**"NAC "KAZATOMPROM" JSC**

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The following statement is made with a view to distinguish the respective responsibilities of management and those of the independent auditor's in relation to the separate financial statements of JSC National Atomic Company Kazatomprom ("Company") and for the year ended 31 December 2021.

Management of the Company is responsible for the preparation of separate financial statements of the Company for the year ended 31 December 2021, that presents fairly, in all material respects, the financial position of the Company as at 31 December 2021, and the 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 separate 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, as well as other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company'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 Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking all reasonably possible measures to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The separate financial statements for the year ended 31 December 2021 were authorised for issue by management of the Company on 15 March 2022.

| | |
|---|---|
| SYZDYKOVA K.B. | KOZHA-AKHMET D.A. |
| CHIEF FINANCIAL OFFICER | FINANCIAL CONTROLLER |

# JSC National Atomic Company Kazatomprom

## Separate Financial Statements
## for the year ended 31 December 2021 and
## Independent Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

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# Independent Auditor's Report

To the Shareholders and the Board of Directors of National Atomic Company Kazatomprom JSC:

## Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of National Atomic Company Kazatomprom JSC (the "Company") as at 31 December 2021, and the Company's separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

**What we have audited**

The Company's separate financial statements comprise:

- the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2021;
- the separate statement of financial position as at 31 December 2021;
- the separate statement of cash flows for the year then ended;
- the separate statement of changes in equity for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

## Basis for opinion

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

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

**Independence**

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the separate financial statements.

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## Our audit approach

**Overview**

| | |
|---|---|
| **Materiality** | • Overall Company materiality: Kazakhstani Tenge ("Tenge") 12,000 million, which represents approximately 5% of profit before tax. |
| **Key audit matters** | • Disposal of a 49% ownership interest in DP Ortalyk LLP |

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

| | |
|---|---|
| ***Overall Company materiality*** | Tenge 12,000 million |
| ***How we determined it*** | approximately 5% of profit before tax |
| ***Rationale for the materiality benchmark applied*** | We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies. |

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Disposal of 49% ownership interest in DP Ortalyk LLP<br>*Notes 1 and 4 to the separate financial statements*<br>In July 2021 the Company completed a transaction to dispose 49% ownership interest in its wholly owned mining subsidiary DP Ortalyk LLP to a subsidiary of China General Nuclear Power Corporation ("CGNPC") for the consideration in an amount of Tenge 186,437 million.<br>Following the completion of the transaction the Company retained 51% ownership interest and concluded that it continued to have control of DP Ortalyk LLP given that it held the majority voting rights in the subsidiary's Supervisory Board and the rights to control its production process which was assessed as the most relevant activity impacting its economic performance (as disclosed in Note 4).<br>Accordingly, in the separate financial statements for the year ended 31 December 2021 the Company recognized gain from sale of interest in a subsidiary of Tenge 167,332 million and decrease in the cost of investment of Tenge 19,105 million.<br>In connection with the disposal the Company entered into complex put and call arrangements that under certain circumstances might cause that the 49% interest is purchased back by the Company (as disclosed in Note 1).<br>We focused on this area because assessment of control over DP Ortalyk LLP involved significant judgement and to determine consequences on separate financial statements of complex put and call arrangements mentioned above. | Our audit procedures included:<br>• We analysed the sales and purchase agreement between the Company and CGNPC in relation to the sale of 49% interest in DP Ortalyk LLP and the related documents supporting the completion of this transaction in 2021.<br>• We analysed the Framework and Marketing agreements between the Company and CGNPC governing DP Ortalyk LLP's key business operations including sales and marketing, financing and production following the completion of the sale of DP Ortalyk LLP's 49% interest to CGNPC.<br>• We analysed the revised charter of DP Ortalyk LLP and the related documents describing the subsidiary's corporate governance and key business decisions making process at the level of the shareholders, its Supervisory Board and the General Director.<br>• Based on the analysed documents mentioned above, we obtained understanding of the most relevant activities in assessment of control over DP Ortalyk LLP and discussed our assessment with the management of the Company.<br>• We involved our accounting technical specialists to assist in the review of the accounting treatment of the disposal of 49% interest in DP Ortalyk LLP and associated put and call arrangements included in the separate financial statements. In addition, we analysed the Company's related disclosures in the Notes 1 and 4 to the separate financial statements against the requirements of the relevant accounting standards. |

## Other information

Management is responsible for the other information. The other information comprises the Annual report (but does not include the separate financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

## Auditor's responsibilities for the audit of the separate financial statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditor's report is Almaz Sadykov.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Approved by:

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

Signed by:

Садыков Алмаз Мелисович
АУДИТОР
Біліктілік куәлігі
МФ - 0000745

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

15 March 2022
Almaty, Kazakhstan

| *In millions of Kazakhstani Tenge* | Note | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|---|---|---|
| Revenue | 8 | 488,437 | 423,197 |
| Cost of sales | 9 | (431,120) | (321,439) |
| **Gross profit** | | **57,317** | **101,758** |
| Distribution expenses | 10 | (9,277) | (4,734) |
| General and administrative expenses | 11 | (15,976) | (14,961) |
| Reversal of impairment losses on non-financial assets | 12 | 9 | 2,167 |
| Impairment losses on non-financial assets | 12 | (4,974) | (6,316) |
| Reversal of impairment on financial assets | 12 | 11 | 378 |
| Gain from sale of interest in subsidiary | 1 | 167,332 | - |
| Gain from disposal of joint venture | 1 | - | 27,594 |
| Net foreign exchange gain/(loss) | 14 | 1,443 | (218) |
| Other income | 13 | 7,454 | 5,969 |
| Other expenses | 14 | (9,485) | (4,221) |
| Finance income | 16 | 62,066 | 89,834 |
| Finance costs | 16 | (4,326) | (5,768) |
| **Profit before tax** | | **251,594** | **191,482** |
| Income tax expense | 17 | (51,725) | (25,203) |
| **PROFIT FOR THE YEAR** | | **199,869** | **166,279** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Net loss from investments in equity securities at fair value through other comprehensive income | | (3) | - |
| Remeasurements of post-employment benefit obligations | | 27 | (49) |
| **Other comprehensive income for the year** | | **24** | **(49)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **199,893** | **166,230** |
| Basic and diluted earnings per ordinary share | 41 | 771 | 641 |

These separate financial statements were approved by management on 15 March 2022:

Syzdykova K.B.
Chief Financial Officer

Kozha-Akhmet D.A.
Financial Controller

Jakypbekova S.J.
Chief Accountant

| *In millions of Kazakhstani Tenge* | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 19 | 25,211 | 31,708 |
| Mine development assets | 20 | 13,243 | 19,829 |
| Mineral rights | 21 | 176,661 | 186,320 |
| Exploration and evaluation assets | 22 | 23,245 | 21,144 |
| Investment property | | 3,966 | 4,508 |
| Intangible assets | 18 | 46,833 | 50,615 |
| Investments in subsidiaries | 23 | 157,742 | 165,169 |
| Investments in associates | 24 | 14,438 | 14,438 |
| Investments in joint ventures | 25 | 26,784 | 27,129 |
| Loans to related parties | 29 | 5,493 | 8,423 |
| Other non-current assets | 27 | 14,526 | 19,162 |
| | | **508,142** | **548,445** |
| **Current assets** | | | |
| Accounts receivable | 26 | 215,282 | 133,910 |
| Prepaid income tax | | 658 | 4,565 |
| VAT recoverable | | 41,798 | 45,474 |
| Inventories | 28 | 280,806 | 175,651 |
| Loans to related parties | 29 | 5,361 | 4,588 |
| Short term securities | | 4,985 | 5,035 |
| Cash and cash equivalents | 30 | 28,372 | 34,572 |
| Term deposits | | 43,220 | - |
| Other current assets | 27 | 3,531 | 3,584 |
| | | **624,013** | **407,379** |
| Assets classified as held for sale | 1 | 1,214 | 2,297 |
| | | **625,227** | **409,676** |
| **TOTAL ASSETS** | | **1,133,369** | **958,121** |

The accompanying notes are an integral part of these separate financial statements.

| *In millions of Kazakhstani Tenge* | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 31 | 37,051 | 37,051 |
| Reserves | | (1,540) | (1,537) |
| Retained earnings | | 695,072 | 645,258 |
| **TOTAL EQUITY** | | **730,583** | **680,772** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 32 | 77,700 | 76,300 |
| Lease liabilities | | – | 113 |
| Provisions | 33 | 3,225 | 3,792 |
| Deferred tax liabilities | 17 | 30,576 | 38,056 |
| Employee benefits | | 307 | 398 |
| Other non-current liabilities | 35 | 17,512 | 3,719 |
| | | **129,320** | **122,378** |
| **Current liabilities** | | | |
| Loans and borrowings | 32 | 803 | 788 |
| Lease liabilities | | 127 | 394 |
| Accounts payable | 34 | 233,977 | 126,220 |
| Other tax and compulsory payments liabilities | | 1,326 | 1,294 |
| Employee benefits | | 58 | 44 |
| Income tax payable | | 1,243 | 629 |
| Other current liabilities | 35 | 35,932 | 25,602 |
| | | **273,466** | **154,971** |
| **TOTAL LIABILITIES** | | **402,786** | **277,349** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,133,369** | **958,121** |
| Book Value per Share | 41 | 2,636 | 2,430 |

These separate financial statements were approved by management on 15 March 2022:

