisions of the legislation of the Republic of Kazakhstan, taking into account the requirements of the International Labour Organization, the Charter, Corporate Governance Code and other internal documents of the Company and represents a set of rules and principles that guide all employees of the Company.

The purpose of the Code is the development of corporate culture of the Company and the formation of effective interaction with stakeholders by applying the practice of business conduct. The executive officers and employees are required to adhere strictly to the requirements of the Code and to report any violations of the requirements of the Code. To achieve the strategic goals of the Company, the executive officials of the Company make business decisions based on fundamental values and principles of business ethics, and are fully responsible for the implementation of the tasks set before them. In accordance with the competence required, the relevant employees of the Company shall respond to the challenges associated with violation of business ethics, by the following:

- Taking timely action to remedy and resolve the situation and disadvantages;
- Acceptance/offer of effective disciplinary measures in accordance with legislations;
- Consulting the relevant structural divisions/bodies of the Company, providing them with the necessary information.

These actions must be made in accordance with the Company's internal order: filling the approved reporting forms and maintaining accounts.

The Company encourages the employees who are ready for an open discussion of the Code, and a positive attitude towards any constructive suggestions for improvement.

For issues regarding the requirements of the Code and/or arising in the course of the ethical issues, as well as the violations of the requirements of the Code, corruption and other illegal actions of executive officials and employees of the Company, as well as business partners and interested persons may contact to the following persons:

- The immediate supervisor, Ombudsman or the Internal Audit Service, the Corporate Secretary (violations of the principles of business ethics and rules of conduct by executive officials are considered by the Board of Directors of the Company);
- In case of circumstances of the breach of employees of the Company approved requirements of business ethics, the materials for a decision shall be forwarded to the Committee on HR Policy of the Company.

The results of the consideration and decisions are communicated to the applicant within three (3) business days from the date of the decision by the Committee on HR Policy of the Company. The Committee on HR Policy of the Company guarantees the confidentiality of information about consideration of violation of the requirements of the Code.

Each employee is responsible for ethics within their behavior. Compliance with this Code is mandatory for all executive officers and employees of the Company. Violation of this Code shall entail disciplinary responsibility in the established order.

The Heads of departments, Managing directors are responsible to the Management Board for the implementation of this Code, for the understanding of its rules by all employees of the respective departments.

The interested parties have the right to communicate through the Corporate Secretary of the Board of Directors on illegal and unethical actions of the Management Board and their rights should not be infringed in the event of such notification.

The Board of Directors periodically evaluates and improves the provisions of the given Code, examines the extent to which they are implemented in practice and, if necessary, makes changes and/or additions.

The Company has a corporate website: www.tks.kz and «Hotline» +7 (7172) 55-93-30.

16. Corporate Social Responsibility

Principles of Corporate Social Responsibility

For the Company not only results are important, but also the means of achieving also take the main place. The key principle of corporate social policy is the principle of social responsibility, which assumes that the Company conducts the following:

- Forms the strategy with taking into account the interests of civil society as a whole;
- Compliances with legislations;
- Accepts the moral and ethical standards;
- Respects the human rights;
- Aims to provide the balance of interests of stakeholders – shareholders, employees, partners, customers, and other social groups that are in some way connected with the activities of the Company;
- Takes into account the interests of future generations, seeks to maximize the use of natural resources and to improve the living conditions of the population;
- Consistently works to ensure the safety and health of employees of the Company.

The adherence to the principle of social responsibility provides a sustainable business for the long term perspectives, reduce the social, political, environmental and reputational risks. Social policy is also based on the following principles:

- The strategic and economic rationale – solving the social issues should be coordinated with the strategic priorities of the Company, considered in the context of increasing its competitiveness and provides the financial results of the Company;
- Systemacity – solving the social problems is integrated in the Company's management at the strategic level and controls the current activity, including investment decision-making system and the risk management system;
- Targeting and flexibility – keeping the real needs of stakeholders, a differentiated approach depending on specific conditions;
- Activity – the Company aims to actively promote the modern approaches to solve the social problems in regular dialogues with public authorities, trade unions, and non-governmental organizations;
- Efficiency – the Company strives to use the modern technologies of social management based on international and Kazakhstani best practices;
- Fairness – the objective assessment of professional qualities, fair remuneration and labor efficiency, a significant contribution to the development strategy of the Company;

- Integrity – the Company does not give promises that can not be performed;
- Cooperation – the Company aims to unite the efforts of all stakeholders in the work in solving the social problems, working with government agencies, trade unions, and non-governmental organizations;
- Transparency – the social policy objectives of the Company, its management system implementation and results reported in the public and corporate documents in the corporate media;
- Minimizing the social and reputational risks – the Company takes into account the social consequences of its ongoing corporate, industrial and technological changes, accompanied by their programs that minimize their social risks.

Strategy of Corporate Social Responsibility

Corporate social responsibility strategy of JSC «Tau-Ken Samruk» for 2014-2018 was approved by the Board of Directors, dated December 27, 2013. The Strategy outlines the mission and the vision of JSC «Tau-Ken Samruk» and the principles of corporate social responsibility.

The Regulation was confirmed on the development of strategies for sustainable development and reporting on sustainable development of JSC «Tau-Ken Samruk». The purpose of the Regulation is the detailed regulation of the procedures for developing Strategies for sustainable development and report on sustainable development. Regulations are applicable to the Company's activities related to sustainable development and corporate social responsibility, including economic performance, health and safety, environmental protection, corporate governance, stakeholder engagement with related parties and human resources management.

The Board of Directors of the Company approved the Policy of corporate social responsibility of JSC «Tau-Ken Samruk». The Policy is a public document of the Company, defines the principles, guidelines and priorities of the control relationship between the Company and the civil society, interaction with social groups, the level and quality of life are associated with the activities of the Company.

The Policy is an instrument of strategic management of social factors of sustainable competitiveness of the Company, optimizing the contribution of the Company to the objectives of national social and economic development and development of the regions where the Company operates, to strengthen the reputation of the Company.

The Policy is based on the concept of social role and obligations of the Company arising from the mission and strategy of the Company, ethical principles and corporate values, as reflected in the Code of Conduct and the Code of Corporate Governance, as well as in the standards of corporate social responsibility, recognized by Kazakhstan and international business community.

Personnel Policy

According to the decision of the Board of Directors of the Company, dated February 26, 2014 the Personnel policy for 2014 – 2022 was approved, the main purpose of which is to ensure the optimum balance of the processes of renovation and preservation of the number and qualitative composition of the personnel of the Company in its development according to the demands of the Company, the applicable legislation and the state of the labor market.

The personnel policy is developed taking into account the international experience in human resources management, which determines the control system, principles, key directions and approaches to the development of human resources and includes the main directions and approaches of personnel management for the implementation of the tasks set by the Company's Development strategy to strengthen and expand the human resources.

The key areas of personnel policy:

- Effective employment of staff;
- Improvement of corporate culture;
- Training and staff development;
- Evaluation of staff;
- Motivation of personnel.

The provisions and principles of the Personnel policy applies to affiliates of the Company's subsidiaries.

Personnel Employment

In 2014, in accordance with the priorities of the first stage of the Development strategy of the Company, according to the decision of the Board of Directors of the Company, dated 02.26.2014 the new organizational structure of the Company was approved with a staff of 126 persons.

During the year, on a competitive basis the recruitment was conducted on a competitive basis (50 persons), including the mining engineers, geologists and project managers with international experience in implementing the projects in the field of MMC.

The Company practiced the conducting adaptation to new employees in order to reduce time costs to achieve the necessary level of efficiency of performance of the official duties.

As part of the succession the personnel reserve of 11 employees was formed, including single personnel reserve of 3 employees as TOP 100.

By substitution of basic positions to higher positions 3 employees were assigned (managing director, director of the department, chief geologist for the subsidiary of the Company). On the higher positions in the framework of Succession planning programs to higher positions 5 employees were assigned.

Development of Corporate Culture

The Company has carried out the activities aimed at improving and strengthening the corporate spirit of the team work: teambuilding, competitions, collective visit of production sites. The practice of encouraging employees with diplomas and valuable gifts at professional holidays – the Metallurgists Day and Independence Day.

In June 2014 the Fund had conducted a questionnaire to determine the extent of involvement of the staff of a special method of the Sole Shareholder. According to research results in 2014 the degree of involvement of staff of the Company was 84%, indicating a favorable situation in terms of the level of satisfaction and loyalty of employees, as well as supporting initiatives within the Company's employees.

Staff Motivation

Motivation system provides the payroll, providing permanent fixed portion of compensation of employees and the premium, paid for the evaluation of the activities of employees on a quarterly basis, depending on the progress in achieving the objectives on the

Purpose Maps of employees. The constant part of remuneration may also vary within the minimum and maximum size of the salary of one position, depending on the contribution of the employee, the qualifications and experience in order to increase the motivation.

