ORTALYK Production Enterprise LLP

International Financial Reporting Standards Financial Statements and Independent Auditor’s Report

31 December 2020

Translated from the Russian original

Independent Auditor's Report

To the Shareholder and Management of DP Ortalyk LLP

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of DP Ortalyk LLP (the "Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers LLP
Building A, 4th floor, Almaty, Kazakhstan, A25D5F6
T: +7 (727) 330 32 00, F: +7 (727) 244 68 68, www.pwc.com/kz

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

1 February 2021
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance
of the Republic of Kazakhstan
№0000005 dated 21 October 1999)

Signed by:

Almaz Sadykov
Audit Partner
(Qualified Auditor's Certificate
№0000745 dated 8 February 2019)

ORTALYK Production Enterprise LLP
Statement of Profit or Loss and Other Comprehensive Income

In thousands of Kazakhstani Tenge	Note	2020	2019
Revenue from contracts with customers	8	39,229,315	36,861,236
Cost of sales	9	(17,790,354)	(20,336,114)
Gross profit		**21,438,961**	**16,525,122**
Distribution costs	11	(37,607)	(38,127)
General and administrative expenses	12	(928,039)	(857,662)
Other income	10	11,099	47,131
Other expenses	13	(562,950)	(506,156)
Finance income	15	218,548	98,495
Finance costs	15	(291,644)	(265,212)
Profit before income tax		**19,848,368**	**15,003,591**
Income tax expense	16	(4,080,817)	(3,278,153)
PROFIT FOR THE YEAR		**15,767,551**	**11,725,438**
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	30	(24,226)	5,268
Losses less gains from investments at fair value through other comprehensive income		-	(34,724)
Other comprehensive loss for the year		**(24,226)**	**(29,456)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**15,743,325**	**11,695,982**

These financial statements were approved and signed by management on 1 February 2021:

Markenbayev Zh. D.
General Director

Alkeshova A. I.
Chief Accountant

In thousands of Kazakhstani Tenge	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Intangible assets	17	628,453	69,465
Property, plant and equipment	18	11,617,104	11,703,834
Mine development assets	19	13,319,913	13,387,295
Subsurface rights	20	347,353	368,060
Exploration and evaluation assets	21	1,871,262	1,729,044
Other non-current assets	22	1,420,065	1,584,441
Total non-current assets		**29,204,150**	**28,842,139**
Current assets			
Inventories	23	2,409,137	1,919,777
Current income tax prepayments		389,532	623,485
Trade and other receivables	24	16,667,976	13,319,655
Other current assets	26	309,821	68,242
Cash and cash equivalents	25	1,985,900	2,954,728
Total current assets		**21,762,366**	**18,885,887**
TOTAL ASSETS		**50,966,516**	**47,728,026**
EQUITY			
Share capital	27	27,164,074	26,641,069
Retained earnings		17,007,725	12,989,838
Other reserves		(52,364)	(52,364)
TOTAL EQUITY		**44,119,435**	**39,578,543**
LIABILITIES			
Non-current liabilities			
Provision for asset retirement obligations	29	2,804,905	3,575,911
Historical costs liabilities	28	214,430	387,640
Deferred income tax liabilities	16	501,424	391,670
Employee benefits	30	77,696	22,201
Other non-current liabilities		38,325	-
Total non-current liabilities		**3,636,780**	**4,377,422**
Current liabilities			
Trade payables	31	2,072,442	1,741,034
Historical costs liabilities	28	231,130	210,088
Other taxes and compulsory payments payable		688,095	1,576,948
Employee benefits	30	7,025	4,421
Other current liabilities	32	211,609	239,570
Total current liabilities		**3,210,301**	**3,772,061**
TOTAL LIABILITIES		**6,847,081**	**8,149,483**
TOTAL LIABILITIES AND EQUITY		**50,966,516**	**47,728,026**

These financial statements were approved and signed by management on 1 February 2021:

Markenbayev Zh.D. General Director	Alkeshova A. I. Chief Accountant

The accompanying notes on pages 5 to 42 are an integral part of these financial statements.

In thousands of Kazakhstani Tenge	Note	2020	2019
OPERATING ACTIVITIES			
Cash inflows from customers		40,555,915	38,907,970
Commission received		135,159	83,602
Other receipts		8,574	41,918
Payments to suppliers		(13,369,186)	(12,371,542)
Advances to suppliers of goods and services		(80,017)	(50,286)
Employee compensations		(2,402,961)	(2,081,069)
Other payments to the budget		(7,809,928)	(7,375,551)
Other payments		(857,657)	(846,417)
Cash flows from operations		**16,179,899**	**16,308,625**
Income taxes paid		(3,737,110)	(3,119,231)
Net cash from operating activities		**12,442,789**	**13,189,394**
INVESTING ACTIVITIES			
Purchases of non-current assets (excluding VAT)		(1,515,564)	(2,251,550)
Purchases of property, plant and equipment (excluding VAT)		(107,345)	(39,195)
Advances for property, plant and equipment		-	(150,000)
Placement of funds on liquidation fund deposit		(262,565)	(139,000)
Purchases of other financial assets		-	(34,724)
Net cash from investing activities		**(1,885,474)**	**(2,614,469)**
FINANCING ACTIVITIES			
Dividends paid	27	(11,725,438)	(11,263,465)
Other payments		(1,965)	-
Net cash from financing activities		**(11,727,403)**	**(11,263,465)**
Net decrease in cash and cash equivalents		**(1,170,088)**	**(688,540)**
Effect of exchange rate changes on cash and cash equivalents		201,260	-
Cash and cash equivalents at the beginning of the year		2,954,728	3,643,268
Cash and cash equivalents at the end of the year	25	**1,985,900**	**2,954,728**

These financial statements were approved and signed by management on 1 February 2021:

Markenbayev Zh. D.
General Director

Alkeshova A. T.
Chief Accountant

In thousands of Kazakhstani Tenge	**Share capital**	**Retained earnings**	**Other reserves**	**Total equity**
At 1 January 2019	26,641,069	12,522,597	(17,640)	39,146,026
Profit for the year	-	11,725,438	-	11,725,438
Remeasurements of post-employment benefit obligations	-	5,268	-	5,268
Losses less gains from investments at fair value through other comprehensive income	-	-	(34,724)	(34,724)
Total comprehensive income for the year	-	11,730,706	(34,724)	11,695,982
Dividends paid	-	(11,263,465)	-	(11,263,465)
At 31 December 2019	**26,641,069**	**12,989,838**	**(52,364)**	**39,578,543**
Profit for the year	-	15,767,551	-	15,767,551
Remeasurements of post-employment benefit obligations	-	(24,226)	-	(24,226)
Total comprehensive income for the year	-	15,743,325	-	15,743,325
Capital contributions from shareholders	523,005	-	-	523,005
Dividends paid (Note 27)	-	(11,725,438)	-	(11,725,438)
At 31 December 2020	**27,164,074**	**17,007,725**	**(52,364)**	**44,119,435**

These financial statements were approved and signed by management on 1 February 2021:

Markenbayev Zh. D.
General Director

Alkeshova A. I.
Chief Accountant

Contents

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2020 for ORTALYK Production Enterprise LLP (the "Company" and "DP Ortalyk LLP").

The Company is a limited liability partnership set up according to the legislation of the Republic of Kazakhstan. The sole participant of the Company is the National Atomic Company Kazatomprom JSC (hereinafter, "NAC Kazatomprom JSC"). As of 31 December 2020, 75% shares of NAC Kazatomprom JSC belong to the government represented by Sovereign Wealth Fund Samruk Kazyna JSC and 25% belong to other shareholders (31 December 2019: 81.28% and 18.72%, respectively). The Company's registered address is: Building No.28, Suzak 033 village, Suzak region, South Kazakhstan oblast, Republic of Kazakhstan.

Prior to 19 October 2017, the Company's principal activity was provision of services on uranium production using the method of drillhole in situ leaching, processing to the yellow cake and services of mining and development, which were performed on the contractual territory of Mynkuduk field (Central site). The subsurface right on this site until 19 October 2017 belonged to NAC Kazatomprom JSC. From 19 October 2017, under addendum No.3 to contract No. 1796-ТПИ dated 8 July 2005 the subsurface right was transferred from NAC Kazatomprom JSC to the Company. Also, under addendum No. 4 dated 19 October 2017 to contract No. 3610-ТПИ dated 31 May 2010, the Company received the right to explore uranium at Zhalpak field. The term of the contract No. 3610-ТПИ has expired on 31 May 2018.

On 20 February 2018 the Company applied to the Ministry of Energy of the Republic of Kazakhstan with a request to extend the exploration period and, accordingly, the term of the Contract, until 31 December 2022. By a letter dated 14 May 2018, the Ministry of Energy of the Republic of Kazakhstan agreed to extend the exploration period under the exploration contract until 31 December 2022, subject, inter alia, to the provision of a work program based on the approved project document.

However, the issue of approval of the Project of evaluation works was delayed due to the ambiguity in relation to the authorised body for uranium mining and due to the lack of a regulation on the Central Commission for the development ("CCR RK") of uranium deposits in the Republic of Kazakhstan, which was approved only on 8 August 2019. Members of CCR RK were approved by the Order of the Minister of energy of the Republic of Kazakhstan on 21 October 2019, and a list of independent experts was approved by the minutes of CCR RK meeting only on 8 November 2019.

On 6 May 2020 a meeting of the CCR RK was held to review the "Project of appraisal works at the Zhalpak field". The project was rejected due to the inconsistency of the project name with the functions of the Working group: according to the paragraph 6 of the "Regulations on the Central Commission for the Development of Uranium Deposits of the Republic of Kazakhstan", the Central Commission reviews and issues an expert opinion on the pilot production projects and field development projects.