Syzdykova K.B.
Chief Financial Officer

Kozha-Akhmet D.A.
Financial Controller

Jakypbekova S.J.
Chief Accountant

| *In millions of Kazakhstani Tenge* | Note | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Cash receipts from customers | | 559,345 | 502,972 |
| VAT refund | | 45,172 | 19,018 |
| Interest received | | 2,425 | 2,506 |
| Payments to suppliers | | (596,095) | (429,510) |
| Payments to employees | | (7,224) | (7,046) |
| Income tax paid | | (41,890) | (24,466) |
| Other taxes paid | | (8,413) | (9,224) |
| Interest paid | 32 | (3,214) | (4,147) |
| Other payments | | (1,499) | - |
| **Cash flow from operating activities** | | **(51,393)** | **50,103** |
| **INVESTING ACTIVITIES** | | | |
| Acquisition of property, plant and equipment | | (1,268) | (4,521) |
| Proceeds from disposal of property, plant and equipment | | 2 | 19 |
| Acquisition of intangible assets | | (276) | (46) |
| Acquisition of mine development assets | | (5,387) | (4,107) |
| Acquisition of exploration and evaluation assets | | (1,682) | (1,146) |
| Acquisition of short-term securities | | (126,331) | (11,040) |
| Gain from repayment of short-term securities | | 127,341 | 6,098 |
| Placement of term deposits | | (42,816) | (324) |
| Redemption of term deposits | | 295 | 271 |
| Issuance of loans | | (2,690) | (1,500) |
| Acquisition of investments in subsidiaries | | (759) | (924) |
| Acquisition of investments in associates and joint ventures | | - | (2,415) |
| Proceeds from sale of interest in subsidiary | 1 | 185,858 | - |
| Proceeds from sale of investments in subsidiaries | 1 | 1,355 | - |
| Proceeds from sale of investments in joint venture | 1 | - | 43,858 |
| Dividends received from subsidiaries | | 34,434 | 40,612 |
| Dividends received from associates, joint ventures and other investments | | 22,143 | 55,813 |
| Loan repayments received from related parties | | 5,138 | 3,124 |
| Repayment of debt instruments | | 145 | 181 |
| Other | | - | 23 |
| **Cash flow from investing activities** | | **195,502** | **123,976** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from loans and borrowings | 32 | 65,525 | 106,205 |
| Repayment of loans and borrowings | 32 | (65,821) | (182,439) |
| Dividends paid to shareholders | 31 | (150,082) | (99,002) |
| Payments under lease | 32 | (370) | (289) |
| **Cash flow used in financing activities** | | **(150,748)** | **(175,525)** |
| **Net decrease in cash and cash equivalents** | | **(6,639)** | **(1,446)** |
| Cash and cash equivalents at the beginning of the year | 30 | 34,752 | 33,783 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 438 | 2,233 |
| Change in cash and cash equivalents impairment reserve | | 1 | 2 |
| **Cash and cash equivalents at the end of the year** | 30 | **28,372** | **34,572** |

These separate financial statements were approved by management on 15 March 2022:

| | | |
|---|---|---|
| Syzdykova K.B.<br>Chief Financial Officer | Kozha-Akhmet D.A.<br>Financial Controller | Jakypbekova S.J.<br>Chief Accountant |

| *In millions of Kazakhstani Tenge* | Share capital | Reserves | Retained earnings | Total equity |
|---|---|---|---|---|
| Balance at 1 January 2020 | 37,051 | (1,537) | 578,030 | 613,544 |
| Profit for the year | - | - | 166,279 | 166,279 |
| Other comprehensive income | - | - | (49) | (49) |
| **Total comprehensive income for the year** | **-** | **-** | **166,230** | **166,230** |
| Dividends declared (Note 31) | - | - | (99,002) | (99,002) |
| **Balance at 31 December 2020** | **37,051** | **(1,537)** | **645,258** | **680,772** |
| Profit for the year | - | - | 199,869 | 199,869 |
| Other comprehensive income | - | (3) | 27 | 24 |
| **Total comprehensive income for the year** | **-** | **(3)** | **199,896** | **199,893** |
| Dividends declared (Note 31) | - | - | (150,082) | (150,082) |
| **Balance at 31 December 2021** | **37,051** | **(1,540)** | **695,072** | **730,583** |

These separate financial statements were approved by management on 15 March 2022:

Syzdykova K.B.
Chief Financial Officer

Kozha-Akhmet D.A.
Financial Controller

Jakypbekova S.J.
Chief Accountant

## 1 Kazatomprom Company and its Operations

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2021 for JSC National Atomic Company Kazatomprom (hereinafter referred to as the "Company").

The Company is a joint stock company set up in accordance with regulations 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 on National Atomic Company Kazatomprom Issues No. 1148 dated 22 July 1997, as a closed joint stock company with a 100% government shareholding.

As of 31 December 2021, 75% of the Company's shares are held by Samruk-Kazyna JSC and 25% are on free float.

The Company's registered address is Syganak street, house 17/12, Nur-Sultan city, the Republic of Kazakhstan. The principal place of business is the Republic of Kazakhstan.

The Company's principal activities include production of uranium and sale of uranium products. The Company is one of the leading uranium producing companies of the world. The Company's subsidiaries and dependent entities are also involved in production of uranium and sale of uranium products, mining of rare and rare-earth metals, manufacture and sale of beryllium and tantalum products and scientific support of operational activities.

As at 31 December 2021, the Company was a party to the following contracts on production and exploration of uranium:

| Mine/area | Stage | Contract date | Contract term | Subsurface user |
|---|---|---|---|---|
| Budenovskoye, block 2 | Production | 08.07.2005 | 35 years | Karatau LLP |
| Budenovskoye, block 1 | Production | 20.11.2007 | 30 years | JV Akbastau JSC |
| Budenovskoye, blocks 3, 4 | Production | 20.11.2007 | 31 years | JV Akbastau JSC |
| Inkai, block 2 | Exploration | 25.06.2018 | 4 years | The Company |
| Inkai, block 3 | Exploration | 25.06.2018 | 4 years | The Company |

At 31 December 2021, the Company had investments in 30 entities (2020: 34), including associates and joint ventures, located in 6 regions of Kazakhstan: Turkestan region, East Kazakhstan region, Kyzylorda region, Akmola region, Pavlodar region and Almaty region. At 31 December 2021, the aggregate number of the Company's employees is 366 (2020: 396) people.

Presented below are changes in the structure of the Company's investments during the year.

*Disposal of a 49% non-controlling share in DP Ortalyk LLP*

The Company and China General Nuclear Power Corporation, CGNPC, the parties agreed to build a plant for the production of fuel assemblies Ulba-FA LLP located on the territory of Ulba Metallurgical Plant JSC. CGNPC guaranteed the purchase of Ulba-FA LLP products, and in return the Company agreed to sell a 49% interest in DP Ortalyk LLP (Note 23) to CGNPC or its affiliate.

In April 2021, the parties signed a sale and purchase agreement, where the selling price of a 49% stake in DP Ortalyk LLP was determined in the amount of 435 million US dollars (equivalent to 186,437 million tenge) based on a fair value assessment determined by an independent appraiser.

On 22 July 2021 the sale of the interest in DP Ortalyk LLP was completed after obtaining all state permits and fulfilling all the preliminary conditions of the sale and purchase agreement. The re-registration has been completed and CGNM UK Limited (a subsidiary of CGNPC) became the owner of a 49% interest in DP Ortalyk LLP. The Company retains a 51% ownership interest. The management of the Company has significant rights to manage the enterprise's production activities and influence the profits from them (Note 4).

## 1 Kazatomprom Company and its Operations (Continued)

At the date of the financial statements, the consideration was paid in full.

| *In millions of Kazakhstani Tenge* | |
|---|---|
| Contract price in accordance with exchange rate as of 22 April 2021 | 186,437 |
| *Less Foreign exchange loss* | *(579)* |
| Consideration received | 185,858 |
| Contract price in accordance with exchange rate as of 22 April 2021 | 186,437 |
| *Less Carrying value of the investment in subsidiary* | *19,105* |
| Gain from sale of interest in subsidiary | 167,332 |

Mutual cooperation between the Company and CGNM and its related entities involved (CGNM Group) is governed by commercial agreement that contains put and call options.

Call option grants the Company the right to demand CGNM Group to sell their interest in DP Ortalyk LLP and Ulba-FA LLP after occurrence of any of the following events: (1) there is a deadlock situation for a decision made by the Company and CGNM Group as participants of DP Ortalyk LLP and Ulba-FA LLP, (2) CGNM Group ceases to own its interest in Ulba-FA LLP, (3) CGNM Group submits a notice of liquidation, (4) CGNM Group causes a material breach of commercial terms of Ulba-FA LLP that has not been addressed, (5) Ulba-FA LLP does not complete any of its planned activities on the specified date because of unfulfilled liabilities by the CGNM Group, including shipment of fuel tablets within 24 months after the first order placed. CGNM Group has 60 days to eliminate an event occurred before the option is exercised. Call option is exercised at fair value of shares as of the date the notice of option exercise.

Put option grants the CGNM Group the right to demand the Company to buy their interest in DP Ortalyk LLP and Ulba-FA LLP after occurrence of any of the following events: (1) there is a deadlock situation for a decision made by the Company and CGNM Group as participants of DP Ortalyk LLP and Ulba-FA LLP, (2) CGNM Group ceases to own its interest in DP Ortalyk LLP, (3) the Company submits a notice of liquidation, (4) the Company causes a material breach of commercial terms of Ulba-FA LLP that has not been addressed, (5) Ulba-FA LLP does not complete any of its planned activities on the specified date because of unfulfilled liabilities by the Company, including shipment of fuel tablets within 24 months after the first order placed. The Company has 60 days to eliminate an event occurred before the option is exercised. Put option is exercised at fair value of shares as of the date the notice of option exercise.