The administrative executives of the Company can be remunerated on the basis of work for a year in order to strengthen the interest in improving their performance and quality of work, the conditions and procedure of payment shall be determined in accordance with the Rules of performance measurement and remuneration of the administrative executives and management employees of the company JSC «Tau-Ken Samruk», as well as the payment of a lumpsum bonus to the Independence Day of the Republic of Kazakhstan in the fixed amount - not more than 10 times the minimum wage. The extra charge can be installed to the salaries of employees of the Company at overlapping positions (expansion of areas of responsibility) and the performance of the duties of a temporarily absent employee, as well as mentoring.

Staff Training

Staff training and personnel development is aimed at maintaining the necessary level of expertise to meet the requirements of strategic development prospects. So, in 2014 the following events were organized: 43 short-term training activities, including professional development for the 15 employees, vocational training for the 29, advanced training for 4, training in the corporate format - 3 activities.

In addition, the long-term vocational training for academic degree «Master of Law» was organized for the Managing Director for organizational and legal issues, in the period from September 2013 to September 2014 at the «University of London Queen Mary».

Staff Evaluation

Staff evaluation system is focused on quarterly evaluation on Maps of purposes of employees and the annual final assessment (attestation) of employees on the basis of which decisions to further the professional development of employees (enrollment in the personnel reserve, aimed at training, promotion, and other issues). In the accounting year, 5 employees were recruited to the personnel reserve, 8 persons were appointed to higher positions and for executive positions in subsidiaries and affiliates.

During the year the main governing documents (16 documents) were updated, which will allow better quality of personnel management, to determine the goals and objectives, to evaluate the performance of employees, determine the level of competence on the basis of which identified the necessity for training and development.

Social Support of the Staff

The social support for employees of the Company includes a representation of health insurance for employees and their families.

In 2014, the employees were provided the financial assistance to leave for recovery proportional to the number of working days for the birth of children (8 employees), on the death of the main worker (1 employee) and relatives (2 employees).

Health and Safety Policy

The Company pays special attention to the activities in the field of health and safety at work, the main priorities are to improve sanitary conditions, lack of desire to injury,

technological failures, reducing the impact of harmful and hazardous working environments, creating a safe working environment.

To avoid injury and exposure of hazardous working environments, it is mandatory for employees to issue the special clothing, special footwear and other personal protective equipment in accordance with industry standards and to ensure the issuance of personal protective equipment to prevent occupational diseases, poisoning and provided milk and treatment to improve the health of workers on a permanent basis - preventive nutrition at the expense of the employer. Also, for the prevention of occupational diseases and reduce injuries, the workers pass the annual and periodic medical examinations as required by legislation of the Republic of Kazakhstan in the field of Healthcare.

The considerable attention is paid to the following measures: technical measures for the prevention of accidents and technological violations, such as control over the technical condition of ventilation and aspiration of measurements of air samples of working areas for dust and gas pollution, control of fastening and irrigation mining, conducting air operations in mines, FLV installation (fans of local ventilation) and air bridges, control of the technical state of the service and emergency lighting.

In order to improve the qualifications of staff in accordance with the requirements of the laws and legal regulations of the Republic of Kazakhstan in the field of occupational safety and civil protection, the following measures were carried out: the training and examination of Safety regulations, Fire Safety Rules, Rules of technical exploitation, Requirements of industrial safety, Electrical safety, as well as constant basis emergency and fire exercises involving forces of specialized organizations to rescue and emergency response in the operation of hazardous production facilities and technical devices.

The following commitments in the field of occupational safety and health are taken by the Company:

- Continuous improving the methods and tools for management of occupational safety and health;
- Open to external stakeholders and partners in the field of management and health and safety;
- Openly demanding the partners the responsible attitude to safety and health in the production, supply of goods and services;
- Actively involve the employees in continuous operation on security and safety;
- Complying with the legislation of the Republic of Kazakhstan and the requirements of the Company in the field of occupational safety and health;
- Aiming to trouble-free operation and the absence of technological failures, which could have negative effects on people and equipment.

Environment Policy

The Environment policy of JSC «Tau-Ken Samruk» was adopted on November 15, 2011.

The main principles of the Environmental Policy of JSC «Tau-Ken Samruk» are: the respective production activities of the Company with national legislation of RK in the field of environmental protection, prior environmental safety, the necessity to implement the most effective technologies to minimize the environmental impact of industrial activity and others.

The environment policy provides the basis for the introduction of effective management practices, involving minimizing the negative impact of the activities of JSC «Tau-Ken Samruk» on the environment.

With the implementation of investment projects in the field of subsoil use as part of the feasibility studies and technical projects, the measures on protection of the environment are provided, which are the appropriate state environmental and sanitary-epidemiological expertise.

The basis of the measures laid following environmental principles:

- Prevention of negative impacts on the environment;
- Promotion of the development and diffusion of environmentally friendly energy-saving technologies.

These activities are designed with the rational attitude to the environment and minimize harmful effects on the environment.

Within the framework of existing projects the monitoring activities are provided for air protection, water management, land use and energy saving technologies.

In order to prevent the emergence of possible environmental risks of the Company, the records of environmental management and control of subsidiaries and dependent organizations are kept on a regular basis.

The Company is taking steps to a regular internal audit compliance with environmental legislation of the Republic of Kazakhstan and the comparison of the results of industrial environmental monitoring with the terms of the environmental and other permissions.

In the course of internal audits the following issues are monitored:

- Implementation of measures under the program of industrial environmental monitoring;
- Following the industry guidelines and regulations related to environmental protection;
- Executions of conditions for environment and other permissions;
- The correctness of the accounting and reporting.

In addition, to address the risks associated with the potential application of environmental damage and the environment, subsidiaries and dependent organizations related to the production are subject to mandatory environmental insurance.

17. Information about External Auditor

Audi Services

LLP «Ernst and Young» is an auditor of JSC «Tau-Ken Samruk», starting from 2009. Remuneration rate for external auditor is as follows:

Period	Services	Remuneration rate, including VAT, KZ Tenge
2009	Audit of annual financial statements	3 290 000
2010	Audit of annual financial statements	2 744 000
2011	Audit of annual financial statements	2 676 800
2012	Audit of annual separate and consolidated financial statements	3 073 000
2013	Audit of annual separate and consolidated financial statements	9 490 000
2014	Audit of annual separate and consolidated financial statements	9 490 000
	Total	25 343 000

Non-Audit Services

Remuneration rate of LLP «Ernst and Young Kazakhstan» for training services is as follows:

Period	Services	Remuneration rate, including VAT, KZ Tenge
2010	Training services	2 584 012
2011	Training services	1 043 526
2012	Training services	1 514 027
2013	Training services	1 550 920
2014	Training services	1 275 232
2014	Consulting services	246 400
	Total	8 214 118

Remuneration rate of LLP «Ernst and Young Kazakhstan» for consulting services is as follows:

Period	Services	Remuneration rate, including VAT, KZ Tenge
2013	Consulting services	24 864 000
2014	Consulting services	9 300 000
	Total	34 164 000

Policy of Attracting Audit Services

While attracting the services of audit organizations, the Company guides the Policy in the area of engaging the services of audit organizations of JSC «Tau-Ken Samruk», approved by the Board of Directors, dated February 26, 2014 (Minutes № 03/14). The main provisions, considered by the Policy, provide the Company an opportunity to attract auditors to provide certain audit and non-audit services without compromising the objectivity or independence of the auditor and to avoid conflicts of interest.

Selecting Auditor. The procedure for selecting the audit organization of the Company, provides for the appointment of the auditor by the Sole Shareholder on the commission's recommendations, which include, among others, includes members of the Audit Committee of the Board of Directors - Independent Directors. Also, the procedure for selecting the audit organization has a transparent selection of the auditor on the basis of bids from potential providers of audit services.

Rotation of Auditor. The Company periodically carries out the change of the external auditor and/or project partner, responsible for the preparation of the audit report.

The period of rotation of the external auditor and/or the Company's partner in the project (i.e. the period of time after which the Company shall change the external auditor and/or project partner) is not more than five (5) consecutive years. Succession plan for achieving this result is to be prepared and submitted to the auditor of the Audit Committee for review no later than one year before the rotation.

Non-Audit Services. The Company considers that the provision of certain services unrelated to the audit, and the level of remuneration for non-audit services, paid to the auditor, may lead to a conflict of interest or the actual or alleged loss of objectivity.

Each of the potential of the Auditor is classified into categories on the basis of which the decision shall be taken on the provision of non-audit services by the auditor.

The Audit Committee shall consider the correctness of classification of non-audit services as needed.

Interaction with Auditor. The external auditor carries out the communication through the Audit Committee of the Board of Directors of the Company.

During the audit, the external auditor works closely with the Audit Committee of the Board of Directors, Internal Audit Service, the Department of Accounting and Reporting, and other divisions of the Company involved in the process of developing management's judgment, affecting the financial statements.