On 19 May 2020 the Company received a letter from NAC Kazatompro JSC about further actions on the Zhalpak field. Based on the instructions of NAC Kazatomprom JSC, the Company suspended a production at the Zhalpak field before receiving the production contract, and sent an information letter to the Ministry of Energy of the Republic of Kazakhstan on 2 June 2020. Pilot production at the Zhalpak field was suspended on 20 April 2020.

At the same time, the Company and the Sole Participant are taking all measures provided for by the legislation on subsurface resources and subsurface use to obtain a contract for the uranium production at the Zhalpak field.

Currently the subsoil use right is governed by the Code of the ROK "On subsoil and subsoil use" (hereinafter, "the subsoil use code"). In accordance with the requirements of article 160: the subsoil extraction is granted to a national company in the field of uranium, i.e. NAC Kazatomprom JSC, on the basis of direct negotiations, and the right of subsurface use for production (share in the right of subsurface use) granted to the national company in the field of uranium on the basis of direct negotiations can only be transferred to a legal entity, more than fifty percent of the shares in which directly or indirectly belong to the national company in the field of uranium. Accordingly, after NAC Kazatomprom JSC receives the subsoil use right to conduct uranium extraction at the Zhalpak field, it has the right to transfer the subsoil use right to the Company, because 100% of shares of the Company belong to NAC Kazatomprom JSC. Based on the minutes of meetings of NAC Kazatomprom JSC Board of Directors No. 9/20 dated 26 August 2020, decisions were made on Zhalpak field subsoil use right receipt by NAC Kazatomprom JSC, and further transfer of the subsoil use right in favour of the Company in the manner prescribed by the law.

It should also be noted that on 30 September 2020 the uranium reserves report for the Zhalpak field was considered and reserves as of 2 January 2020 were approved based on the Protocol No. 2214-20-U of the meeting of the State Commission on Mineral Reserves.

1 The Company and its Operations (Continued)

Thus, the Company plans to obtain a subsurface use contract for the uranium production at the Zhalpak field in 2021. Note 4 provides additional information on what actions the Company is taking to obtain a subsurface use contract at the Zhalpak field.

The Company's headcount at 31 December 2020 is 465 employees (2019: 480 employees).

2 Operating Environment of the Company

The economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. It economy is particularly sensitive to oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of a national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Volatility of exchange rates has caused and may continue to cause negative impacts on the economy of the Republic of Kazakhstan, including decreases in liquidity and creation of difficulties in attracting international financing.

On 21 August 2020 Fitch Ratings affirmed the long-term foreign currency issuer default rating ("IDR") of Kazakhstan at "BBB" with a stable outlook. Kazakhstan's 'BBB' IDRs balance large fiscal and external buffers, underpinned by accumulated oil-related fiscal revenues and a strong sovereign net foreign asset position, against high commodity dependence, a weak banking sector relative to peers, and lower governance scores than 'BBB' medians. Public debt remains low and external and fiscal buffers robust despite the oil price and coronavirus shocks.

According to the official estimates, real GDP during the twelve months of 2020 contracted by 2.6%. In August 2020 Fitch forecasted that real GDP would contract by 2.0% in 2020 (2019: +4.5%) as coronavirus containment measures hit domestic demand, and OPEC+ oil production cuts affect net exports.

In December 2019, news from China about the outbreak of a new virus first appeared. On 11 March 2020, the World Health Organisation declared the outbreak of a new type of coronavirus COVID-19 a pandemic. According to the Decree of the President of the Republic of Kazakhstan dated 15 March 2020 No. 285 "On the introduction of a state of emergency in the Republic of Kazakhstan", a state of emergency was introduced for the period from 16 March 2020 until 15 April 2020 and later extended until 11 May 2020.

Major cities of Kazakhstan fell under a quarantine regime; also, the activities of many enterprises were suspended from 30 March 2020 to 11 May 2020. On 5 July 2020, the State Commission for Ensuring State of Emergency under the President of Kazakhstan, in consideration of the complications of the epidemiological situation and the increase in the prevalence of coronavirus infection in Kazakhstan, introduced restrictive measures for 14 days, subsequently extended until 16 August 2020. The Company's activities for the period of quarantine were not suspended, the work of office employees was organised remotely.

On 9 March 2020 oil quotes dropped due to the collapse of the OPEC deal, and the price of Brent crude oil in March fell below US Dollars 25 per barrel. The depreciation of Tenge against the US Dollars in March 2020 from the beginning of the year was 17%. During May-June 2020 due to a gradual increase in oil prices, the currency partially recovered and slightly decreased during July-December 2020. As of

31 December 2020, the price of Brent crude oil increased to US Dollars 51.8 per barrel, and the price of WTI futures increased to US Dollars 48.35 per barrel.

The devaluation of the Tenge against the US Dollars since the beginning of the year was 10.37%, and as of 31 December 2020, the exchange rate was Tenge 420.71 per US Dollar.

The COVID-19 pandemic has disrupted the global uranium production. In March 2020 temporary closures of uranium production at Cigar Lake, the world's biggest uranium mine, were subsequently extended for an uncertain period in April.

In September, Cameco Corporation and Orano Canada restarted operations at the Cigar Lake mine and McClean Lake mine in northern Saskatchewan, Canada, which were completely suspended due to the pandemic.

2 Operating Environment of the Company (Continued)

Mining preparatory work at the Mynkuduk field was suspended from 12 April 2020 to 6 August 2020 due to the introduction of a state of emergency and the decision of NAC Kazatomprom JSC to reduce annual production and the volume of mining preparatory work. In the first half of August 2020, the Company began activities to mobilise workers to production facilities, in compliance with strict health and safety protocols in order to minimise the risk of a potential outbreak in the field or among the population living in the regions of the Company's presence. Since August 2020, mine development activities have resumed, however, it is expected that mining operations, suspended for four months from the beginning of the second quarter of 2020, will have an impact on the Company's production.

The uranium spot price, which acts as a base for the pricing of the Company's sales, increased by more than 35% from the middle of March 2020 to the end of April, and after continuous decline, at 31 December 2020, the spot price settled at US Dollars 30.20 per pound of U_3O_8 (US Dollars 24.93 at 31 December 2019).

As of the date of the issuance of these financial statements, the COVID-19 situation is still developing; to date, there has not been any noticeable effect on the Company's revenues, deliveries or supply chain other than a reduced level of field development activities, for the period of reduced operational activity. This disruption in the field development is expected to be temporary and will have no significant impact on the Company's sales. The Company will continue to monitor the market situation in order to find opportunities to optimise its inventory. Management will continue to monitor the potential effect of the above events and will take all necessary measures to prevent negative consequences for the business.

Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Company's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

3 Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and financial instruments categorised at fair value through other comprehensive income. The principal accounting policies applied in the preparation of these financial statements are set out below.

Presentation currency

These financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Revenue recognition

Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company carries out the following types of activities:

(a) Sales of uranium in the form of natural uranium oxide

As from receipt of the subsurface right on 19 October 2017 (Note 1), the Company is engaged in mining its own uranium at the contractual territory as a subsoil user. The Company conducts processing to natural uranium oxide at Ulba metallurgical plant and sells finished goods to NAC Kazatomprom JSC.

Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

3 Significant Accounting Policies (Continued)

Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. Delivery of uranium products is stipulated by the contract with customer, delivery date is considered to be the date of acceptance act signing. The date of acceptance act signing is determined based on the good consignment note, the date of physical delivery, or the date of special written notification specified by customer.

No element of financing is deemed present as the sales are made with an average credit term of 30 - 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.3 Significant Accounting Policies (Continued)

(b) Sale of services (transportation, rent payments from employees, etc.)

The Company may provide services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Revenue is recognised net of value added taxes. Revenue is measured at the fair value of the consideration received or receivable.

Income taxes

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that there is sufficient future taxable profit available against which the deductions can be utilised.

3 Significant Accounting Policies (Continued)

Uncertain tax positions

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Employee benefits

(i) Employee benefits

The Company provides long-term employee benefits to employees, in accordance with a Collective Labor Agreement (the "Agreement"). The Agreement, in particular, provides for funeral aid and financial aid for length of service to the employees of the Company. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The Company does not finance pension schemes. The liability recognised at each reporting date represents present value of pension liabilities. The actuarial profits and losses arising during the year are recorded in profit or loss for the year. For this purpose, actuarial profits and losses include both the impact of changes in actuarial assumptions and the impact of past experience of differences between actuarial assumptions and actual data.

The actuarial profits and losses on other post-employment liabilities, such as the impact of the past experience, differences and changes in actuarial assumptions are reflected in other comprehensive income during the period, in which they arise. Other changes in the present value of pension liabilities are recognised in profit or loss for the year, including the current cost of services.

The most significant assumptions used in accounting for defined benefit obligations are discount rate, staff turnover and mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to profit or loss as an interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

The employee benefits, including funeral aid to Company employees, are viewed as other non-current employee benefits. The expected expenses on these benefits are accrued during the employment of an employee using the methodology, which is used in estimate of defined benefit pension plans.

Such liabilities are estimated on an annual basis by independent qualified actuaries.

(ii) Payroll expense and related contributions

Wages, salaries, contributions to social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. In accordance with the legal requirements of the Republic of Kazakhstan, the Company withholds pension contributions from employees' salary and transfers them to the Unified Accumulative Pension Fund. Upon retirement of employees, all pension payments are administered by Unified Accumulative Pension Fund.