With respect of valuation of derivative instruments relating to above mentioned put and calls options the Company determined that such value is immaterial as the exercise price is set at the fair value of the shares. As of 31 December 2021 the Company has not recognised financial liability to purchase shares in DP Ortalyk LLP as required by IAS 32 because management believes that conditions requiring purchase of shares listed above are under the Company's control, i.e. the Company does not have unavoidable obligation to pay cash.

*Sale of JSC Uranium Enrichment Center (TsOU)*

In 2019 the Company entered into a conditional contract to sell its 50% interest minus 1 (one) share in JSC Uranium Enrichment Center (TsOU) to its partner in this joint venture - TVEL JSC (TVEL). The Company maintained 1 share of TsOU, which will retain the Company's right to access uranium enrichment services in accordance with the conditions previously agreed with TVEL.

On 17 March 2020, the Company completed this sale. The contract price was Russian rubles 6,253 million or Euro 90 million fixed at an exchange rate as at 31 December 2019. Actual cash consideration received was Euro 90 million (Tenge 43,858 million equivalent).

| *In millions of Kazakhstani Tenge* | |
|---|---|
| Contract price in accordance with exchange rate as at 31 December 2019 | 40,485 |
| Less: carrying value of the investment in joint venture | (12,891) |
| **Gain from disposal of joint venture** | **27,594** |

*Sales of share in Caustic JSC*

On December 30, 2021, the Company concluded an agreement for the sale of its 40% stake in Caustic JSC to Trade House "United Chemical Technologies" LLP, one of the current major shareholders of Caustic JSC. The selling price is Tenge 1,214 million based up on an independent appraisal of fair market value. According to the terms of the sales contract, payment is made in instalments.

## 1 Kazatomprom Company and its Operations (Continued)

The first tranche in the amount of Tenge 364 million was received in January 2022. The act of transfer of ordinary shares equivalent to 12% of the Group's holding in Caustic JSC was signed on February 2022. The remaining consideration must be paid by the buyer within 24 months from the date of signing the contract. As of 31 December 2021, the investment in Caustic JSC is presented as an asset held for sale, net of impairment loss of Tenge 1,084 (Note 12).

*Sales of 100% interests in subsidiaries KazPV project*

On 10 June 2021 the Company signed an agreement for sale of the Company's entire interest in Kazakhstan Solar Silicon LLP. The sale was completed on 12 July 2021 upon receipt of full payment of Tenge 323 million.

On 16 July 2021 the Company signed an agreement for the sale of the Company's entire interest in Astana Solar LLP and on 23 August 2021 signed the act of acceptance after receiving full payment under the contract. The remuneration received amounted to Tenge 380 million.

On 26 October 2021, an agreement for the sale of the Company's entire interest in MK Kazsilicon LLP was signed. On 19 November 2021 after receiving full payment under the contract the Company signed an act of acceptance certificate. The compensation received amounted to Tenge 652 million.

Total proceeds from sales of KazPV entities was Tenge 1,355 million less Tenge 16 million cash and cash equivalents of disposed entities at the disposal date.

*Liquidation of Kazatomprom-Damu LLP*

In April 2021, the Company liquidated Kazatomprom-Damu LLP. As a result of the liquidation, the Company wrote off additional paid-in capital of Tenge 2,254 million and the accumulated loss attributable to non-controlling interest of Tenge 377 million.

## 2 Operating Environment of the Company

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute a major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region including significant developments since 1 January 2022 (Note 42), has caused and may continue to have a negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing and volatility of exchange rates.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implemented a new monetary policy, which is based on an inflation targeting regime, cancellation of exchange rate trading band and start of a free-floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 511.71 per US Dollar 1 compared to Tenge 431.67 per 1 US Dollar as at 31 December 2021. (31 December 2020: Tenge 420.71 per 1 US Dollar)

In response to the COVID-19 pandemic that arose in 2019, Kazakhstani authorities implemented numerous measures attempting to contain the spreading and impact of the virus, including travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of the above measures have been relaxed. During 2021, the Company's activities were not suspended, although administrative staff largely continued to work remotely.

In September 2021 S&P Global Ratings, the international rating agency, affirmed the sovereign credit rating of Kazakhstan of "BBB-". The outlook on sovereign credit rating is stable. The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan, low government debt, total volume of which will not exceed the external liquid assets of the state within two years, as well as measures implemented by the Government of the Republic of Kazakhstan aimed at controlling the negative consequences of the pandemic, civil unrest and events in Ukraine on the economy.

## 2 Operating Environment of the Company (Continued)

The economic environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict, and management's current expectations and estimates could differ from actual results.

Additionally, the energy sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legislative, controlling and political developments, which are beyond the Company's control.

## 3 Significant Accounting Policies

***Basis of preparation***

These financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

The preparation of separate financial statements in accordance with IFRS requires the use of certain critical accounting estimates. In addition, management must rely on its own judgment in applying the Company's accounting policies. Areas of accounting that involve a higher degree of valuation or complexity, as well as areas in which assumptions and estimates are material to the financial statements, are indicated in Note 4.

These separate financial statements were issued in addition to the consolidated financial statements of the Company and its subsidiaries (hereinafter "the Group") in accordance with the relevant statutory requirements. In the consolidated financial statements operations of subsidiaries are fully consolidated. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns.

The consolidated financial statements also include results of joint ventures and associates accounted for under the equity method.

The consolidated financial statements have been authorised for issue on behalf of management on 15 March 2022. These separate financial statements shall be read by users in conjunction with the consolidated financial statements as at and for the year ended 31 December 2021, for the purpose of obtaining complete information in financial position, results of operations and changes in financial position of the Company, as a whole.

In 2018, the Company and Uranium One Inc. signed a number of agreements related to Karatau LLP and JV Akbastau JSC. As a result, these joint ventures were classified as joint operations under the IFRS 11 with effect from 1 January 2018. The Company ceased recognition of investments in joint ventures and recognised its share in joint operations by proportionate consolidation of the entities' assets, liabilities, revenue and expenses.

***Presentation currency***

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

***Investments in subsidiaries, joint ventures and associates***

For the purposes of accounting for such investments in these separate financial statements the Company used historical cost method less impairment provision.

***Joint operations***

The Company is a party of joint arrangement when it exercises joint control over arrangement by acting collectively with other parties and decisions about the relevant activities require unanimous consent of the parties sharing control. If participants of joint arrangements have rights to assets and bear responsibility for obligations under joint arrangements, then the joint arrangement is classified as a joint operation.

In relation to its interest in joint operations the Company recognises: (i) its assets, including its share of any assets held jointly, (ii) liabilities, including its share of any liabilities incurred jointly, (iii) its share of the revenue from the sale of its share of the output arising from the joint operation, (iv) its expenses, including its share of any expenses incurred jointly.

## 3 Significant Accounting Policies (Continued)

In accordance with requirements of the relevant agreements, participants buy output of joint operations equally in accordance with their 50% ownership interest. If participants of the joint operations do not comply with this requirement during a period, a liability or receivable under joint operations is recognised for an amount equivalent to the corresponding gross margin. The liability/receivables is settled either when participants satisfy the parity requirements or participants mutually agree to discharge the liabilities/receivables, and a corresponding loss/gain is recognised in profit and loss. Receivables and payables between participants of the joint operations are presented on a gross basis in the financial statements. No revenue from joint operations is recognised in financial statements until the Company sells the output to third parties.

***Property, plant and equipment***

*(i) Recognition and measurement of property, plant and equipment*

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, wherever required.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The individual significant parts of an item of property, plant and equipment (components) whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year are recognised as an item of property, plant and equipment. Other spare parts and auxiliary equipment are recognised as inventories and accounted for in profit and loss for the year as retired. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is disposed. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

*(ii) Depreciation*

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

| | Useful lives in years |
|---|---|
| Buildings | 10 to 50 |
| Machinery and equipment | 3 to 50 |
| Vehicles | 3 to 10 |
| Other | 3 to 20 |

Each item's estimated useful life depends on its own useful life limitations and/or term of a subsurface use contract and the present assessment of economically recoverable reserves of the mine property at which the item is located. The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

***Mine development assets***

Mine development assets are stated at cost, less accumulated depreciation and provision for impairment, where required. Mine development assets comprise the capitalised costs of pump-in and pump-out well drilling, main external tying of the well with surface piping, equipment, measuring instruments, ion-exchange resin, estimated site restoration, acid costs and other development costs. Mine development assets are amortised at the mine or block level using the unit-of-production method. Unit-of-production rates are based on proved reserves estimated to be recovered from mines (blocks) using existing facilities and operating methods. The estimate of proved reserves is based on reserve reports which are integral part of each subsoil use agreement. 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. Since 2017, the Company uses reserve reports prepared by an independent consultant (Note 4).

## 3 Significant Accounting Policies (Continued)

***Intangible assets***

*(i) Recognition and measurement of intangible assets other than goodwill*

The Company's intangible assets have definite useful lives and primarily include capitalised production technology development costs, computer software, patents, and licences. Acquired computer software licences and patents are initially measured at costs incurred to acquire and bring them to use.

*(ii) Amortisation of intangible assets*

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

| | Useful lives in years |
|---|---|
| Licences and patents | 3 to 20 |
| Software | 1 to 14 |
| Other | 2 to 15 |

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

*(iii) Research and development costs*

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

*(iv) Goodwill*

Goodwill is carried at cost less accumulated impairment losses, if any. The Company tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Company monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash-generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

***Mineral rights***

Mineral rights are stated at cost, less accumulated depreciation and provision for impairment, where required. The capitalised cost of acquisition of mineral rights comprises subscription bonus, commercial discovery bonus, the cost of subsurface use rights and capitalised historical costs. The Company is obliged to reimburse historical costs incurred by the state in respect of mines prior to licence being issued or subsoil use contracts transferred. These historical costs are recognised as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the licence period or subsoil use contract period.