18. Plans for 2015

18.1. Key Performance Indicators

Designation	2015
Production Performance Coefficient	
Budget for Exploration, thousand KZ Tenge, excluding VAT	1 789 875,7*
Refined gold production, thousand ounces/year	636
Labor productivity, thousand KZ Tenge/person	2 825
Innovation development ranking, %	25
Production Capacity on the Basis of Quantities	
Gold – processing, ounces/person	4 465,4
Financial Performance Coefficient	
EBITDA, mln. KZ Tenge	(-3 333)
EBITDA margin, %	(-4,21)
ROACE, %	1,62
ROE, %	2,07
Net profit, mln. KZ Tenge	6 095
Social Performance Coefficient	
Employee engagement index, %	70
Annual turnover of staff, except the measures of staff rationalization	Not more 14%
Expenses rate for training from payroll budget	Not less 3,5%
Appointment percentage from personnel reserve	Not less 50%
Local content proportion in procurement of goods, %	16
Local content proportion in procurement services, %	85
Number of industrial accidents	0
Performance Coefficient of Corporate Governance	
Corporate governance ranking, %	60

* the sum shall be corrected in the second half of 2015.

18.2. Key Events

For subsoil use, in 2015 the conclusion of contracts are planned for subsoil use of the following three projects:

- Exploration of gold at South Moynty area in Karagandy region;
- Exploration of gold at Karatas-Maybulak area in Zhambyl region;
- Production of barite and polymetallic ores and silver at Tuyuk deposit in Almaty region.

The exploration works at 8 deposits will be continued: Spassky copper ore zone, Progress, Zhaksylyk, Tuyuk-Temirlik ore unit, Predgorny Ketmen, Eshkeolmes, Gagarin and Shokpar.

According to the Alaigyr deposit Project the following works are planned: approving the Feasibility Study, development of design estimates and working documentation for the mining complex and processing plant, design and construction of external infrastructure and supply of machinery and equipment.

At Masalsky iron ore deposits in Akmola region the following works are planned: technological research and pilot tests to determine and select the direct reduction iron (DRI), the development of preliminary Feasibility Study, the selection of a contractor to sign the EPC contract.

The following works are planned at Shalkiya deposit in Kyzylorda region: the designing the external water supply, electricity supply, construction and installation works on infrastructure projects, implementation of additional research on beneficiation and hydrometallurgy, and detailed design of the tailings storage facilities.

The refinery is planning to work on the development of the technological chain of refining production, in particular, the introduction of technology of vacuum distillation for silver.

In silicon production the maintenance works of the second furnace (lining) and auxiliary equipment, and procurement of raw materials are ongoing (Aktas ore mining deposits).

In 2015, the Company is planning to acquire strategic assets in order to form the resource potential and the priority right of the state.

In order to create and develop the innovative and technological potential the studies were conducted by direct reduction of iron technology for processing the iron and titanium and magnetite ores of various deposits, the feasibility study for construction of experimental-industrial base was developed. For the purpose of implementation and adaptation of new technologies on the permanent basis the analysis of information sources and updating the database will be conducted on new and emerging technologies for mining and metallurgic industry.

The procurement plans to provide 100% of procurement by method of price offers and open tender for the procurement at the electronic information system of JSC «SWF «Samruk-Kazyna», and provides the total savings in the procurement of the Information System for electronic purchases of JSC «SWF «Samruk-Kazyna» in the amount of at least 10%.

Annex. Consolidated financial statements of JSC «National Mining Company «Tau-Ken Samruk» for 2014 is attached with reports of independent auditors separately (approved by the Board of Directors of JSC «Tau-Ken Samruk», dated April 1, 2015, Minutes № 03/15).

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

Consolidated financial statements

*For the year ended 31 December 2014
with independent auditors' report*

CONTENTS

Independent auditors' report

Consolidated financial statements

Consolidated statement of comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of cash flows	3-4
Consolidated statement of changes in equity	5
Notes to the consolidated financial statements.....	6-34



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Independent auditors' report

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

We have audited the accompanying consolidated financial statements of National Mining Company Tau-Ken Samruk JSC and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Mining Company Tau-Ken Samruk JSC and its subsidiaries as at 31 December 2014, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP



Bakhtiyor Eshonkulov
Auditor / Audit partner



Auditor qualification certificate
No. МФ - 0000099 dated 27 August 2012

5 March 2015



Evgeny Zhemaletdinov
General director
Ernst & Young LLP



State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ - 2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

<i>In thousands of tenge</i>	Notes	2014	2013
Revenue from sales	5	42,426,298	-
Cost of sales	6	(42,291,899)	-
Gross profit		134,399	-
General and administrative expenses	7	(1,955,170)	(1,679,746)
Transportation and distribution costs		(16,719)	-
Operating expenses		(242,191)	(181,423)
Operating loss		(2,079,681)	(1,861,169)
Finance income		655,390	147,819
Finance costs		(17,921)	-
Share in profit of joint ventures and associate	12	1,988,232	3,167,462
Subsidiary bargain purchase	4	266,417	-
Other non-operating income		315,858	199,718
Other non-operating expenses		(982,308)	(15,831)
Foreign exchange gain		1,124	31,719
Profit before income tax		147,111	1,669,718
Income tax expense	8	-	-
Net profit for the year		147,111	1,669,718
Other comprehensive income for the year	12	37,130,163	1,141,807
Total comprehensive income for the year, net of tax		37,277,274	2,811,525

Managing director on finance



Karim D.A.

Chief accountant

Seitova A.B.

The accounting policies and explanatory notes on pages 6 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

<i>In thousands of tenge</i>	Notes	31 December 2014	31 December 2013
Assets			
Non-current assets			
Property, plant and equipment	9	10,131,995	4,932,536
Intangible assets	10	41,630,039	17,408
Exploration and evaluation assets	11	2,367,773	652,018
Investments in joint ventures and associate	12	234,169,197	199,896,444
Corporate income tax prepaid		136,164	39,081
Taxes receivable		1,098,001	420,275
Other non-current assets		214,139	12,969
		289,747,308	205,970,731
Current assets			
Inventories	13	9,890,919	1,738,341
Accounts receivable		2,341,626	-
Advances paid		321,277	17,403
Other current assets		54,848	78,168
Term deposits		745,336	190,500
Cash and cash equivalents	14	11,929,578	6,588,719
		25,283,584	8,613,131
Total assets		315,030,892	214,583,862
Equity and liabilities			
Equity			
Share capital	15	230,386,253	175,239,257
Retained earnings		36,307,148	37,795,155
Other components of equity	12	38,271,970	1,141,807
Equity attributable to equity holder of the Parent		304,965,371	214,176,219
Non-controlling interest	15	420,774	-
Total equity		305,386,145	214,176,219
Non-current liabilities			
Deferred tax liability	8	7,333,767	-
Other non-current liabilities		48,250	-
		7,382,017	
Current liabilities			
Accounts payable	16	1,948,888	178,227
Taxes payable		78,663	65,965
Due to employees		181,198	143,204
Provision under subsoil use contracts		36,534	9,664
Other current liabilities		17,447	10,583
		2,262,730	407,643
		9,644,747	407,643
Total equity and liabilities		315,030,892	214,583,862

Managing director on finance

Chief accountant



Karim D.A.

Seitova A.B.

The accounting policies and explanatory notes on pages 6 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

<i>In thousands of tenge</i>	Notes	2014	2013
Cash flows from operating activities			
Profit before income tax		147,111	1,669,718
Adjustments for:			
Depreciation and amortisation	9, 10	274,526	42,712
Finance income		(655,390)	(147,819)
Share in profit of joint ventures and associate	12	(1,988,232)	(3,167,462)
Subsidiary bargain purchase	4	(266,417)	-
Gratuitous receipt of interest in charter capital of joint venture		(220,582)	-
Allowance for obsolete inventory	13	430,153	-
Impairment of VAT receivable		291,351	-
Gain on disposal of 50% interest in subsidiary		-	(34,454)
Other		157,314	(130,829)
		(1,830,166)	(1,768,134)
Change in inventories		(8,385,053)	(1,734,449)
Change in accounts receivable		(2,240,679)	-
Change in advances paid		(303,874)	53,634
Change in other current assets		30,541	(55,568)
Change in taxes receivable		(535,023)	(382,831)
Change in accounts payable		117,130	19,962
Change in taxes payable		12,698	49,049
Change in due to employees		6,895	64,464
Change in other current liabilities		6,836	20,247
		(13,120,695)	(3,733,626)
Interest received		648,169	137,060
Income tax paid		(97,083)	(21,858)
Net cash flows used in operating activities		(12,569,609)	(3,618,424)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,311,838)	(4,163,378)
Purchase of intangible assets		(7,318)	(6,851)
Purchases of exploration and evaluation assets		(1,447,916)	(495,192)
Proceeds from disposal of interest in charter capital of joint ventures		-	34,454
Purchases of other non-current assets		(93,905)	-
Acquisition of Masalsky GOK, net of cash acquired	4	(3,110,368)	-
Dividends received from associate	12	1,861,159	-
Contribution into charter capital of associate	12	(300)	-
Proceeds under business combination with ShalkiyaZinc LTD JSC	4	65,965	-
Placement of term deposits		(745,336)	-
Withdrawal of term deposits		190,500	1,209,500
Net cash flows used in investing activities		(4,599,357)	(3,421,467)

The accounting policies and explanatory notes on pages 6 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of tenge</i>	Note	2014	2013
Cash flows from financing activities			
Issue of shares	15	22,981,327	10,189,959
Acquisition of non-controlling interest	4	(221,044)	-
Dividends	15	(250,458)	-
Net cash flows from financing activities		22,509,825	10,189,959
Net increase of cash and cash equivalents		5,340,859	3,150,068
Cash and cash equivalents, beginning of the year	14	6,588,719	3,438,651
Cash and cash equivalents, end of the year	14	11,929,578	6,588,719

NON-CASH TRANSACTIONS – SUPPLEMENTAL DISCLOSURE

The Shareholder made a contribution in the amount of 32,165,669 thousand tenge to the share capital of the Company by the means of transfer of 417,610,000 common shares of ShalkiaZinc LTD JSC which is 100% of the total declared and outstanding shares of ShalkiaZinc LTD JSC (Note 4). These transactions were excluded from the consolidated statement of cash flows.