Financial instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the quoted price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Significant Accounting Policies (Continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Company: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities are substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument.

An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

(ii) Financial instruments – initial recognition

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

3 Significant Accounting Policies (Continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the financial instrument.

(iii) Financial assets – classification and subsequent measurement – measurement categories

The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI").

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

(iv) Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

(v) Financial assets impairment – credit loss allowance for ECL

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and trade and other receivables are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

3 Significant Accounting Policies (Continued)

The Company applies simplified approach for impairment of trade receivables. For other financial asseys the Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. Note 34 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

(vi) Financial assets – derecognition

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(vii) Classification of financial liabilities

Financial liabilities include financial liabilities carried at amortised cost.

(viii) Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Intangible assets

(i) Recognition and evaluation of intangible assets

The Company's intangible assets have definite useful lives and primarily include computer software and licences. Purchased software and licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

3 Significant Accounting Policies (Continued)

(ii) Amortisation of intangible assets

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Licences	3 – 20 years
Software	1 – 14 years
Other	2 – 15 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Subsurface right

The subsurface right is recorded at cost less accumulated amortisation and impairment, where required. The acquisition cost of subsurface rights includes the subscription bonus, commercial discovery bonus, acquisition cost of subsurface rights and capitalised historical costs. The Company is obliged to compensate the historical costs incurred by the government regarding licensed territories prior to the issue of licenses. Reimbursement of historical costs is presented as cash outflow for operating activities in the statement of cash flows, as the payments represent fixed payments to the budget, which are made on a quarterly basis during 10 years after the commercial discovery.

These historical costs are recognised as part of the acquisition cost with respective recognition of a liability equal to the present value of payments made during the license period.

The subsurface rights are amortised using the production method, based on proved reserves, from the time of beginning of uranium mining.

The reserve calculation is based on the reserve reports, which are an integral part of each subsoil contract. These reserve reports are included into the technical and economic models, which were approved by the competent authority, and in which the detailed information on expected volumes of production by years is presented.

Property, plant and equipment

(i) Recognition and evaluation of property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment (where needed). Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

Certain significant parts of an item of property, plant and equipment, whose useful life differs from the useful life of this item as a whole, is recorded as separate items (components) and depreciated at rates reflecting assumed useful lives of these parts. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Special spare parts and auxiliary equipment with significant initial value and useful life of over one year are recorded within property, plant and equipment. Other spare parts and auxiliary equipment are reflected within inventories and reflected in profit and loss for the year during spending.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

3 Significant Accounting Policies (Continued)

(ii) Depreciation of property, plant and equipment

Land is not depreciated. Depreciation of property, plant and equipment used in extraction of uranium mining and its preliminary processing is charged on a unit-of-production (UoP) method in respect of items for which this basis best reflects the pattern of consumption. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and constructions – production	Production method
Buildings and constructions – residential	10 – 50
Machinery and equipment	3 – 50
Vehicles	3 – 10
Other	3 – 20

Estimated useful life of an item of property, plant and equipment depends both on its own useful life and current evaluation of economically recoverable reserves of the field, at which this item of property, plant and equipment is located.

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Production preparation costs

Capitalised production preparation costs are recorded at cost less accumulated depreciation and provision for impairment, where required.

Production preparation costs include drilling of process injection and extraction wells, trunk external framing of wells with surface utilities, equipment and instrumentation, cost of ion exchange resin, estimated site recovery costs and other production preparation costs. Production preparation costs are amortised at the level of the blocks (for mining preparatory works) or field (for other assets) using the production method. Unit-of-production rates are based on proved reserves estimated to be recovered from mines (blocks) using existing facilities and operating methods. The estimate of proved reserves is based on reserve reports which are integral part of each subsoil use contract. These reserve reports are incorporated into feasibility models which are approved by the government and detail the total proven reserves and estimated scheduled extraction by year.

Exploration and evaluation assets

Exploration and evaluation assets are measured at cost less provision for impairment, where required. The Company classifies exploration and evaluation assets as tangible and intangible according to the nature of assets acquired.

Exploration and evaluation assets comprise the capitalised costs incurred after the Company has obtained the legal rights to explore a specific area and prior to proving that viable production is possible and include geological and geophysical costs, the costs of exploratory wells and directly attributable overheads associated with exploration activities.

Income less expenses from uranium sales at test production stage decrease the cost of exploration and evaluation assets.

Activities prior to the acquisition of subsurface rights are defined as pre-exploration. All pre-exploration costs are expensed as incurred and include such costs as project works, project feasibility studies and other overhead costs related to pre-exploration activities. The decision on conclusion or extension of the subsurface use contract upon expiry of the exploration and evaluation period is subject to the success of exploration and evaluation of mineral resources and the Company's decision on the transfer to the production (development) phase.

Tangible exploration and evaluation assets are transferred into production mine development assets upon demonstration of commercial viability of uranium production and amortised using unit-of-production method based on proved reserves. Once commercial reserves (proved or commercial reserves) are found, intangible exploration and evaluation assets are transferred to mineral rights. Accordingly, the Company does not amortise exploration and evaluation assets before commercial reserves (proved or commercial reserves) are found. If no commercial reserves are found, exploration and evaluation assets are expensed.

3 Significant Accounting Policies (Continued)

Exploration and evaluation assets are tested by the Company for impairment whenever facts and circumstances indicate assets' impairment. An impairment loss is recognised for the amount by which exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

One or more of the following facts and circumstances indicate that the Company should test exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Company has the right to explore in the specific area has expired or will expire in the near future;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral reserves and the Company has decided to discontinue such operations in the specific area; and
- the Company has sufficient data to indicate that, although development works in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell (amount which could be obtained as a result of the sales of an asset or a cash generating unit in an arms-length transaction between knowledgeable, voluntary, independent parties, less cost of disposal) and its value in use (being the net present value of expected future cash flows of the relevant cash-generating unit).

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 for which the future cash flow estimates have not been adjusted.

If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The estimates used for impairment reviews are based on detailed life of mine plants and operating budgets, modified as appropriate to meet the requirements of IAS 36 "Impairment of Assets". Future cash flows are based on:

- estimates of the volumes of the reserves for which there is a high degree of confidence of economic extraction;
- future production levels and related services;
- future commodity prices (assuming the current market prices will revert to the Company's assessment of the long term average price, generally over a period of three to five years); and
- future costs of production, other operating and capital expenditures.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss for the year so as to reduce the carrying amount in the statement of financial position to its recoverable amount. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. This reversal is limited to the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior years.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost.

3 Significant Accounting Policies (Continued)

Inventories

Inventories are recorded at the lower of cost and net realisable value. Upon the inventory issue or other disposal, its cost is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed. Restricted balances are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Dividends are distributed on the basis of financial statements prepared under IFRS. Based on legislation of Republic of Kazakhstan, the calculation and distribution of dividends should be made after the approval of financial statements.

Value added tax

Output value added tax related to sales is payable to tax authorities when goods or services are delivered to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which were not offset at the reporting date, is recognised in the statement of financial position on a net basis. The recoverable VAT is classified as a non-current asset, if it is not expected to be recovered during one year after completion of the reporting period.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost.

Provisions for other liabilities and charges

Provisions for liabilities and charges are non-financial liabilities with indefinite maturity or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The Company's provisions include site restoration (Note 29) and other provisions recorded in the financial statements.

3 Significant Accounting Policies (Continued)

Provision for asset retirement obligations

Assets retirement obligations are recognised when it is probable that the costs would be incurred and those costs can be measured reliably. Asset retirement obligations include the costs of rehabilitation and costs of liquidation (demolition of buildings, constructions and infrastructure, dismantling of machinery and equipment, transportation of the residual materials, environmental clean-up, monitoring of wastes and land restoration).

An estimated cost of dismantling and removal of an item of property, plant and equipment is added to the cost of the item at the time of acquisition of this item of property, plant and equipment or when the item is used for the purposes not related to production during a period in which the liability arises arising from a respective fact of disturbance of lands during contamination of environment, based on the discounted value of estimated future costs.

Changes in the estimate of the existing asset retirement obligation as a result of changes in estimated maturity or amount of respective costs or as a result of change in the discount rate are recorded as an adjustment of the cost of a respective asset in the current period. These costs are subsequently amortised during useful lives of assets, to which they are related, using the amortisation method appropriate to these assets. Changes in the provisions for asset retirement obligations related to damage during the production and processing phase are recorded in profit or loss for the year.

Provisions for asset retirement obligations do not include any additional obligations which are expected to arise from future disturbances. Estimated amounts of the costs are calculated annually in the course of operations taking into account known changes, for example, updated estimated amounts and revised useful lives of assets or set terms of operating activities, with conduct of official reviews on a regular basis. Although the final cost to be incurred is uncertain, the Company estimates its costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration and retirement works.

The amortisation or ”unwinding” of the discount applied in establishing the net present value of provisions is charged to profit or loss in each accounting period. The amortisation of the discount is disclosed as finance costs.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the Company operates. The functional currency and the presentation currency of the Company is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge (“Tenge”). Exchange restrictions and currency controls exist in relation of converting Tenge into other currencies. Currently, Tenge is not freely convertible outside of the Republic of Kazakhstan.

Monetary assets and liabilities are translated into the functional currency using the market exchange rate prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities into functional currency at the official year-end exchange rates are recognised in profit or loss for the year. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within finance income and costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within other income and expenses.

At 31 December 2020, the official closing exchange rate used for translating foreign currency balances was US Dollar 1 per Tenge 420.71 (2019: US Dollar 1 per Tenge 381.18).

