

**JSC National Atomic Company
“Kazatomprom”**

Consolidated Financial Statements
as at and for the year ended 31 December 2011

CONTENTS

	Page
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011	
INDEPENDENT AUDITOR’S REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011:	
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5 - 6
Consolidated statement of cash flows	7
Consolidated statement of changes in equity	8
Notes to the consolidated financial statements	9 - 79

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011**

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages 2-3, is made with a view to distinguish the respective responsibilities of management and those of the independent auditor's in relation to the consolidated financial statements of JSC National Atomic Company "Kazatomprom" and its subsidiaries (hereinafter the "Group").

Management of the Group is responsible for the preparation of consolidated financial statements of the Group that present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2011, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2011 were authorized for issue by management of the Group on 20 March 2012.

On behalf of management of the Group



Arifkhanov A.A.
Deputy Chairman of the Management Board

20 March 2012
Astana, Republic of Kazakhstan

Bashakova S.S.
Chief Accountant

20 March 2012
Astana, Republic of Kazakhstan

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC National Atomic Company "Kazatomprom"

We have audited the accompanying consolidated financial statements of JSC National Atomic Company "Kazatomprom" and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

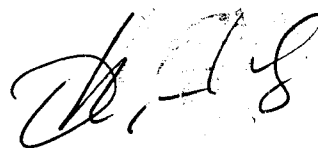
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Daulet Kuatbekov
Engagement Partner
Qualified auditor,
Qualification certificate #0000523
dated 15 February 2002
Republic of Kazakhstan

Deloitte, LLP

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
Number 0000015, type MFU-2, given by the Ministry of Finance
of the Republic of Kazakhstan dated 13 September 2006



Nurlan Bekenov
General Director
Deloitte, LLP

20 March 2012
Almaty, Republic of Kazakhstan

JSC NATIONAL ATOMIC COMPANY "KAZATOMPROM"

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 '000 KZT	2010 '000 KZT
Revenue	7	321,951,68	230,938,870
Cost of sales	8	(235,359,486)	(166,958,408)
Gross profit		86,591,682	63,980,462
Distribution expenses	9	(3,107,813)	(2,325,968)
Administrative expenses	10	(17,080,916)	(13,264,911)
Financial income	11	5,466,166	5,306,714
Financial expense	11	(11,983,154)	(9,926,646)
Foreign exchange (loss)/gain		(410,882)	426,632
Share of results of associates	22	30,222,153	27,372,850
Share of results of jointly controlled entities	23	13,493,453	9,782,712
Other income	12	573,335	813,294
Other expenses	13	(6,949,489)	(8,496,867)
Profit before income tax expense		96,814,535	73,668,272
Income tax expense	15	(17,125,492)	(13,729,672)
PROFIT FOR THE YEAR		79,689,043	59,938,600
Other comprehensive income			
Exchange differences arising on translation of foreign operations		56,898	172,288
Other comprehensive income for the year, net of tax		56,898	172,288
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		79,745,941	60,110,888
Profit for the year attributable to:			
Owners of the Company		78,337,759	59,014,067
Non-controlling interests		1,351,284	924,533
		79,689,043	59,938,600
Total comprehensive income for the year attributable to:			
Owners of the Company		78,394,657	59,186,355
Non-controlling interests		1,351,284	924,533
		79,745,941	60,110,888
Earnings per share from continuing operations			
Basic and diluted (in whole KZT)	16	2,135	1,608

These consolidated financial statements were approved by management on 20 March 2012 and were signed on its behalf by:

Arifkhanov A.A.

Deputy Chairman of the Management Board

20 March 2012
Astana, Republic of Kazakhstan

Bashakova S.S.

Chief Accountant

20 March 2012
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY "KAZATOMPROM"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	31.12.2011 '000 KZT	31.12.2010 '000 KZT
ASSETS			
Non-current assets			
Intangible assets	17	12,332,325	596,707
Property, plant and equipment	18	101,129,172	85,804,206
Mine development assets	19	35,085,277	23,182,158
Mineral rights	20	8,326,060	1,767,044
Exploration and evaluation assets	21	2,698,188	5,785,231
Investments in associates	22	83,330,514	60,919,935
Investments in jointly controlled entities	23	18,630,500	12,657,452
Other investments	24	67,056,184	66,045,648
Investment property		800	800
Advances paid and other receivables	27	15,729,395	3,846,483
Inventories	28	8,101,277	6,550,761
Deferred tax assets	29	1,337,427	1,738,329
Term deposits	30	402,528	9,655
Loans to related parties	31	10,824,384	10,751,444
Restricted cash	33	5,123,895	3,585,358
Total non-current assets		370,107,926	283,241,211
Current assets			
Trade receivables	25	62,379,438	56,066,466
Asset held for the benefit of the ultimate controlling party	26	20,183,992	3,428,125
Prepaid income tax		4,745,019	1,877,573
Advances paid and other receivables	27	30,313,664	28,134,664
Inventories	28	54,767,733	55,759,613
Term deposits	30	27,305,161	77,133,161
Loans to related parties	31	20,000	512,000
Cash and cash equivalents	32	41,837,161	22,384,108
Total current assets		241,552,168	245,295,710
Total assets		611,660,094	528,536,921

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY "KAZATOMPROM"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (CONTINUED)

		31.12.2011	31.12.2010
	Notes	'000 KZT	'000 KZT
EQUITY AND LIABILITIES			
Equity			
Share capital	34	36,692,362	36,692,362
Additional paid-in capital		4,928,671	4,806,535
Foreign currency translation reserve		(1,087,601)	(1,144,499)
Retained earnings		297,656,953	226,175,357
Total equity attributable to Owners of the Company		338,190,385	266,529,755
Non-controlling interests		9,666,681	12,889,952
Total equity		347,857,066	279,419,707
Non-current liabilities			
Loans and borrowings	35	94,670,518	110,612,788
Other financial liabilities	41	42,814,176	42,100,514
Provisions	36	9,677,230	6,598,668
Trade payables	37	686,945	587,452
Advances received and other payables	38	1,712,642	1,691,324
Preference shares	39	264,827	264,827
Grants		187,124	410,812
Deferred tax liabilities	29	5,388,234	2,287,509
Total non-current liabilities		155,401,696	164,553,894
Current liabilities			
Loans and borrowings	35	21,745,906	11,513,757
Other financial liabilities	41	4,588,641	2,490,612
Provisions	36	22,815,372	19,000,687
Trade payables	37	46,235,090	32,101,356
Advances received and other payables	38	10,348,336	14,750,464
Accrued liabilities	40	2,644,741	4,550,772
Grants		23,246	155,672
Total current liabilities		108,401,332	84,563,320
Total liabilities		263,803,028	249,117,214
Total equity and liabilities		611,660,094	528,536,921

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY "KAZATOMPROM"

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 <u>'000 KZT</u>	2010 <u>'000 KZT</u>
OPERATING ACTIVITIES		
Receipts from customers	339,480,159	229,821,088
Interest received	2,658,065	1,580,602
Payments to suppliers	(231,641,151)	(170,670,945)
Payments to employees	(29,621,872)	(24,269,628)
Cash flows from operations	80,875,201	36,461,117
Income tax paid	(19,795,131)	(9,987,639)
Interest paid	(6,558,124)	(4,107,418)
Cash flows from operating activities	54,521,946	22,366,060
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	117,742	35,122
Proceeds from disposal of investments (net of cash derecognized)	-	402,330
Redemption of term deposits	77,161,608	23,010,532
Proceeds from repayment of loans issued	500,000	1,705,500
Dividends received from associates and other investments	19,718,517	5,690,305
Proceeds from grants	-	206,171
Loans to related parties	(8,000)	(12,972,500)
Placement of term deposits	(29,261,741)	(78,280,457)
Acquisition of property, plant and equipment	(13,819,690)	(9,519,889)
Advances paid for property, plant and equipment	(11,520,220)	(1,026,711)
Acquisition of intangible assets	(346,457)	(373,511)
Acquisition of mine development assets	(12,235,231)	(1,714,696)
Acquisition of exploration and evaluation assets	(273,744)	(6,586,288)
Acquisition of subsidiaries, net of cash acquired (Note 45)	(24,523,345)	-
Payment for mineral rights	(22,341)	-
Acquisition of investments in associates	(5,196,240)	(1,607,708)
Other	83,582	28,045
Cash flows from/(used in) investing activities	373,940	(81,003,755)
FINANCING ACTIVITIES		
Proceeds from issuance of bonds	-	72,389,917
Proceeds from contribution to capital by non-controlling interests	1,329,470	2,076,970
Proceeds from borrowings	3,244,123	17,144,271
Repayment of borrowings	(15,518,102)	(28,412,297)
Transaction costs relating to borrowings	(20,638)	(398,528)
Payment of finance lease liabilities	(45,262)	(88,759)
Purchase of assets held for the benefit of the ultimate controlling party	(15,297,525)	(3,121,321)
Dividends paid to shareholder	(8,983,560)	(8,425,392)
Cash flows (used in) /from financing activities	(35,291,494)	51,164,861
Net increase/ (decrease) in cash and cash equivalents	19,604,392	(7,472,834)
Cash and cash equivalents at the beginning of the year (Note 32)	22,384,108	30,082,948
Effect of exchange rate fluctuations on cash and cash equivalents	(151,339)	(226,006)
Cash and cash equivalents at end of year (Note 32)	41,837,161	22,384,108

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

'000 KZT	Share capital	Foreign currency translation reserve	Retained earnings	Additional paid-in capital	Total equity attributable to the Owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2010	36,692,362	(1,316,787)	194,418,746	5,330,324	235,124,645	9,109,619	244,234,264
Profit for the year	-	-	59,014,067	-	59,014,067	924,533	59,938,600
Foreign currency translation gain	-	172,288	-	-	172,288	-	172,288
Total comprehensive income for the year	-	172,288	59,014,067	-	59,186,355	924,533	60,110,888
Dividends declared	-	-	(8,364,906)	-	(8,364,906)	-	(8,364,906)
Other distributions (Note 26)	-	-	(18,892,550)	-	(18,892,550)	-	(18,892,550)
Change in non-controlling interest	-	-	-	(360,400)	(360,400)	2,855,800	2,495,400
Change in equity of associates	-	-	-	(163,389)	(163,389)	-	(163,389)
Balance at 31 December 2010	36,692,362	(1,144,499)	226,175,357	4,806,535	266,529,755	12,889,952	279,419,707
Profit for the year	-	-	78,337,759	-	78,337,759	1,351,284	79,689,043
Foreign currency translation gain	-	56,898	-	-	56,898	-	56,898
Total comprehensive income for the year	-	56,898	78,337,759	-	78,394,657	1,351,284	79,745,941
Dividends declared	-	-	(8,852,110)	-	(8,852,110)	(169,764)	(9,021,874)
Other distributions (Note 34)	-	-	(3,837,361)	-	(3,837,361)	-	(3,837,361)
Change in of non-controlling interest	-	-	-	-	-	(4,404,791)	1,428,517
Change in equity of subsidiaries	-	-	-	122,136	122,136	-	122,136
Balance at 31 December 2011	36,692,362	(1,087,601)	297,656,953	4,928,671	338,190,385	9,666,681	347,857,066

The accompanying notes on pages 9-79 form an integral part of these consolidated financial statements.

1. BACKGROUND

(a) Organizational structure and operations

National Atomic Company Kazatomprom JSC ("the Company") and its subsidiaries and jointly controlled entities (together, "the Group") comprise Kazakhstan joint stock and limited liability companies as defined in the Civil Code of the Republic of Kazakhstan. The Company was established pursuant to the Decree of the President of the Republic of Kazakhstan on the establishment of National Atomic Company Kazatomprom No. 3593, dated 14 July 1997, and the Decree of the Government of the Republic of Kazakhstan National Atomic Company Kazatomprom Issues No. 1148 dated 22 July 1997.

In accordance with the Order of the President of the Republic of Kazakhstan No. 669 dated 13 October 2008, on 19 January 2009 Fund of National Prosperity Samruk-Kazyna (the "Shareholder") became the sole owner of the Company. The Shareholder is wholly owned by the Government of the Republic of Kazakhstan.

The Company's registered office is 10, Kunayeva Street, Astana, Republic of Kazakhstan.

In June 2011 the Company relocated its head office to Astana city in accordance with the decision of the Management Board of the Shareholder.

The Group's principal activities are:

- The production of uranium ore, processing and sale of uranium products.
- The manufacture and sale of beryllium products as well as related research and development activities.
- The manufacture and sale of tantalum products as well as related research and development activities.
- The generation and sale of electricity, heating and water.
- The generation and sale of other products and rendering of services for the main production.

The Group's products are sold in Kazakhstan and are also exported outside of Kazakhstan.

(b) Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and the Kazakhstan's economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Kazakhstan is facing a relatively high level of inflation. According to the government's statistical data consumer price inflation for the years ended 31 December 2011 and 2010 was 7.4% and 7.8%, respectively.

Because Kazakhstan produces and exports large volumes of mineral resources, the country's economy is particularly sensitive to the price of mineral resources on the world market that fluctuated significantly during 2011 and 2010.

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business and political environment on the Group's performance and financial position. The actual business environment may differ from the management's assessment.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business within the foreseeable future.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments measured at fair value.

(d) Presentation currency

The national currency of Kazakhstan is the Kazakhstan Tenge ("KZT").

The tenge is not a fully convertible currency outside the Republic of Kazakhstan. Transactions in foreign currencies are recorded at the market rate ruling at the date of the transaction using market rates, fixed by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies which are not quoted by KASE, the exchange rates are calculated by the National Bank of Kazakhstan using the cross-rates to the US Dollar ("USD" or "US\$") in accordance with the quotations received from Reuters..

The accompanying consolidated financial statements are presented in KZT and all financial information has been rounded to the nearest thousand.

(e) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Below is a description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on the Group's reported profit and loss and financial position.

(i) Income taxes

The Group is subject to income taxes in the Republic of Kazakhstan. The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by authorities, which have the authority to impose severe fines, penalties and interest charges. These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. The Group recognizes liabilities for anticipated additional tax based its interpretations of the current tax laws and the amount it believes that is probable to be paid upon any inspection by the tax authorities.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Various factors are considered in assessing the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. The Group has recognized income tax benefits in the years presented for assets created, but not recognized, in prior years.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments relate to assets such as mining rights that, in general, are not eligible for income tax allowances. In such cases, the provision for deferred tax is based on the difference between the carrying value of the asset and its nil income tax base. The existence of a tax base for capital gains tax purposes is not taken into account in determining the deferred tax provision because it is expected that the carrying amount will be recovered primarily through use and not from the disposal of long-term asset.

Tax assets and liabilities are not recognized in the financial statements if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in transactions (other than business combinations), which do not affect the tax nor the accounting profit.

(ii) Uranium reserves

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortization expense. In estimating the amount of ore reserves, the Group obtains reports from geological experts who estimate the reserves based on the quantification methodology set out by the Kazakhstan State Commission on Mineral Reserves (GKZ) to interpret geological and exploration data and determine indicated resources (proven reserves) and an estimate of indicated resources (probable reserves). The estimation of reserves is based on expert knowledge and estimation. The quantification of the reserves involves a degree of uncertainty. The uncertainty is primarily related to completeness of reliable geological and technical information. In addition, the presence of reserves does not mean that all reserves will be able to be extracted of a cost effective basis. Uranium reserves are recognized and assessed on an annual basis. The quantity of reserves can be subject to revision as a result of changes in production capacities and changes in development strategy.

(iii) Depreciation of mining assets

The Group's mining assets are depreciated over the respective life of the mine using the unit-of-production method based on the ore reserves. Any changes to the ore reserves will have a direct impact on the depreciation rates and asset carrying values. Any change in the depreciation rate is applied on a prospective basis, which could result in higher depreciation in future periods.

(iv) Impairment of assets

The Group assesses its tangible fixed assets and definite lived intangible assets at the end of each reporting period to determine whether any indicators of impairment exist. If there are any such indicators, the recoverable amount of the assets is calculated and compared to the carrying amount. The excess of the carrying amount over the recoverable amount is recognized as impairment.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the commodity prices, level of sales, profitability, uranium prices and discount rates. 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 and would decrease the carrying value of the respective asset.