Managing director on finance

Karim D.A.

Chief accountant

Seitova A.B.



The accounting policies and explanatory notes on pages 6 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity holder of the Parent					Total equity
	Notes	Share capital	Other components of equity	Retained earnings/ (accumulated loss)	Total	
<i>In thousands of tenge</i>						
At 1 January 2013		7,862,266	-	(2,242,437)	5,619,829	5,619,829
Net profit for the year		-	-	1,669,718	1,669,718	1,669,718
Other comprehensive income		-	1,141,807	-	1,141,807	1,141,807
Total comprehensive income for the year		-	1,141,807	1,669,718	2,811,525	2,811,525
Issue of shares		167,376,991	-	38,367,874	205,744,865	205,744,865
At 31 December 2013		175,239,257	1,141,807	37,795,155	214,176,219	214,176,219
Net profit for the year		-	-	147,111	147,111	147,111
Other comprehensive income		-	37,130,163	-	37,130,163	37,130,163
Total comprehensive income for the year		-	37,130,163	147,111	37,277,274	37,277,274
Issue of shares	15	55,146,996	-	-	55,146,996	55,146,996
Acquisition of subsidiary		-	-	-	-	2,224,092
Acquisition of non-controlling interest of subsidiary	4	-	-	1,582,274	1,582,274	(1,803,318)
Share in other changes in associate's equity	12	-	-	(2,966,934)	(2,966,934)	(2,966,934)
Dividends	15	-	-	(250,458)	(250,458)	(250,458)
At 31 December 2014		230,386,253	38,271,970	36,307,148	304,965,371	305,386,145

Managing director on finance

Karim D.A.

Chief accountant

Seitova A.B.

The accounting policies and explanatory notes on pages 6 to 34 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

National Mining Company Tau-Ken Samruk JSC ("Tau-Ken Samruk" or the "Company") was established in accordance with the Resolution of the Government of the Republic of Kazakhstan No. 10 dated 15 January 2009 and was registered as a joint stock company on 2 February 2009. The Company's office is located at: 8 Dinmukhamed Kunayev str., block "B", Astana, Republic of Kazakhstan.

Sovereign Wealth Fund Samruk-Kazyna JSC ("Samruk-Kazyna") is the sole shareholder of the Company. Ultimate shareholder of Samruk-Kazyna is the Government of the Republic of Kazakhstan.

These consolidated financial statements include financial statements of the Company and its subsidiaries (together the "Group") (Note 2).

The Group's main business activities include, but are not limited, to the following:

- Conducting activities in the area of exploration, development, production, processing and sale of solid minerals;
- Reproduction of Kazakhstan mineral resources complex;
- Development of potential of Kazakhstan mining industry by implementing new technologies and enhancing efficiency of state participation in implementation of subsoil use projects.

The accompanying consolidated financial statements were authorized for issue by the Managing director on finance and the Chief accountant of the Company on 5 March 2015.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance

These 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").

The consolidated financial statements have been prepared on a historical cost basis except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in tenge and all values are rounded to the nearest thousands, except when otherwise indicated.

Foreign currency translation

The consolidated financial statements are presented in tenge, which is the functional and presentation currency of the consolidated financial statements of the Group.

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate effective at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate effective at the reporting date. All differences are recognized in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Weighted average exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The currency exchange rate of the KASE as at 31 December 2014 was 182.35 tenge for 1 US dollar (2013: 153.61 tenge for 1 US dollar). This rate was used for translation of monetary assets and liabilities denominated in US dollars as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of a tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determination requires significant judgments and depends on the identification of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audit by the tax authorities (see also *Note 18*).

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses, accrued liabilities and taxes to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences can be utilized. Significant management judgments are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with successful application of tax planning strategies (see also *Note 8*).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less selling costs and its value in use. Calculation of the fair value less selling costs is based on available data from binding commercial sales transactions of similar assets or at observable market prices less incremental costs of asset disposal. Calculation of the value in use is based on a discounted cash flow model.

Non-financial assets of the Group comprise mainly property, plant and equipment, exploration and evaluation assets, and investments in joint ventures and associate.

As at 31 December 2014 and 2013, the management of the Group has not identified any impairment indicators of non-financial assets.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities cannot be determined due to the absence of an active market for those instruments, the fair value of financial assets and financial liabilities is determined using valuation techniques including a discounted cash flows model.

Market data is used as inputs to these models whenever possible; in the absence of market data, judgments are required to establish fair values. The judgments include liquidity risk, credit risk and volatility. Changes in estimates and judgments can affect the fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

As at 31 December 2014 and 2013 the following companies were subsidiaries of the Group:

Company	Type of activity	Region	At 31 December 2014	At 31 December 2014
Logic Business LLP	Management of investment in Kazzinc LLP	Astana	100%	100%
Logic Invest Capital LLP	Management of investment in Kazzinc LLP	Astana	100%	100%
Investments House Dana LLP	Management of investment in Kazzinc LLP	Astana	100%	100%
ShalkiyaZinc LTD JSC	Exploration, production and refining of mixed plumbum-zinc ore Coordinator of the investment project "Creation of the refining industry and providing it with mineral resources"	Kyzylorda oblast	100%	-
Tau-Ken Altyn LLP	Exploration and production of iron ore	Astana	100%	100%
Masalskyi GOK LLP	Exploration of non-ferrous metals	Akmola oblast	93%	-
Tau-Ken Mining LLP	Production of metallurgical silicon and its by products	Almaty oblast	100%	100%
Tau-Ken Temir LLP	Production of polymetal ore	Astana	100%	100%
JV Alaigyr LLP	Exploration of copper, gold and associated components	Karaganda oblast	100%	100%
JV Tau-Ken Project LLP	Exploration of gold ore fields	Karaganda oblast	100%	100%
Tau Ketmen LLP	Exploration of manganese ore fields	Almaty oblast	100%	100%
TKS-Zhaksylyk LLP	Exploration of gold ore fields	Almaty oblast	100%	100%
Shokpar-Gagarinskoe LLP	Exploration of non-ferrous metal fields	Zhambyl oblast	100%	100%
Tau-Ken Progress LLP	Exploration of non-ferrous metal fields	Astana	100%	100%
TKS Kostanai LLP	Exploration of non-ferrous metal fields	Astana	100%	100%

On 24 June 2014 the Group acquired from Gornoe Buro LLP 63% interest in charter capital of Masalsky GOK LLP (*Note 4*). On 1 July 2014 the Group acquired from National Company SPK Esil JSC 30% interest in charter capital of Masalsky GOK LLP, as the result the the Group's interest in charter capital increased to 93% (*Note 4*).

On 11 June 2014 the Group additionally issued 200 ordinary shares at the offered price of 160,828 thousand tenge per an ordinary share and in the total amount of 32,165,669 thousand tenge, which were acquired by Samruk-Kazyna in exchange for 417,610,000 ordinary shares of ShalkiaZinc LTD JSC (*Note 4*).

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. Except for acquisitions between entities under common control, subsidiaries are consolidated from the acquisition date, which is the date the Group obtains control over them, until the date that such control ceases. Upon acquisition of a subsidiary, the cost of acquisition is allocated to the assets and liabilities based on their fair value at the acquisition date. The financial statements of subsidiaries are prepared for the same reporting period as the Group's consolidated financial statements, using consistent accounting policies.

All intragroup balances and transactions, including unrealized gains arising from intragroup transactions, were eliminated in full from the consolidated financial statements. Unrealized losses are eliminated in the same manner as unrealized gains except that they are excluded only to the extent there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Principles of consolidation (continued)

Investments in joint ventures and associates

The Group has interests in joint ventures in the form of jointly controlled entities where participants have entered into a contractual arrangement that establishes joint control over the economic activities of the entities. The Group also has interests in associates in which it has significant influence over their economic activities. The Group's investments in joint ventures and associates are accounted for using the equity method.