Amendment of the financial statements after issue

Any changes to these financial statements after issue require approval of the Company’s management, who authorised these financial statements for issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Uranium reserves

Uranium reserves are a critical component of the Company's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense.

The Company uses a method of reserve evaluation based on Australasian Code for reporting on geological exploration works, mineral resources and ore reserves dated December 2012 ("JORC Code"), which requires the use of justified assumptions, including:

- evaluation of the future production, which includes proved and forecast reserves, evaluations of reserves and obligation on expansion;
- assumed future commodity prices based on the effective market price, forward price and the Company's estimate of long-term average price; and
- future cash costs of production, capital investments and restoration liabilities.

Impairment of non-financial assets

At the end of each reporting period, the Company assesses assets for any indication of their possible impairment. If any such indications exist, the recoverable amount of the assets is calculated and compared with their carrying amount. An excess of the carrying amount over the recoverable amount is recognised as impairment.

The recoverable amount of an asset or cash generating unit is the higher of value in use of the asset (unit) and its fair value less selling expenses. The calculation of the value in use requires the Company to estimate future cash flows of the Company from the use of the asset (cash generating unit). The evaluation of the future cash flows includes significant judgements regarding future commodity prices (for uranium and other products and services), volumes of sales, discount rates, growth rates, level of operating costs and other factors.

The review and calculations for impairment are based on assumptions corresponding to the business models of the Company. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods which would decrease the carrying value of the respective asset.

To estimate impairment the assets are grouped on the lowest levels, for which there are separate identifiable cash flows significantly independent on cash flows from other assets or groups of assets (cash generating units). The Company determined each field (contract area) as a separate cash generating unit.

At 31 December 2019, the Company's management conducted an analysis and concluded that there were no indicators of impairment of assets.

In 2019, Company has recognised impairment reserve for individual assets of Tenge 195,464 thousand (Notes 13 and 18).

With respect to the Zhalpak subsurface use contract, the Company conducted an analysis of impairment indicators for the subsoil use contract related property, plant and equipment, subsurface rights, and exploration and evaluation assets and concluded that there were no indications of impairment of the assets due to the following factors:

- The Company and the Sole participant take all measures provided for by the legislation on subsoil and subsurface use to obtain a contract for the uranium production at the Zhalpak field.
- Currently the subsoil use right is governed by the Code of the ROK "On subsoil and subsoil use". In accordance with the requirements of article 160: the subsoil extraction is granted to a national company in the field of uranium, i.e. NAC Kazatomprom JSC, on the basis of direct negotiations, and the right of subsurface use for production (share in the right of subsurface use) granted to the national company in the field of uranium on the basis of direct negotiations can only be transferred to a legal entity, more than fifty percent of the shares in which directly or indirectly belong to the national company in the field of uranium. Accordingly, after NAC Kazatomprom JSC receives the subsoil use right to conduct uranium extraction at the Zhalpak field, it has the right to transfer the subsoil use right to the Company, because 100% of shares of the Company belong to NAC Kazatomprom JSC.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

- Based on the minutes of meetings of NAC Kazatomprom JSC Board of Directors No. 9/20 dated 26 August 2020, decisions were made on Zhalpak field subsoil use right receipt by NAC Kazatomprom JSC, and further transfer of the subsoil use right in favour of the Company in the manner prescribed by the law.
- On 30 September 2020 the uranium reserves report for the Zhalpak field was considered and reserves as of 2 January 2020 were approved based on the Protocol No. 2214-20-U of the meeting of the State Commission on Mineral Reserves. This approval is considered to be one of the stages to receive the subsoil use contract.
- On the basis of Protocol No. 2151-20 dated 4 February 2020, the the State Commission on Mineral Reserves approved a Feasibility Study of the industrial conditions of the Zhalpak uranium deposit.
- On the legal side, the Company engaged legal consultants from Kinstellar LLP. In the Memorandum the consultants confirm that the subsoil use right for the uranium extraction in accordance with the current legislation can only be granted to a national company in the field of uranium, i.e. NAC Kazatomprom JSC, which in turn may transfer the subsoil use to a subsidiary with more than 50% share ownership. Kinstellar LLP also assesses the probability of the realisation of risks associated with bringing the Company to any liability, charging potential fines, risks of confiscation of revenue generated from June 2018 to 31 December 2020, to be low. The Company was not held liable in any way for conducting subsoil use operations after the expiration of the exploration contract.
- The Company has submitted all reports on the implementation of the license and contract terms (hereinafter, "LKU") for 2018-2020, which were accepted by the competent authority. At the same time, no notifications of violations related to the LKU were sent to the Company.
- In terms of tax accounting, the Company minimised risks by re-submitting current income tax returns in 2020, with a revision of deductions for contractual and non-contractual activities for the period of termination of the Zhalpak contract.
- obtaining a contract for production at the Zhalpak field is a prerequisite for the transaction between NAC Kazatomprom JSC and CGNPC Uranium Resources Co. Ltd on the sale of a stake in DP Ortalyk LLP. As part of the transaction, NAC Kazatomprom JSC is obliged to obtain a production contract by 31 December 2021. In case of non-receipt of the production contract, CGNPC Uranium Resources Co. Ltd has the right to withdraw from the deal, which further leads to the threat of disruption of projects within the framework of Kazakhstan-China cooperation in the field of nuclear energy, including such projects as: "Construction of nuclear power plants on the territory of the Republic of Kazakhstan", "Ensuring the sale of fuel pellets produced by JSC "UMP" and "Transit of finished products through the territory of the PRC". These agreements were approved by the Government of the Republic of Kazakhstan, and issues on their implementation are being discussed at the government level of the two countries. For example, a meeting of the Kazakhstan-China Subcommittee on Cooperation in the field of Energy, at which the Ministry of Energy of the Republic of Kazakhstan supports the project of transferring a stake in DP Ortalyk LLP in favour of CGNPC Uranium Resources Co. Ltd or its affiliate.
- On 21 September 2020 NAC Kazatomprom JSC in accordance with Articles 160-161 of the subsoil use code of the Republic of Kazakhstan, sent an application to the competent authority for participation in direct negotiations to obtain an uranium production contract at the Zhalpak field. Currently, work is underway to include the Zhalpak field in the list of the state subsoil fund for direct negotiations.
- After receipt of Zhalpak subsoil use contract in 2021, NAC Kazatomprom JSC intends to transfer the uranium subsoil use right in favour of DP Ortalyk LLP by signing the related contract addendum.

In addition to exploration and evaluation assets related to the subsoil use contract for the extraction of uranium at the Zhalpak deposit, the Company has a road to the Zhalpak deposit with a net book value at 31 December 2020 of Tenge 3,585,950 thousand (Note 18). The road to the Zhalpak field was commissioned in 2020 and is the property of the Company. The company continues to use the road to the Zhalpak deposit to maintain the deposit in a good condition for further exploration and production of uranium at this deposit.

As of 31 December 2020, having a number of positive signs for the renewal of the subsoil use contract at the Zhalpak field, the Company's management conducted an analysis and concluded that there were no indicators of impairment of assets.

Provision for asset retirement obligations

According to environmental regulations, the Company has a legal obligation to remediate damage caused to the environment from its operations, dismantling of equipment and soil remediation after completion of activities. The provisions are made based on the discounted value of costs of liquidation and remediation as soon as the obligations arise from past operating activities.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Provision for asset retirement obligations is estimated based on the Company's interpretation of the current environmental legislation in the Republic of Kazakhstan and related remedial action programs at contract areas and other operating activities, supported by a feasibility study and engineering research according with the applicable restoration and retirement standards and techniques.

The estimates of the costs of damage elimination are subject to potential changes in environmental requirements and interpretations of the legislation. Liquidation obligations are recognised in case of a probability of their occurrence and possibility of their reasonable estimate.

Significant judgements in such estimations include the estimate of the discount rate, cost of work and timing of future cash outflows. The discount rate is applied to the nominal value of work which management is assuming to conduct to liquidate and restore assets in the future. Accordingly, management's estimates made on current prices were increased using the assumed long-term inflation rate (2020: 5.17%, 2019: 5.30%) and subsequently discounted based on the discount rate. The discount rate reflects current market estimates of time value of money and risks on obligations which were not accounted for in the best estimates of costs. The discount rate applied by the Company to calculate the provision at 31 December 2020 amounted to 9.87% (2019: 7.13%).

At 31 December 2020, the total carrying amount of the provision for asset retirement obligations amounted to Tenge 2,804,905 thousand (2019: Tenge 3,575,911 thousand) (Note 29).

Were the estimated inflation rate to differ by 10% from management's estimates, the impact on the carrying value of provision for asset retirement obligations for the year ended 31 December 2020 would be to increase it by Tenge 168,913 thousand or decrease it by 159,238 thousand (2019: increase by Tenge 247,179 thousand or decrease by Tenge 231,770 thousand). Were the estimated discount rate to differ by 10% from management's estimates, the impact on the carrying value of provision for asset retirement obligations for the year ended 31 December 2020 would be to increase it by Tenge 293,477 thousand or decrease it by 261,127 thousand (2019: increase by Tenge 306,580 thousand or decrease by Tenge 279,622 thousand).

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Management assesses the remaining useful lives of property, plant and equipment based on the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance schedule; and (c) the technical or commercial obsolescence arising from changes in market conditions.

The Company's property, plant and equipment (except those used for uranium production and its pre-processing) are depreciated on a straight-line basis over their useful life. Management reviews compliance of useful lives of assets at least annually; any changes can impact perspective rates of depreciation and carrying amount of assets.