(v) Environmental protection and reclamation of mine sites

The Group is subject to a number of environment laws and provision, and based on these established a provision for the cost of site restoration. The Group estimates the site restoration costs based on management's understanding of the current legal and contractual requirements. The provision is based on management's estimate of the total cost of restoration and discounted to its net present value and is recorded as expense over the estimate life of the mine. The estimate of total costs requires management to make a number of assumptions including the level of effort and the discount rate. A change in these assumptions, or a change in the environmental laws, could result in a change in the provision in a future period. Any such change will be recorded at the time of the revision, and the amount of expense each period will be modified on a prospective basis.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are described in Note 3(a) to 3 (w).

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) *Non controlling interests in subsidiaries*

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the Group

- derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognizes the carrying amount of any non-controlling interest in the former subsidiary at the date when the control is lost (including any components of other comprehensive income attributable to them);
- recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost; and
- recognizes any resulting difference as a gain or loss in profit or loss attributable to the parent.

(iii) *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is acquiree immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusting during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(iv) *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the commodity prices, level of sales, profitability, uranium prices and discount rates. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(v) *Jointly controlled entities*

Jointly controlled entities are those entities over whose activities the Group has joint control. The consolidated financial statements include the Group's share of the income and expenses of jointly controlled entities using the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the investee subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(vi) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(viii) Sale of controlling interest in subsidiaries

Profit or loss on sale of interest in subsidiaries in which there is a loss of control is recognized in the consolidated statement of comprehensive income.

(b) Foreign currency transactions and translation

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. With the exception of foreign currency differences arising on the translation of available-for-sale equity instruments recognized directly in other comprehensive income, all such translation differences are recognized in profit or loss.

(c) Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

All normal purchases or sales of financial assets are recognized and derecognized on a trade date basis. Normal purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, bank accounts and demand deposits with original maturity terms of three months or less. Cash and cash equivalents are carried at cost which approximates fair value due to the short term nature thereof.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(ii) *Financial assets*

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (“FVTPL”) for the year, which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets FVTPL, “held-to-maturity” investments, “available-for-sale” (“AFS”) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(iii) *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(iv) *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the consolidated statement of comprehensive income. The net gain or loss recognized in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset and is included in financial income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 4.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(v) *Available for sale financial assets*

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value that can be reliably measured. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets. The fair value of these investments cannot be reliably measured and therefore the instruments that are settled by delivery of such unquoted equity instruments are measured at cost less any impairment losses at the end of each reporting period. Fair value is determined in the manner described in Note 4.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of comprehensive income for the year. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is reclassified to profit or loss for the year.

Dividends on AFS equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in the consolidated statement of comprehensive income are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

(vi) *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(vii) *Derecognition of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(viii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument..

(ix) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

(x) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(xi) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

(xii) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period end date. The resulting gain or loss is recognized in the consolidated statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(xiii) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at FVTPL.

Embedded derivatives are recognized initially at fair value. Attributable transaction costs are recognized in the consolidated statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in the consolidated statement of comprehensive income.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(d) Share capital

(i) *Ordinary shares*

Ordinary shares are classified as equity.

(ii) *Preference share capital*

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions (payments to shareholders) within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statement of comprehensive income.

(iii) *Dividends*

Dividends are recognized as a liability and deducted from equity at the end of the reporting period only if they are declared before or on end of the reporting period end date. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the consolidated financial statements are authorized for issue.

(iv) *Distributions*

Shall the Shareholder of the Group make a decision to the Group to acquire an asset, such acquisition should be considered as a benefit to the Shareholder. The cost of such acquisition should be reflected in the consolidated statement of changes in equity as a distribution.

(e) Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized net in "other income/expense" in the consolidated statement of comprehensive income.

(ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(iii) Depreciation

Depreciation of property, plant and equipment used in extraction of uranium and its preliminary processing is charged on a unit-of production method basis in respect of items for which this basis best reflects the pattern of consumption. Land is not depreciated.

The following types of assets are depreciated using the unit-of-production method based on extractable reserves of a particular block which the assets are attributable to, over the license period:

- production buildings and constructions;
- machinery and field equipment.

Depreciation of other property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|-----------------------|---------------|
| • buildings | 10 - 45 years |
| • plant and equipment | 2 - 5 years |
| • vehicles | 2 - 10 years |
| • other | 3 - 20 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Mine development assets

The Group uses the method of calculation established by State Commission of Republic of Kazakhstan on mineral resources (GKZ). This methodology has been consistently applied during all periods.

Mine development assets comprise the capitalized costs of pump-in and pump-out well drilling, main external binding of the well with surface communications and measurement instrumentation equipping. Mine development assets are measured at cost less accumulated depreciation and accumulated impairment losses. Mine development assets are charged to the cost of production using the units-of-production method based on estimates of proved and probable reserves commencing when uranium first starts to be extracted. The estimate of proved and probable reserves is based on reserve reports which are part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the Government of the Republic of Kazakhstan and detail the total proven reserves and estimated scheduled extraction by year.

Mine development assets are either transferred from exploration and evaluation assets upon demonstration of commercial viability of extracting uranium or capitalizable costs incurred subsequent to being transferred to mine development assets. Mine development assets include the costs of drilling production uranium mines, estimated site restoration costs, the cost of plant for the extraction and preliminary processing of uranium, and overheads associated with such costs.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(g) Mineral rights

Mineral rights are measured at cost less accumulated amortization and accumulated impairment losses.

Mineral rights are amortized using the units-of-production method based upon proved and probable reserves commencing when uranium first starts to be extracted.

The capitalized cost of acquisition of mineral rights comprise the subscription bonus, commercial discovery bonus, the cost of subsurface use rights and capitalized historical costs.

The Group is obligated to reimburse historical costs incurred by the Government in respect of licensing areas prior to licenses being issued. These historical costs are recognized as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the license period.

The estimate of proven reserves is based on reserve reports which are 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.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(h) Intangible assets

(i) *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated statement of comprehensive income when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use.

(ii) *Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) *Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the statement of comprehensive income when incurred.

(iv) *Amortization of intangible assets*

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- License and patents 4 to 7 years;
- Software 3 to 6 years;
- Other 2 to 7 years.

(i) **Exploration and evaluation assets**

The Group follows the cost model.

Exploration and evaluation assets comprise the capitalized costs incurred after the Group 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 drilling of pits and directly attributable overheads associated with exploration activities.

Activities prior to the acquisition of the natural resource rights are pre-exploration. All pre-exploration costs are expensed as incurred and include such costs as design work on operations, technical and economical assessment of a project, and overheads associated with the pre-exploration activities.

A decision on termination of a sub-surface contract upon expiry of the exploration and evaluation period is subject to success of the exploration and evaluation of mineral resources and the Group's decision whether or not to progress to the production (development) stage.

Exploration and evaluation assets are classified as tangible or intangible based on their nature.

Exploration and evaluation assets are transferred to mine development assets upon demonstration of commercial viability of extracting uranium.

Exploration and evaluation assets are assessed for impairment, and any impairment loss recognized, before reclassification.

In addition, exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

All general overhead costs not related directly to exploration and evaluation activities are expensed as incurred.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(i) Amortization of exploration and evaluation assets

Exploration and evaluation assets are amortized using unit of production method during the period in which extraction occurs but the feasibility study is not yet complete. Upon completion of the feasibility study, the cost basis of the exploration and evaluation assets, along with any accumulated amortization, is transferred to mine development assets.

(j) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the Group's accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statement of financial position.

Payments under operating lease agreements are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases comprise two elements, i.e. finance expense and discharge of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(k) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average costing principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

(l) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured based on actual cost.

(m) Distribution of non-cash assets to Owners

The Group recognises an obligation to distribute assets to its owners (in this case the ultimate controlling party), when the Group has entered into an irrevocable commitment to transfer such assets, for no consideration, to the owners (which involves, amongst other things, authorization by the owners of the Company) and the amount of the liability can be reliably measured. When the liability is recognised, the Company also recognises as a distribution to owners in the Consolidated Statement of Changes in Equity.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(n) Impairment

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

When an impairment loss in respect of an AFS financial asset is determined using objective evidence, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to the statement of comprehensive income for the year as a reclassification adjustment even though the financial asset is not derecognized. The impairment is calculated by reference to its current fair value.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and AFS financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income. The reversal is recognized to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

(ii) *Non-financial assets*

The carrying amounts of the Group'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, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(o) Employee benefits

(i) *Other long-term employee benefits*

The Group's net obligation in respect of long-term service benefits relating to compensation for disablement, occupational diseases and loss of breadwinner, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Estimated compensation is calculated based on current legislation. The discount rate is the risk-free interest rate on government bonds.

(ii) *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Retirement benefit costs

The Group's entities contribute to the state pension funds on behalf of all its current employees in accordance with the Law of the Republic of Kazakhstan "On pension provisioning in the Republic of Kazakhstan" effective from 1 January 1998.

All employees have the right to receive guaranteed pension benefits in proportion to their accumulated working time record and if they had a working time record as at 1 January 1998. They also have the right to receive pension payments from accumulating pension funds from individual pension accumulating accounts provided by the 10% compulsory pension contributions from their salary but not exceeding 119,992 tenge per month in 2011 (2010: 112,140 tenge per month).

(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) *Site restoration*

Activities of the Group are subject to compliance with a number of environmental laws and provisions. The Group estimates site restoration provisions based on the management's understanding of current legal requirements and terms of license agreements. The provision is determined by estimating future cash flows to be incurred for disturbance caused through the end of the reporting period and discounting these cash flows to their present value. Actual costs to be incurred may significantly differ from the provisional amount. Future amendments to environmental legislation, field license terms, and discount rates may affect the carrying value of the provision. When such costs are identified, the additional provision would be prospectively calculated as new information, laws and estimates become known.

(r) Guarantees

Where the Group enters into contracts to guarantee the indebtedness of other companies within the Group and other related entities, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(s) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of uranium, tantalum and beryllium products, transfer usually occurs, in accordance with the INCOTERMS classification, at the Delivered at Frontier (DAF), Delivered Duty Unpaid (DDU), Free-On-Board (FOB) and Cost, Insurance and Freight (CIF).

Revenue from sale of public utilities (energy and water further public utilities) is measured at the fair value of the consideration received or receivable, net of allowances. The revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably, which is upon delivery of public utilities to the customer.

Evidence of the quantity of public utilities delivered is determined on the basis of meter data. Meter data is monitored on a monthly basis by the Group's sales department.

(i) Services

Revenue from services rendered is recognized in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(t) Other income and expenses

(i) Grants

Grants are recognized initially as deferred income (recorded as deferred grants on the statement of financial position) when they are received and the Group has reasonable assurance it will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are offset against the asset on a systematic basis over the useful life of the asset.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large, and where such contributions are not set by the subsoil use contracts and are not restricted to the Group's employees, they are recognized in the consolidated statement of comprehensive income as incurred.

(u) Financial income and expenses

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized in the consolidated statement of comprehensive income on the date that the Group's right to receive payment is established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial liabilities at fair value through profit or loss and impairment losses recognized on financial assets.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Borrowing costs comprise exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All borrowing costs are recognized in the statement of comprehensive income using the effective interest method, except for borrowing costs related to qualifying assets which are recognized as part of the cost of such assets.

Foreign currency gains and losses are reported on a net basis.

(v) **Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity, accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used in the computation of taxable profit or which arises from the initial recognition of goodwill. Deferred tax is not recognized for temporary differences in connection with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

Liabilities are recognized for taxable temporary differences arising on investments in associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized

In Kazakhstan, the corporate income tax regime requires the advance payments of estimated income tax based on the prior year's actual corporate income taxes. Advances are required to be made three times a year. The tax return is filed 31 March and when the actual tax is calculated, the resulting underpayment is made or overpayment is received.

(w) **Adoption of new and revised standards**

Standards adopted with no material effect on the consolidated financial statements

The Group has adopted the following new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (the IFRIC) in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendment to IFRS 3	<i>Business Combinations</i>
IAS 27	<i>Consolidated and Separate Financial Statements</i>
IAS 24	<i>Related Party Disclosures</i>
Amendment to IAS 32	<i>Financial Instruments: Presentation – Classification of Rights Issues)</i>
IFRIC 14	<i>Prepayments of a Minimum Funding Requirement</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

The adoption of the new or revised standards did not have any effect on the financial position or performance of the Group.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

New and revised IFRSs in issue but not yet effective

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted.

IAS 1(amended)	<i>Presentation of Financial Statements — amendments to revise the way other comprehensive income is presented</i> ⁴ .
IAS 12 (amended)	<i>Deferred Tax: Recovery of Underlying Assets</i> ⁵ .
IAS 19 (revised)	<i>Employee Benefits</i> ²
IAS 27 (revised)	<i>Separate Financial Statements</i> ³ .
IAS 28 (revised)	<i>Investments in Associates and Joint Ventures</i> ³
IAS 32	<i>Financial Instruments: Presentation</i> ⁷
IFRS 7 (amended)	<i>Financial Instruments: Disclosures - providing clarifications on application of the offsetting rules and disclosure requirements</i> ⁷
IFRS 7 (amended)	<i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> ¹
IFRS 9	<i>Financial Instruments</i> ⁶
IFRS 10	<i>Consolidated Financial Statements</i> ³
IFRS 11	<i>Joint Arrangements</i> ³ .
IFRS 12	<i>Disclosure of Interest in Other Entities</i> ³
IFRS 13	<i>Fair Value Measurement</i> ²

¹ Effective for annual periods beginning on or after 1 July 2011, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

³ Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).

⁴ Effective for annual periods beginning on or after 1 July 2012, with early adoption permitted.

⁵ Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

⁷ Amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014. Respective amendments to IFRS 7 regarding disclosure requirements – for annual periods beginning on or after 1 January 2013.

The Group does not expect that the adoption of the following standards will have a material impact on the consolidated financial statements of the Group in future periods, except as follows:

The amendments to IFRS 7 introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Retrospective application is required in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* with the exception that in the first year of application, an entity need not provide comparative information for the disclosures required by the amendments for periods beginning before July 1, 2011. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 9 issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at their fair values.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was recognised in profit or loss.

Group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures were issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). Key requirements of these five standards are described below.

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (ie whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, the single definition of control, accompanied by extensive application guidance, is based on whether an investor has (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* with new accounting requirements for joint arrangements by classifying them as either joint operations or joint ventures (the 'jointly controlled assets' classification exists no more). Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

IFRS 12 requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement, so that financial statement users are able to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

Group management anticipates that the package of five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standards may have a significant impact on amounts reported in respect of the Groups' consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity and debt securities

The best evidence of fair value of equity instruments is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

The chosen valuation technique makes maximum use of market inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

(b) Trade and other receivables and payables

The fair value of non-current trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The current trade and other receivables are carried at cost less impairment provision of doubtful debts which approximates fair value due to the short-term nature thereof.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. SEGMENT INFORMATION

The Group, based on information contained in reports that are regularly reviewed by the chief operating decision maker, the chief executive, and which are used to make decisions about the allocation of financial resources and to assess segment performance, has five reportable segments namely:

Uranium products	-	The production of uranium ore, processing and sale of uranium products.
Beryllium	-	The manufacture and sale of beryllium products as well as related research and development activities.
Tantalum	-	The manufacture and sale of tantalum products as well as related research and development activities.
Utilities	-	The generation and sale of electricity, heating and water.
Other	-	The generation and sale of other products and rendering of services for the main production.