Under the equity method, investments in joint ventures/associate are initially recorded at cost in the consolidated statement of financial position. The carrying amount of the investment is adjusted to recognize changes in the Group share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture or associate. If there has been a change recognized directly in the equity of the joint venture or associate, the Group recognizes its share of any changes and discloses this fact, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its joint ventures or associates are eliminated to the extent of the Group interest in the joint venture or associate.

The Group's share in profit of joint ventures or associates is shown on the face of the consolidated statement of comprehensive income outside of operating results and represents profit attributable to the participants of the joint venture or associate and, therefore, it is defined as profit after income tax and non-controlling interest in the subsidiaries of the joint venture or associate.

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in the joint ventures or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If such evidence exists, the Group calculates amount of impairment as the difference between the recoverable value of the investment in the joint venture or associate and its carrying amount and recognizes related loss in the consolidated statement of comprehensive income.

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value 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, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any 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 IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, 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 (continued)

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Principles of consolidation (continued)

Business combinations (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the 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, goodwill acquired in a business combination is, from the acquisition date, 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 to 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 the 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, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any 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.

The consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets on exploration and development of mineral resources

Subsoil use rights and property acquisition costs

Acquisition cost of subsoil use rights (for exploration and production) includes signature bonuses, historical costs, and obligatory expenditures on environmental and social programs. Such costs are capitalized as rights on subsoil use of the field at the exploration and evaluation stage and classified as intangible assets.

Subsoil use rights acquisition costs are accounted for on a field-by-field basis. Each field is reviewed on annual basis to confirm that future exploration activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the subsoil use right and related property acquisition costs is written off. Upon start of commercial production at the fields, the carrying amount of the subsoil use rights are transferred to property, plant and equipment (mining assets) and 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, then exploration and evaluation assets are tested for impairment. All such carried costs are subject to technical, commercial and management review at least once a year, to confirm the continued intent of to develop, or otherwise extract value from the discovery. When this is no longer the case, the assets are written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets on exploration and development of mineral resources (continued)

Exploration and evaluation costs (continued)

When proved reserves of minerals are determined and development is sanctioned, the relevant expenditures are transferred to the mining assets.

Development and production arrangement costs

Development and production arrangement costs include previously capitalized (and reclassified in 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 (other than mining assets)

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 intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them appropriately. Similarly, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. 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 are met. Depreciation is calculated on a straight-line method based on the estimated useful lives of fixed assets. Estimated useful lives of certain assets are as follows:

	Years
Buildings and constructions	20
Computers	5
Machinery and equipment	3-10
Other	5-10

When an asset is sold or disposed, the cost and related accumulated depreciation are removed from the consolidated financial statements and any resulting gains or losses on the asset disposal are included in the consolidated statement of comprehensive income.

Expenditures incurred after the fixed assets 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 fixed assets.

The liquidation cost, useful lives and methods of depreciations are reviewed at each financial year end, and adjusted prospectively, if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date the Group assesses whether a possible impairment indicators of assets exists. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of: fair value of the asset (CGU) less selling costs and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less selling costs, an appropriate valuation model is used. These calculations are supported by valuation multiples, quoted share prices for publicly traded similar companies or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in the expense categories consistent with the function of the impaired asset.

At each reporting date the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets of the Group include cash and cash equivalents, short-term deposits and receivables.

Subsequent measurement

Subsequent measurement of financial assets depends on their classification:

The category "financial assets at fair value through profit or loss" includes financial assets held for trading and financial assets classified upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments to which the Group is a party to the contract that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value, and net changes in fair value recognized in finance costs (negative net change in fair value) or as finance income (positive net change in the fair value) in the consolidated statement of comprehensive income. Financial assets classified upon initial recognition as at fair value through profit or loss, are included to this category at the date of initial recognition and only when the criteria of IAS 39 are met. The Group has no financial assets classified upon initial recognition as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

The Group evaluated its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, instruments available-for-sale or financial instruments held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these investments cannot be reclassified after initial recognition.

The Group has no financial assets classified upon initial recognition as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, financial assets are measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated income statement within finance costs.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as investments held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, investments held to maturity are measured at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The Group does not hold any investments held to maturity during the year ended 31 December 2014.

Available for sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the available-for-sale revaluation reserve until the investment is derecognized, at which time the cumulative loss is reclassified from the available-for-sale revaluation reserve to finance costs in the consolidated statement of comprehensive income.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to instruments held-to-maturity is permitted only if the Group has the intent and ability to hold the financial asset until maturity. The Group has not acquired any financial assets available for sale, for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in the consolidated statement of financial position if:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the new asset is recognized to the extent of the Group’s continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of: the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks and on hand and short-term deposits with an original maturity of 3 (three) months or less. Short-term deposits include deposits with initial maturity over 3 (three) months, but no longer than 12 (twelve) months.

Impairment of financial assets

At each reporting date, the Group assesses, whether there is objective evidence that a financial asset or a group of financial assets is impaired. The financial assets or the group of financial asset is impaired if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation. Moreover, such evidence include observable data indicating that there is a measurable decrease in the estimated future cash flows, such changes in arrears or economic conditions that correlate with defaults. Reversal of previously recognized impairment loss is can be made when the decrease in impairment loss can be objectively related to an event occurring after the impairment. Such reversal is treated as income in the consolidated statement of comprehensive income.

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists for individually significant financial assets or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The present value of estimated future cash flows is discounted at the financial asset original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount, based on the interest rate used to discount future cash flows to assess impairment. Interest income is recognized as finance income in the consolidated statement of comprehensive income. Loans together with the associated allowance are written from the consolidated statement of financial position when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If earlier recognized impairment of financial instrument is later recovered, such recovery is recognized as a reduction in finance costs in the consolidated statement of comprehensive income.

For available for sale financial investments, at each reporting date the Group assesses whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significance" is evaluated against the original cost of the investment and "duration" – in comparison with the period during which the fair value has been below its original cost.

When there is evidence of impairment, the comprehensive loss measured as the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss on that investment in the consolidated statement of comprehensive income is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the interest rate applied to discount future cash flows for the purpose of measuring the impairment loss. Interest income is recognized in finance income in the consolidated statement of comprehensive income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the consolidated statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Financial liabilities of the Group mostly include accounts payable.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows:

The category "financial liabilities measured at fair value through profit or loss" includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments when the Group is a party to the contract that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities classified upon initial recognition as at fair value through profit or loss, are in this category at the date of initial recognition and only when the criteria of IAS 39 are met. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized as income or loss when the liabilities are derecognized as well as through amortization using the effective interest rate method (EIR).

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statement of comprehensive income.

Derecognition

A financial liability is derecognized in the consolidated statement of financial position when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to either settle on a net basis, to realize the asset and settle the liability simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include using prices of recent transactions conducted on a commercial basis; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Inventories

Inventories are recorded at the lower of cost and net realizable value. Use of inventories is accounted for on a weighted average method basis.

Work in progress inventory is represented by partially ready product that has not passed a full production cycle required for product to be ready for shipment to customer, be placed on the market for sale, transfer to finished goods warehouse, Work in progress also includes set of products not accepted by the customer, remaining balances of auxiliary production orders, unfinished works, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, irrespective of time when cash is received. Revenue is measured at fair value of consideration received or receivable, taking into account payment terms defined in a contract and net of taxes or duties. The Group assesses its revenue contracts against specific criteria in order to determine if it is acting as principal or agent.

Interest income

Income is recognised as interest is accrued, using the effective interest rate, i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income.

Expenses

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalents are paid, and are reported in the consolidated financial statements in the period to which they relate.

Income tax

Current income tax assets and liabilities for the current income tax are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted in the Republic of Kazakhstan by the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of 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, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired in a business combination, but which not meet the criteria for separate recognition as of that date, are recognized later, when new information about facts and circumstances will be available. The adjustment is recorded as a reduction of goodwill (provided it does not exceed the amount of goodwill), if such adjustment was made prior to the initial recognition of business acquisition, in other cases it is recorded within profit or loss.

Value added tax

The tax authorities permit the settlement of VAT on sales and purchases on a net basis.

VAT payable

VAT is payable to tax authorities upon collection of receivables from customers. VAT on purchases, which have been settled at the reporting date, is deducted from the amount payable.

In addition, VAT related to sales which have not been collected at the reporting date is also included in the balance of VAT payable. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of account receivable, including VAT. The related VAT liability is maintained until the account receivable is written off for tax purposes.

VAT receivable

VAT receivable relates to purchases, which have not been settled at the reporting date. VAT recoverable is reclaimable against VAT related to sales upon payment for the purchases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent assets and contingent liabilities

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, then relevant asset is not a contingent asset and it is disclosed accordingly.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed only if the possibility of an outflow of resources embodying economic benefits is probable and the amount of liability is material.

Disclosure of related party transactions

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel, Samruk-Kazyna group entities and entities controlled by the Government.