Mineral rights are amortised using unit-of-production method based upon proved reserves commencing when uranium first starts to be extracted. The estimate of proved reserves is based on reserve reports which are integral part of each subsoil use agreement. 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. Since 2017, the Company uses reserve reports prepared by an independent consultant (Note 4).

## 3 Significant Accounting Policies (Continued)

***Exploration and evaluation assets***

Exploration and evaluation assets are measured at cost less provision for impairment, where required. The Company classifies exploration and evaluation assets as tangible or intangible according to the nature of the assets acquired. Exploration and evaluation assets comprise the capitalised costs incurred after the Company has obtained the legal rights to explore a specific area and prior to proving that viable production is possible and include geological and geophysical costs, the costs of exploratory wells and directly attributable overheads associated with exploration activities.

The decision to enter into or renew a subsoil use contract after the expiration of the exploration and appraisal period is subject to the success of the exploration and appraisal of mineral resources and the Company's decision to proceed to the production (development) stage. Tangible exploration and evaluation assets are transferred to mine development assets upon demonstration of commercial viability of uranium production and amortised using unit-of-production method based upon proved reserves. Once commercial reserves (proved or commercial reserves) are found, intangible exploration and evaluation assets are transferred to mineral rights. Accordingly, the Company does not amortise exploration and evaluation assets before commercial reserves (proved or commercial reserves) are found. If no commercial reserves are found exploration and evaluation assets are expensed.

Exploration and evaluation assets are tested by the Company for impairment whenever facts and circumstances indicate assets' impairment. An impairment loss is recognised for the amount by which exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. One or more of the following facts and circumstances indicate that the Company should test its exploration and evaluation assets for impairment (the list is not exhaustive):

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

***Investment property***

Investment property is property held by the Company to earn rental income or for capital appreciation, or both and which is not occupied by the Company.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Company estimates the recoverable amount as the higher of value in use and fair value less costs of disposal. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment.

Earned rental income is recorded in profit or loss for the year within other income. Gains or losses on disposal of investment property are calculated as proceeds less the carrying amount.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost for accounting purposes.

## 3 Significant Accounting Policies (Continued)

***Impairment of non-financial assets and investments in subsidiaries, joint ventures and associates***

The carrying amounts of the Company's non-financial assets (other than inventories and deferred tax assets) and investments in subsidiaries, joint ventures and associates are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell (the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) and its value in use (being the net present value of expected future cash flows of the relevant cash generating unit). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Basis for determination of cash-generating units is presented in Note 4.

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

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

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

***Leases***

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions. Lease payments are allocated between principal and finance costs.

The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with value of Tenge 500 thousand or less.

***Operating lease***

Where the Company is a lessor in a lease which does not transfers substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), lease payments from operating leases are recognised as other income on a straight-line basis.

***Income taxes***

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

## 3 Significant Accounting Policies (Continued)

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

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

The Company controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Company does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

***Trade and other receivables***

Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

***Inventories***

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

***Inventory loans***

The Company enters into inventory loan agreements, according to which one party (the lender) undertakes to provide the other party (the borrower) with uranium products, and the borrower obliges to return to the lender an identical amount of uranium products. The Company obtains inventory loans to facilitate the performance of its uranium supply obligations. The Company classifies inventory loans as a non-financial liability.

Upon receipt of the inventory loan, the Company accounts for the inventory at the contracted cost. Liability arising from inventory loan are recognised as part of other liabilities at the fair value of the uranium products at the reporting date. Subsequent revaluation of the inventory loan is carried out through profit or loss as part of other income/expenses in accordance with changes in the fair value of uranium products.

***Prepayments***

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

## 3 Significant Accounting Policies (Continued)

***Assets classified as held for sale***

Assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'Assets of disposal groups classified as held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Company management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated. Reclassified non-current financial instruments are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

***Financial instruments***

*Key measurement terms*

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

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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

*(i) Transaction costs*

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

## 3 Significant Accounting Policies (Continued)

*(ii) Amortised cost*

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

*(iii) The effective interest method*

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

*Financial instruments – initial recognition*

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

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

*Financial assets – classification and subsequent measurement*

*(i) Measurement categories*

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

*(ii) Business model*

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

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

## 3 Significant Accounting Policies (Continued)

*(iv) Cash flow characteristics*

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

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

*Financial assets – reclassification*

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

*Financial assets impairment – credit loss allowance for ECL*

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

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

The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Company identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”).

Refer to Note 37 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company’s definition of credit impaired assets and definition of default is explained in Note 37.

For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 37 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

*Financial assets – write-off*

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include (i) court decision, (ii) liquidation of entity from which financial asset was acquired, (iii) overdue period of 3 years and more.

*Derivative financial instruments*

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company does not apply hedge accounting.

## 3 Significant Accounting Policies (Continued)

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

*Financial assets – derecognition*

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

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

*Financial assets – modification*

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition.

The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

*Financial liabilities – measurement categories*

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

*Financial liabilities – derecognition*

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

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

## 3 Significant Accounting Policies (Continued)

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

*Offsetting financial instruments*

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

***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

***Dividends***

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

***Value added tax***

Value added tax (VAT) related to sales is payable to the tax authorities when goods are shipped or services are rendered. Purchase VAT can be offset against sales VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the reporting date is stated in the separate statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period. Non-current VAT is not discounted.

***Loans and borrowings***

Loans and borrowings are carried at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

## 3 Significant Accounting Policies (Continued)

***Trade and other payables***

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

***Provisions for liabilities and charges***

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The Company's provisions include site restoration and other provisions (Note 33).

***Provisions for assets retirement obligations***

Assets retirement obligations are recognised when it is probable that the costs would be incurred, and those costs can be measured reliably. Asset retirement obligations include the costs of rehabilitation and costs of liquidation (demolition of buildings, constructions and infrastructure, dismantling of machinery and equipment, transportation of the residual materials, environmental clean-up, monitoring of wastes and land restoration). Provision for the estimated costs of liquidation, rehabilitation and restoration are established and charged to the cost of property, plant and equipment or mine development assets in the reporting period when an obligation arises from the respective land disturbance in the course of mine development or environment pollution, based on the discounted value of estimated future costs. Movements in the provisions for assets retirement obligations, resulting from updated cost estimates, changes to the estimated term of operations and revisions to discount rates are capitalised within property, plant and equipment or mine development assets.

These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets.

Provisions for asset retirement obligations do not include any additional obligations which are expected to arise from future disturbances. The cost estimates are calculated annually during the course of the operations to reflect known developments, e.g. updated cost estimates and revised term estimated lives of operations and are subject to formal reviews on a regular basis. Although the final cost to be incurred is uncertain, the Company estimates its costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration and retirement works.

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

***Financial guarantees***

Financial guarantees are irrevocable contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee.

At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

***Foreign currency translation***

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

Monetary assets and liabilities are translated into Company's functional currency at the official exchange rate at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Company's functional currency at year-end official exchange rates are recognised in profit or loss. Translation at year-end does not apply to non-monetary items that are carried at historical costs.

## 3 Significant Accounting Policies (Continued)

At 31 December 2021 the principal rate of exchange used for translating foreign currency balances was USD 1 = 431.8 Tenge (31 December 2020: USD 1 = 420.91 Tenge).

***Employee benefits***

*(i) Long-term employee benefits*

The Company provides long-term employee benefits to employees in accordance with the provisions of the collective agreement. The agreements provide for financial aid for employees' disability, retirement, funeral aid and other payments to the Company's employees. The entitlement to some benefits is usually conditional on the employee remaining employed until the retirement age and the completion of a minimum service period.

The Company does not have any funded post-employment plans. Liability recognised at each reporting date represents the present value of the plan liabilities. Actuarial gains and losses arising in the year are taken to the profit or loss for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Actuarial gains and losses on post-employment obligations such as experience adjustments and the effects of changes in actuarial assumptions recognised in other comprehensive income in the period occurred. Other movements in the present value of the plan liabilities are also recognised in the profit or loss for the year, including current service cost.

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

Employee benefits, including financial aid in case of employees' disability and funeral aid to the Company's employees and other payments are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. Changes in the actuarial assumptions for long-term employee benefits are recognised by the Company in the statement of profit or loss for the year. These long-term employee benefits are valued annually by independent qualified actuaries.

*(ii) Payroll expense and related contributions*

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. In this case, the Company applies a defined contribution plan scheme. In accordance with the legal requirements of the Republic of Kazakhstan, the Company withholds pension contributions from employees' salary and transfers them into the united pension fund. Upon retirement of employees, all pension payments are administered by the united pension fund. The Company does not have any legal or constructive obligations to pay additional contributions, other than pension contributions withheld from the salaries of employees of the Company.

***Revenue recognition***

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

Revenue is recognised net of discounts, returns and value added taxes, export duties, other similar mandatory payments.

*(i) Revenue from sales of goods (uranium, tantalum, beryllium, niobium and other products)*

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

## 3 Significant Accounting Policies (Continued)

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

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

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Delivery of uranium, tantalum and beryllium products vary depending on the individual terms of a sale contract usually in accordance with the Incoterms classification. Delivery of uranium products occurs at the date of physical delivery in accordance with Incoterms or at the date of book-transfer to account with convertor specified by customer. Book-transfer operation represents a transaction whereby uranium account balance of the transferor is decreased with simultaneous allocation of uranium to the transferee's uranium account with the same specialised conversion/reconversion entity.