Information regarding the Group's reportable segments is presented below.
Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit is the factor that management uses to manage its business and represents gross profit earned by each segment. This is the measure reported to the chief executive for the purpose of resource allocation and assessment of segment performance.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2011:

	Uranium products '000 KZT	Beryllium '000 KZT	Tantalum '000 KZT	Utilities '000 KZT	Other '000 KZT	Eliminations '000 KZT	Consolidated '000 KZT
Revenue							
External sales	249,616,464	7,791,351	6,404,787	30,578,856	27,559,710	-	321,951,168
Inter-segment sales	-	-	-	-	16,514,936	(16,514,936)	-
Total revenue	249,616,464	7,791,351	6,404,787	30,578,856	44,074,646	(16,514,936)	321,951,168
Segment profit	73,731,027	852,360	1,158,871	5,099,592	9,652,442	(3,902,610)	86,591,682
Distribution expense							(3,107,813)
Administrative expense							(17,080,916)
Financial income							5,466,166
Financial expense							(11,983,154)
Foreign exchange loss							(410,882)
Share of results of associates and jointly controlled entities							43,715,606
Other income							573,335
Other expense							(6,949,489)
Profit before income tax							96,814,535

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

The following is an analysis of the Group's revenue and results by reportable segment in 2010:

	Uranium products '000 KZT	Beryllium '000 KZT	Tantalum '000 KZT	Utilities '000 KZT	Other '000 KZT	Eliminations '000 KZT	Consolidated '000 KZT
Revenue							
External sales	171,564,873	5,300,798	4,676,462	26,526,968	22,869,769	-	230,938,870
Inter-segment sales	-	-	-	-	15,441,998	(15,441,998)	-
Total revenue	<u>171,564,873</u>	<u>5,300,798</u>	<u>4,676,462</u>	<u>26,526,968</u>	<u>38,311,767</u>	<u>(15,441,998)</u>	<u>230,938,870</u>
Segment profit	<u>55,063,763</u>	<u>791,813</u>	<u>712,796</u>	<u>2,048,415</u>	<u>8,145,822</u>	<u>(2,782,147)</u>	<u>63,980,462</u>
Distribution expense							(2,325,968)
Administrative expense							(13,264,911)
Financial income							5,306,714
Foreign exchange gains							426,600,32
Financial expense							(9,926,646)
Share of results of associates and jointly controlled entities							37,155,562
Other income							813,294
Other expense							(8,496,867)
Profit before income tax							<u>73,668,272</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates and jointly controlled entities, financial assets and tax assets; and
- all liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities, and other liabilities.

(a) Segment assets

	31.12.2011	31.12.2010
	'000 KZT	'000 KZT
Uranium products	291,942,293	248,910,694
Beryllium	5,670,804	6,076,231
Tantalum	7,710,041	5,469,869
Utilities	22,689,893	21,778,077
Other	29,941,957	19,496,195
Eliminations	<u>(6,035,539)</u>	<u>(31,884,362)</u>
Total segment assets	351,919,449	269,846,704
Unallocated assets	<u>259,740,645</u>	<u>258,690,217</u>
Consolidated assets	<u>611,660,094</u>	<u>528,536,921</u>

(b) Segment liabilities

	31.12.2011	31.12.2010
	'000 KZT	'000 KZT
Uranium products	110,950,765	98,022,792
Beryllium	451,178	630,708
Tantalum	613,423	567,768
Utilities	4,771,454	6,612,860
Other	2,231,028	1,588,374
Eliminations	<u>22,464,129</u>	<u>15,540,113</u>
Total segment liabilities	141,481,977	122,962,615
Unallocated liabilities	<u>122,321,051</u>	<u>126,154,599</u>
Consolidated liabilities	<u>263,803,028</u>	<u>249,117,214</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

(d) Geographical information

External revenue based on the country of domicile of the customer is as follows:

	Revenue from external customers	
	2011	2010
	'000 KZT	'000 KZT
Kazakhstan	62,474,479	48,608,536
China	123,984,121	96,855,090
Japan	33,769,990	33,360,465
USA	6,415,808	20,449,435
South Korea	13,666,382	7,988,764
Russia	51,729,319	5,473,297
France	14,168,926	4,267,060
Germany	6,112,012	2,211,115
Argentina	1,255,892	1,999,183
Austria	359,008	1,006,679
Belgium	1,295,852	1,395,377
India	6,608,503	4,711,194
Switzerland	31,298	2,486,112
Other	79,578	126,563
	321,951,168	230,938,870

(e) Other segment information

Depreciation and amortization of mine development assets, exploration and evaluation assets, and property, plant and equipment, and amortization of mineral rights and intangible assets accrued for the period is detailed below:

	Depreciation and amortization	
	2011	2010
	'000 KZT	'000 KZT
Uranium products	13,459,453	9,303,661
Beryllium	226,840	174,215
Tantalum	308,413	156,830
Utilities	2,204,719	1,979,293
Other	1,210,316	878,953
	17,409,741	12,492,952

The portion of the above reported depreciation and amortization recognized as part of cost of sales is detailed below:

	Depreciation and amortization	
	2011	2010
	'000 KZT	'000 KZT
Uranium products	12,943,900	9,761,056
Beryllium	130,978	106,123
Tantalum	178,078	95,533
Utilities	2,031,407	1,116,076
Other	940,723	708,588
Elimination	(1,070,284)	(1,881,032)
	15,154,802	9,906,344

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

	Additions to non-current assets	
	2011 '000 KZT	2010 '000 KZT
Uranium products	47,969,950	20,382,063
Beryllium	409,264	399,915
Tantalum	556,436	360,006
Utilities	1,627,700	3,157,383
Other	15,130,564	2,368,889
	65,693,914	26,668,256

In addition to the depreciation and amortisation reported above, impairment losses of KZT 1,177,104 (2010: 876,533) were recognised in respect of property, plant and equipment (Note 18). These impairment losses were attributable to the following reportable segments:

	Impairment	
	2011 '000 KZT	2010 '000 KZT
Uranium products	430,333	580,902
Beryllium	93,383	120,265
Tantalum	126,964	108,263
Other	526,424	67,103
	1,177,104	876,533

6. ACQUISITIONS OF BUSINESSES, DISPOSALS OF INVESTMENTS AND NON CONTROLLING INTERESTS

These consolidated financial statements include financial statements of the following subsidiaries:

	Country of incorporation	31.12.2011	31.12.2010
		Ownership/Voting	Ownership/Voting
MAEK-Kazatomprom LLP	Kazakhstan	100%	100%
GRK LLP	Kazakhstan	100%	100%
Kazatomprom - Demeu LLP	Kazakhstan	90%	90%
Bailanys NAC LLP	Kazakhstan	100%	100%
Taikonyr JSC	Kazakhstan	100%	100%
Korgan KAP LLP	Kazakhstan	100%	100%
Appak LLP	Kazakhstan	65%	65%
Semizbai-U LLP	Kazakhstan	51%	51%
Ulba Metallurgical Plant JSC	Kazakhstan	90%	90%
Volkovgeology JSC	Kazakhstan	90%	90%
Institute of High Technologies LLP	Kazakhstan	100%	100%
Kyzyltu LLP	Kazakhstan	76%	76%
SARECO LLP	Kazakhstan	51%	51%
Ecoenergomash LLP	Kazakhstan	100%	100%
Kvarz LLP	Kazakhstan	100%	-
MK KazSilicon LLP	Kazakhstan	100%	-
Bergstein Construction LLP	Kazakhstan	100%	-
Astana Solar LLP	Kazakhstan	100%	-
JV KT Raremetals company LLP	Kazakhstan	51%	-
DP Ortalyk LLP	Kazakhstan	100%	-

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

SARECO

On 24 March 2010, the Company and Sumitomo Corporation signed a charter document on establishment of "Summit Atom Rare Earth Company" (SARECO). SARECO was formed to operate in the rare and rare-earth metals industry. The Company and Sumitomo Corporation hold a 51% and 49% ownership in SARECO, respectively. SARECO was established as a vertically integrated company producing high value added rare earth products. SARECO is involved in the construction and commercial ore enrichment operations, hydrometallurgical production of rare metal concentrates and chemical production on decay of rare metals into individual metal oxides. SARECO exports certain of its produced goods.

In April and September 2011, the partners of SARECO provided additional contributions to charter capital totaling KZT 1,953,000 thousand. The contributions of the partners were proportionate to their ownership interests, and consequently no change in ownership interests arose as a consequence of this contribution.

Ekoenergomash LLP

In March 2010 the Group created a subsidiary with 100% ownership, Ekoenergomash LLP, and invested KZT 250,000 thousand to its charter capital. The principal operation of Ekoenergomash LLP is the production of wind-driven stations based on a base of renewable sources of energy.

In June 2011, the Company provided an additional capital contribution to Ekoenergomash LLP charter capital of KZT 800,000 thousand.

Appak LLP

In April 2010, the partners of Appak LLP provided additional contributions to the charter capital to Appak LLP of 5.3 billion tenge. The contributions of the partners were proportionate to their ownership interest, and consequently no change in ownership interest arose as a consequence of this contribution.

Kazatomprom - Demeu LLP

On 28 January 2010, the Company made an additional contribution to Kazatomprom – Demeu LLP charter capital of 3,604,000 thousand tenge. The contribution did not result in change in ownership interest.

In December 2011, the Company provided an additional contribution to charter capital of KZT 1,000,000 thousand. The contribution did not result in a change in ownership interest.

Bergstein Construction LLP

In November 2011, the Company purchased a 100% ownership interest to Bergstein Construction LLP for KZT 3,294,781 thousand and provided a post acquisition contribution to its charter capital of KZT 191,793 thousand. The entity's principal activities of Bergstein Construction LLP include production of silicon solar grades, silicon plates and photovoltaic plates.

Kvarz LLP

In November 2011, the Company purchased 100% ownership interest in Kvarz LLP for KZT 1,000 thousand (Note 45) and provided a post acquisition contribution to its charter capital of KZT 241,000 thousand. The principal activities of the entity involve mining and processing of quartz and primary processing of raw materials.

MK Kaz Silicon LLP (Note 45)

In November 2011, the Company purchased a 100% ownership interest of MK Kaz Silicon LLP for KZT 4,750,000 thousand and provided a post acquisition contribution to its charter capital of KZT 2,508,000 thousand. The principal activities of the entity involve production and sale of metallurgical and polycrystalline silicon and recycling of silicon production waste.

Astana Solar LLP

In December 2011, the Company established Astana Solar LLP as a wholly owned subsidiary company and provided a contribution to its charter capital of KZT 52,000 thousand. The principal activities of Astana Solar LLP include production of silicon solar plates, silicon plates, photovoltaic plates, photovoltaic modules and electrical systems on its basis.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

DP Ortalyk LLP (Note 45)

In December 2011, the Company purchased a 100% ownership interest in DP Ortalyk LLP for KZT 21,124,874 thousand. Principal activities of DP Ortalyk LLP include the provision of services on mining, processing chemical concentrate to uranium and services.

JV KT Raremetals company LLP

In November 2011, JV KT Raremetals Company LLP was established as a joint venture in with the Company and another partner. The Company obtained 51% ownership. The Company made a contribution to the entity's charter capital of KZT 382,000 thousand. The principal activities of the entity involve performing feasibility study on exploration and extraction of rare and rare-earth metals

7. REVENUE

	2011 '000 KZT	2010 '000 KZT
Sales of uranium	249,616,464	171,564,873
Sales of energy products	30,578,856	26,284,167
Processing services	9,335,873	4,593,001
Drilling services	8,853,018	9,673,497
Sales of beryllium	7,791,351	5,300,798
Sales of tantalum	6,404,787	4,676,462
Transportation services	5,270,197	2,961,941
Research and development services	347,298	316,598
Sales of purchased goods	279,117	2,368,343
Other	3,474,207	3,199,190
	<u>321,951,168</u>	<u>230,938,870</u>

8. COST OF SALES

	2011 '000 KZT	2010 '000 KZT
Materials and supplies	154,933,623	103,245,715
Processing and other services	26,321,803	19,845,049
Wages and salaries	21,579,748	15,366,100
Depreciation and amortization	15,154,802	10,060,514
Taxes other than on income	10,758,581	8,827,503
Maintenance and repair	2,218,600	5,010,243
Utilities	1,522,556	2,002,180
Rent expenses	488,186	647,364
Transportation expenses	300,033	412,677
Research and development	248,476	139,779
Other	1,833,078	1,401,284
	<u>235,359,486</u>	<u>166,958,408</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

9. DISTRIBUTION EXPENSES

	2011 <u>'000 KZT</u>	2010 <u>'000 KZT</u>
Shipping, transportation and storing	1,403,857	1,006,542
Wages and salaries	598,175	409,569
Commissions	266,240	268,628
Materials and suppliers	225,970	196,782
Rent	134,623	80,413
Advertising and marketing expenses	62,782	47,339
Cargo insurance	59,901	50,349
Travel	46,221	28,919
Depreciation and amortization	42,295	24,117
Custom duties	8,402	48,497
Taxes other than on income tax	248	39,338
Other	259,099	125,475
	<u>3,107,813</u>	<u>2,325,968</u>

10. ADMINISTRATIVE EXPENSES

	2011 <u>'000 KZT</u>	2010 <u>'000 KZT</u>
Wages and salaries	11,471,815	7,425,520
Taxes other than income tax	968,104	1,657,931
Consulting, auditing and information services	757,536	480,364
Depreciation and amortization	665,249	524,566
Rent	491,124	274,946
Materials and suppliers	396,607	254,435
Travel	386,087	317,050
Bonus pay accrual	294,114	216,447
Training expenses	287,423	267,043
Maintenance and repair	203,873	328,544
Bank charges	165,950	141,637
Communication	123,969	109,258
Corporate events	98,179	73,255
Research expenses	93,869	361,677
Utilities	89,897	83,128
Stationary	78,969	88,330
Entertainment expenses	58,915	65,563
Security	53,528	34,621
Insurance	37,696	40,049
Other	358,012	520,547
	<u>17,080,916</u>	<u>13,264,911</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

11. FINANCIAL INCOME AND EXPENSE

	2011 <u>'000 KZT</u>	2010 <u>'000 KZT</u>
<i>Financial income</i>		
Interest income on term deposits and deposits on demand, and current accounts	3,651,783	1,750,887
Dividend income	1,606,827	3,551,893
Other	207,556	3,934
Total	<u>5,466,166</u>	<u>5,306,714</u>
<i>Financial expense</i>		
Interest expense on loans and borrowings	6,310,567	4,794,115
Unwinding of discount on other financial liabilities	4,724,601	4,388,107
Unwinding of discount on provisions	494,618	353,171
Loss on sales of foreign currency	80,784	57,577
Preference share dividend expense	52,965	53,610
Other	319,619	280,066
Total	<u>11,983,154</u>	<u>9,926,646</u>

12. OTHER INCOME

	2011 <u>'000 KZT</u>	2010 <u>'000 KZT</u>
Property received free of charge	128,447	-
Income from fines and penalties	118,730	-
Gain on sale of investment property	-	418,650
Interest on trade receivables	-	103,126
Write-off of liabilities	19,427	11,196
Other	306,731	280,322
Total	<u>573,335</u>	<u>813,294</u>

13. OTHER EXPENSES

	2011 <u>'000 KZT</u>	2010 <u>'000 KZT</u>
Sponsorship and charitable donations	1,279,063	2,619,205
Impairment of investments in associates	992,249	-
Impairment of non-current assets	973,602	622,382
Social sphere expenses	887,480	1,215,648
Loss on disposal of non-current assets	607,328	116,625
Loss on suspension of production	444,377	244,254
Unrecoverable value added tax ("VAT")	339,929	2,438,747
Transfer pricing provision	-	467,569
Other	1,424,461	772,437
Total	<u>6,949,489</u>	<u>8,496,867</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

14. PERSONNEL COSTS

	<u>2011</u> <u>'000 KZT</u>	<u>2010</u> <u>'000 KZT</u>
Wages and salaries	37,753,730	30,497,519
Social tax and social contributions	3,502,831	2,763,156
	<u>41,256,561</u>	<u>33,260,675</u>

15. INCOME TAX EXPENSE

	<u>2011</u> <u>'000 KZT</u>	<u>2010</u> <u>'000 KZT</u>
<i>Current tax expense</i>		
Current year	15,432,005	12,456,258
Under provided in prior years	20,916	325,561
	<u>15,452,921</u>	<u>12,781,819</u>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	1,672,571	947,853
	<u>17,125,492</u>	<u>13,729,672</u>

The entities based in Kazakhstan are subject to income tax on taxable profit as determined under the laws of the Republic of Kazakhstan. The income tax rate was 20% in both 2010 and 2011. In November 2009, an amendment to the corporate income tax rate was enacted to reduce the corporate income tax rate to 17.5% effective from 1 January, 2013 and 15% effective from 1 January 2014. In November 2010, changes occurred and the rate was fixed at 20% from 1 January 2011 and for subsequent years.