Subsequent events

The results of post-year-end events that provide additional information on the Group's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Subsequent events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

New standards, interpretations and amendments to the existing standards and interpretations

In 2014, the Group for the first time applied certain new standards and amendments. However, they do not affect the annual consolidated financial statements of the Group. Nature and effect of each new standard and amendment is described below:

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the consolidated financial statements of the Group.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's separate financial statements are disclosed below. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will not have an effect on the classification and measurement of the Group's financial assets and liabilities.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

Amendments to IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Amendments to IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the separate financial statements of the Company, Company has not used a revenue-based method to depreciate its non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

4. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

Acquisition of Masalsky GOK LLP

On 24 June 2014 the Group acquired from Gornoe Buro LLP 63% interest in charter capital of Masalsky GOK LLP ("MGOK"). The principal activity of MGOK is exploration and evaluation of iron ore at Masalsky deposit in Zharkain district of Akmola oblast. Total transaction cost was equal to 3,520,550 thousand tenge, from this amount the Group paid 3,110,550 thousand tenge, and the remaining amount of 410,000 thousand tenge was recognized as payable for acquisition of subsidiary in the consolidated statement of financial position. This accounts payable is due within 30 calendar days after approval of the draft document for performance of production works at Masalsky deposit by the respective state authorities. At the same time, if the amount of the future commercial discovery bonus will be greater than 250,000 thousand tenge, the parties are obligated to sign additional agreement to the purchase and sale agreement of interest in MGOK, stipulating a decrease of the transaction total amount by the increase in commercial discovery bonus.

The Group has elected to measure the non-controlling interests in MGOK at proportionate share of the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of MGOK as at the date of acquisition were:

<i>In thousands of tenge</i>	Fair value recognized on acquisition
Assets	
Property, plant and equipment (Note 9)	1,420,889
Intangible assets (Note 10)	5,607,242
Taxes receivable	47,286
Other non-current assets	31,938
Cash and cash equivalents	182
	7,107,537
Liabilities	
Long-term accounts payable	(1,096,450)
Current liabilities	(28)
	(1,096,478)
Total identifiable net assets at fair value	6,011,059
Non-controlling interest	(2,224,092)
Bargain purchase	(266,417)
Cost of the acquisition	3,520,550
Net cash acquired with the subsidiary	182
Cash paid	(3,110,550)
Net cash outflows	(3,110,368)

The above fair value of acquired intangible assets in the amount of 5,607,242 thousand tenge mainly includes the right for subsoil use on Masalky field.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

Acquisition of Masalsky GOK LLP (continued)

The fair value of long-term accounts payable in the amount of 1,096,450 thousand tenge represents a temporary financial aid repayable by the Company in accordance with the assignment agreement signed between the Company, Gornoe Buro LLP and MGOK dated 30 December 2013. In accordance with the assignment agreement Gornoe Buro LLP concedes the right of claim to the Company under the temporary financial aid agreement signed between Gornoe Buro LLP and MGOK in the amount of 1,096,450 thousand tenge. At the same time the Company undertook an obligation to repay this amount to Gornoe Buro LLP. This agreement became effective after the purchase and sale agreement of interest in the charter capital of MGOK dated 24 June 2014 was signed, accordingly, the Group recognized this amount as accounts payable in the consolidated statement of financial position. As at 31 December 2014 this amount was fully repaid by the Company.

Bargain purchase in the amount of 266,417 thousand tenge arose due to the following:

- The Group acts on behalf of the Government of the Republic of Kazakhstan, and accordingly, has the right to be the main buyer in the trade of subsoil use rights for mining fields by the subsoil users;
- There were no any potential buyers on the market except Tau-Ken Samruk, which allowed the Group to negotiate with the seller and decrease the purchase price;
- Former owner of MGOK sold the asset due to the lack of financing of MGOK operations.

From the date of acquisition the contribution of MGOK into revenue of the Group was equal to nil, and into net loss 24,583 thousand tenge. If the acquisition had taken place at the beginning of the year, the Group's revenue would not change due to the absence of revenue in MGOK, and net profit for the period would have been 162,443 thousand tenge.

Acquisition of additional interest in charter capital of Masalsky GOK LLP

On 1 July 2014, the Group acquired from National Company SPK Esil JSC an additional 30% interest in charter capital of Masalsky GOK LLP, increasing its ownership interest to 93%. Cash consideration of 221,044 thousand tenge was paid to the non-controlling participants. Following is a schedule of additional interest acquired in MGOK:

<i>In thousands of tenge</i>	As at acquisition date
Cash consideration paid to non-controlling participants	221,044
Carrying value of the additional interest in MGOK	(1,803,318)
Difference recognized in retained earnings	(1,582,274)

Acquisition of ShalkiaZinc LTD JSC

On 11 July 2014 the Group additionally issued 200 ordinary shares at the offered price per share of 160,828 thousand tenge per an ordinary share and in the total amount of 32,165,669 thousand tenge, which were purchased by Samruk-Kazyna in exchange for 417,610,000 ordinary shares of ShalkiyaZinc LTD JSC ("ShalkiyaZinc") constituting 100% of the total amount of declared and placed shares of ShalkiyaZinc. The main activity of Shalkia Zinc is exploration, production and refining of mixed plumbum-zinc ore on Shalkia field located in Zhanakorgan region, Kyzylorda oblast, Republic of Kazakhstan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

Acquisition of ShalkiaZinc LTD JSC

The fair values of the identifiable assets and liabilities of ShalkiyaZinc as at the date of acquisition were:

<i>In thousands of tenge</i>	Fair value recognized on acquisition
Assets	
Property, plant and equipment (Note 9)	2,978,301
Intangible assets (provisional values*) (Note 10)	36,003,593
Other non-current assets	386,768
Other current assets	113,059
Cash and cash equivalents	65,965
	39,547,686
Liabilities	
Deferred tax liability (Note 8)	(7,333,767)
Current liabilities	(48,250)
	(7,382,017)
Total identifiable net assets at fair value	32,165,669
Consideration transferred at acquisition	32,165,669

* The net book value of intangible assets at the date of acquisition may be subsequently adjusted, with the corresponding adjustment prior to 11 July 2015 (one year after the transaction).

The above fair value of acquired intangible assets in the amount of 36,003,593 thousand tenge is provisional until a final valuation of these assets is received and mainly comprised of subsoil use rights for Shalkiya deposit.

From the date of acquisition the contribution of ShalkiyaZinc into revenue of the Group was equal to nil, and into net loss 352,604 thousand tenge. If the acquisition had taken place at the beginning of the year, the Group's revenue would not change due to the absence of revenue in ShalkiyaZinc, and net loss for the period would have been 336,244 thousand tenge.

5. REVENUE FROM SALES

<i>In thousands of tenge</i>	2014	2013
Sale of fine gold (Note 17)	42,425,044	-
Sale of silica	1,254	-
	42,426,298	-

6. COST OF SALES

<i>In thousands of tenge</i>	2014	2013
Raw materials	41,703,911	-
Salary and related expenses	193,674	-
Depreciation and amortization	191,122	-
Other	203,192	-
	42,291,899	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	2014	2013
Salary and related expenses	1,241,133	787,999
Professional and consulting services	250,269	582,043
Rent expenses	139,405	111,321
Business trip expenses	74,746	45,809
Other services	49,575	-
Taxes	47,495	930
Depreciation and amortisation	44,367	15,095
Utilities	31,877	-
Communication services	13,874	9,827
Representation expenses	4,013	4,587
Organization of events	-	16,062
Provisions	(64,935)	74,598
Other	123,351	31,475
	1,955,170	1,679,746

8. INCOME TAX

As at 31 December 2014 and 2013, the Group is subject to corporate income tax at the prevailing official rate of 20%.

<i>In thousands of tenge</i>	2014	2013
Current income tax	-	-
Deferred income tax	-	-
	-	-

A reconciliation of income tax expense applicable to profit before income tax at the official income tax rate, with the income tax expense for the years ended 31 December 2014 and 2013 is set out below:

<i>In thousands of tenge</i>	2014	2013
Profit before income tax	147,111	1,669,718
Statutory tax rate	20%	20%
Income tax expense at the statutory rate	29,422	333,944
Change in unrecognised deferred tax assets	480,857	350,218
Capital gain on JV interest at account of other partners	-	17,831
Permanent differences on share of net profit of joint ventures and associate	(397,646)	(633,493)
Other	(112,633)	(68,500)
Income tax expense	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INCOME TAX (continued)

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

<i>In thousands of tenge</i>	2014	Charged to consolidated statement of comprehensive income	2013	Charged to consolidated statement of comprehensive income	2012
Deferred tax assets					
Tax loss carry forward	1,167,577	406,584	760,993	323,793	437,200
Accrued unused vacation reserves	19,764	(8,715)	28,479	12,749	15,730
Allowance for doubtful debts	–	(12,987)	12,987	12,987	–
Accrued liabilities under subsoil use contracts	29	(1,904)	1,933	1,933	–
Accrued obligations on audit services	895	(244)	1,139	1,139	–
Taxes receivable	59,281	59,281	–	–	–
Other assets	39,797	39,797	–	(438)	438
	1,287,343	481,812	805,531	352,163	453,368
Deferred tax liabilities					
Property, plant and equipment	(3,173)	(1,144)	(2,029)	(1,756)	(273)
Revaluation of intangible assets to fair value	(7,333,767)	–	–	–	–
Other liabilities	–	189	(189)	(189)	–
	(7,336,940)	(955)	(2,218)	(1,945)	(273)
Less: unrecognised deferred income tax assets	(1,284,170)	(480,857)	(802,536)	(350,218)	(452,318)
Impairment of deferred tax assets	–	–	(777)	–	–
Net deferred tax (liabilities)/assets	(7,333,767)	–	–	–	777

Deferred taxes related to the revaluation of intangible assets to fair value is deferred taxes acquired within business combination with ShalkiyaZinc (Note 4).