*(ii) Sales of services (transportation, drilling and other)*

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

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

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

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

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

*(iii) Financing components*

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

*(iv) Barter transactions and mutual cancellations*

A portion of sales and purchases are settled by mutual cancellations, barter or non-cash settlements.

These transactions are generally in the form of direct settlements by dissimilar goods and services from the final customer (barter), cancellation of mutual balances or through a chain of non-cash transactions involving several companies.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on the management's estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

## 3 Significant Accounting Policies (Continued)

***Interest income***

Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Company relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

***Earnings per share***

Earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the number of ordinary shares in issue during the reporting year, adjusted for stock splitting.

***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

## 4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

***Ore reserves***

Uranium reserves are a critical component of the Company's projected cash flow estimates that are used to assess the recoverable values of relevant assets and to determine depreciation and amortisation expense. Estimates of uranium reserves also determine the life of mines, which in turn affect asset retirement obligation calculations.

In 2021 and 2020, the Company engaged an independent consultant to assess the Company's ore reserves and mineral resources in accordance with the Australasian Code for reporting on geological exploration works, mineral resources and ore reserves (hereinafter JORC Code). Independent assessments of reserves and resources was carried out as of 31 December 2021 and 31 December 2020. The consultant reviewed all key information upon which the reported mineral resource and ore reserve statements for the mining assets of NAC Kazatomprom JSC are based.

The consultant's reports contain an assessment of the tons of uranium contained in ore which has the potential to be extracted by the existing and planned mining operations (the mineral resource), and also the tons of uranium contained in ore currently planned to be extracted as envisaged by the respective life-of-mine plans (the ore reserve). The Company used the ore reserves data for calculation of impairment of long-term assets and unit of production depreciation for each of the Company's mines.

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

***Impairment of non-financial assets***

At the end of each reporting period management assess whether there is any indication of impairment of individual assets (cash generating units).If any such indication exists, management estimates the recoverable amount of an asset and compares it to the carrying amount. An impairment loss is recognised for the amount by which carrying amount exceeds recoverable amount.

The calculation of value in use requires management to make estimates regarding the Company's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding commodity prices (uranium and other products), the level of production and sales, discount rates, growth rates, operating costs and other factors. The impairment review and calculations are based upon assumptions that are consistent with the Company's business plans. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods which would decrease the carrying value of the respective asset.

*Investments*

Impairment indications were identified for investments in Caustic JSC, SSAP LLP (former SKZ-Kazatomprom LLP) and Uranenergo LLP (Note 12). As a result of impairment tests performed, the Company recognised full or partial impairment of these investments as of 31 December 2021 and 2020.

***Tax and transfer pricing legislation***

Kazakhstan tax and transfer pricing legislation is subject to varying interpretations (Note 36).

***Swap transactions***

The Company sells part of its uranium products under swap transactions with separate agreements with the same counterparty, being for delivery and purchase of the same volume of uranium for the same price at different delivery points, or time swap (transaction with deferred time of inventory delivery).

Effectively, this results in exchange of own uranium (produced or purchased from the Company's entities) with purchased uranium. Normally, under swap, the Company delivers physical uranium to one destination point, and purchases the same volume of uranium at the third-party converter for further resale to end customers. As a result, the Company saves on transportation costs for uranium delivery from Kazakhstan to end customers.

Despite the fact that swap agreements are not formally related to each other, management concluded that these transactions are in fact linked and would not have occurred on isolated basis, driven by the existing market demand and supply forces. In management's view, supply of the same volume of homogeneous product (uranium) for the same price represents an exchange of products, which should be presented on net basis in the financial statements, reflecting the economic substance of the transaction. Interpretation of terms and approach to the accounting for swap transactions requires management judgment.

In 2021, the Company did not recognise sales revenue from swap transactions of Tenge 117,395 million, cost of sales of Tenge 105,597 million and adjusted the inventory balance by Tenge 1,273 million. In 2020, the Company did not recognise sales revenue from swap transactions of Tenge 84,009 million, cost of sales of Tenge 79,998 million and adjusted the inventory balance by Tenge 3,250 million.

***Control over DP Ortalyk LLP (judgement)***

On 22 July 2021 the Company completed the sale of a 49% interest in DP Ortalyk LLP (Note 1). The Company retains a 51% ownership interest and majority voting rights in the Supervisory Board. Sales activities of DP Ortalyk LLP are governed by the Marketing agreement, any amendments to which would require consent by both owners. The Company governs production activity within the 20% limit permitted by law through its power to approve the entity's budget by simple majority vote. Decisions about financing of DP Ortalyk LLP are made by unanimous consent of both owners. Currently DP Ortalyk LLP does not rely on shareholders' or external financing. Given that all production volumes are committed to be purchased by the Company and CGNPC based upon market prices, production volumes and costs have the most significant impact on financial results and therefore are considered to be relevant activities for the purpose of the control assessment. Based on these facts, the Company management has concluded that the Company retains control over DP Ortalyk LLP.

## 5 Adoption of New or Revised Accounting Standards and Interpretation

The following amended accounting standards became effective from 1 January 2021, but did not have any material impact on the Company:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

## 6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Company has not early adopted. These are:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17 as discussed below).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

The Company is currently assessing the impact of the amendments on its financial statements. The new standards and interpretations are not expected to affect significantly the Company’s separate financial statements.

## 7 Balances and Transactions with Related Parties

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

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

## 7 Balances and Transactions with Related Parties (Continued)

At 31 December 2021, the outstanding balances with related parties were as follows:

| *In millions of Kazakhstani Tenge* | Accounts receivable and other assets | Loans given | Accounts payable and other liabilities |
|---|---|---|---|
| Subsidiaries | 86,220 | 2,004 | 195,653 |
| Associates | 68 | 8,662 | 28,414 |
| Joint ventures | 1 | 187 | 1,218 |
| Entities under common control | 11 | - | 222 |
| Parent | - | - | 127 |
| **Total** | **86,300** | **10,853** | **225,634** |

The income and expense items with related parties for the year ended 31 December 2021 were as follows:

| *In millions of Kazakhstani Tenge* | Sale of goods and services | Dividends received | Purchase of goods and services | Dividends paid | Finance and other income | Finance and other costs |
|---|---|---|---|---|---|---|
| Subsidiaries | 88,299 | 34,587 | 332,285 | - | 2,730 | - |
| Associates | 143 | 15,029 | 88,968 | - | 912 | - |
| Joint ventures | 71 | 7,087 | 21,496 | - | - | - |
| Entities under common control | - | - | - | - | - | - |
| Parent | - | - | - | 112,561 | - | 90 |
| **Total** | **88,513** | **56,703** | **442,749** | **112,561** | **3,642** | **90** |

The Company is a guarantor of the loan obtained by SKZ-U LLP in the amount of Tenge 5,220 million (2020: Tenge 8,481 million) (Note 36).

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

| *In millions of Kazakhstani Tenge* | Accounts receivable and other assets | Loans given | Accounts payable |
|---|---|---|---|
| Subsidiaries | 41,757 | 1,499 | 101,488 |
| Associates | 3 | 11,512 | 13,636 |
| Joint ventures | 19 | - | 1,681 |
| Entities under common control | 13 | - | 126 |
| Parent | - | - | 507 |
| **Total** | **41,792** | **13,011** | **117,438** |

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

| *In millions of Kazakhstani Tenge* | Sale of goods and services | Dividends received | Purchase of goods and services | Dividends paid | Finance and other income | Finance and other costs |
|---|---|---|---|---|---|---|
| Subsidiaries | 42,325 | 34,949 | 223,823 | - | - | - |
| Associates | 61 | 50,030 | 74,521 | - | 1,182 | - |
| Joint ventures | 84 | 1,005 | 6,431 | - | - | - |
| Entities under common control | - | - | 742 | - | - | - |
| Parent | 1 | - | - | 80,466 | - | 70 |
| **Total** | **42,471** | **85,984** | **305,517** | **80,466** | **1,182** | **70** |

## 7 Balances and Transactions with Related Parties (Continued)

Key management personnel is represented by personnel with authority and responsibility in planning, management and control of the Company's activities, directly or indirectly. Key management personnel includes all members of the Management Board and the members of the Board of Directors. The table below represents remuneration of the key management personnel, paid by the Company in exchange for services provided. This remuneration includes salaries, bonuses, as well as associated taxes and payments. No remuneration is paid or payable to representatives of the Controlling shareholder in the Board of Directors.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| *In millions of Kazakhstani Tenge* | **Expense** | **Accrued liability** | **Expense** | **Accrued liability** |
| Wages and salaries, including 10% mandatory pension contributions | 1,088 | 60 | 1,205 | 98 |
| **Total** | **1,088** | **60** | **1,205** | **98** |

## 8 Analysis of Revenue by Category

All of Company's revenue represents revenue from contracts with customers where performance obligations are satisfied at a point of in time.