Reconciliation of effective tax rate:

	<u>2011</u> <u>'000 KZT</u>	<u>%</u>	<u>2010</u> <u>'000 KZT</u>	<u>%</u>
Profit before income tax	<u>96,814,535</u>	<u>100</u>	<u>73,668,272</u>	<u>100</u>
Income tax at applicable tax rate	<u>19,362,907</u>	<u>20.00</u>	<u>14,733,655</u>	<u>20.00</u>
Tax effect of:				
Change in tax rate	229,060	0.24	659,712	0.9
Non-taxable income	(405,007)	(0.42)	(710,379)	(0.96)
Non-deductible expenses	3,284,576	3.39	960,778	1.3
Transfer pricing adjustment	4,124,266	4.26	4,930,963	6.69
Elimination of margin in finished goods	106,597	0.11	(363,467)	(0.49)
Share of results of associates	(6,044,431)	(6.24)	(5,474,570)	(8.82)
Share of results of jointly controlled entities	(2,698,691)	(2.79)	(1,956,542)	(1.87)
Utilization of tax losses not recognized in prior periods	(905,147)	(0.93)	(19,495)	0.03
Current year losses for which no deferred tax asset is recognized	50,446	0.05	643,456	0.87
Under provided in prior years	20,916	0.02	325,561	0.44
	<u>17,125,492</u>	<u>17.69</u>	<u>13,729,672</u>	<u>18.21</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

16. EARNINGS PER SHARE

Basic and diluted earnings per share:

	<u>2011</u> <u>'000 KZT</u>	<u>2010</u> <u>'000 KZT</u>
Basic and diluted earnings per share	2,135	1,608

The Group has no dilutive potential ordinary shares.

The profit for the year attributable to owners of the Group and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

	<u>2011</u> <u>'000 KZT</u>	<u>2010</u> <u>'000 KZT</u>
Profit for the year attributable to owners of the Company	<u>78,337,759</u>	<u>59,014,06</u>
Earnings used in the calculation of the total basic and diluted earnings per share	<u>78,337,759</u>	<u>59,014,06</u>
	<u>2011</u> <u>'000 KZT</u>	<u>2010</u> <u>'000 KZT</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	36,692,36	36,692,36

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

17. INTANGIBLE ASSETS									
	000 KZT	Licenses and patents	Software	Goodwill	Other	Total			
At 1 January 2010		29,131	268,590	-	102,567	400,288			
Additions		149	112,732	-	375,902	488,783			
Disposals		-	(884)	-	(62,375)	(63,259)			
At 31 December 2010		29,280	380,438	-	416,094	825,812			
At 1 January 2011		29,280	380,438	-	416,094	825,812			
Additions		17,401	202,011	-	934,077	1,153,489			
Acquisitions through business combinations (Note 45)		22,734	4,389	10,696,216	1,040	10,724,379			
Disposals		(335)	(55,223)	-	(1,299)	(56,857)			
At 31 December 2011		69,080	531,615	10,696,216	1,349,912	12,646,823			
<i>Accumulated amortization and impairment losses</i>									
At 1 January 2010		10,960	134,846	-	62,935	208,741			
Amortization charge		6,488	64,626	-	9,108	80,222			
Disposals		-	(519)	-	(59,339)	(59,858)			
At 31 December 2010		17,448	198,953	-	12,704	229,105			
At 1 January 2011		17,448	198,953	-	12,704	229,105			
Amortization charge		7,545	75,252	-	58,952	141,749			
Disposals		(335)	(55,073)	-	(948)	(56,356)			
At 31 December 2011		24,658	219,132	-	70,708	314,498			
<i>Net book value</i>									
As at 31 December 2010		11,832	181,485	-	403,390	596,707			
As at 31 December 2011		44,422	312,483	10,696,216	1,279,204	12,332,325			

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

	2011	2010
	'000 KZT	'000 KZT
Uranium production	10,110,256	-
Quartz production	585,960	-
	10,696,216	-

The recoverable amounts of the cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period.

The Group prepares post-tax cash flow forecasts derived from the most recent financial budgets approved by management.

The rates used to discount the forecast cash flows were 10% and 12% for the uranium production and quartz production, respectively, which is based upon the weighted average cost of capital for the respective cash-generating unit.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

18. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Vehicles	Other	Construction in progress	Total
<i>Cost</i>							
At 1 January 2010	93,951	46,787,749	37,796,644	5,791,689	2,662,306	6,299,387	99,431,726
Additions	22,309	1,317,366	4,207,359	1,484,884	289,258	8,107,495	15,428,671
Transfers	1,790	3,376,132	2,258,724	20,773	77,454	(5,734,873)	-
Disposals	(1,902)	(130,830)	(550,850)	(46,298)	(66,206)	(239,952)	(1,036,038)
Foreign currency translation difference	-	-	32	-	433	-	465
At 31 December 2010	116,148	51,350,417	43,711,909	7,251,048	2,963,245	8,432,057	113,824,824
At 1 January 2011	116,148	51,350,417	43,711,909	7,251,048	2,963,245	8,432,057	113,824,824
Additions	52,326	3,606,446	4,330,668	1,358,027	405,173	8,995,553	18,748,193
Transfers	78,097	3,703,706	2,924,000	(75,051)	8,067	(8,199,620)	(1,560,801)
Additions through business combinations (Note 45)	4,256	5,763,350	2,272,313	194,144	130,778	158,521	8,523,362
Disposals	(79)	(154,778)	(760,469)	(98,923)	(112,267)	(8,198)	(1,134,714)
Foreign currency translation difference	-	-	58	-	2,700	-	2,758
At 31 December 2011	250,748	64,269,141	52,478,479	8,629,245	3,397,696	9,378,313	138,403,622

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	Land	Buildings	Plant and equipment	Vehicles	Other	Construction in progress	Total
'000 KZT							
<i>Accumulated depreciation and impairment losses</i>							
At 1 January 2010	-	5,655,244	11,483,118	1,785,878	735,211	564,931	20,224,406
Depreciation charge	-	2,286,637	4,113,661	832,337	358,414	-	7,591,149
Disposals	-	(109,224)	(499,933)	(28,888)	(43,891)	-	(681,936)
Additions	-	4,838	1,717	3,014	582	-	10,251
Impairment	-	165,407	61,116	(157)	38,974	611,231	876,551
Foreign currency translation difference	-	-	39	-	242	-	281
At 31 December 2010	-	8,002,902	15,159,878	2,592,115	1,089,551	1,176,166	28,020,611
At 1 January 2011	-	8,002,902	15,159,878	2,592,115	1,089,551	1,176,166	28,020,611
Depreciation charge	-	2,892,807	5,253,216	1,065,000	362,216	-	9,573,239
Transfers	-	(433,522)	(82,911)	(77,691)	9,216	-	(584,908)
Disposals	-	(75,379)	(668,771)	(83,701)	(86,161)	-	(914,012)
Impairment loss and reversals of impairment losses recognized in prior periods	-	1,464,786	121,211	(5,351)	37,711	(441,388)	1,177,110
Foreign currency translation difference	-	-	57	-	2,317	-	2,491
At 31 December 2011	-	11,851,594	19,782,666	3,490,414	1,414,974	734,771	37,274,419
<i>Net book valuebook value</i>							
As at 31 December 2010	116,174	43,347,515	28,552,018	4,658,878	1,873,711	7,255,891	85,804,287
As at 31 December 2011	250,774	52,417,547	32,695,818	5,138,771	1,982,711	8,643,531	101,129,152

The Group recorded impairment losses attributable to property, plant and equipment of KZT 1,177,104 thousand during the year ended 31 December 2011 (2010: KZT 876,533 thousand), relating to assets owned as part of the Group's social obligations and which do not generate positive cash flows (Matrosov student camp in the amount of KZT 452,381 thousand (2010: KZT 500,925 thousand)), and fixed assets not involved in production activities in the amount of KZT 724,723 thousand. (2010: 375,608 thousand).

In 2011 KZT 203,502 thousand (2010: KZT 254,151 thousand) out of the total amount of impairment was allocated to cost of sales and KZT 973,602 thousand (2010: 622,382) to other expenses.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

- (a) Depreciation expense of KZT 8,948,017 thousand (2010: KZT 7,104,216 thousand) has been charged in cost of sales, KZT 42,039 thousand (2010: KZT 19,990 thousand) in distribution expenses and KZT 583,169 thousand (2010: KZT 466,907 thousand) in administrative expense.

(b) Borrowing costs

Borrowing costs capitalized in the reporting periods were as follows:

	<u>2011</u> <u>'000 KZT</u>	<u>2010</u> <u>'000 KZT</u>
Capitalized borrowing costs	-	1,285

The weighted-average capitalization rate was 6% in 2010.

(c) Construction in progress

Construction in progress comprises construction of new assets and capital improvements of existing property, plant and equipment

(d) Rented equipment

The Group has acquired assets under finance lease arrangements. At the end of the lease period, ownership of the assets will transfer to the Group. The Group makes monthly payments based on the terms of the agreements. As at 31 December 2011 the book value of such assets was KZT 41,933 thousand (2010: KZT 101,603 thousand).

(e) Collateral

Property, plant and equipment with a carrying amount of KZT 3,868,936 thousand (2010: KZT 4,252,577 thousand) has been pledged to secure bank loans (Note 35).

(f) Fully depreciated property plant and equipment

As at 31 December 2011, the gross carrying value of fully depreciated property, plant and equipment still in use was KZT 1,690,180 thousand (2010: KZT 2,015,779 thousand).

(g) Idle property, plant and equipment

As at 31 December 2011, the carrying value of temporary idle property, plant and equipment was KZT 38,936 thousand (2010: KZT 46,785 thousand).

(h) Commitments

As at 31 December 2011, commitments relating to the acquisition of property, plant and equipment were KZT 8,785,562 thousand (2010: KZT 312 thousand).

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

19. MINE DEVELOPMENT ASSETS

'000 KZT	Field preparation	Side restoration asset	Ion-exchange resin	Total
<i>Cost</i>				
Balance at 1 January 2010	24,376,886	1,935,639	2,365,299	28,677,824
Additions	7,472,056	473,274	495,905	8,441,235
Change in estimate	-	1,408,248	-	1,408,248
Balance at 31 December 2010	<u>31,848,942</u>	<u>3,817,161</u>	<u>2,861,204</u>	<u>38,527,307</u>
Balance at 1 January 2011	31,848,942	3,817,161	2,861,204	38,527,307
Additions	11,587,968	-	289,020	11,876,988
Change in estimate	-	2,366,398	-	2,366,398
Transfer from exploration and evaluation assets	3,756,812	65,103	166,392	3,988,307
Transfer from property, plant and equipment (Note 18)	127,511	-	-	127,511
Balance at 31 December 2011	<u>47,321,233</u>	<u>6,248,662</u>	<u>3,316,616</u>	<u>56,886,511</u>
<i>Accumulated depreciation and impairment loss</i>				
Balance at 1 January 2010	10,711,054	80,373	431,025	11,222,452
Depreciation charge	3,844,885	97,021	180,791	4,122,697
Balance at 31 December 2010	14,555,939	177,394	611,816	15,345,149
Balance at 1 January 2011	14,555,939	177,394	611,816	15,345,149
Depreciation charge	6,113,794	193,093	149,198	6,456,085
Balance at 31 December 2011	<u>20,669,733</u>	<u>370,487</u>	<u>761,014</u>	<u>21,801,234</u>
<i>Net book value</i>				
At 31 December 2010	<u>17,293,003</u>	<u>3,639,767</u>	<u>2,249,388</u>	<u>23,182,158</u>
At 31 December 2011	<u>26,651,500</u>	<u>5,878,175</u>	<u>2,555,602</u>	<u>35,085,277</u>

The change in estimate of the site restoration asset occurs primarily as a consequence of revisions to budgets and new mining fields obtained by the Group.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

20. MINERAL RIGHTS

'000 KZT	<u>Total</u>
<i>Cost</i>	
Balance at 1 January 2010	978,121
Additions	922,132
	<hr/>
Balance at 31 December 2010	1,900,253
Additions	22,841
Change in estimate	(33,223)
Additions through business combination (Note 45)	6,518,857
Transfer from exploration and evaluation assets (Note 21)	122,591
	<hr/>
Balance at 31 December 2011	8,531,319
	<hr/>
<i>Amortization and impairment losses</i>	
Balance at 1 January 2010	82,357
Depreciation charge	50,852
	<hr/>
Balance at 31 December 2010	133,209
	<hr/>
Depreciation charge	72,050
	<hr/>
Balance at 31 December 2011	205,259
	<hr/>
<i>Net book value</i>	
Balance at 31 December 2010	1,767,044
	<hr/>
Balance at 31 December 2011	8,326,060
	<hr/>

Subsoil use agreements for mines held by the Group require the Group to make contributions to social development and education programs. All of the Group's costs relating to social development and education programs are expensed as incurred.

In connection with the order of the Ministry of Industry and New Technologies of the Republic of Kazakhstan, the right on subsoil use on the Central Mynkuduk field was revoked from LLP "Ken Dala KZ", a third party, and given to the Company. Accordingly, in 2010 the Company sustained additional contractual obligations and expenses on mine development in addition to other liabilities and expenses occurring under existing subsoil use contracts of the Company.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

21. EXPLORATION AND EVALUATION ASSETS

'000 KZT	Tangible assets	Intangible assets	Total
<i>Cost</i>			
Balance at 1 January 2010	3,776,906	88,232	3,865,138
Additions	2,491,892	98,859	2,590,751
Amortization charged to cost of sales	(642,193)	(5,874)	(648,067)
Change in estimate	(22,591)	-	(22,591)
Balance at 31 December 2010	<u>5,604,014</u>	<u>181,217</u>	<u>5,785,231</u>
Balance at 1 January 2011	5,604,014	181,217	5,785,231
Additions	1,439,868	527,483	1,967,351
Amortization charged to cost of sales	(1,156,116)	(10,516)	(1,166,632)
Transfer to mine development assets (Note 19)	(3,988,307)	-	(3,988,307)
Transfer to mineral rights (Note 20)	-	(122,591)	(122,591)
Transfer from property, plant and equipment (Note 18)	223,136	-	223,136
Balance at 31 December 2011	<u>2,122,595</u>	<u>575,593</u>	<u>2,698,188</u>

22. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	Country	31.12.2011		31.12.2010	
		Ownership/ voting	Carrying value '000 KZT	Ownership/ voting	Carrying value '000 KZT
JV Betpak Dala LLP	Kazakhstan	30%	15,093,411	30%	14,208,036
JV KATCO LLP	Kazakhstan	49%	45,326,938	49%	29,556,133
Uranenergo LLP	Kazakhstan	44.82%	4,371,545	36.71%	4,953,799
JV "SKZ Kazatomprom" LLP	Kazakhstan	22%	657,973	24.5%	702,277
JV Inkai LLP	Kazakhstan	40%	9,614,565	40%	6,683,397
JV Zarechnoe JSC	Kazakhstan	49.67%	2,875,543	49.67%	886,272
JV Rosburmash LLP	Kazakhstan	49%	171,716	49%	188,238
Kazakhstan Nuclear Institution LLP	Kazakhstan	40%	16,180	40%	14,601
Demeu-Clothes LLP	Kazakhstan	-	-	49%	3,855
Kyzylkum LLP	Kazakhstan	30%	1,559,373	30%	-
NPK Ulba LLP	Kazakhstan	-	-	33%	3,527
SKZ - U LLP	Kazakhstan	49%	3,590,018	49%	3,659,578
JV IFASTAR	France	49%	11,179	49%	34,885
PKF Ulba Energo	Kazakhstan	30%	42,073	30%	25,337
			<u>83,330,514</u>		<u>60,919,935</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

22. INVESTMENTS IN ASSOCIATES, CONTINUED

The following table summarizes the unrecognised share of losses of the associates:

	2011 '000 KZT	2010 '000 KZT
Accumulated losses:		
At the beginning of the year	2,209,475	2,118,949
Movement in:		
Kyzylkum LLP	(2,189,060)	90,526
JV Zarechnoe JSC	(20,415)	
At the end of the year	-	2,209,475

The following is summarized financial information, in aggregate, in respect of associates:

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Current assets	110,464,703	93,724,119
Non-current assets	205,644,599	183,681,087
Total assets	316,109,302	277,405,206
Current liabilities	(63,197,338)	(80,617,969)
Non-current liabilities	(51,602,217)	(54,547,029)
Total liabilities	(114,799,555)	(135,164,998)
Net assets	201,309,747	142,240,208
Group's share of net assets of associates	83,330,514	60,919,935
	2011 '000 KZT	2010 '000 KZT
Total revenue	197,548,479	169,116,317
Total profit for the year	78,538,819	64,239,567
Group's share of profit of associates after tax	30,222,153	27,372,850

23. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group has the following investments in jointly controlled entities:

	Country	31.12.2011		31.12.2010	
		Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
Karatau LLP	Kazakhstan	50%	11,293,526	50%	8,557,990
JV Akbastau LLP	Kazakhstan	50%	6,299,839	50%	3,006,172
CJSC COU	Kazakhstan	50%	658,059	50%	634,640
JSC Yingtian Ulba Shine Metal Materials Co., Ltd	Kazakhstan	50%	341,289	50%	422,736
ULBA Conversion LLP	Kazakhstan	50%	29,605	50%	27,963
JV UKR TVS CJSC	Ukrain	33.33%	3,922	33.33%	3,845
Chemieanlagenbau Chemnitz Kazakhstan-Russian Company	Germany	50%	2,420	50%	2,266
JSC Atomic Stations	Kazakhstan	50%	-	50%	-
Geotechnologia KKRUMC	Kyrgyzstan	50%	1,840	50%	1,840
			<u>18,630,500</u>		<u>12,657,452</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

23. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES, CONTINUED

As at 31 December 2011, the Group did not recognize its share of the accumulated losses of jointly controlled entity Kazakhstan-Russian Company JSC Atomic Stations, which exceed the cost of investment amounting to KZT 36,694 thousand (in 2010: KZT 35,054 thousand).