At 31 December 2014 unrecognised deferred tax assets were equal to 1,284,170 thousand tenge (2013: 802,536 thousand tenge) and were mainly attributed to the tax loss carried forward for 2014 and 2013. As these losses can be utilised within 10 (ten) years, there is a tax asset of the temporary difference. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

<i>In thousands of tenge</i>	Mining assets	Buildings and constructions	Machinery and equipment	Vehicles	Computers	Other	Construction in progress	Total
Cost								
At 1 January 2013	-	-	8,594	-	25,078	9,236	350,790	393,698
Additions	-	-	8,370	28,178	13,808	25,239	4,529,077	4,604,672
Transfers	-	1,632,136	2,514,356	-	7,963	515,035	(4,669,490)	-
Disposals	-	-	-	-	-	(4,179)	-	(4,179)
Other	-	-	(428)	-	(494)	(172)	-	(1,094)
At 31 December 2013	-	1,632,136	2,530,892	28,178	46,355	545,159	210,377	4,993,097
Additions	88,184	11,002	379,293	47,147	20,382	20,856	689,283	1,256,147
Acquisition of a subsidiary (Note 4)	133,724	16,353	233,516	1,059	-	30,072	3,984,466	4,399,190
Transfer	-	-	(151,113)	-	-	-	-	(151,113)
Internal movement	-	149,599	1,652	-	-	-	(151,251)	-
Disposals	-	(337)	(34,905)	-	-	(6,317)	-	(41,559)
At 31 December 2014	221,908	1,808,753	2,959,335	76,384	66,737	589,770	4,732,875	10,455,762
Accumulated depreciation								
At 1 January 2013	-	-	(3,320)	-	(14,574)	(6,440)	-	(24,334)
Charge for the year	-	-	(28,498)	(203)	(6,417)	(5,053)	-	(40,171)
Depreciation on disposals	-	-	-	-	-	3,944	-	3,944
At 31 December 2013	-	-	(31,818)	(203)	(20,991)	(7,549)	-	(60,561)
Charge for the year	-	(25,394)	(196,433)	(2,128)	(7,935)	(37,114)	-	(269,004)
Depreciation on disposals	-	271	817	-	-	4,710	-	5,798
At 31 December 2014	-	(25,123)	(227,434)	(2,331)	(28,926)	(39,953)	-	(323,767)
Net book value								
At 31 December 2013	-	1,632,136	2,499,074	27,975	25,364	537,610	210,377	4,932,536
At 31 December 2014	221,908	1,783,630	2,731,901	74,053	37,811	549,817	4,732,875	10,131,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS

<i>In thousands of tenge</i>	Subsoil use right	Other	Total
Cost			
At 1 January 2013	-	14,148	14,148
Additions	-	12,551	12,551
At 31 December 2013	-	26,699	26,699
Additions	-	7,318	7,318
Acquisition of a subsidiary (Note 4)	41,608,631	2,204	41,610,835
At 31 December 2014	41,608,631	36,221	41,644,852
Accumulated amortisation			
At 1 January 2013	-	(6,750)	(6,750)
Charge for the year	-	(2,541)	(2,541)
At 31 December 2013	-	(9,291)	(9,291)
Charge for the year	-	(5,522)	(5,522)
At 31 December 2014	-	(14,813)	(14,813)
Net book value			
At 31 December 2013	-	17,408	17,408
At 31 December 2014	41,608,631	21,408	41,630,039

11. EXPLORATION AND EVALUATION ASSETS

<i>In thousands of tenge</i>	Exploration and evaluation assets
Net book value at 1 January 2014	652,018
Additions	1,575,527
Gratuitous receipt of exploration and evaluation assets	239,634
Write-off of exploration and evaluation assets on Chernigovski deposit	(99,406)
Net book value at 31 December 2014	2,367,773

As at 31 December exploration and evaluation assets are as follows:

<i>In thousands of tenge</i>	2014	2013
Geological and geophysical works	2,087,022	524,680
Services for preparation of project feasibility study	57,454	40,820
Signature bonus	55,118	52,946
Salary and related expenses	45,900	-
Contributions to social-economic regional development and infrastructure development	31,165	12,300
Geological information	7,992	10,472
Other	83,122	10,800
	2,367,773	652,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATE

As at 31 December investments in joint ventures and associate are as follows:

<i>In thousands of tenge</i>	2014		2013	
	Share	Amount	Share	Amount
Joint venture				
JV Tau Gold Copper LLP	50%	2,980	50%	2,925
JV Tau-Ken Project LLP	-	-	50%	16,470
Associate				
Kazzinc LLP	29.822%	234,166,217	29.822%	199,877,049
		234,169,197		199,896,444

Movements in investments in joint ventures and associate are as follows:

<i>In thousands of tenge</i>	2014	2013
At 1 January	199,896,444	160
Share in profit of joint ventures and associate	1,988,232	3,167,462
Acquisitions	-	195,587,015
Increase of investments in Kazzinc	300	-
Dividends	(1,861,159)	-
Share in other changes of associate's equity	(2,966,934)	-
Disposals	(17,849)	-
Foreign currency translation	37,130,163	1,141,807
At 31 December	234,169,197	199,896,444

In accordance with the decision of the general meeting of participants of Kazzinc LLP dated 27 June 2014, the order of distribution of net income of Kazzinc LLP based on the 2013 results was approved. The total amount of dividends declared to the participants of Kazzinc LLP was equal to 6,240,871 thousand tenge, from which 1,861,159 thousand tenge were distributed to the Group.

On 26 November 2014 Kazzinc LLP acquired non-controlling interest in charter capital of Orion Minerals LLP. Transaction cost of acquisition comprised 10,909,536 thousand tenge, represented by cash consideration for the amount of 6,601,755 thousand tenge and 100% interest in charter capital of Raigorodok LLP, which was fully controlled by Kazzinc LLP net assets of which were 4,307,781 thousand tenge at the date of disposal. The Group's share in this change of associate's equity for the amount of 2,966,934 thousand tenge was recognized as a reduction of retained earnings in the consolidated statement of changes in equity.

The summarized financial information of joint ventures and associates, and reconciliation with carrying amount of the investments in consolidated financial statements are set out below:

<i>In thousands of tenge</i>	KazZinc LLP	JV Tau Gold Copper LLP
At 31 December 2014		
Current assets	202,032,589	17,685
Non-current assets	857,651,611	9,274
Current liabilities	(146,189,995)	(1,960)
Non-current liabilities	(128,281,219)	-
Equity	785,212,986	24,999
Carrying value of investments	234,166,217	2,980

<i>In thousands of tenge</i>	KazZinc LLP	JV Tau Gold Copper LLP	JV Tau Ken Project LLP
2014			
Revenue	448,254,895	164	-
Net profit	6,662,189	109	2,758
Share of the Group in profit for the year	1,986,798	55	1,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATE (continued)

<i>In thousands of tenge</i>	KazZinc LLP	JV Tau Gold Copper LLP	JV Tau Ken Project LLP
At 31 December 2013			
Current assets	166,036,281	158	53,326
Non-current assets	676,306,058	4,925	184,168
Current assets	(61,553,831)	(4,326)	(39,840)
Non-current assets	(110,554,960)	-	-
Equity	670,233,548	757	197,654
Carrying value of investments	199,877,049	2,925	16,470

<i>In thousands of tenge</i>	KazZinc LLP	JV Tau Gold Copper LLP	JV Tau Ken Project
2013			
Revenue	40,362,129	-	-
Net profit/(loss)	10,664,391	(4,324)	(21,421)
Share of the Group in profit/(loss) for the year	3,180,335	(2,162)	(10,711)

13. INVENTORIES

As at 31 December inventories are as follows:

<i>In thousands of tenge</i>	2014	2013
Work in progress	6,048,345	1,551,161
Finished goods	3,900,340	-
Raw materials and supplies	273,623	181,839
Goods	98,764	5,341
Less: allowance for obsolete inventory	(430,153)	-
	9,890,919	1,738,341

Changes in the allowance for obsolete inventory were, as follows:

<i>In thousands of tenge</i>	2014
At 1 January	-
Charge for the year	430,153
At 31 December	430,153

14. CASH AND CASH EQUIVALENTS

At 31 December cash and cash equivalents are as follows:

<i>In thousands of tenge</i>	2014	2013
Current bank accounts in tenge	11,822,604	6,560,365
Current bank accounts in euro	91,780	-
Current bank accounts in US dollars	15,117	28,354
Current bank accounts in other currencies	45	-
Cash on hand	32	-
	11,929,578	6,588,719

Interest is accrued based on the appropriate rates for current accounts ranging from 0.1% to 1% (2013: 0.1% to 1%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EQUITY

Share capital

Changes in share capital are as follows:

	Ordinary shares	
	Number	Amount
At 1 January 2013	291,661	7,862,266
Issue of shares	630	167,376,991
At 31 December 2013	292,291	175,239,257
Issue of shares	326	55,146,996
At 31 December 2014	292,617	230,386,253

The Company's share capital comprised of ordinary shares. Each ordinary share carries one vote.