Estimated useful lives of assets related to uranium production

Property, plant and equipment related to uranium production are depreciated using the production method during the term of deposit mining based on the estimate of mineral reserves. In determining mineral reserves the assumptions which were valid during the evaluation can change upon arrival of new information. Any changes can affect the perspective rates of depreciation and carrying amount of an asset.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The calculation of the depreciation rate using the production method can be affected by the fact that the actual production will differ from the forecast production in the future. The deviation usually arises as a result of significant changes in the factors or assumptions used in the estimate of mineral reserves. Such factors can include:

- changes in the estimate of mineral reserves;
- significant change, from time to time, in a sort of mineral reserves;
- differences between actual commodity prices and estimated commodity prices used in the estimate of mineral reserves;
- unforeseen operating problems at the fields; and
- changes in capital and operating costs, costs of processing and remediation, discount rates and exchange rates, possibly adversely affecting economic characteristics of mineral reserves.

The estimates of reserves can change from period to period. It can affect financial results of the Company. Such changes in reserves can affect the accrual of depreciation, carrying amount of assets and amount of provision for asset retirement obligations. Management revises compliance of the useful lives of assets at least on an annual basis.

Tax legislation

Kazakhstani tax legislation is subject to different interpretations (Note 33).

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2020, but did not have any material impact on the Company:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Classification of liabilities as current or non-current - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date - Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts - cost of fulfilling a contract, Reference to the Conceptual Framework - narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

7 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions with other government owned entities are not disclosed when they are entered in the ordinary course of business with terms consistently applied to all public and private entities, i) when they are not individually significant, ii) if the Company's services are provided on standard terms available for all customers, or iii) where there is no choice of supplier of such services as electricity transmission services, telecommunications, etc.

At 31 December 2020, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Accounts receivable**	**Accounts payable**
Sole participant	16,647,413	610
Entities under control of NAC Kazatomprom JSC	7,320	1,715,561
Other entities under control of Samruk-Kazyna JSC	112	151
Total	**16,654,845**	**1,716,322**

The income and expense items with related parties for the year ended 31 December 2020 were as follows:

In thousands of Kazakhstani Tenge	**Sales of goods and services**	**Purchase of goods and services**
Sole participant	39,192,343	-
Entities under control of NAC Kazatomprom JSC	33,716	9,702,617
Other entities under control of Samruk-Kazyna JSC	300	57,218
Total	**39,226,359**	**9,759,835**

7 Balances and Transactions with Related Parties (Continued)

Company sells uranium product to the sole participant NAC Kazatomprom JSC based on the spot price, which is determined with reference to quotations of UX Consulting LLC and Trade Tech LLC, and adjusted by the fixed discount and transfer differential.

Purchase of goods and services include uranium transportation, scientific research, uranium processing to chemical concentrate of uranium and other services provided based on market conditions.

At 31 December 2019, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Accounts receivable**	**Accounts payable**
Sole participant	13,315,693	1,828
Entities under control of NAC Kazatomprom JSC	1,128	1,228,661
Other entities under control of Samruk-Kazyna JSC	56	-
Total	**13,316,877**	**1,230,489**

The income and expense items with related parties for the year ended 31 December 2019 were as follows:

In thousands of Kazakhstani Tenge	**Sales of goods and services**	**Purchase of goods and services**
Sole participant	36,821,569	20,166
Entities under control of NAC Kazatomprom JSC	15,824	10,547,264
Other entities under control of Samruk-Kazyna JSC	300	50,498
Total	**36,837,693**	**10,617,928**

Settlements on related party transactions are payable by cash during a period of up to six months after the reporting date. All the liabilities are unsecured.

Key management compensation is presented below (2020: 5 directors, 2019: 5 directors):

	2020		**2019**	
In thousands of Kazakhstani Tenge	**Expenses**	**Liability**	**Expenses**	**Liability**
Short-term payments				
Salaries and bonuses	76,056	1,924	84,240	1,313
Total	**76,056**	**1,924**	**84,240**	**1,313**

In 2020 NAC Kazatomprom JSC increased the Company's share capital by the amount of Tenge 523,005 thousand in the form of a contribution of the ERP-SAP-Ortalyk Software (Note 27).

8 Revenue from contracts with customers

The Company recognises revenue from the transfer of goods at a point in time and revenue from sale of services over time for the following streams:

In thousands of Kazakhstani Tenge	**2020**	**2019**
Revenue from uranium sales	37,011,002	36,821,569
Transportation services	2,181,341	-
Other	36,972	39,667
Total revenue from contracts with customers	**39,229,315**	**36,861,236**

9 Cost of sales

In thousands of Kazakhstani Tenge	**2020**	**2019**
Outsourced services	3,415,000	4,853,944
Depreciation and amortisation	2,977,348	3,606,275
Materials and supplies	2,781,576	4,554,894
Payroll and related deductions	2,619,592	2,204,370
Mineral extraction tax	2,557,916	2,929,174
Transportation expenses	1,606,283	68,740
Fuel and electricity	940,604	1,003,672
Repairs and maintenance of property, plant and equipment	424,891	452,706
Taxes and duties other than income tax	246,060	358,422
Professional training and qualification advancement costs	81,476	140,205
Security services	64,661	57,933
Insurance costs	31,880	21,781
Rent expenses	24,040	12,850
Communication services	10,838	40,366
Business trip expenses	8,189	30,482
Other expenses		300
Total cost of sales	**17,790,354**	**20,336,114**

10 Other Income

In thousands of Kazakhstani Tenge	**2020**	**2019**
Reversal of impairment of other inventories	7,628	46,706
Other income	3,471	425
Total other income	**11,099**	**47,131**

11 Distribution Costs

In thousands of Kazakhstani Tenge	**2020**	**2019**
Payroll and related deductions	23,293	23,768
Other expenses	14,314	14,359
Total distribution costs	**37,607**	**38,127**

12 General and Administrative Expenses

In thousands of Kazakhstani Tenge	2020	2019
Payroll and related deductions	475,123	501,683
Training	63,971	38,957
Rent expenses	53,830	51,145
Depreciation and amortisation	45,161	11,805
Communication services	43,417	37,060
Provision for expected credit losses	35,001	711
Consulting services	31,340	19,789
Materials	18,686	16,519
Business trip expenses	9,373	37,435
Repairs and maintenance of property, plant and equipment	8,175	10,991
Security services	7,928	7,757
Audit services	4,280	4,300
Expenses on cultural and sport events	2,080	28,741
Taxes other than income tax	886	1,319
Bank services	692	316
Other expenses	128,096	89,134
Total general and administrative expenses	**928,039**	**857,662**

13 Other Expenses

In thousands of Kazakhstani Tenge	2020	2019
Costs associated with the suspension of production at Zhalpak mine (Notes 1 and 4)	325,743	-
Research and development costs	110,200	145,150
Social sphere expenses	83,121	76,425
Loss on disposal of property, plant and equipment	3,928	33,042
Impairment of fixed assets (Note 4)	-	195,464
Other expenses	39,958	56,075
Total other expenses	**562,950**	**506,156**

14 Payroll

In thousands of Kazakhstani Tenge	2020	2019
Salaries	2,984,705	2,559,519
Social tax, social deductions, deductions to mandatory medical insurance fund	384,756	320,866
Total payroll	**3,369,461**	**2,880,385**

15 Finance Income and Costs

In thousands of Kazakhstani Tenge	2020	2019
Finance income		
Interest income on term deposits, demand deposits and current accounts	135,159	88,639
Net foreign exchange gains	79,070	9,856
Other	4,319	-
Total finance income	**218,548**	**98,495**
Finance costs		
Unwinding of discount on reserves	265,149	261,592
Other	26,495	3,620
Total finance costs	**291,644**	**265,212**

16 Income Tax Expense

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Kazakhstani Tenge	2020	2019
Current tax	3,971,063	3,275,853
Deferred tax	109,754	2,300
Income tax expense	**4,080,817**	**3,278,153**

(b) Reconciliation between the tax expense and accounting profit multiplied by applicable tax rate

The income tax rate applicable to the Company's 2020 and 2019 income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Kazakhstani Tenge	2020	2019
Profit before tax	19,848,368	15,003,591
Theoretical tax charge at statutory rate of 20% (2019: 20%):	3,969,674	3,000,718
Tax effect of items which are not deductible or assessable for taxation purposes:		
Additional accrual of tax for prior years	110,701	274,432
Non-deductible expenses and other items	442	3,003
Income tax expense for the year	**4,080,817**	**3,278,153**

16 Income Tax Expense (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and recorded at the rate of 20% (2019: 20%).

In thousands of Kazakhstani Tenge	**1 January 2020**	**Charged to profit or loss**	**31 December 2020**
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment and other non-current assets	(1,152,285)	118,599	(1,033,686)
Provisions	586,113	(236,519)	349,594
Inventories	20,050	(1,526)	18,524
Taxes	126,808	(2,264)	124,544
Other accruals	27,644	11,956	39,600
Recognised deferred tax liability	**(391,670)**	**(109,754)**	**(501,424)**

The tax effect of the movements in the temporary differences for the year ended 31 December 2019 is:

In thousands of Kazakhstani Tenge	**1 January 2019**	**Charged to profit or loss**	**31 December 2019**
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment and other non-current assets	(1,213,889)	61,604	(1,152,285)
Provisions	547,523	38,590	586,113
Inventories	29,391	(9,341)	20,050
Taxes	216,259	(89,451)	126,808
Other accruals	31,346	(3,702)	27,644
Recognised deferred tax liability	**(389,370)**	**(2,300)**	**(391,670)**

The Company's management expects that deferred tax liability in the amount of Tenge 802,177 thousand (2019: Tenge 696,458 thousand) will be realised within the period of more than 12 months after the reporting period. Accordingly, the deferred tax assets in the amount of Tenge 300,753 thousand (2019: Tenge 189,204 thousand) will be realised within the period up to 12 months after the end of the reporting period.