The following is summarized financial information, in aggregate, in respect of jointly-controlled entities:

	<u>31.12.2011</u> <u>'000 KZT</u>	<u>31.12.2010</u> <u>'000 KZT</u>
Current assets	22,191,647	17,349,042
Non-current assets	44,331,069	37,877,174
Total assets	66,522,716	55,226,216
Current liabilities	(19,035,335)	(27,302,650)
Non-current liabilities	(7,768,325)	(2,655,844)
Total liabilities	(26,803,660)	(29,958,494)
Net assets	39,719,056	25,267,722
Group share in net assets of jointly controlled entities	18,630,500	12,657,452
	<u>2011</u> <u>'000 KZT</u>	<u>2010</u> <u>'000 KZT</u>
Total revenue	60,570,036	42,260,756
Total profit for the year	29,511,980	19,520,703
Group share in profit of jointly controlled entities after tax	13,493,453	9,782,712

24. OTHER INVESTMENTS

	<u>31.12.2011</u> <u>'000 KZT</u>	<u>31.12.2010</u> <u>'000 KZT</u>
<i>Available-for-sale investments:</i>		
Toshiba Nuclear Energy Investments US, Inc.	48,892,455	48,892,455
Toshiba Nuclear Energy Investments UK Ltd	17,112,425	17,112,425
Baiken-U LLP	1,021,590	2,600
Other AFS investments	29,714	38,168
	<u>67,056,184</u>	<u>66,045,648</u>

Purchase of shares issued by Toshiba Nuclear Energy Holdings (US) Inc. and Toshiba Nuclear Energy Holdings (UK) Ltd.

Under a purchase agreement in 2007, the Company invested into Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") and Toshiba Nuclear Energy Holdings UK, Ltd ("TNEH-UK"), by acquiring 10% Class A ordinary shares for a total amount of USD 540,000 thousand (TNEH-US USD 400,000 thousand and TNEH-UK USD 140,000 thousand).

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

In connection and simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Group entered into a put option agreement (the "Put Option"). The Put Option provides the Group with an option to sell its shares to Toshiba Corporation for 100% of the original purchase price of USD 540,000 thousand for the first 67% of shares and 90% of the original purchase price for the remaining 33% of shares resulting in a total estimated exercise price of USD 522,180 thousand if certification is not received from Westinghouse of fuel assembly production by Ulba Metallurgical Plant (a Group subsidiary). If the certification is not provided, the Group may exercise the Put Option during the period between 31 March 2010 and 28 February 2013. The Put Option was not exercised at 31 December 2011.

In connection and simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Group entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from the Group the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment in the United States (CFIUS) a US government entity decides that the Group is no longer a strategic partner. In such case, the fair value of the Group's shares will be determined by an independent international appraiser. The Call Option was not exercised at 31 December 2011.

The Company has classified these investments as AFS as this best reflects the intention of the Company with regard to its ability and intention to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in private companies for which fair value cannot be reliably measured.

25. TRADE RECEIVABLES

	31.12.2011	31.12.2010
	'000 KZT	'000 KZT
Trade receivable	54,043,358	49,568,442
Trade receivable from related parties	9,775,210	7,061,456
	63,818,568	56,629,898
Provision for doubtful debts	(1,439,130)	(563,432)
	62,379,438	56,066,466

Note 42 discloses information on the Group's exposure to credit and currency risks, the provision for doubtful debts and on the ageing of trade receivables.

26. ASSET HELD FOR THE BENEFIT OF THE ULTIMATE CONTROLLING PARTY

In May 2010, the Company was directed by its ultimate controlling party to construct a Student's Palace in Astana city (hereinafter referred to as "the Property").

In 2010 the Company recognised a provision of KZT 18,892,550 representing the discounted value of the estimated construction costs of the Property. See Note 36. This provision was recognised in accordance with IAS 37, Provision, Contingent Liabilities and Contingent Assets. In the statement of changes in equity, a distribution for this amount was recognised.

Also, in 2010, the Company recognized costs of construction of this property of KZT 306,804 thousand and prepaid advances for further construction of KZT 3,121,321 thousand. These costs were recognized as current assets held for the benefit of the ultimate controlling party in the consolidated statement of financial position in the amount of KZT 3,428,125 thousand since it was expected, at the balance sheet date, that these assets would be transferred to the ultimate controlling party during 2011.

In 2011, the Company recognised interest on the provision of KZT 1,046,027 thousand and a revision in estimate of KZT 2,791,334 thousand relating to this obligation. The provision recognised as at 31 December 2011 was KZT 22,279,911 thousand (Note 36).

As at 31 December 2011 the Company had recognized total costs of construction of the Property of KZT 19,799,355 thousand and prepaid advances for further construction of KZT 384,637 thousand. These costs are recognized as current assets held for the benefit of the ultimate controlling party in the consolidated statement of financial position in the amount of KZT 20,183,992 thousand. It is expected that these assets will be transferred to ultimate controlling party during 2012.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

27. ADVANCES PAID AND OTHER RECEIVABLES

	31.12.2011 ‘000 KZT	31.12.2010 ‘000 KZT
<i>Non-current</i>		
Advances paid for long-term assets	11,531,302	2,434,941
Interest receivable	1,227,470	192,078
Loans to employees	922,477	457,433
VAT receivable	751,555	750,561
Prepaid expenses	620,565	-
Other	676,026	11,470
	15,729,395	3,846,483
<i>Current</i>		
VAT receivable	22,271,322	21,211,430
Advances paid for goods and services	5,277,702	4,942,937
Prepaid expenses	1,256,956	556,536
Prepaid tax other than income tax	261,069	128,005
Insurance prepayments	220,071	134,488
Other	1,026,544	1,161,268
	30,313,664	28,134,664

28. INVENTORIES

	31.12.2011 ‘000 KZT	31.12.2010 ‘000 KZT
<i>Current</i>		
Finished goods and goods for resale	31,571,169	35,503,588
Work-in-process	9,132,002	11,814,558
Raw materials	10,760,713	4,863,724
Fuel	843,190	737,816
Materials in process	777,781	477,162
Spare parts	539,225	959,748
Other materials	1,440,969	1,666,703
	55,065,049	56,023,299
Provision for obsolete inventories	(297,316)	(263,686)
Current	54,767,733	55,759,613
Non-current	8,101,277	6,550,761
Total inventories	62,869,010	62,310,374

Non-current inventories include stocks of enriched uranium which have been held by the Group since inception and are intended for use upon commissioning of new uranium pellets production workshops.

Collateral

Inventory of KZT 1,159,572 thousand (2010: KZT 1,159,572 thousand) has been pledged as collateral for loans and borrowings (Note 35).

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

29. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

	Assets		Liabilities	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Property, plant and equipment	627,903	398,554	(4,907,042)	(3,490,517)
Intangible assets	12,769	21,111	(281,077)	(7,525)
Investment property	-	-	(7,592)	(7,199)
Mineral rights	161,707	220,094	(1,750,553)	(371,790)
Exploration and evaluation assets	332,549	325,271	(621,983)	(386,798)
Site restoration	756,332	593,662	(1,142,000)	(713,758)
Advances paid and other accounts receivables	20,765	32,811	(16,267)	(29,180)
Inventories	601,741	808,722	(1,157,108)	(680,431)
Trade receivables	2,894,956	3,810,296	(1,339,888)	(2,940,954)
Grants	67,306	116,155	-	(5,260)
Taxes	563,753	473,085	-	-
Accrued liabilities	439,924	305,379	-	(141)
Mine development assets	-	-	(20,868)	(20,868)
Provisions	533,984	1,025,779	(5,830)	(5,830)
Trade and other payables	-	1,272	-	-
Loans and borrowings	34,428	-	(104,277)	(90,090)
Investments	125,031	-	-	-
Tax loss carried forward	156,230	6,513	-	-
Other	123,066	84,428	(148,766)	(21,971)
Total	7,452,444	8,223,132	(11,503,251)	(8,772,312)
Offset of deferred tax assets and liabilities	(6,115,017)	(6,484,803)	6,115,017	6,484,803
Total	1,337,427	1,738,329	(5,388,234)	(2,287,509)

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

29. DEFERRED TAX ASSETS AND LIABILITIES, CONTINUED

(b) Movement in temporary differences

	01.01.2011	Recognized in income	Recognized in equity	Business combinations	31.12.2011
Property, plant and equipment	(3,091,963)	(805,384)	-	(381,792)	(4,279,139)
Site restoration	(120,096)	(265,572)	-	-	(385,668)
Inventories	128,291	(683,658)	-	-	(555,367)
Provisions	1,019,949	(491,795)	-	-	528,154
Provision for unused vacation	305,238	128,435	-	6,251	439,924
Other	1,209,401	445,403	(46,975)	(1,406,540)	201,289
	<u>(549,180)</u>	<u>(1,672,571)</u>	<u>(46,975)</u>	<u>(1,782,081)</u>	<u>(4,050,807)</u>

	01.01.2010	Recognized in income	Recognized in equity	31.12.2010
Property, plant and equipment	(1,626,882)	(1,465,081)	-	(3,091,963)
Site restoration	(272,166)	152,070	-	(120,096)
Inventories	742,248	(613,957)	-	128,291
Provisions	763,246	256,311	392	1,019,949
Provision for unused vacation	238,355	66,883	-	305,238
Other	593,878	655,921	(40,398)	1,209,401
	<u>438,679</u>	<u>(947,853)</u>	<u>(40,006)</u>	<u>(549,180)</u>

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized for:

<i>Tax effect</i>	31.12.2011 '000 KZT	31.12.2010 '000 KZT
Tax losses carried forward	836,177	1,690,878
	<u>836,177</u>	<u>1,690,878</u>

The tax losses arise from subsidiaries that are loss making where it is not probable that future profits will be sufficient to utilize the benefit of the tax losses. The tax losses expire as follows:

	'000 KZT
2017-2020	785,731
2021	50,446
	<u>836,177</u>

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

30. TERM DEPOSITS

	Currency	31.12.2011 '000 KZT	31.12.2010 '000 KZT
<i>Non-current</i>			
JSC Tsesna Bank	Tenge	350,000	-
JSC Bank CenterCredit	Tenge	50,000	-
JSC Halyk Bank of Kazakhstan	Tenge	1,307	-
JSC Alliance Bank	Tenge	1,000	-
JSC BTA Bank	Tenge	221	9,655
		402,528	9,655
	Currency	31.12.2011 '000 KZT	31.12.2010 '000 KZT
<i>Current</i>			
JSC ATF Bank	USD	9,002,457	3,574,360
JSC Kazkommerzbank	Tenge	8,840,097	-
JSC KazInvestbank	Tenge	4,048,333	-
JSC DB Sberbank	Tenge	2,071,059	1,400,000
JSC Eurasian Bank	Tenge	2,006,111	-
JSC ATF Bank	Tenge	500,000	-
JSC Bank CenterCredit	Tenge	401,312	50,000
JSC DB Alfa Bank	Tenge	202,013	-
JSC Nurbank	Tenge	124,109	17,841
JSC Citi Bank	Tenge	420	420
JSC BTA Bank	Tenge	96	188,133
JSC Halyk Bank of Kazakhstan	USD	-	22,173,629
JSC Bank CenterCredit	USD	-	22,160,641
JSC Kazkommerzbank	USD	-	13,376,919
JSC HSBC Bank	USD	-	7,412,471
JSC Halyk Bank of Kazakhstan	Tenge	-	5,040,000
JSC Bank Astana Finance	Tenge	-	1,000,000
JSC Alliance Bank	Tenge	-	370,100
JSC Alliance Bank	USD	-	368,647
JSC BTA Bank	Euro	109,154	-
		27,305,161	77,133,161

Interest rates on term deposits held by the Group as at 31 December 2011 vary from 0.5% to 8% per annum (2010: from 0.01% to 11%).

Note 42 discloses information on the Group's exposure to interest rate risk and provides sensitivity analysis of financial assets and liabilities.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

31. LOANS TO RELATED PARTIES

	<u>31.12.2011</u> <u>'000 KZT</u>	<u>31.12.2010</u> <u>'000 KZT</u>
<i>Non-current</i>		
LLP "Kyzylkum"	6,265,198	6,222,980
LLP "Baiken-U"	4,559,186	4,528,464
	<u>10,824,384</u>	<u>10,751,444</u>
<i>Current</i>		
JSC Akbastau	-	500,000
Kazakhstan-Russian Company		
JSC Atomic Stations	20,000	12,000
	<u>20,000</u>	<u>512,000</u>

In September and December 2010, the Group provided financial aid in the form of interest-bearing long-term loans to Kyzylkum LLP (an associate of the Group) and Baiken-U LLP (an entity in which the Group has an ownership interest of 5%, which is classified as AFS). The total amount of loans given as at 31 December 2011 was KZT 10,824,384 thousand (2010: KZT 10,751,444 thousand). The loans were collateralized by property of the borrowers. LLP "Kyzylkum" is an associated company of the Group (Note 22) and LLP "Baiken-U" is an entity in which the Group holds a 5% investment.

32. CASH AND CASH EQUIVALENTS

	<u>31.12.2011</u> <u>'000 KZT</u>	<u>31.12.2010</u> <u>'000 KZT</u>
Bank accounts	28,069,179	15,859,764
Demand deposits	13,673,706	6,480,975
Petty cash	89,276	43,369
	<u>41,837,161</u>	<u>22,384,108</u>

33. RESTRICTED CASH

	<u>31.12.2011</u> <u>'000 KZT</u>	<u>31.12.2010</u> <u>'000 KZT</u>
Deposits on site restoration activities	3,452,317	1,916,967
Non - current restricted cash	1,671,578	1,668,391
	<u>5,123,895</u>	<u>3,585,358</u>

In accordance with the terms of its subsurface use agreements, the Group invests cash in long-term bank deposits to finance future site restoration activities.

Following a governmental investigation into one of the Group's suppliers, the Company has acted as a depository at the Government of Kazakhstan's request for the cash balances of a supplier who has been arrested. This is reflected as restricted cash in the consolidated statement of financial position and not reflected in the Group's cash flows as it is not part of the Group's operations. The cash balance has increased in 2011 due to foreign currency translation differences.