During 2014 the Company issued 326 additional ordinary shares which were placed and purchased by Samruk-Kazyna for the amount of 55,146,996 thousand tenge. Payment for 126 shares from the additional issue was made in cash during 2014 in the amount of 22,981,327 thousand tenge. The remaining 200 shares at the offered price of 160,828 thousand tenge per ordinary share in the total amount of 32,165,669 thousand tenge were acquired by Samruk-Kazyna in exchange for transfer of ordinary shares of ShalkiaZinc LTD JSC (Note 4).

Dividends

Based on the 2013 results the Company declared dividends to Samruk-Kazyna comprising 15% of the consolidated net income in the amount of 250,458 thousand tenge, which were fully repaid during 2014. Based on the 2013 results the dividend per an ordinary share of the Company was equal to 857 tenge.

Non-controlling interest

<i>In thousands of tenge</i>	2014
At 1 January 2014	-
Acquisition of subsidiary (Note 4)	2,224,092
Acquisition of non-controlling interest (Note 4)	(1,803,318)
At 31 December 2014	420,774

16. ACCOUNTS PAYABLE

At 31 December accounts payable are as follows:

<i>In thousands of tenge</i>	2014	2013
Accounts payable to related parties (Note 17)	961,313	9,304
Accounts payable to third parties	577,575	168,923
Accounts payable for acquisition of subsidiary (Note 4)	410,000	-
	1,948,888	178,227

17. RELATED PARTY TRANSACTIONS

Related parties include key management personnel of the Group, entities in which a substantial interest is owned, directly or indirectly, by Samruk-Kazyna and the Government ("entities under common control").

Terms and conditions of transactions with related parties

Transactions with related parties were made at terms agreed between the parties that were not necessarily carried out at market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

Major transactions and balances with related parties for the years ended 31 December 2014 and 2013 are as follows:

<i>In thousands of tenge</i>	2014	2013
Sales to related parties		
<i>Entities under common control of the Government</i>		
National Bank of Kazakhstan (Note 5)	42,425,044	-
	42,425,044	-

<i>In thousands of tenge</i>	2014	2013
Purchases from related parties		
<i>Entities under common control of Samruk-Kazyna</i>		
NC KazMunayGas JSC	146,836	82,766
KEGOC JSC	66,374	-
Kazpost JSC	14,987	1,321
Samruk-Kazyna Contract LLP	12,700	1,808
Kazakhtelecom JSC	10,109	9,255
Kazakhstan Temir Zholy JSC	4,871	-
NAC Kazatomprom JSC	1,297	-
<i>Entities under common control of the Government</i>		
Kazgeology JSC	5,694	13,448
<i>Associate of the Group</i>		
Kazzinc LLP	24,593,751	-
	24,856,619	108,598

<i>In thousands of tenge</i>	At 31 December 2014	At 31 December 2013
Accounts receivables to related parties		
<i>Entities under common control of the Government</i>		
National Bank of Kazakhstan	2,320,280	-
	2,320,280	-

<i>In thousands of tenge</i>	At 31 December 2014	At 31 December 2013
Accounts payable to related parties		
<i>Entities under common control of Samruk-Kazyna</i>		
NC KazMunayGas JSC	12,284	8,557
Kazpost JSC	1,738	-
Kazakhtelecom JSC	918	747
NAC Kazatomprom JSC	211	-
<i>Associate of the Group</i>		
Kazzinc LLP	946,162	-
	961,313	9,304

<i>In thousands of tenge</i>	At 31 December 2014	At 31 December 2013
Advances paid		
<i>Entities under common control of Samruk-Kazyna</i>		
KEGOC JSC	10,756	-
Kazakhstan Temir Zholy JSC	2,265	-
Kazpost JSC	13	13
	13,034	13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. RELATED PARTY TRANSACTIONS (continued)

Compensation to key management personnel

Key management personnel comprise members of the Management Board totalling 25 persons, including 2 independent directors as at 31 December 2014 (2013: 14 persons, including 2 independent directors). In 2014, total compensation to the key management personnel was 196,718 thousand tenge (2013: 130,423 thousand tenge) and represents salary, annual bonuses and other short-term benefits included in general and administrative expenses in the consolidated statement of comprehensive income.

18. COMMITMENTS AND CONTINGENCIES

Taxation

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual.

The current regime of fines and penalties related to reported and discovered violations of Kazakhstan's tax laws are severe. Fines are generally 50% of any taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 2.5. As a result, the amount of penalties and interest may be several times the amount of any unreported taxes.

The Group believes that it has paid or accrued all taxes that are applicable. Where practice concerning tax application is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to accrue contingencies in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued at 31 December 2014. Although such amounts are possible and may be material, it is the opinion of the Group's management that these amounts are either not probable, or not reasonably determinable, or both.

The Group's operations and financial position may be affected by political developments in Kazakhstan, including the application of existing and future legislation and tax regulations. The Group does not believe that these potential contingencies, as related to its operations, are any more significant than those of similar enterprises in Kazakhstan.

As of 31 December 2014, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax positions will be sustained.

Environmental matters

The management of the Group believes that currently the Group complies with all laws and statutory regulations of the Republic of Kazakhstan on environmental protection. However, in case of change of Kazakhstan laws and statutory regulations on environmental protection, the Group cannot forecast the timing and degree of change and its effect on the Group's consolidated financial statements.

Legal actions and claims

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes, that the ultimate liability, if any, arising from such actions or complaints will have no material adverse effect either on the consolidated financial condition or the Group's consolidated financial results in near future.

Contractual obligations

As at 31 December 2014 the Group has contractual obligations in the amount of 1,235,102 thousand tenge, related to delivery of raw materials for gold refinery plant in Astana.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. COMMITMENTS AND CONTINGENCIES (continued)

Obligations under subsoil use contracts

As at 31 December 2014 the Group has the following contractual liabilities:

<i>In thousands of tenge</i>	Fulfilment of commitments for the year ended 31 December			
	2014	2014	2015	2016
Deposit Alaigyr	327,519	8,348,350	6,454,350	7,557,600
Deposit Gagarinskoe	120,116	293	410,013	285,635
Deposit Zhaksylyk	37,782	186,950	-	-
Deposit Zapadnyi Sayak	9,405	17,197	-	-
Deposit Predgornyyi Ketmen	84,058	234,415	58,685	-
Spasskaya copper ore zone deposit	490,693	490,641	1,016,279	698,190
Deposit Tuyuk Temirlik	375,777	166,061	335,794	316,236
Deposit Shokpar	79,863	-	277,765	395,898
Deposit Progress	11,364	-	14,083	284,119
Deposit on exploration of non-ferrous metals (excluding bauxites) in Kostanai oblast	13,505	-	251,736	608,529
Deposit Eshkeolmes	4,904	168,434	-	-

The Group's activity is subject to reviews by government authorities with respect to the requirements of the respective licenses and subsoil use contracts. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of subsoil use contracts could result in fines, penalties, limitation, suspension or revocation of respective contract. The Group's management believes that any issues of non-compliance will be resolved through negotiations or corrective actions without any material effect on the Group's consolidated financial statements.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices include four types of risks: interest rate risk, foreign exchange risk, commodity price risk and other price risks such as a risk related to equity instruments. Financial instruments exposed to the market risk comprise loans and borrowings, deposits, available for sale investments and derivatives.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at the price that is close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Financial liabilities of the Group are represented by accounts payable to be paid within 3 (three) months from the reporting date.

Credit risk

The Group is exposed to a credit risk in connection with other financial assets that comprise cash and cash equivalents and short-term bank deposits. The Group's exposure to credit risks arises from the possibility of counterparty's default, with a maximum exposure equal to the carrying amount of these instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in exchange rates. As at 31 December 2014 and 2013 the Group has no significant financial instruments denominated in foreign currency.

Fair value of financial instruments

The carrying amount of financial instruments approximates their fair value due to the short-term maturity of these instruments.

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Capital management of the Group is strictly dependent from Samruk-Kazyna capital management strategy. The majority of decisions on capital management are adopted in consultation with the relevant committees of the shareholder. To maintain or adjust the capital structure, Samruk-Kazyna can make contributions to the capital of the Group, provide debt financing or authorize the Group to obtain debt financing from third parties and provide guarantees for all significant external borrowings.