17 Intangible Assets

In thousands of Kazakhstani Tenge	**Licenses**	**Software**	**Other**	**Total**
Cost				
At 1 January 2019	5,482	43,062	55,963	104,507
Transfers from property, plant and equipment	-	14,510	-	14,510
At 31 December 2019	**5,482**	**57,572**	**55,963**	**119,017**
Additions	43,479	558,145	-	601,624
At 31 December 2020	**48,961**	**615,717**	**55,963**	**720,641**
Accumulated amortisation				
At 1 January 2019	(4,956)	(14,507)	(12,442)	(31,905)
Amortisation for the year	(504)	(3,324)	(13,819)	(17,647)
At 31 December 2019	**(5,460)**	**(17,831)**	**(26,261)**	**(49,552)**
Amortisation for the year	(1,834)	(36,892)	(3,910)	(42,636)
At 31 December 2020	**(7,294)**	**(54,723)**	**(30,171)**	**(92,188)**
Net carrying amount				
At 31 December 2019	22	39,741	29,702	69,465
At 31 December 2020	**41,667**	**560,994**	**25,792**	**628,453**

18 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstani tenge	**Land**	**Buildings and constructions**	**Plant and equipment**	**Vehicles**	**Other**	**Construc-tion in progress**	**Total**
Cost							
At 1 January 2019	279	8,783,023	3,854,532	304,584	378,988	4,837,831	18,159,237
Additions	-	35,086	46,999	-	-	147,018	229,103
Transfers	-	1,386,370	(77,701)	25,392	(3,224)	(1,330,837)	-
Transfers to mine development assets	-	(195,628)	-	-	-	-	(195,628)
Transfers from inventories	-	-	333	-	-	54,864	55,197
Transfers to intangible assets	-	-	-	-	-	(14,510)	(14,510)
Impairment	-	(189,337)	(77,998)	-	(1,266)	-	(268,601)
Disposals	-	(6,250)	(27,989)	-	(8,887)	(25,000)	(68,126)
At 31 December 2019	**279**	**9,813,264**	**3,718,176**	**329,976**	**365,611**	**3,669,366**	**17,896,672**
Additions	-	36,579	3,571	-	28,665	712,892	781,707
Transfers	-	3,919,493	164,443	-	52,653	(4,136,589)	-
Transfers related to inventories	-	-	892	(749)	-	-	143
Disposals	-	-	(50,478)	-	(1,330)	-	(51,808)
At 31 December 2020	**279**	**13,769,336**	**3,836,604**	**329,227**	**445,599**	**245,669**	**18,626,714**
Accumulated Depreciation							
At 1 January 2019	-	(2,626,104)	(2,342,868)	(244,269)	(197,211)	-	(5,410,452)
Depreciation charge	-	(472,672)	(362,818)	(18,489)	(36,627)	-	(890,606)
Disposals	-	2,494	24,363	-	8,226	-	35,083
Impairment	-	37,270	35,330	-	537	-	73,137
At 31 December 2019	**-**	**(3,059,012)**	**(2,645,993)**	**(262,758)**	**(225,075)**	**-**	**(6,192,838)**
Depreciation charge	-	(434,120)	(325,346)	(18,137)	(40,313)	-	(817,916)
Disposals	-	-	1,111	-	33	-	1,144
At 31 December 2020	**-**	**(3,493,132)**	**(2,970,228)**	**(280,895)**	**(265,355)**	**-**	**(7,009,610)**
Net carrying amount							
At 31 December 2019	279	6,754,252	1,072,183	67,218	140,536	3,669,366	11,703,834
At 31 December 2020	**279**	**10,276,204**	**866,376**	**48,332**	**180,244**	**245,669**	**11,617,104**

During 2020 a construction in progress object - the technological road to the Zhalpak field with a net book value of Tenge 3,585,950 thousand tenge as at 31 December 2020 was put into operation.

Depreciation charges of Tenge 647,795 thousand (2019: Tenge 804,272 thousand) were recorded in cost of sales in line ‘depreciation and amortisation’, Tenge 45,161 thousand (2019: Tenge 8,453 thousand) in general and administrative expenses, Tenge 124,960 thousand (2019: Tenge 77,881 thousand) in work in progress (inventories).

19 Mine development assets

In thousands of Kazakhstani Tenge	**Field preparation**	**Field restoration**	**Ion exchange resin**	**Total**
At 1 January 2019				
Cost	13,498,360	2,611,311	1,556,129	17,665,800
Accumulated amortisation and impairment losses	(3,261,797)	(155,277)	(90,188)	(3,507,262)
Carrying amount	**10,236,563**	**2,456,034**	**1,465,941**	**14,158,538**
Additions	1,627,485	51,453	(9)	1,678,938
Amortisation charge	(2,630,005)	(157,508)	(121,230)	(2,908,743)
Transfer from property, plant and equipment	195,628	-	-	195,628
Transfer from inventories	262,934	-	-	262,934
At 31 December 2019				
Cost	15,584,407	2,662,764	1,556,129	19,803,300
Accumulated amortisation and impairment losses	(5,891,802)	(312,785)	(211,418)	(6,416,005)
Carrying amount	**9,692,605**	**2,349,979**	**1,344,711**	**13,387,295**
At 31 December 2020				
Additions	3,249,481	-	217,243	3,466,724
Changes in accounting estimates	-	(1,174,201)	-	(1,174,201)
Amortisation charge	(2,146,595)	(132,216)	(81,094)	(2,359,905)
At 31 December 2020				
Cost	18,833,888	1,488,563	1,773,372	22,095,823
Accumulated amortisation and impairment losses	(8,038,397)	(445,001)	(292,512)	(8,775,910)
Carrying amount	**10,795,491**	**1,043,562**	**1,480,860**	**13,319,913**

20 Subsurface Rights

In thousands of Kazakhstani tenge	Subscription bonus	Commercial discovery bonus	Historical costs	Total
At 1 January 2019				
Cost	8,494	175,204	237,449	421,147
Accumulated amortisation and impairment losses	(616)	(12,781)	(14,467)	(27,864)
Carrying amount	**7,878**	**162,423**	**222,982**	**393,283**
Amortisation charge	(506)	(10,416)	(14,301)	(25,223)
At 31 December 2019				
Cost	8,494	175,204	237,449	421,147
Accumulated amortisation and impairment losses	(1,122)	(23,197)	(28,768)	(53,087)
Carrying amount	**7,372**	**152,007**	**208,681**	**368,060**
Amortisation charge	(412)	(8,552)	(11,743)	(20,707)
At 31 December 2020				
Cost	8,494	175,204	237,449	421,147
Accumulated amortisation and impairment losses	(1,534)	(31,749)	(40,511)	(73,794)
Carrying amount	**6,960**	**143,455**	**196,938**	**347,353**

21 Exploration and Evaluation Assets

In thousands of Kazakhstani Tenge	Tangible assets	Intangible assets	Field restoration	Total
Carrying amount				
At 1 January 2019	805,115	928,019	-	1,733,134
Additions	200,153	-	197,213	397,366
Revenue from test production	(401,456)	-	-	(401,456)
At 31 December 2019	**603,812**	**928,019**	**197,213**	**1,729,044**
Additions	10,114	-	-	10,114
Changes in accounting estimates	-	-	187,286	187,286
Transfer to intangible assets	(5,943)	(48,985)	(254)	(55,182)
At 31 December 2020	**607,983**	**879,034**	**384,245**	**1,871,262**

During 2020, the Company did not sell products extracted at Zhalpak field and accrued expenses from geological exploration activities to other expenses (Notes 1 and 4).

In thousands of Kazakhstani Tenge	2020	2019
Income	-	1,599,194
Expenses	-	(1,197,738)
Total income less expenses	**-**	**401,456**

21 Exploration and Evaluation Assets (Continued)

During 2020 and 2019 the Company has incurred the following cash outflows related to the exploration and evaluation activities:

In thousands of Kazakhstani Tenge	2020	2019
Cash used in investing activities	12,589	96,268

22 Other Non-Current Assets

In thousands of Kazakhstani Tenge	2020	2019
Cash on deposit bank accounts – liquidation fund	1,444,017	1,243,074
Other non-current assets	1,702	341,888
Provision for cash on deposit bank accounts	(25,654)	(521)
Total other non-current assets	**1,420,065**	**1,584,441**

The cash in deposit bank accounts represents a liquidation fund in the amount of Tenge 1,444,017 thousand (2019: Tenge 1,243,074 thousand), which is required for future fulfilment of the obligation to liquidate and restore assets. These deposits are subject to regulatory restrictions stipulated by subsoil use contracts and are therefore not available for general use by the Company. The Company has applied the practical expedient for calculation of the expected credit losses for cash on deposit bank accounts and estimated this reserve based on 12 months model of expected credit losses as this cash is deposited in bank with good credit rating. In 2020 the fixed annual interest rate for Mynkudyk and Zhalpak deposits were 0.3% and 0.1% respectively (2019: 2% for both deposits).