Note 42 disclose information on the Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

34. EQUITY

(a) Share capital

	<u>Common shares 2011</u>	<u>Common shares 2010</u>
Par value	1,000 tenge	1,000 tenge
Number of authorized and issued shares	<u>36,692,362</u>	<u>36,692,362</u>
	<u>36,692,362</u>	<u>36,692,362</u>

All shares of the Company are owned by the Shareholder who ultimately decides on dividend distribution.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the amount of distributable reserves is limited to the amount of cumulative retained earnings as reflected in the Group's IFRS consolidated financial statements. At 31 December 2011 the Group had cumulative retained earnings, including the profit for the current year, of KZT 297,656,953 thousand (2010: KZT 226,175,357 thousand).

(c) Additional paid-in capital

Historically shares have been issued at par value and consequently no additional paid in capital arises from issuance of shares.

Additional paid-in capital comprises the following: (a) discounts of zero or low interest loans provided to associates by other owners, (b) the Group's share of changes in equity, and (c) gains received on disposal of subsidiaries in excess of its nominal value.

(d) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, from their functional currency into the parent's Group's reporting currency, are recognized directly in the foreign currency translation reserve. This reserve also includes the effect of translation of the Group's accounting books into the presentation currency (Note 2 (d)).

(e) Distributions

Construction of a property for the benefit of the ultimate controlling party

As described in Note 26, the Group entered into an irrevocable commitment with its ultimate controlling party in 2010 to construct the Property that, upon completion, will be transferred to the ultimate controlling party for no consideration. As there is an irrevocable commitment to transfer the Property to the ultimate controlling party for no consideration, the Group recorded a liability of KZT 18,892,550 thousand in the prior year which was determined based upon the estimated present value of the construction contract. A corresponding distribution to owners was recognized in the prior year in the Consolidated Statement of Changes in Equity. In 2011, management reassessed the estimated liability (an increase of KZT 2,791,334 thousand) and this amount, together with the unwinding of the discount on the liability of KZT 1,046,027 thousand, were recorded as distributions to owners in the current year.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

35. LOANS AND BORROWINGS

	31.12.2011 ‘000 KZT	31.12.2010 ‘000 KZT
<i>Non current</i>		
Bonds	73,331,606	72,614,231
Secured bank loans	20,035,127	33,366,186
Unsecured non bank loans	1,297,456	4,598,035
Finance lease obligations	6,329	34,336
	94,670,518	110,612,788
<i>Current</i>		
Secured bank loans	17,828,491	9,645,566
Unsecured non-bank loans	3,367,196	1,286,535
Interest payable on bonds	522,356	521,702
Finance lease obligations	27,863	41,648
Unsecured notes	-	18,306
	21,745,906	11,513,757

(a) Bonds

On 20 May 2010, the Company issued USD 500,000,000 (equivalent to KZT 73,520,000 thousand) of unsecured 6.25% bonds due in 2015 (the “Bonds”). Interest on the Bonds is payable semi-annually in arrears on 20 November and 20 May of each year.

(b) Bond covenants

(i) Negative pledge

The Company and material subsidiaries thereof, as defined, are restricted from creating, incurring, assuming or suffering to exist any liens, other than permitted liens, on any of their assets or any income or profits therefrom, securing any indebtedness, unless, at the same time or prior thereto, the Bonds are secured equally and rateably with such other indebtedness.

(ii) Limitation on payments of dividends

The Company is precluded from paying any dividends, in cash or otherwise, or making any other distribution of any sort in respect of its share capital (a) at any time when there exists an event of default (b) or at any time when no such event of default or event exists, in an aggregate amount exceeding 50 per cent of the Company’s consolidated net income for the period in respect of which the dividend or other distribution is being paid.

(iii) Limitation on sales of assets and subsidiary stock

The Company is precluded from consummating any asset disposition involving aggregate consideration equal to or greater than USD 10 million (or its equivalent as at 31 December 2011 KZT 1,484,000 thousand) unless the Company or such material subsidiary receives consideration at the time of such asset disposition at least equal to the fair market value of the shares and assets subject to such asset disposition; and solely with respect to an asset disposition of shares of capital stock of a material subsidiary, after giving effect to any such asset disposition, the Company should continue to “beneficially own”, directly or indirectly, at least the restricted percentage of the shares of capital stock of such material subsidiary.

The management of the Group believes that it complies with the covenants as set out above as of 31 December 2011 and 2010.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

'000 KZT	Currency	Year of maturity	31.12.2011	31.12.2010
Secured bank loans				
Japan Bank of International Cooperation	USD	2014	6,213,118	6,170,776
Industrial and Commercial Bank of China	USD	2013	5,949,142	8,860,352
ING bank Japan	Euro	2012	5,694,011	5,644,547
Mizuho Corporate Bank Ltd.	USD	2015	4,174,278	5,251,709
RBS (ABN AMRO Bank N.V.)	USD	2013	2,982,297	4,442,483
Natixis Bank	USD	2013	2,470,959	4,335,659
Citibank, Tokyo	USD	2013	2,451,502	3,136,868
Japan Bank of International Cooperation	USD	2014	2,228,226	2,213,211
Natixis Bank	USD	2022	2,020,265	-
JV «Citi Bank»	Tenge	2012	1,120,000	117,200
Natixis Bank	USD	2014	1,030,311	684,045
RBS (ABN AMRO Bank N.V.)	USD	2013	627,135	1,037,970
Commerce and Industry bank of China in Kazakhstan	Tenge	2012	457,087	-
JV «Bank of China in Kazakhstan»	USD	2012	445,287	-
JS «Positive bank»	Tenge	2011	-	456,638
JV «BTA Bank»	Tenge	2013	-	392,908
JV «Alfa Bank»	Tenge	2011	-	267,386
			37,863,618	43,011,752
Unsecured non bank loans				
Sumitomo Corporation	USD	2013	3,191,125	4,075,484
Kansai Electric Power Inc.	USD	2013	1,265,931	1,618,828
Kozhema Katko Demeu	Tenge	2024	207,596	190,258
			4,664,652	5,884,570
Finance Lease obligations				
JSC «Center Leasing»	Tenge	2012	9,957	30,439
JV LLP «Betpak Dala»	Tenge	2013	24,235	40,082
LLP«Virazh Leasing»	Tenge	2011	-	491
JS «Alliance Bank»	USD	2011	-	4,972
			34,192	75,984
Bonds (unsecured)				
Bonds	USD	2015	73,853,962	73,135,933
Unsecured notes payable	Tenge	2011	-	18,306
			116,416,424	122,126,545

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

In 2011 the Group's weighted average interest rate on fixed interest rate loans was 6.72% (2010: 6.84%) and on floating interest rate loans, was 2.26% (2010: 2.16%).

Loan covenants

The Group's various loan agreements include covenants with banks, pursuant to which the Group must comply with laws to which it is subjected, must not create or permit any security over its assets or dispose of assets, except for the cases indicated in loan agreements, and must obtain the lenders' approval on acquisitions, mergers and disposals if any. It must also sell uranium solely to customers for non-military purposes residing in countries which have signed the Nuclear Non-Proliferation Treaty, and are members of International Atomic Energy Agency.

Additionally, the Group is subject to certain key financial covenants based on the Group's consolidated financial information, such as the debt to equity ratio, debt to EBITDA ratio and debt to net interest ratio, all calculated as defined in the various loan agreements.

Management of the Group believes that it complied with the financial covenants related to the Group's various loan agreements as of 31 December 2011 and 2010.

Collateral

Bank loans are secured by the following assets:

- contracts on delivery of goods (uranium concentrate);
- real estate property with carrying value of KZT 3,868,936 thousand (2010: KZT 4,252,577 thousand) (Note 18); and
- inventories in the amount of KZT 1,159,572 thousand (2010: KZT 1,159,572 thousand) (Note 28).

The Group has no right to re-pledge the collateral. There were no other significant terms and conditions associated with the use of collateral.

Finance lease obligations

Finance lease obligations are subject to repayment as follows:

'000 KZT	Minimum lease payments	31.12.2011 Less future finance charges	Present value of minimum lease payments
Not later than one year	29,698	(1,835)	27,863
Later than one year and not later than five years	6,479	(150)	6,329
	36,177	(1,985)	34,192

'000 KZT	Minimum lease payments	31.12.2010 Less future finance charges	Present value of minimum lease payments
Not later than one year	45,461	(3,813)	41,648
Later than one year and not later than five years	36,291	(1,955)	34,336
	81,752	(5,768)	75,984

More information on interest rate and currency risk is presented in Note 42.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

36. PROVISIONS

	'000 KZT	Historical costs	Compensation for occupational diseases	Environmental protection	Reclamation of mine sites	Social object	Other	Total
Non-current		1,001,274	375,739	89,463	3,185,540	-	15,539	4,667,555
Current		224,971	60,935	-	-	-	-	285,906
Total		1,226,245	436,674	89,463	3,185,540	-	15,539	4,953,461
Provision created within year		-	-	-	535,577	18,892,550	843	19,428,970
Change in estimate		-	(8,516)	791,807	1,387,012	-	(1,355)	2,168,948
Reclassification to financial liabilities		(1,226,245)	-	-	-	-	-	(1,226,245)
Unwinding of discount		-	17,696	6,924	327,848	-	703	353,171
Provision used within year		-	(57,416)	-	(21,464)	-	-	(78,880)
Foreign exchange		-	-	-	(70)	-	-	(70)
Balance at 31 December 2010		-	388,438	888,194	5,414,443	18,892,550	15,730	25,599,355
Allocated as:								
Non-current		-	329,409	888,194	5,365,335	-	15,730	6,598,668
Current		-	59,029	-	49,108	18,892,550	-	19,000,687
Total		-	388,438	888,194	5,414,443	18,892,550	15,730	25,599,355
Provision created within year		-	146,823	33	2,307,663	-	1,343	2,455,862
Change in estimate		-	-	152,295	98,380	2,791,334	-	3,042,009
Unwinding of discount		-	45,397	62,173	377,096	1,046,027	594	1,531,287
Provision used within year		-	(74,790)	-	(61,195)	-	-	(135,985)
Foreign exchange		-	-	-	74	-	-	74
Balance at 31 December 2011		-	505,868	1,102,695	8,136,461	22,729,911	17,667	32,492,602
Allocated as:								
Non-current		-	420,407	1,102,695	8,136,461	-	17,667	9,677,230
Current		-	85,461	-	-	22,729,911	-	22,815,372
Total		-	505,868	1,102,695	8,136,461	22,729,911	17,667	32,492,602

Changes in accounting estimates occur primarily as a consequence of revisions to budgets and new fields obtained by the Group.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

36. PROVISIONS, CONTINUED

(a) Provision for compensation for occupational diseases

In accordance with Articles 939, 943 and 944 of the Civil Code of the Republic of Kazakhstan, the Group is required to pay compensation for occupational diseases and disability arising during the period of employment, or during retirement as a result of disease or disability occurring due to former work conditions.

In determining the amount of the provision, the Group's management based their estimates on the number of persons currently entitled to the compensation, the estimated duration of payments and the average annual payments to various categories of employees based on their relative salaries extrapolated for the estimated future rates of disease and disability during the expected lifetime of current and former employees. At 31 December 2011 the undiscounted amount of the estimate is KZT 760,398 thousand (2010: KZT 603,390 thousand).

This estimate has been recognized at a present value using the discount rate of 7% (2010: 7%) and using an inflation rate of 5% (2010: 5%). This is a risk free nominal rate as the Group's future cash outflows reflect risk specific to the liability.

(b) Provision for environmental protection

The Group, pursuant to the legislation of the Republic of Kazakhstan on environmental protection, is required to dispose of radioactive waste and to decommission and dispose of polluted property, plant and equipment. At 31 December 2011 the undiscounted value of the estimated costs to comply with this legislation is KZT 28,005,680 thousand (2010: KZT 28,463,000 thousand). A substantial part of environmental protection expenses pertains to years 2068-2071.

In computing this provision the Group used a discount rate of 7% discount rate (2010: 7%), the risk free nominal rate as the Group's future cash outflows reflect risk specific to the liability, and an inflation rate of 5% (2010: 5%).

When determining the amount of the environmental provision, Group management used assumptions and assessments based on the experience of decommissioning and clean up work of a similar nature carried out in each year. In developing their assumption for the computation of this provision, management has considered the input provided by both in-house engineers and professional advisors based on their best interpretation of the current environmental legislation.

(c) Provision for reclamation of mine sites

Management estimates the site restoration costs for each field operated by the Group. As at 31 December 2011 the undiscounted estimated cost of reclamation activities is KZT 16,473,580 (2010: 8,067,926) thousand and the present value of such cost has been estimated using a discount rate of 7% (2010: 7%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred in performing site restoration activities for each field.

Management's estimates of the costs of closure, reclamation and decommissioning are based on reclamation standards that meet existing regulatory requirements, while environmental legislation in Kazakhstan continues to evolve. The provision is the discounted value of estimated costs to close, reclaim and decommission the mine sites at the end of the mine life. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements and decommissioning and reclamation alternatives.

In accordance with the terms of the subsurface use agreements the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2011 the amount of restricted such deposits was KZT 3,452,317 thousand (2010: KZT 1,916,967 thousand) (Note 30).

Key assumptions, in addition to the discount rate noted above, which serve as the basis for determining the carrying value of the provision for reclamation of mine sites provision are as follows:

- there is a high probability that the Group will proceed to development and production stages for its fields which are currently under exploration. These facts set out a constructive obligation for the Group to recognize the site restoration provision under all mining and exploration licenses;
- the expected term for future cash outflows for the mine sites is based on the life of the mines. A substantial part of expenditures is expected to occur in 2019 - 2034, at the end of life of the mine; and
- inflation rate - 5% per annum.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

(d) Provision for social object

As described in Notes 26 and 34 above, the Group entered into an onerous commitment with its ultimate Shareholder to construct the Property that, upon completion, will be transferred to a body to be nominated by the Shareholder for no consideration. The discounted amount of the provision as at 31 December 2010 was calculated using a discount rate of 7%, which is a risk-free nominal was the rate, as the future cash flows reflect risks attributable to the obligation. In 2011 the Group changed the estimate of its obligation and increased the amount.

This provision reflects the full value of the obligation to construct the Property and is considered to be short-term in nature due to the expectation that the commitment will be fulfilled within twelve months from the period end date.

37. TRADE PAYABLES

	31.12.2011 ‘000 KZT	31.12.2010 ‘000 KZT
<i>Non-current</i>		
Trade payables	<u>686,945</u>	<u>587,452</u>
<i>Current</i>		
Accounts payable to related parties (Note 44)	34,654,231	24,752,290
Trade payables	<u>11,580,859</u>	<u>7,349,066</u>
	<u>46,235,090</u>	<u>32,101,356</u>
	<u>46,922,035</u>	<u>32,688,808</u>

Trade payables mainly included the balance from purchased goods and services, and current expenses. The average credit term is 60 days.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 42.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

38. ADVANCES RECEIVED AND OTHER PAYABLES

	31.12.2011 ‘000 KZT	31.12.2010 ‘000 KZT
<i>Non-current</i>		
Advances received (Note 33)	1,671,578	1,668,391
Other payables	41,064	22,933
	1,712,642	1,691,324
<i>Current</i>		
Taxes payable other than income tax	4,615,264	4,026,517
Advances received	2,192,488	1,066,216
Salaries payable	2,173,259	1,596,295
Social contributions payable	600,317	437,658
Dividends payable	98,460	66,343
Income tax payable	23,455	1,041,973
Interest payable	1,922	2,608
Deferred income	-	5,991,994
Other accounts payable	643,171	520,860
	10,348,336	14,750,464
	12,060,978	16,441,788

Deferred income

The Group enters into uranium swap agreements as required to meet its contractual commitments to customers. At 31 December 2010 the Group received title to, and sold to its customers, uranium products but had not satisfied its contractual commitments to deliver uranium of the same quantity to an unrelated counterparty. The revenue from shipments to the Group’s customers of KZT 5,991,994 thousand was therefore recognized as deferred income at 31 December 2010.

39. PREFERENCE SHARES

Non-participating cumulative preference shares are shares of the Company’s subsidiary entities, JSC Ulba Metallurgical Plant (264,827 shares) and JSC Volkovgeology (75,857 shares), which have par value of 1,000 and 170 tenge per share, respectively.