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Sales of uranium products | 488,347 | 422,667 |
| Other | 90 | 530 |
| **Total revenue** | **488,437** | **423,197** |

## 9 Cost of Sales

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Materials and supplies | 420,722 | 298,552 |
| Depreciation and amortisation | 7,994 | 12,955 |
| Third party services | 1,578 | 7,322 |
| Taxes other than income tax | 672 | 2,482 |
| Transportation expenses | 77 | 49 |
| Other | 77 | 79 |
| **Total cost of sales** | **431,120** | **321,439** |

## 10 Distribution Expenses

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Shipping, transportation and storing | 7,948 | 3,674 |
| Rent | 17 | 13 |
| Depreciation and amortisation | 26 | 26 |
| Other | 1,286 | 1,021 |
| **Total distribution expenses** | **9,277** | **4,734** |

## 11 General and Administrative Expenses

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 7,374 | 7,672 |
| Consulting and information services | 3,536 | 3,555 |
| Depreciation and amortisation | 1,777 | 1,078 |
| Insurance | 706 | 446 |
| Taxes other than income tax | 467 | 767 |
| Maintenance and repair | 244 | 264 |
| Training expenses | 218 | 118 |
| Research expenses | 168 | 113 |
| Tax fines and penalties | 123 | 13 |
| Business trip expenses | 103 | 77 |
| Rent | 76 | 107 |
| Other | 1,184 | 751 |
| **Total general and administrative expenses** | **15,976** | **14,961** |

## 12 Impairment Losses and Reversal of Impairment Losses

### *(i) Reversal of impairment/(impairment losses) on financial assets*

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Reversal of impairment losses of financial assets | 106 | 382 |
| Impairment losses of financial assets | (95) | (4) |
| **Reversal of impairment/(impairment losses) on financial assets** | **11** | **378** |

### *(ii) Impairment losses on non-financial assets*

The Company recognised the following impairment losses on non-financial assets by financial statement line items:

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Intangible assets | 2,169 | - |
| Investments in associates and joint ventures | 1,429 | 4,534 |
| VAT recoverable | 1,332 | 601 |
| Inventory | 44 | 11 |
| Property, plant and equipment and mine development assets | - | 246 |
| Investments in subsidiaries | - | 924 |
| **Total impairment losses on non-financial assets** | **4,974** | **6,316** |

An impairment loss of Tenge 2,169 million was recognised during the year for the Digital Mine software following an assessment of its suitability for use within the Group.

### *(iii) Reversal of impairment losses on non-financial assets*

The Company had recognised the reversal of impairment for the following non-financial assets:

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Investments in subsidiaries and associates | - | 1,544 |
| Inventory | - | 623 |
| Other non-current assets | 9 | - |
| **Total reversal of impairment losses on non-financial assets** | **9** | **2,167** |

## 13 Other Income

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Gain from joint operations | 3,548 | 4,874 |
| Gain on disposal of subsidiaries | 1,323 | - |
| Gain on disposal of non-current assets | 933 | 3 |
| Fines and penalties | 15 | 134 |
| Other | 1,635 | 958 |
| **Total other income** | **7,454** | **5,969** |

Gain from joint operations represents the effect of exchange rate volatility and spot price quotations on contractual obligations for the purchase of uranium from joint operations.

## 14 Other Expenses and Net Foreign Exchange Gain/(Loss)

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Provision for liabilities on social sphere spending | 3,000 | - |
| Remeasurement of non-financial liabilities | 2,872 | 1,156 |
| VAT on exempt turnovers | 1,808 | 173 |
| Disposal of non-current assets | 264 | 356 |
| Depreciation | 198 | 105 |
| Social sphere expenses | 136 | 258 |
| Other | 1,207 | 2,173 |
| **Total other expenses** | **9,485** | **4,221** |

## 14 Other Expenses and Net Foreign Exchange Gain/(Loss) (Continued)

***Net foreign exchange gain/(loss)***

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Foreign exchange loss on financing activities, net | (1,696) | (11,364) |
| Foreign exchange gain on operating activities, net | 3,139 | 11,146 |
| **Total net foreign exchange gain/(loss)** | **1,443** | **(218)** |

## 15 Personnel Costs

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Wages and salaries, including 10% mandatory pension contributions | 8,729 | 8,784 |
| Social tax and social payments | 846 | 859 |
| **Total personnel costs** | **9,575** | **9,643** |

## 16 Finance Income and Costs

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| **Interest income calculated using the effective interest rate** | | |
| Interest income on term deposits, demand deposits and bank accounts | 1,623 | 1,317 |
| Interest income on loans given | 916 | 1,182 |
| Interest income on discounting of non-current accounts receivable | 16 | 18 |
| **Other finance income** | | |
| Dividend income | 56,703 | 85,984 |
| Financial derivative asset | 1,732 | 1,214 |
| Other | 1,076 | 119 |
| **Total finance income** | **62,066** | **89,834** |
| **Finance costs** | | |
| Interest expense on bonds issues | 3,066 | 3,152 |
| Loss on conversion of foreign currency | 500 | 93 |
| Unwinding of discount on provisions | 340 | 430 |
| Interest expense on loans and borrowings | 60 | 1,005 |
| Loss from remeasurement of derivatives | - | 780 |
| Other | 360 | 308 |
| **Total finance costs** | **4,326** | **5,768** |

## 17 Income Tax Expense

### *(a) Components of income tax expense*

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

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Current income tax | 59,205 | 28,256 |
| Deferred income tax | (7,480) | (3,053) |
| **Total income tax expense** | **51,725** | **25,203** |

### *(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate*

The income tax rate applicable to the Company's profit in 2021 and 2020 is 20%. A reconciliation between the expected and the actual taxation charge is provided below:

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Profit before tax | 251,594 | 191,482 |
| Theoretical tax charge at statutory tax rate of 20% (2020: 20%): | 50,319 | 38,296 |
| Tax effect of items which are not deductible or assessable for taxation purposes: | | |
| Tax exempt income | (11,339) | (17,195) |
| Transfer pricing adjustment | 5,369 | 1,308 |
| Prior periods adjustments of income tax | 2,917 | 167 |
| Taxable income from controlled foreign company | 1,383 | - |
| Unrecognised deferred tax asset on impairment losses | 286 | 821 |
| Non-deductible expenses | 860 | 410 |
| Other differences | 1,930 | 1,396 |
| **Income tax expense for the year** | **51,725** | **25,203** |

## 17 Income Tax Expense

### *(c) Deferred taxes analysed by type of temporary difference*

Differences between IFRS and statutory taxation regulations in Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below at 20% (2020: 20%).

| *In millions of Kazakhstani Tenge* | 1 January 2021 | Credited/ (charged) to profit or loss | 31 December 2021 |
|---|---|---|---|
| **Tax effect of deductible/(taxable) temporary differences** | | | |
| Property, plant and equipment, intangible assets and mineral rights | (39,121) | 4,353 | (34,768) |
| Inventories | 163 | 2,661 | 2,824 |
| Provisions | 207 | 510 | 717 |
| Accrued liabilities | 438 | 11 | 449 |
| Taxes | 136 | (3) | 133 |
| Accounts receivable | 17 | 21 | 38 |
| Loans received | - | 3 | 3 |
| Other liabilities | 104 | (76) | 28 |
| **Recognised deferred tax (liability)** | **(38,056)** | **7,480** | **(30,576)** |

The tax effect of the movements in the temporary differences for the year ended 31 December 2020 is:

| *In millions of Kazakhstani Tenge* | 1 January 2020 | Credited/ (charged) to profit or loss | 31 December 2020 |
|---|---|---|---|
| **Tax effect of deductible/(taxable) temporary differences** | | | |
| Property, plant and equipment, intangible assets and mineral rights | (42,482) | 3,361 | (39,121) |
| Accounts receivable | 411 | 27 | 438 |
| Accrued liabilities | 188 | 19 | 207 |
| Provisions | 236 | (73) | 163 |
| Tax losses carried forward | 167 | (31) | 136 |
| Inventories | 80 | (63) | 17 |
| Taxes | 91 | (91) | - |
| Other liabilities | 200 | (96) | 104 |
| **Recognised deferred tax (liability)** | **(41,109)** | **3,053** | **(38,056)** |

## 18 Intangible Assets

| *In millions of Kazakhstani Tenge* | Licences and patents | Software | Goodwill | Other | Total |
|---|---|---|---|---|---|
| **At 1 January 2020** | | | | | |
| Cost | 1,598 | 5,453 | 43,329 | 170 | 50,550 |
| Accumulated amortisation and impairment | (702) | (1,592) | - | (151) | (2,445) |
| **Carrying value** | **896** | **3,861** | **43,329** | **19** | **48,105** |
| Additions | 195 | 24 | - | - | 219 |
| Transfers from plant, property and equipment (Note 19) | - | 5,355 | - | - | 5,355 |
| Disposals | (23) | (2,850) | - | (127) | (3,000) |
| Disposal of impairment | - | - | - | 83 | 83 |
| Amortisation charge | (151) | (242) | - | (6) | (399) |
| Amortisation of disposals | 23 | 185 | - | 44 | 252 |
| **At 31 December 2020** | | | | | |
| Cost | 1,745 | 8,001 | 43,329 | 44 | 53,119 |
| Accumulated amortisation and impairment | (805) | (1,668) | - | (31) | (2,504) |
| **Carrying value** | **940** | **6,333** | **43,329** | **13** | **50,615** |
| Additions | 127 | 13 | - | - | 140 |
| Transfers from plant, property and equipment (Note 19) | - | 563 | - | 336 | 899 |
| Disposals | (4) | (1,835) | - | (13) | (1,852) |
| Disposal of impairment | - | - | - | - | - |
| Accrued impairment | - | (2,169) | - | - | (2,169) |
| Amortisation charge | (181) | (679) | - | (5) | (865) |
| Amortisation of disposals | 4 | 48 | - | 13 | 65 |
| **At 31 December 2021** | | | | | |
| Cost | 1,898 | 6,723 | 43,329 | 367 | 52,317 |
| Accumulated amortisation and impairment | (1,012) | (4,449) | - | (23) | (5,484) |
| **Carrying value** | **886** | **2,274** | **43,329** | **344** | **46,833** |

***Goodwill impairment test - JV Akbastau JSC, Karatau LLP***

Goodwill relates to business combinations in prior periods being Tenge 24,809 million relates to Karatau LLP and Tenge 18,520 million to JV Akbastau JSC, which independently perform subsurface use operations at the Budenovskoye mine. At least annually, goodwill is tested for impairment. The carrying value of goodwill applicable to each of these entities is allocated to their respective cash generating units and the recoverable amount was determined on a value in use basis from forecast cash flows over the term of subsurface use contracts. Forecast cash flows are based on the approved volume of proven reserves, estimated volumes of production and sales over a life of mine plan approved by management, using a discount rate of 11.08% in 2021 (12.35% in 2020). Production volumes are consistent with those agreed with the competent authority (Note 4) and are based on the production capacity of the cash-generating units. Key assumptions used in calculations include forecast sales prices, production costs and capital expenditures. Sales prices used in developing forecast cash flows were determined using an independent official source Ux Consulting LLC published in the fourth quarter of 2021. Production costs and capital expenditures are based on approved budgets for 2022-2026 and growth of 5.12% which approximates long-term average inflation rates. The estimated values in use significantly exceed the carrying amounts of the non-current assets of two cash-generating units, including goodwill, and therefore even reasonably possible changes in key assumptions would not lead to impairment losses being recognised.