23 Inventory

In thousands of Kazakhstani Tenge	2020	2019
Work in progress	1,505,438	1,507,565
Finished goods	540,577	-
Raw materials	339,576	384,045
Fuel	23,546	28,167
Total inventories	**2,409,137**	**1,919,777**

The movements in provision for obsolete and slow moving inventories is as follows:

In thousands of Kazakhstani Tenge	2020	2019
Balance at 1 January	100,249	146,955
Reversal of provision for obsolete and slow moving inventories	(7,628)	(46,706)
Balance at 31 December	**92,621**	**100,249**

24 Trade Receivables

In thousands of Kazakhstani Tenge	2020	2019
Trade receivables from related parties	16,693,532	13,322,196
Oher trade receivables	13,131	2,778
Less credit loss allowance	(38,687)	(5,319)
Total receivables	**16,667,976**	**13,319,655**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Since the Company sells uranium products to a single customer (Note 7), the estimated credit loss allowance for trade receivables from related parties is estimated on an individual basis with a default interest in 2020 of 15.19% (2019: 1.57%), taking into account the historical data on payments and the number of days since the occurrence of receivables. The credit loss allowance at 31 December 2020 was Tenge 38,687 thousand (2019: Tenge 5,319 thousand).

25 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	2020	2019
Current bank accounts	1,986,086	2,955,065
Cash on hand	3	444
Credit loss allowance	(189)	(781)
Total cash and cash equivalents	**1,985,900**	**2,954,728**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2020. Refer to Note 34 for the description of the Company's credit risk grading system.

In thousands of Kazakhstani Tenge	Bank balances payable on demand	Term deposits	Total
- Excellent			
- Good	1,986,086	-	1,986,086
- Satisfactory	-	-	-
- Special monitoring	-	-	-
Total cash and cash equivalents, excluding cash on hand	**1,986,086**	**-**	**1,986,086**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2019. Refer to Note 34 for the description of the Company's credit risk grading system.

In thousands of Kazakhstani Tenge	Bank balances payable on demand	Term deposits	Total
- Excellent	-	-	-
- Good	2,955,065	-	2,955,065
- Satisfactory	-	-	-
- Special monitoring	-	-	-
Total cash and cash equivalents, excluding cash on hand	**2,955,065**	**-**	**2,955,065**

26 Other Current Assets

In thousands of Kazakhstani Tenge	2020	2019
Prepayment of other taxes to the budget	214,019	19,961
Advances paid	80,014	26,538
Other current assets	15,788	21,743
Total other current assets	**309,821**	**68,242**

27 Share Capital

The Company's share capital at 31 December 2020 was fully paid and amounts to Tenge 27,164,074 thousand (2019: Tenge 26,641,069 thousand). The sole participant of the Company is NAC Kazatomprom JSC (Note 1). In 2020 NAC Kazatomprom JSC increased the Company's share capital by the amount of Tenge 523,005 thousand in the form of a contribution of the ERP-SAP-Ortalyk Software (Note 7). The transfer of the asset is carried at fair value.

During 2020 and 2019, the following dividends were declared and paid:

In thousands of Kazakhstani Tenge	2020	2019
Dividends payable at 1 January	-	-
Dividends declared during the year	11,725,438	11,263,465
Dividends paid during the year	(11,725,438)	(11,263,465)
Dividends payable at 31 December	**-**	**-**

28 Historical Costs Liabilities

In thousands of Kazakhstani Tenge	2020	2019
Carrying amount at 1 January	597,728	787,528
Charged to taxes payables	(209,313)	(210,972)
Unwinding of discount	18,734	23,598
Exchange difference	38,411	(2,426)
Total historical cost liabilities	**445,560**	**597,728**
Obligations with maturity of:		
- less than 1 year	231,130	210,088
- 1 - 5 years	214,430	387,640

The obligations to the Republic of Kazakhstan are represented by obligations to repay historical costs. Under the terms of the subsoil use contract, the Company has obligations to repay certain historical costs of US Dollars 3,076 thousand. At 31 December 2020, the Company's undiscounted obligation on historical costs amounted to Tenge 462,040 thousand (2019: Tenge 632,916 thousand) which is equal to US Dollars 1,098 thousand (2019: US Dollars 1,647 thousand). The expected future payments were discounted at the rate of 3.3%.

29 Provision for Asset Retirement Obligations

In thousands of Kazakhstani Tenge	2020	2019
Provision at 1 January	3,575,911	3,054,165
Changes in estimates as a result of which the provision is adjusted, which is considered in the cost of property, plant and equipment	(30,506)	35,086
(Decrease)/increase in the asset due to changes in estimates	(986,915)	248,666
Unwinding of discount	246,415	237,994
Provision at 31 December	**2,804,905**	**3,575,911**

The provision for asset retirement obligations is determined using current prices (prices at the reporting date) on expenses to be incurred and by applying a projected rate of inflation for the period until maturity date of the obligation. The provision was recognised at present value with using the discount rate of 9.87% (2019: 7.13%), being a risk-free rate, since the future cash outflows reflect risks inherent to this obligation, and inflation rate of 5.17% (2019: 5.3%). Considering the long-term nature of the obligation, there is uncertainty regarding the actual value of costs.

The evaluation of the asset retirement obligation at 31 December 2020 was conducted by an independent international consulting company. At 31 December 2020, the current undiscounted cost of estimated obligations amounted to Tenge 2,804,905 thousand (2019: Tenge 3,575,911 thousand). The change in the value of obligations in 2019 is mainly related to two factors: increase in the undiscounted cost of estimated obligations and decrease in discount rate. A significant portion of expenses on environmental efforts will be incurred in 2033.

In determining the provision, the Company's management used assumptions and estimates based on the experience of decommissioning and remediation activities of a similar nature. The estimated assumptions and estimates were presented by the Company's engineers and professional consultants based on the best interpretation of the effective environmental regulations.

30 Employee Benefits

	2020			2019		
In thousands of Kazakhstani Tenge	Current	Non-current	Total	Current	Non-current	Total
Post-employment benefits	2,824	43,433	46,257	3,876	20,558	24,434
Other long-term employee benefits	4,201	34,263	38,464	545	1,643	2,188
Total employee benefits	**7,025**	**77,696**	**84,721**	**4,421**	**22,201**	**26,622**

Employee benefit obligation is recorded in these financial statements based on the terms and conditions of the collective labour agreement dated 16 November 2016.

30 Employee Benefits (Continued)

Changes to benefit obligations are provided below:

In thousands of Kazakhstani Tenge	Defined pension benefit obligations	Other long-term employee benefits	Total
Present value of defined benefit obligations at 31 December 2018	24,947	2,292	27,239
Current service cost	2,942	-	2,942
Unwinding of discount	2,065	191	2,256
Remeasurements	(5,268)	(295)	(5,563)
Benefits paid	(252)	-	(252)
Present value of defined benefit obligations at 31 December 2019	**24,434**	**2,188**	**26,622**
Current service cost	3,763	5,114	8,877
Unwinding of discount	1,703	2,854	4,557
Remeasurements	24,226	35,459	59,685
Benefits paid	(7,869)	(7,151)	(15,020)
Present value of defined benefit obligations at 31 December 2020	**46,257**	**38,464**	**84,721**

The sensitivity analysis of defined benefit obligations for changes in key assumptions is presented in the table below:

In thousands of Kazakhstani Tenge	2020	2019
Discount rate		
Increase by 20 percent	(72,679)	(24,723)
Decrease by 20 percent	100,973	29,284
Future salary growth rates		
Increase by 20 percent of average salary	91,815	29,550
Decrease by 20 percent of average salary	(78,338)	(24,093)
Average staff turnover rate		
Increase by 20 percent	(81,124)	(24,320)
Decrease by 20 percent	88,588	29,151

30 Employee Benefits (Continued)

The amounts recorded in the balance sheet and statement of profit and loss and other comprehensive income were as follows:

In thousands of Kazakhstani Tenge	2020	2019
Present value of obligations at the end of the year	84,721	26,622
Net obligations	**84,721**	**26,622**
Current service cost	8,877	2,942
Unwinding of discount	4,557	2,256
Remeasurement of employee benefit obligations	35,459	(295)
Total recorded in profit or loss for the year	**48,893**	**4,903**
Remeasurement of post-employment benefits	24,226	(5,268)
Total recorded in other comprehensive income	**24,226**	**(5,268)**

Remeasurement of obligations and current service cost charged to work in progress, profit or losses and other comprehensive income were as follows:

In thousands of Kazakhstani Tenge	2020	2019
Cost of sales	18,083	2,396
Finance costs	4,557	2,256
General and administrative expenses	11,234	251
Other expenses	15,019	-
Other comprehensive loss/(income)	24,226	(5,268)
Total remeasurement and current service cost	**73,119**	**(365)**

Principal actuarial assumptions at the end of reporting period are as follows:

In percent	2020	2019
Discount rate	10.3%	8.31%
Future salary growth	4.2%	7.0%
Average labour turnover rate – administrative staff	12.4%	19.96%
Average labour turnover rate – operational staff	2.8%	7.26%

In thousands of Kazakhstani Tenge	2020	2019
Cumulative remeasurement of employee benefits obligations recognised in profit and loss	170,467	121,574
Cumulative remeasurement of employee benefits obligations recognised in other comprehensive income	31,451	7,225

31 Trade Payables

In thousands of Kazakhstani Tenge	2020	2019
Trade payables to related parties	1,716,322	1,230,489
Trade payables on construction in progress items	189,334	121,227
Other trade payables	166,786	389,318
Total trade payables	**2,072,442**	**1,741,034**

Information on the Company's exposure to foreign exchange risk and liquidity risk regarding trade payables is disclosed in Note 34.