The holders of the non-participating cumulative preference shares of JSC Ulba Metallurgical Plant are entitled to receive an annual dividend of KZT 52,965 thousand (20% of par value) and the holders of the non-participating cumulative preference shares of JSC Volkovgeology are entitled to receive an annual dividend of KZT 644 thousand (5% of par value), in both cases before dividends are declared on their ordinary shares. These dividends are accrued in accordance with the respective company charter agreements. Non-participating preference shares have no rights to share in any surplus assets and no voting rights. These preference shares are classified as liabilities on the consolidated statement of financial position because they contain a mandatory dividend payment.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

40. ACCRUED LIABILITIES

	31.12.2011 ‘000 KZT	31.12.2010 ‘000 KZT
Vacation pay accrual	1,530,713	1,159,614
Bonus accruals	660,498	361,936
Services accrual	433,642	263,437
Accrual for change in tariffs	-	2,292,782
Other	19,888	473,003
	<u>2,644,741</u>	<u>4,550,772</u>

The Agency for Regulation of Natural Monopolies (the “Agency”) sets the utility tariffs to be charged by the Group to its customers based on a set tariff calculation. In 2008, the Agency retroactively decreased the tariff approved, and charged to customers, effective as of 2007 on the grounds that the Group incorrectly included non-deductible expenses in its tariff calculation. In February 2008, the Group filed an appeal claiming that it charged the approved rate and the tariff calculation was accurate. A decision was made in favour of the Group. In April 2008, the Agency filed an appeal and the original decision was reversed. At that time, a provision was recorded in the amount of KZT 2,292,782 thousand which was calculated as the difference between the tariff charged and the tariff ultimately approved. No claims for reimbursement of the difference in the tariff rates were brought to the Group by customers. In December 2011, the provision was reversed due to expiration under the statute of limitations.

41. OTHER FINANCIAL LIABILITIES

(a) Minimum distributions of “Semizbay-U” LLC

In 2008, the Group entered into an Agreement (the “Agreement”) to dispose of 49% of its interest in “Semizbay-U” LLP (“Semizbay”) to Beijing Sino-Kaz Uranium Resources Investment Company Limited (“Sino-Kaz Company”). The Agreement entitles Sino-Kaz Company to a minimum distribution of annual net income of Semizbay in the period 2010 until 2033. The payments of these distributions are guaranteed by JSC National Atomic Company Kazatomprom.

From a financial reporting perspective, the Group recognised a financial liability for the minimum payment required based on contractually agreed amounts. This liability was measured at fair value at inception. See below for an analysis of the movement in this provision in the year ended 31 December:

	2011	2010
Beginning balance	42,478,457	38,592,034
Unwinding of discount	4,634,273	4,216,224
Foreign exchange loss/(gain)	331,842	(239,784)
Payment	(2,416,298)	(90,017)
	<u>45,028,274</u>	<u>42,478,457</u>
Allocated as :		
Non-current	40,745,811	40,292,220
Current	4,282,463	2,186,237

The terms of the Agreement commit Sino-Kaz Company to purchase all uranium produced by Semizbay which will be processed to uranium dioxide pellets and powder by Ulba Metallurgical Plant JSC (a subsidiary company in the Group), for use in Chinese atomic power plants. China Guandong Nuclear Power Corporation, the parent company of Sino-Kaz Company, committed to certify the technologies used at Ulba Metallurgical Plant JSC for production of uranium dioxide pellets and powder for use on Chinese atomic power plants, within two years from the date of the Agreement. In 2010 the certification was accomplished. In October 2011 the first batch of dioxide pellets produced by Ulba Metallurgical Plant JSC was shipped to China. In addition, in 2011, a contract was concluded for 2012-2014 for the shipment of dioxide pellets to China.

The Group entered into a put option agreement which provides Sino-Kaz Company with the option to sell its 49% interest in Semizbay to the Group at a price equal to the consideration paid by Sino-Kaz Company, less the present value of net income distributed to Sino-Kaz Company. This put option is exercisable upon the occurrence of any of the following events: (a) the Government of Kazakhstan terminates the subsoil use agreement for any uranium deposits that belong to Semizbay; (b) the export of uranium by Semizbay is either prohibited or/and under embargo; or (c) the Group does not follow the agreement on supply of uranium dioxide pellets to China in terms of necessary quality, volume and competitive pellets price.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

(b) Subsoil use agreement

Subsoil use agreements for uranium fields held by the Group require it to reimburse the Government for historical geological exploration and evaluation costs incurred. The amount of such liabilities at 31 December 2011 was 2,761,283 thousand tenge (2010: 2,457,193 thousand tenge).

In accordance with new tax legislation effective from 1 January 2010, the historical costs are to be reimbursed to the Government via quarterly payments over a 10 year period, beginning from the date of commercial extraction of uranium. The liability represents the discounted cash flow of estimated future payments. The discount rate applied in 2011 is 3.3% for historical costs denominated in USD and 7% for those denominated in tenge (2010: 3.3% and 7%, respectively). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

	2011	2010
	000'KZT	000'KZT
As at 1 January 2010	2,112,669	-
Transferred from provisions	-	1,226,245
Created within the year	488,475	872,432
Change in cost	(33,223)	123,090
Unwinding of discount	90,328	171,883
Repaid within the year	(304,830)	(273,324)
Foreign exchange	21,124	(7,657)
As at 31 December 2010	2,374,543	2,112,669
Comprised of:		
Non-current	2,068,365	1,808,294
Current	306,178	304,375

42. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's policy for management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, term deposits and investment securities.

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 39% of the Group's revenue (53% of trade receivables) is attributable to sales transactions with two main customers as at 31 December 2011. The Group defines counterparties as having similar characteristics if they are related entities.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group does not require collateral in respect of trade and other receivables.

(c) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 KZT	Carrying amount	
	31.12.2011	31.12.2010
Other investments (available-for-sale)	67,056,184	66,045,648
Trade receivables	62,379,438	56,066,466
Cash and cash equivalents	41,837,161	22,384,108
Term deposits	31,160,006	79,059,783
Loans to related parties (Note 31)	10,844,384	11,263,444
Loans to employees	922,477	457,433
Receivables from subsoil users	12,654	12,881
	214,212,304	235,289,763

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 KZT	Carrying amount	
	31.12.2011	31.12.2010
China	33,060,835	38,271,627
Domestic	11,491,393	7,575,580
Japan	3,551,953	5,495,183
USA	2,738,370	2,379,861
European countries	2,339,127	2,280,333
Russia	9,197,760	63,882
	62,379,438	56,066,466

The most significant clients of the Group are China Nuclear Energy Industry Corporation and CGNPC Uranium Resources Company Limited. As at 31 December 2011, the cumulative balance receivable from these clients was KZT 32,984,856 thousand (2010: KZT 27,195,962 thousand).

(d) Provision for doubtful debts

The average credit period taken on sales of goods is 30 days. No interest is charged on the receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at the refinancing rate set out by the National Bank of the Republic of Kazakhstan (31 December 2011: 7.5%) on the outstanding balance. Allowances against doubtful debts are recognized against trade receivables between 30 days and 120 days and over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT, CONTINUED

As at reporting date, the ageing of the trade receivables was as follows:

'000 KZT	Gross 31.12.2011	Impairment 31.12.2011	Gross 31.12.2010	Impairment 31.12.2010
Not past due	60,757,399	-	56,066,466	-
Past due 0-30 days	1,230,468	-	-	-
Past due 31-120 days	300,726	-	-	-
Past due more than 120 days	1,529,975	1,439,130	563,432	563,432
	63,818,568	1,439,130	56,629,898	563,432

During the reporting period, the movement on the provision for impairment of trade receivables was as follows:

	2011 '000 KZT	2010 '000 KZT
Balance at 1 January	563,432	549,644
Increase in provision for doubtful debts	1,050,651	111,903
Amounts written off during the year	(174,953)	(98,115)
Balance at 31 December	1,439,130	563,432

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations: this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Below is the information presented on Group's undrawn borrowing facilities and available cash and cash equivalents, including term deposits, which are the important instruments on managing the liquidity risk:

	31.12.2011 '000 KZT	31.12.2010 '000 KZT
- amount used (current deposits)	40,983,867	83,614,136
- amount used (bank account)	28,158,455	15,903,133
- amount unused	4,254,340	8,888,957
	73,396,662	108,406,226

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

42. FINANCIAL RISK MANAGEMENT, CONTINUED

(f) Liquidity risk, continued

The following are the contractual maturities of financial liabilities:

31.12.2011 '000 KZT	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	More than 5 years
Non derivative financial liabilities									
Secured bank loans	37,863,618	39,569,525	5,993,856	12,843,835	11,611,164	6,638,341	1,170,350	309,224	1,002,755
Preferred shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	34,192	34,192	18,636	9,227	6,329	-	-	-	-
Unsecured non bank loans	4,664,652	4,729,635	1,704,569	1,696,285	1,121,185	-	-	-	207,596
Other financial liabilities	47,402,817	119,648,830	2,148,906	2,455,084	4,527,631	10,329,477	5,849,726	4,994,646	89,343,360
Bonds	73,853,962	90,431,250	2,318,750	2,318,750	4,637,500	4,637,500	76,518,750	-	-
Trade payables and payables to related parties	46,922,035	46,922,035	46,235,090	-	-	143,723	143,723	143,724	255,775
31.12.2010		301,600,294	58,419,807	19,323,181	21,956,774	21,802,006	83,735,514	5,500,559	90,862,453
Non derivative financial liabilities									
Secured bank loans	43,011,752	45,200,267	5,834,749	4,842,231	16,127,970	11,746,159	5,803,427	845,731	-
Preferred shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	75,984	75,984	23,464	18,184	27,780	6,556	-	-	-
Unsecured non bank loans	5,902,876	5,974,125	680,308	659,606	3,302,637	1,141,316	-	-	190,258
Other financial liabilities	44,591,126	121,510,353	1,093,118	1,397,493	4,449,681	5,177,100	10,212,431	5,762,867	93,417,663
Bonds	73,135,933	96,731,250	2,303,125	2,303,125	4,606,250	4,606,250	4,606,250	78,306,250	-
Trade payables	32,101,356	32,101,356	31,847,305	-	-	-	-	254,051	-
31.12.2010		301,858,162	41,782,069	9,220,639	28,567,283	22,730,346	20,675,073	85,221,864	93,660,888

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

42. FINANCIAL RISK MANAGEMENT, CONTINUED

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will have a negative impact on the Group's income or the value of its financial instrument holdings. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimizing the return on investments.

The Group occasionally utilizes derivatives in order to manage market risks. Derivatives are not entered into for speculative purposes. Usually, the Group does not apply hedge accounting in order to manage volatility in the profit or loss.

(g) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Group's functional currency tenge.

Borrowings are denominated in currencies that match the cash flows generated by operating entities in the Group. Therefore, in most cases, economic hedging is achieved without derivatives.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by planning future expenses taking into consideration the currency of payment.

(i) Price risk on the uranium products

The Group is exposed to the effect of fluctuations in the price of uranium, which is quoted in USD on the international markets. The Group prepares an annual budget based on future uranium price forecasts.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Group's control, including, but not limited to, demand from utilities, depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium.

At the end of the reporting period there was no significant impact of commodity price risk on the Group's financial assets and liabilities.

(ii) Currency risk exposure

Exposure of the Group to currency risk was as follows:

	31.12.2011	31.12.2010
	USD-denominated	USD-denominated
Term deposits	9,002,457	69,066,667
Trade receivables	47,907,252	46,940,221
Cash and cash equivalents	27,076,516	9,567,673
Other investments	-	1,325,407
Total assets	83,986,225	126,899,968
Loans and borrowings	(35,049,576)	(41,827,385)
Bonds issued	(73,853,962)	(73,135,933)
Other financial liabilities	(47,402,817)	(44,591,126)
Other liabilities	(484,456)	(497,878)
Trade payables	(4,747,686)	(2,211,684)
Total liabilities	(161,538,497)	(162,264,006)
Net exposure	(77,552,272)	35,364,038

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT, CONTINUED

The following significant exchange rates applied during the year:

In KZT	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
USD 1	146.62	147.35	148.40	147.40

Sensitivity analysis

A 10% weakening and 10% strengthening of the KZT against the USD as at 31 December 2011 (2010:10% and 10%) would increase (decrease) equity and profit/loss by the amounts shown below.

	Profit or loss '000 KZT
2011	
USD	
+10%	(7,755,227)
-10%	7,755,227
2010	
USD	
+10%	(3,536,404)
-10%	3,536,404

(h) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management adopts a risk management policy of ensuring that between 20% and 40% of its borrowings are on a fixed rate basis primarily by entering into interest rate swaps. The Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. The present value of swaps entered into by the Group are not material to the consolidated financial statements presentation as at 31 December 2011.

At the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

'000 KZT	Nominal amount	
	31.12.2011	31.12.2010
Fixed rate instruments		
Financial assets	55,683,096	96,804,202
Financial liabilities	(76,382,951)	(74,560,323)
	(20,699,855)	22,243,879
Floating rate instruments		
Financial liabilities	(40,298,300)	(47,471,932)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

42. FINANCIAL RISK MANAGEMENT, CONTINUED

Fair value sensitivity analysis for floating rate instruments

An increase of 100 basis points and a decrease of 25 basis points in interest rates at the reporting date would have (decreased) increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

'000 KZT	Profit or loss	
	100 bp increase	25 bp decrease
2011		
Variable rate instruments	(402,983)	100,746
2010		
Variable rate instruments	(474,719)	118,680

(i) Fair values versus carrying amounts

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	31.12.2011		31.12.2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Secured bank credits	37,863,618	37,821,648	43,011,752	42,997,453
Unsecured banks loans	4,664,652	4,500,443	5,884,570	5,743,938
Bonds	73,853,962	74,011,069	73,154,239	76,825,253
	116,382,232	116,333,160	122,050,561	125,566,644

(j) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital includes all capital and reserves of the Group. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilization; and
- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

In June 2011 the Shareholder of the Group adopted a new policy on borrowings in order to identify common principles and rules of fundraising for non-financial organizations.

In order to evaluate the financial stability of the Group, the following key financial ratios are used:

- the debt to equity ratio of not greater than 2;
- the debt ratio to earnings before interest, taxes, depreciation and amortization (Debt/EBITDA) of not greater than 3.5; and
- the ratio of earnings before interest and tax to net interest expense (EBIT/ net interest expenses) of not less than 2.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

43. CONTINGENCIES

(a) Insurance

The insurance industry in Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial results.

(b) Taxation contingencies

(i) Taxation contingencies

The tax system of Kazakhstan is quite new and characterized by a large number of taxes (corporate income tax, value added tax, mineral extraction tax and other taxes being material to the Group's operations) and frequent changes in legislation, official regulation and court rulings. Taxes are subject to review by a body which is entitled to charge fines, interest and penalties. Tax years remain open to reviews by tax authorities during five calendar years subsequent to year-end; however in certain circumstances the tax year can remain open longer. Various Kazakh legislative acts are not always clearly set forth and their interpretation depends on the opinion of local tax authorities and the Ministry of Finance of the Republic of Kazakhstan, for example, the definition of taxable turnover for VAT purposes, the deductibility of certain expenses for corporate income tax purposes, questions of application of the new tax code effective from 2009, the determination of the timing of revenue recognition, and other issues. The opinions of the local, regional, and state tax officials often differ. The existing regime of charging penalties and fines in case of declared and discovered violations of laws, decrees and standards of Kazakhstan are very strict, especially now and tax authorities are very aggressive in the inspection of subsurface users. The sanctions include confiscation of disputable amounts, and payment of penalties of 2.5 times the official refinancing rate set by the National Bank of the Republic of Kazakhstan for each day of the violation. The rate of penalty comprises 50% of the additional charge of the tax. As a result, penalties and fines can result in amounts many times greater than the incorrectly calculated taxes.

Such conditions can create more serious tax, penalty, and interest risks in Kazakhstan than in other countries. Management believes that it has appropriately provided for all tax liabilities based on existing interpretations of applicable tax laws, regulations and court rulings. Nonetheless, the opinions of the respective authorities can differ, which can significantly impact the financial statements if the authorities manage to prove the legality of their own interpretations.

During 2009, the Group's associate JV Betpak-Dala LLP (the "Associate") was the subject of a tax audit for the 2004-2008 years. Based on the results of the tax audit, an act and notification were issued to the Associate for additional accrual of taxes, penalties and interest of KZT 3,392,911 thousand. On 24 November 2009 the Associate paid KZT 177,117 thousand. In 2011 the Associate repaid and expensed the remaining amount of tax accruals, penalties and interest based on the decision of the Supreme Court.