## 19 Property, Plant and Equipment

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

| *In millions of Kazakhstani Tenge* | Land | Buildings | Machinery and equipment | Vehicles | Other | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **At 1 January 2020** | | | | | | | |
| Cost | 136 | 27,745 | 7,747 | 318 | 1,760 | 7,818 | 45,524 |
| Accumulated depreciation and impairment | - | (1,511) | (1,952) | (105) | (637) | (606) | (4,811) |
| **Carrying amount** | **136** | **26,234** | **5,795** | **213** | **1,123** | **7,212** | **40,713** |
| Additions | - | - | 559 | - | 304 | 2,317 | 3,180 |
| Transfers | - | 1,137 | 2,119 | - | 7 | (3,263) | - |
| Transfers to intangible assets (Note 18) | - | - | 19 | - | - | (5,374) | (5,355) |
| Transfers from inventory | - | - | - | - | - | 4 | 4 |
| Transfers to investment property | - | (4,248) | (260) | - | - | - | (4,508) |
| Depreciation charge | - | (846) | (995) | (48) | (188) | - | (2,077) |
| Depreciation and impairment of disposals | - | - | 23 | 31 | 8 | 13 | 75 |
| Impairment loss | - | - | - | - | - | (223) | (223) |
| Disposals | - | - | (24) | (55) | (9) | (13) | (101) |
| **At 31 December 2020** | | | | | | | |
| Cost | 136 | 24,634 | 10,160 | 263 | 2,062 | 1,489 | 38,744 |
| Accumulated depreciation and impairment | - | (2,357) | (2,924) | (122) | (817) | (816) | (7,036) |
| **Carrying amount** | **136** | **22,277** | **7,236** | **141** | **1,245** | **673** | **31,708** |
| Additions | - | - | 62 | - | 5 | 874 | 941 |
| Transfers | - | 62 | 7 | 11 | - | (80) | - |
| Transfers to intangible assets (Note 18) | - | - | - | - | - | (1,652) | (1,652) |
| Transfers from investment property | - | 125 | 342 | - | (29) | - | 438 |
| Depreciation charge | - | (723) | (1,221) | (43) | (195) | - | (2,182) |
| Depreciation and impairment of disposals | - | 591 | 249 | 4 | 167 | 763 | 1,774 |
| Impairment loss | - | - | - | - | - | - | - |
| Disposals | - | (4,545) | (892) | (9) | (361) | (9) | (5,816) |
| **At 31 December 2021** | | | | | | | |
| Cost | 136 | 20,201 | 9,598 | 265 | 1,632 | 622 | 32,454 |
| Accumulated depreciation and impairment | - | (2,414) | (3,815) | (161) | (800) | (53) | (7,243) |
| **Carrying amount** | **136** | **17,787** | **5,783** | **104** | **832** | **569** | **25,211** |

As at 31 December 2021, the Company had no contractual capital expenditure commitments in respect of property, plant and equipment (2020: nil). Depreciation and amortisation charged on long-term assets for the years ended 31 December are as follows:

| *In millions of Kazakhstani Tenge* | **2021** | **2020** |
|---|---|---|
| Mineral rights | 10,573 | 9,621 |
| Mine development assets | 4,022 | 4,317 |
| Property, plant and equipment | 2,182 | 2,077 |
| Intangible assets | 865 | 399 |
| **Total depreciation and amortisation** | **17,642** | **16,414** |

## 19 Property, Plant and Equipment (Continued)

Depreciation and amortisation charged to profit or loss for the years ended 31 December are as follows. The remaining depreciation expense is included in finished goods, work-in-process and other inventory.

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Cost of sales | 7,994 | 12,955 |
| General and administrative expenses | 1,777 | 1,078 |
| Distribution expenses | 26 | 26 |
| Other expenses | 198 | 105 |
| **Total depreciation and amortisation charged to profit or loss** | **9,995** | **14,164** |

## 20 Mine Development Assets

| *In millions of Kazakhstani Tenge* | Field preparation | Site restoration costs | Ion exchange resin | Total |
|---|---|---|---|---|
| **At 1 January 2020** | | | | |
| Cost | 47,129 | 2,659 | 1,943 | 51,731 |
| Accumulated depreciation and impairment | (29,617) | (422) | (673) | (30,712) |
| **Carrying amount** | **17,512** | **2,237** | **1,270** | **21,019** |
| Additions | 3,875 | - | - | 3,875 |
| Transfers from inventory | 179 | - | 500 | 679 |
| Depreciation charge | (4,100) | (102) | (115) | (4,317) |
| Changes in accounting estimates | (147) | (1,280) | - | (1,427) |
| **At 31 December 2020** | | | | |
| Cost | 51,036 | 1,379 | 2,443 | 54,858 |
| Accumulated depreciation and impairment | (33,717) | (524) | (788) | (35,029) |
| **Carrying amount** | **17,319** | **855** | **1,655** | **19,829** |
| Additions | 3,531 | - | - | 3,531 |
| Transfers from inventory | 413 | - | 225 | 638 |
| Depreciation charge | (3,690) | (198) | (134) | (4,022) |
| Disposal | (6,498) | - | (126) | (6,624) |
| Changes in accounting estimates | (18) | (91) | - | (109) |
| **At 31 December 2021** | | | | |
| Cost | 42,355 | 1,078 | 2,541 | 45,974 |
| Accumulated depreciation and impairment | (31,298) | (512) | (921) | (32,731) |
| **Carrying amount** | **11,057** | **566** | **1,620** | **13,243** |

The site restoration costs are capitalised when the Company recognises provision for site restoration for each field operated by the Company. The carrying value of the provision and site restoration assets is reassessed at each reporting period end (Note 33).

## 21 Mineral Rights

| *In millions of Kazakhstani Tenge* | |
|---|---|
| **At 1 January 2020** | |
| Cost | 215,727 |
| Accumulated amortisation and impairment | (19,786) |
| **Carrying amount** | **195,941** |
| Amortisation charge | (9,621) |
| **At 31 December 2020** | |
| Cost | 215,727 |
| Accumulated amortisation and impairment | (29,407) |
| **Carrying amount** | **186,320** |
| Additions | 1,116 |
| Disposal | (202) |
| Amortisation charge | (10,573) |
| **At 31 December 2021** | |
| Cost | 216,142 |
| Accumulated amortisation and impairment | (39,481) |
| **Carrying amount** | **176,661** |

## 22 Exploration and Evaluation Assets

| *In millions of Kazakhstani Tenge* | Tangible assets | Intangible assets | Total |
|---|---|---|---|
| **Carrying value** | | | |
| At 1 January 2020 | 18,746 | 2,525 | 21,271 |
| Additions | 928 | - | 928 |
| Impairment accrual | (23) | - | (23) |
| Change in estimates | (1,032) | - | (1,032) |
| **At 31 December 2020** | **18,619** | **2,525** | **21,144** |
| Additions | 2,163 | - | 2,163 |
| Disposal | (2,011) | - | (2,011) |
| Impairment recovered | 2,011 | - | 2,011 |
| Change in estimates | (62) | - | (62) |
| **At 31 December 2021** | **20,720** | **2,525** | **23,245** |

## 23 Investments in Subsidiaries

| *In millions of Kazakhstani Tenge* | Principal activity | 2021 Ownership | 2021 Value | 2020 Ownership | 2020 Value |
|---|---|---|---|---|---|
| DP Ortalyk LLP | Exploration, production, processing and sale of uranium products | 51% | 19,884 | 100% | 38,989 |
| Baiken-U LLP | Exploration, production, processing and sale of uranium products | 52.5% | 36,115 | 52.5% | 36,115 |
| Trade and Transportation Company LLP | Procurement and transportation services | 94% | 33,348 | 94% | 32,872 |
| Kazatomprom-SaUran LLP | Exploration, production, processing and sale of uranium products | 100% | 31,850 | 100% | 22,934 |
| RU-6 LLP | Exploration, production, processing and sale of uranium products | 100% | 12,546 | 100% | 12,545 |
| JV Khorasan-U | Exploration, production, processing and sale of uranium products | 50% | 9,717 | 50% | 9,717 |
| APPAK LLP | Exploration, production, processing and sale of uranium products | 65% | 3,961 | 65% | 3,961 |
| KAP Technology LLP | Communication services | 100% | 3,758 | 100% | 3,696 |
| Ulba Metallurgical Plant JSC | Production and processing of uranium materials, production of rare metals and semiconductor materials | 94.33% | 4,405 | 90.18% | 2,434 |
| High Technology Institute LLP | Research and development, project design and engineering consulting services | 100% | 1,213 | 100% | 1,213 |
| Kazakatom TH AG | Marketing function for sale of uranium, investment and administration of finances, goods and rights | 100% | 522 | 100% | 522 |
| Volkovgeologiya JSC | Exploration and research of uranium reserves, drilling services, monitoring of radiation level and environment conditions | 88.19% | 336 | 65.1% | 84 |
| Qorgan-Security LLP | Security services | 100% | 67 | 100% | 67 |
| JV Inkai LLP | Exploration, production, processing and sale of uranium products | 60% | 20 | 60% | 20 |
| Kazatomprom-Damu LLP | Consulting services on the Company's investment activity | - | - | 85% | - |
| MK KazSilicon LLP | Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste | - | - | 100% | - |
| Kazakhstan Solar Silicon LLP | Production of silicon of solar quality, silicon slices and photovoltaic slices | - | - | 100% | - |
| Astana Solar LLP | Production of photovoltaic modules | - | - | 100% | - |
| **Total investments in subsidiaries** | | | **157,742** | | **165,169** |

All entities are incorporated and operate on the territory of the Republic of Kazakhstan, except for Kazakatom TH AG, which is incorporated in Switzerland and EAL that is registered in the British Virgin Islands.