32 Other Current Liabilities

In thousands of Kazakhstani Tenge	2020	2019
Payroll payable	106,972	106,435
Accrued liabilities on unused vacations and other employee benefits	98,575	110,176
Advances from customers	3,940	6,689
Other liabilities	2,122	16,270
Total other current liabilities	**211,609**	**239,570**

33 Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Taxation

Tax conditions in the Republic of Kazakhstan are subject to changes and inconsistent application and interpretation. In particular, current subsurface contracts do not contain tax stability from 1 January 2009, and tax liabilities are calculated per the standard procedure, which can lead to unfavourable changes in tax positions of the subsoil users, including the Company's position. Discrepancies in interpretation of Kazakhstan laws and regulations by the Company and Kazakhstani authorities may lead to accrual of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain cases to determine the taxable basis tax legislation refers to IFRS provisions, however the interpretation of IFRS provisions by Kazakhstani tax authorities may differ from accounting policies, judgements and estimates applied by management in preparation of these financial statements, which may lead to additional tax liabilities of the Company. Tax authorities can conduct a retroactive review for five years after the end of the tax year.

The Company's management believes that its interpretation of respective legislation is acceptable and the Company's tax position is justified. In the opinion of the Company's management, the Company will not incur significant losses on current and potential tax claims.

Capital expenditure commitments

The Company has to follow the terms provided by the subsoil use contract. Non-fulfilment of the terms can lead to negative implications, including termination of the contract. Management believes that the Company was in compliance with all contractual obligations as at 31 December 2019 and for the 12 months then ended.

Contract No. 3610-ТПИ for the Zhalpak field as at 31 December 2020 has expired, no additional agreement to the contract has been received, and therefore, activities at the Zhalpak field have been suspended (Notes 1 and 4). Considering that to date CCR RK has approved a feasibility study of industrial conditions for the deposit, the Company has started to develop a Development Project for the Zhalpak deposit to obtain an uranium production contract with the production schedule for 2021-2039 years.

33 Contingencies and Commitments (Continued)

In 2020, the Company, as the holder of the subsoil use right at Mynkuduk field under Contract No. 1796-ТПИ dated 8 July 2005, amended the working program of the above-mentioned contract in terms of reducing the volume of uranium production. The technical task for making amendments and additions to the current development project was agreed with NAC Kazatomprom JSC on the basis of the adopted Strategy of the Sole participant. Due to the reduction in production volumes and operating costs, there was a deviation of contractual obligations for the following items: investments, training of Kazakhstani personnel, expenses for research, scientific and technical and (or) experimental design work, production costs. Also, the current failure to comply with the "Licensing Contract Conditions" report is due to a general decrease in uranium mining in the Republic of Kazakhstan, as well as due to the circumstances that have developed in connection with the recognition by the World Health Organisation of COVID-19 as a pandemic. Failure to fulfill obligations caused by the occurrence of force majeure circumstances, namely, the measures taken and temporary restrictions within the framework of the introduction of the State of Emergency in the Republic of Kazakhstan, does not entail property liability under the subsoil use contract. Management believes that failure to fulfill its obligations under the subsoil use contract will not have a material impact on the Company's financial statements.

Insurance

The insurance industry in the Republic of Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the word are not yet generally available in the Republic of Kazakhstan. The Company does not have full coverage for its plant facilities, losses caused by business interruptions or third party liabilities in respect of property or environmental damage arising from accidents or the Company's activities. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

Environmental commitments

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities of the Republic of Kazakhstan is continually being reconsidered. The Company periodically evaluates its environmental commitments. As obligations are determined, they are recognised immediately in the financial statements.

Potential obligations, which can arise as a result of changes to effective regulations, as a result of a civil action or per legislation, cannot be estimated but can be material. However, per the current interpretation of the current legislation, management believes that the Company does not have material obligations in addition to the amounts already accrued and recorded in these financial statements, which would have a material adverse effect on the operating results or the financial position of the Company.

34 Financial Risk Management

The risk management function within the Company is carried out with respect to financial risks, operational risks and legal risks. Financial risks comprise credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The Company's risk management policy was developed to identify and analyse risks, to which the Company is exposed, establish admissible risk limits and respective controls, and monitor risks and observance of set limits. The risk management policy and systems are regularly analysed for the need to make changes due to changes in market conditions and the Company's operations. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise these risks.

This note presents information on the Company's exposure to each of the said financial risks, on the Company's goals, its policy and procedures of risk evaluation and management and on the Company's approaches to management of capital. Additional quantitative information is disclosed throughout these financial statements.

The sole participant of the Company, NAC Kazatomprom JSC, is in charge of setting the Company's objectives and approval of the risk management policy. Management is in charge of implementing the risk management policy and organising an efficient risk management system and is responsible for its implementation and regularly reports on its work to the sole participant.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets. Credit risk is related mainly to the Company's receivables from buyers and customers and cash and cash equivalents.

34 Financial Risk Management (Continued)

Credit risk related to cash and cash equivalents and long-term deposit (Note 22), 100% placed in the Republic of Kazakhstan, is limited since the counterparties are represented by banks with high available (In the Republic of Kazakhstan) credit ratings assigned by international rating agencies.

The table below shows the credit ratings (if any) at the end of the corresponding reporting period:

In thousands of Kazakhstani tenge	Rating (Moody's)	31 December 2020	31 December 2019
Financial trade receivables (Note 24)	Not present	16,706,663	13,324,974
Deposits (Note 22)			
ForteBank JSC	Ba3	1,444,017	-
Citibank Kazakhstan JSC	Aa3	-	1,243,074
Cash and cash equivalents (Note 25)			
ForteBank JSC	Ba3	16,960	2,000,934
National Bank of Kazakhstan JSC	Ba1	1,969,077	954,131
Citibank Kazakhstan JSC	Aa3	49	-
Total cash at current bank accounts and restricted deposits		**3,430,103**	**4,198,139**
Total maximum exposure to credit risk		**20,136,766**	**17,523,113**

The Company is exposed to concentrations of credit risk, since approximately 99% of the Company's revenue is attributable to sales transactions with one customer, sole participant of the Company, "National Atomic Company "Kazatomprom" JSC (Note 7).

Expected credit loss (ECL) measurement

Assessment of expected credit losses is a significant estimate, for which the assessment methodology, models an initial data are used. The following components have significant impact on credit loss allowance: determination of default, a significant increase in credit risk, the probability of default, exposure to default risk and the amount of loss in the event of default, as well as models of macroeconomic scenarios. The company regularly checks and confirms models and initial data for models in order to reduce discrepancies between estimated expected credit losses and actual credit loss allowance.

The Company incorporated supportable forward-looking information for assessment of expected credit losses, which was mainly based on the forecasted macro-economic model adopted by participant of the Company. The following easily interpreted assumptions were used for analysis: growth rate of GDP, inflation rate, foreign exchange rate and economic indicator. The final macro-economic function includes only the assumption of inflation. Information about prospects is included in the parameters of the probability of default during the next 12 months after the reporting date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Company's cash flows.

The Company seeks to maintain a stable funding base primarily consisting of trade and other payables. The Company's approach to liquidity risk management is to ensure the continuous and sufficient liquidity to meet the Company's liabilities as they fall due (both under standard and non-standard situations), preventing unacceptable losses or damage to the Company's reputation.

The Company usually ensures presence of cash available on first demand, in the amount sufficient to cover expected operating expenses. It does not consider potential impact of exceptional circumstances.

The table below shows liabilities by their remaining contractual maturity. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate by the reporting date.

34 Financial Risk Management (Continued)

In thousands of Kazakhstani Tenge	**Carrying amount**	**Contractual cash flows**	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**Over 1 year**
Trade payables (Note 31)						
At 31 December 2020	2,072,442	2,072,442	1,773,522	298,920		
At 31 December 2019	1,741,034	1,741,034	1,390,316	350,718	-	-
Historical costs liabilities (Note 28)						
At 31 December 2020	445,560	462,040	-	57,755	173,265	231,020
At 31 December 2019	597,728	837,254	-	52,328	156,985	627,941

Market risk

The following is information on the Company's exposure to the impact of market risks, i.e. risks that a change in market prices will have an adverse impact on the Company's profit or on the cost of its financial instruments.

Currency risk

In respect of currency risk, management sets limits on the level of exposure by currency, which is monitored daily.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2020			**At 31 December 2019**		
In thousands of Kazakhstani Tenge	**Monetary assets**	**Monetary liabilities**	**Net position**	**Monetary assets**	**Monetary liabilities**	**Net position**
US Dollars	-	(445,560)	(445,560)	-	(597,728)	(597,728)
Total	**-**	**(445,560)**	**(445,560)**	**-**	**(597,728)**	**(597,728)**

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency, with all other variables held constant:

	At 31 December 2020		**At 31 December 2019**	
In thousands of Kazakhstani Tenge	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 20% (2019: strengthening by 20%)	(71,290)	(71,290)	(95,636)	(95,636)
US Dollar weakening by 20% (2019: weakening by 20%)	71,290	71,290	95,636	95,636

Fair value versus carrying amount

The Company believes that the carrying amount of current financial assets and financial liabilities recognised in the financial statements approximates their fair value due to their short-term nature.

34 Financial Risk Management (Continued)

Management of capital

The Company pursues a policy of sustaining a stable capital basis to safeguard the Company's ability to continue as a going concern, keep confidence of investors, creditors and market, to provide an acceptable level of profit for the shareholder, to maintain an optimal capital structure to minimise the cost of capital, and to ensure future business development. Capital includes share capital and retained earnings of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, and sell assets to reduce debt. The Company managed capital at 31 December 2020 was Tenge 44,119,435 thousand (2019: Tenge 39,578,543 thousand).

During the year ended 31 December 2020, there were no changes in capital management goals, policies and processes.