The management of the Group believes that it adequately presented its tax liabilities in this consolidated financial statements.

(ii) Excess profit tax ("EPT")

In accordance with tax legislation from 2009 the subsoil users must pay EPT on the amount of net income earned from contractual operations in a calendar year, which exceeds the amount equal to 25% from the deductions used for EPT calculations. For the EPT calculation purposes, EPT expenditures include the following:

- corporate income tax deductions claimed in a reporting year, net of any fixed asset depreciation and intangible asset amortization charges, as determined for corporate income tax purposes;
- any capital expenditures that a subsoil user incurs in the reporting year for the purposes of its subsoil use operations; and,
- any unused net operating losses that a subsoil user incurred in the course of its subsoil operations in prior years and that were carried forward to the reporting year.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

The excess profit tax base is the portion of the net income, as this term is defined below, calculated for each subsoil contract, in excess of 25% of the amount of the corresponding EPT deductions. For the purposes of calculating EPT, the net income represents the difference between the taxable income and the amount of corporate income tax liability, where the taxable income is the gross annual revenues less the amount of abovementioned EPT expenditures. The applied EPT rates vary on the progressing scale from 10% to 60% depending on the ratio of total annual revenues to annual EPT deductions.

Taking into account that the revenue from Company's contracts is defined as cost of production, increased by 20%, using the current method of calculating corporate income tax and EPT, management of the Group anticipates that an internal rate of return of above 20% will not be reached for the foreseeable future.

(iii) Mineral Extraction Tax ("MET")

Starting from 1 January 2009 the new Tax Code of the Republic of Kazakhstan introduced a tax on extraction of mineral products, a MET. This new tax replaces previously existing royalty payments for minerals and groundwaters. MET applies to all subsoil users that produce minerals, including uranium.

The tax base for MET is the value of the depleted deposits of a mineral extracted in the reporting period, which is a calendar quarter. In the complete absence of depleted deposits, the tax base for the calculation of the MET is determined based on actual production costs of mining and primary processing (enrichment), which was increased by 20%.

MET applies to uranium at the rate of 22%.

(iv) Transfer Pricing

The Kazakhstan transfer pricing law, which was amended and enacted on 1 January 2009 primarily applies to cross-border and domestic transactions involving sales of goods and services. As at 31 December 2011, the Group has made adjustments that it considers appropriate to comply with the transfer pricing law. However, tax authorities have not yet conducted an audit of compliance by the Group with transfer pricing legislation.

(c) Environmental obligations

In accordance with "the Implementing Agreement between the Department of Energy of the United States of America and the Ministry of Energy, Industry and Trade of the Republic of Kazakhstan " dated 19 December 1999, the governments of the United States of America and Kazakhstan have assumed responsibility for decommissioning reactor BN - 350 and for storing the reactor's nuclear fuel rods. Under the Agreement, the US Government has undertaken to obtain financing from international organizations including Technical Assistance for CIS countries (TACIS) of the European Union, Precioso (France), Canberra (Belgium), and ALSTOM (France), and domestic not-for-profit organizations, Scientific Production Centre BYaT and KATEP JSC. The estimated commitments for decommissioning and reclamation of the atomic reactor BN-350 in its entirety are KZT 35 billion. The Government of the Republic of Kazakhstan does not subsidize this amount; therefore, the issue on further financing of this program has no solution at this point in time.

(d) The National Security Committee investigation

In 2009 the National Security Committee of the Republic of Kazakhstan, under supervision of the General Prosecutor, commenced an investigation against the former Chief Executive Officer of the Company and other former employees of the Company and its subsidiaries. The investigation related to allegations mainly concerned with asset embezzlement and illegal sale of certain uranium deposits to affiliated offshore companies. On 12 March 2010 the court sentenced the former chief executive to 14 years imprisonment. Also, the prosecutor's office announced in March 2010 that there was a new investigation into allegations that the former chief executive was involved in money laundering. Management believes that these investigations and allegations do not have any effect on the consolidated financial statements, as they are initiated against former management and not the Company or the Group.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

(e) Court examination of the Group

During 2011 GRK LLP, a subsidiary of the Group, hired external lawyers for the purpose of forming an appeal to the International London Arbitrage for an arbitration court investigation with NAC Kazatomprom JSC and Beijing Sino-Kaz Uranium Resources Investment Company Limited in order to nullify a joining agreement to the Charter of Semizbay-U LLP dated 10 December 2008. Per terms of the joining agreement the Group sold 49% of its ownership in Semizbay-U LLP to Beijing Sino-Kaz Uranium Resources Investment Company Limited. The management of the Group is confident that the arbitration court investigation will not increase liabilities of the Group as at 31 December 2011 and does not affect the consolidated financial statements of the Group for the year ended 31 December 2011.

(f) Guarantees

The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is KZT 35,712,325 thousand (2010: KZT 56,663,141 thousand).

44. RELATED PARTY TRANSACTIONS

(a) Control relationships

The Company was established in accordance with the Order of the President of the Republic of Kazakhstan no. 669 dated 13 October 2008. On 19 January 2009 the "Shareholder became the sole owner of the Company. The shareholder is wholly owned by the Government.

(b) Transactions with management and close family members

Members of the Board of Directors, executive directors, heads of departments and their close family members do not control any voting shares of the Group, as 100% of the shares are owned by the Government.

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (Note 14).

	<u>2011</u> <u>'000 KZT</u>	<u>2010</u> <u>'000 KZT</u>
Salaries and bonuses	<u>1,658,975</u>	<u>1,386,529</u>

The Group's related party transactions are disclosed in the following tables. In relation to government entities who are related parties, the Group only has transactions with the group of companies controlled by the Shareholder, as detailed below.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

(c) Transactions with other related parties

(i) Revenue

'000 KZT	Transaction value 2011	Outstanding balance 2011	Transaction value 2010	Outstanding balance 2010
<i>Sale of goods</i>				
Associates	3,811,821	415,872	13,740,024	3,843,286
Jointly controlled entities	4,238,874	123,196	5,746,717	165,842
Entities under common control	9,847,822	295,122	10,889,203	316,744
<i>Services provided:</i>				
Associates	16,324,340	3,561,935	11,319,899	849,236
Jointly controlled entities	3,588,595	419,365	3,055,777	271,681
Entities under common control	88,236	2,405	83,259	77,030
Other	-	-	626,373	-
<i>Dividends:</i>				
Dividends declared by associates	14,090,944	725,293	7,120,088	1,325,407
Dividends declared by jointly controlled entities	6,958,458	4,522,694	3,505,916	3,505,916
	58,949,090	10,065,882	56,087,256	10,355,142

All outstanding balances with related parties are to be settled in cash within six months of the reporting period end. None of the balances are secured.

(ii) Expenses

'000 KZT	Transaction value 2011	Outstanding balance 2011	Transaction value 2010	Outstanding balance 2010
<i>Purchase of goods:</i>				
Associates	61,531,749	23,941,571	42,087,237	13,554,858
Jointly controlled entities	41,129,645	6,688,789	28,305,167	8,984,721
Entities under common control	17,265,232	1,805,406	6,969,668	1,843,343
<i>Services received:</i>				
Associates	3,222,676	1,900,531	1,436,117	341,525
Jointly controlled entities	43,299	60,571	109,634	12,174
Entities under common control	1,648,161	257,363	740,403	15,669
Other	-	-	97,497	-
	124,840,762	34,654,231	79,745,723	24,752,290

All outstanding balances with related parties are to be settled in cash within six months of the end of the reporting period. None of the balances are secured.

(iii) Loans given

'000 KZT	Amount loaned 2011	Outstanding balance 2011	Amount loaned 2010	Outstanding balance 2010
Associates	6,265,198	6,265,198	6,222,980	6,222,980
Jointly controlled entities	20,000	20,000	512,000	512,000
Other	4,559,186	4,559,186	4,528,464	4,528,464
	10,844,384	10,844,384	11,263,444	11,263,444

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

(iv) Transactions with Halyk Bank JSC

Deposits

'000 KZT	Gross	Principal	%
As at 1 January 1 2010	8,069,649	8,041,347	28,302
Placed/Accrued	85,049,357	84,830,368	218,989
Withholding tax	(21,503)	-	(21,503)
Foreign exchange difference	658	864	(206)
Withdrawn	(61,877,762)	(61,755,920)	(121,842)
As at 31 December 2010	31,220,399	31,116,659	103,740
Placed/Accrued	36,675,883	36,116,728	559,155
Withholding tax	(99,152)	-	(99,152)
Foreign exchange difference	(77,655)	(76,560)	(1,095)
Withdrawn	(58,508,857)	(57,947,000)	(561,857)
As at 31 December 2011	9,210,618	9,209,827	791

Current account

'000 KZT	31.12.2011	31.12.2010
As at 31December	16,578,587	3,087,664

*(v) Transactions with Subsidiary insurance Group of Halyk Bank of Kazakhstan "Halyk-Kazakhinstrakh" JSC
(Subsidiary Group of Halyk Bank of Kazakhstan JSC)*

'000 KZT	Transaction value 2010	Outstanding balance 2010	Transaction value 2009	Outstanding balance 2009
Revenue - services provided	25,639	3,331	15,302	53
Expenses - services received	19,917,159	630,841	182,327	2,364

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

(vi) Transactions with BTA Bank JSC

Deposits

'000 KZT	Gross	Principal	%
As at 1 January 2010	96,916	90,863	6,053
Placed/Accrued	677,817	670,718	7,099
Withholding tax	(1,518)	-	(1,518)
Withdrawn	(461,999)	(453,393)	(8,606)
As at 31 December 2010	311,216	308,188	3,028
Placed/Accrued	11,444,424	11,373,789	70,635
Withholding tax	(10,786)	-	(10,786)
Foreign exchange difference	(11,498)	(11,498)	-
Withdrawn	(10,976,129)	(10,915,009)	(61,120)
As at 31 December 2011	757,227	755,470	1,757

Loans

'000 KZT	Gross	Principal	%
As at 1 January 2010	973,536	919,180	54,356
Received/Accrued	80,083	-	80,083
Repaid	(660,711)	(553,021)	(107,690)
As at 31 December 2010	392,908	366,159	26,749
Received/Accrued	28,912	-	28,912
Repaid	(421,820)	(366,159)	(55,661)
As at 31 December 2011	-	-	-

Current account

'000 KZT	31.12.2011	31.12.2010
As at 31 December	1,093,638	282,386

(vii) Transactions with Temirbank JSC

Current account

'000 KZT	31.12.2010	31.12.2009
As at 31 December	-	8,515

(viii) Transactions with "SC of BTA Bank BTA Insurance"

'000 KZT	Transaction value 2011	Outstanding balance 2011	Transaction value 2010	Outstanding balance 2010
Expenses – services received	14,292	-	4,891	-

(ix) Transactions with GSM Kazakhstan Kazakhtelecom JSC

'000 KZT	Transaction value 2011	Outstanding balance 2011	Transaction value 2010	Outstanding balance 2010
Revenue -services provided	10,269	2,533	10,050	2,669
Expenses - services received	15,702	947	16,284	918

(d) Pricing policies

Pricing for related party transactions are primarily based on the "comparable uncontrolled price" method in accordance with the Law "On Transfer Pricing", dated 5 July 2008 and Rules (procedures) of Pricing of Natural Uranium Concentrate (U308), approved by the Government №74, dated 3 February 2008.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

45. BUSINESS COMBINATIONS

Acquisition of Kvarz LLP and MK KazSilicon LLP

In November 2011 the Company purchased a 100% ownership interest in Kvarz LLP and MK KazSilicon LLP. Kvarz LLP has a subsoil use contract for mining of vein quartz at Sarykulscoe field, which is located in Almaty region of Kazakhstan. The principal business activities of Kvarz LLP include mining and processing of vein quartz and processing of mineral raw materials. Principal business activities of MK KazSilicon include production and realization of metallurgical and polycrystalline silicon and recycling of silicon production. As the vein quartz is mined and processed by Kvarz LLP, which is subsequently processed by MK KazSilicon LLP for production of silicon metal, the companies operate as a single generating unit. These companies were acquired for cash consideration in the amount of KZT 4,751,000 thousand.

The fair value of identifiable net assets as at the acquisition date was as follows:

Fair value recognized after acquisition	‘000 KZT
Cash and cash equivalents	4,863
Current assets	757,124
Intangible assets	19,446
Mineral rights	6,518,857
Property, plant and equipment	1,121,614
Deposits	90
Total assets	8,421,994
Current liabilities:	
Loans	2,053,369
Trade payables	187,144
Financial liabilities	554,415
Deferred tax liabilities	1,431,960
Non-current liabilities	30,066
Total liabilities	4,256,954
Net assets	4,165,040
Cost of acquisition	4,751,000
Goodwill (Note 17)	585,960
Cash balances acquired	4,863
Cash consideration paid	4,751,000
Net cash outflow	4,746,137

The combined net loss of the Kvarz LLP and MK KazSilicon LLP amounted to KZT 57,585 thousand from the date of acquisition until 31 December 2011. If the acquisitions had occurred on 1 January 2011 there would have not been a material impact on the Group's revenue and profit for 2011.

NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

Acquisition of DP Ortalyk LLP

In December 2011 the Company purchased a 100% ownership interest in DP Ortalyk LLP. The principal business activities of DP Ortalyk LLP include the provision of services on mining, processing of chemical concentrate of uranium and services on mining preparation works at the Central Mynkuduk mine. The mineral rights for exploration and mining of uranium deposits in the Central of Mynkuduk mine was acquired by the Company in 2010. The acquisition in 2011 was primarily related to the acquisition of the processing facility. DP Ortalyk LLP was acquired for cash consideration in the amount of KZT 21,124,774 thousand.

The fair value of identifiable net assets as at the acquisition date was as follows:

Fair value recognized after acquisition	'000 KZT
Cash and cash equivalents	1,347,566
Inventory	1,366,940
Accounts receivable	1,304,942
Intangible assets	8,717
Property, Plant and Equipment	7,401,748
Non-current investments	849,006
Other Non-current assets	15,390
Total assets	12,294,309
Current liabilities	929,570
Deferred tax liabilities	350,121
Total liabilities	1,279,691
Net assets	11,014,618
Cost of acquisition	21,124,874
Goodwill (Note 17)	10,110,256
Cash balances acquired	1,347,566
Cash consideration paid	21,124,774
Net cash outflow	19,777,208

The net loss of DP Ortalyk LLP amounted to KZT 40,722 thousand from the date of acquisition until 31 December 2011. If the acquisition had occurred on 1 January 2011 there would have not been a material impact on the Group's revenue and net profit for 2011. Identifiable assets and liabilities, as well as goodwill in the amount of KZT 10,110,256 thousand have been recognised in the consolidated financial statements as at 31 December 2011 (Note 17 and 18).

46. SUBSEQUENT EVENTS

On 8 February 2012, a preliminary decision was made to increase the charter capital of Kyzylykum LLP, an associate of the Group, in the amount of KZT 5,800,000 thousand. Contributions would be payable by all shareholders in proportion to their respective ownership interests and consequently, there is no expectation that the Group's ownership interest in Kyzylykum LLP will change.

In accordance with a decision made at an extraordinary meeting of Eurobond holders held on 7 March 2012, a consent was reached by the Eurobond holders to discharge restrictions on possible transfer of the Company's asset (Note 26, 34 and 36) to another entity. Other potential violations of other conditions that may arise as a direct result of the construction and transfer of the asset were also discharged.

As a result of restructuring in March 2012 of loans provided by Japanese banks Citibank N.A. and Japan Bank for International Cooperation to Kyzylykum LLP and Baiken-U LLP, the Company concluded addendums to its loan and guarantee agreements with those financial institutions in order to prolong the dates of repayment of principle amounts.

In February 2012 NAC Kazatomprom JSC and Astana Solar LLP concluded loan agreement with Bank of Tokyo Mitsubishi UFJ for EUR 80.4 million (equivalent to KZT 15,961,812 thousand) for a period of 12 years for the purposes of financing equipment purchase for the strategic investment project.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management and authorised for issue on 20 March 2012.