## 23 Investments in Subsidiaries (Continued)

***Ulba Metallurgical Plant JSC***

Together with the Chinese company China General Nuclear Power Corporation (CGNPC), the Company is involved in the construction of a fuel assembly plant in Kazakhstan with a capacity to supply Chinese nuclear power plants with up to 200 tons of enriched uranium per annum. In December 2015, subsidiaries of the Company and CGNPC established a joint venture Ulba-FA LLP with 51% and 49% respective interests, which is responsible for construction and operation of the plant. The fuel assembly plant was commissioned in December 2020. During 2021, the plant was certified by the owner of the technology for the production of fuel assemblies - the French company Framatome, as well as the procedure for recognition as a certified supplier of nuclear fuel to nuclear power plants in China from the end user of the plant's products - the Chinese company CGNPC Uranium Resources Company Limited (hereinafter - CGNPC-URC).

In September 2021, the certification of the Ulba-FA LLP plant for the production of fuel assemblies (FA) was completed and Framatome issued a Certificate of certification for the production of fuel assemblies of AFA 3G AA design. In addition, in October 2021, the Ulba-FA LLP plant was recognized as a certified supplier of the Chinese company CGNPC-URC for the supply of fuel assemblies of AFA 3GAA design to nuclear power plants in China. On 10 November 2021, the solemn launch of the Ulba-FA LLP plant took place with the participation of the management of Samruk-Kazyna JSC, NAC Kazatomprom JSC, UMP JSC, the China Atomic Energy Agency, CGN, Framatome and the East Kazakhstan areas. Ulba-FA LLP has started work to ensure the production and supply of fuel assemblies according to placed Orders under the Long-term contract for the supply of fuel assemblies between Ulba-FA LLP and CGNPC-URC, which entered into force in May 2021.

## 24 Investments in Associates

The table below presents the Company’s interests in its principal associates:

| | | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|
| | **Country of incorpo-ration** | **Principal activities** | **Ownership/ voting rights** | **In millions of Kazakhstani Tenge** | **Ownership/ voting rights** | **In millions of Kazakhstani Tenge** |
| Kyzylkum LLP | Kazakhstan | Production of sulphuric acid | 50% | 7,621 | 50% | 7,621 |
| JV Zarechnoe JSC | Kazakhstan | Extraction, processing and export of uranium products | 49.98% | 6,727 | 49.98% | 6,727 |
| JV KATKO LLP | Kazakhstan | Extraction, processing and export of uranium products | 49% | 71 | 49% | 71 |
| JV South Mining Chemical Company LLP JV | Kazakhstan | Extraction, processing and export of uranium products | 30% | 19 | 30% | 19 |
| Caustic JSC | Kazakhstan | Supply of caustic soda | 40% | - | 40% | - |
| SSAP LLP (former JV SKZ Kazatomprom LLP) | Kazakhstan | Extraction, processing and export of uranium products | 9.89% | - | 9.89% | - |
| **Total investments in associates** | | | | **14,438** | | **14,438** |

All of the above associates are accounted for at cost less impairment where necessary.

## 25 Investments in Joint Ventures

The Company’s interests in its principal joint ventures were as follows:

| | | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|
| | **Country of incorporation** | **Principal activity** | **Interest held** | **In millions of Tenge** | **Interest held** | **In millions of Tenge** |
| JV Budenovskoe LLP | Kazakhstan | Extraction, processing and export of uranium products | 51% | 11,687 | 51% | 11,687 |
| Semizbay-U LLP | Kazakhstan | Extraction, processing and export of uranium products | 51% | 11,264 | 51% | 11,264 |
| SKZ-U LLP | Kazakhstan | Production of sulphuric acid | 49% | 3,833 | 49% | 3,833 |
| Uranenergo LLP | Kazakhstan | Transfer and distribution of electricity, grid operations | 47.86% | - | 53.84% | 345 |
| JV UKR TVS CJSC | Ukraine | Production of nuclear fuel | 33.33% | - | 33.33% | - |
| **Total investments in joint ventures** | | | | **26,784** | | **27,129** |

All of the above joint ventures are accounted for in these financial statements at cost less impairment where necessary.

## 26 Accounts Receivable

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Trade accounts receivable | 129,713 | 92,224 |
| Trade accounts receivable from related parties | 85,757 | 41,751 |
| **Total gross trade accounts receivable** | **215,470** | **133,975** |
| Provision for impairment of accounts receivable | (131) | (82) |
| Provision for impairment of accounts receivable from related parties | (71) | (23) |
| **Total net trade accounts receivable** | **215,268** | **133,870** |
| Other accounts receivable | 55 | 48 |
| Other accounts receivable from related parties | 3 | 35 |
| Provision for impairment of other accounts receivable | (44) | (42) |
| Provision for impairment of other accounts receivable from related parties | - | (1) |
| **Total net other accounts receivable** | **14** | **40** |
| **Total current accounts receivable** | **215,282** | **133,910** |

Information on the Company's exposure to credit and currency risks and provision for impairment for accounts receivable is disclosed in Note 37.

## 27 Other Assets

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| **Non-current** | | |
| VAT Receivable | 11,315 | 14,544 |
| Restricted cash | 1,617 | 1,394 |
| Right of use assets | 696 | 764 |
| Prepaid expenses | 298 | 401 |
| Long-term inventories | 220 | 413 |
| Financial assets, measured at amortised cost | 179 | 324 |
| Loans to employees | 126 | 192 |
| Financial derivative asset | - | 1,048 |
| Other | 75 | 82 |
| **Total other non-current assets** | **14,526** | **19,162** |
| **Current** | | |
| Advances for goods and services | 1,001 | 1,551 |
| Prepaid expenses | 1,208 | 1,247 |
| Prepaid insurance | 542 | 553 |
| Advances to related parties for goods and services | 610 | 26 |
| Prepaid taxes other than income tax | 96 | 112 |
| Due from employees | 67 | 95 |
| Other non-financial assets | 7 | - |
| **Total other current assets** | **3,531** | **3,584** |

Financial assets within other current and non-current assets include restricted cash, loans to employees and dividends receivable. Other current and non-current assets are non-financial assets.

## 28 Inventories

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Finished goods and goods for resale | 278,904 | 172,718 |
| *Including uranium products* | *278,904* | *172,718* |
| Work-in-process | 1,402 | 2,402 |
| Other materials | 539 | 591 |
| Provision for obsolescence and write down to net realisable value | (39) | (60) |
| **Total inventories** | **280,806** | **175,651** |

Movements in the provision for obsolescence are as follows:

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Balance at 1 January | 60 | 672 |
| Provision for the year | 44 | 11 |
| Reversal of provision for the year | - | (623) |
| Inventory write off during the year | (65) | - |
| **Balance at 31 December** | **39** | **60** |

## 29 Loans to Related Parties

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| **Non-current** | | |
| Kyzylkum LLP | 5,547 | 8,495 |
| Provision for impairment | (54) | (72) |
| **Total non-current loans** | **5,493** | **8,423** |
| **Current** | | |
| Kyzylkum LLP | 3,170 | 3,089 |
| Uranenergo LLP | 187 | - |
| Volkovgeologiya JSC | 2,004 | 1,500 |
| Provision for impairment | - | (1) |
| **Total current loans** | **5,361** | **4,588** |

In 2010, the Company provided an interest-bearing long-term loan to Kyzylkum LLP with maturity in 2024. The loan is collateralised by the property of Kyzylkum LLP. From December 2015, JV Khorasan-U LLP is a co-borrower of the loan to Kyzylkum LLP and is a guarantor of the loan.

In June 2021, the Company provided repayable financial assistance to Uranenergo LLP secured by the property in the form of a revolving credit line with a term until June 30, 2023 to replenish working capital. As part of this line, cash tranches for up to 12 months can be provided.

In December 2021, the Company provided JSC Volkovgeologia with a three-year revolving credit line to replenish working capital, including the refinancing of debt from financial assistance provided in 2020. Under this line, unsecured loans for up to 12 months can be provided.

The weighted average annual interest rate on loans to related parties in 2021 was 8.44% (2020: 8.5%). According to internal estimates, the level of credit risk for this loan is at an acceptable level.

## 30 Cash and Cash Equivalents

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Current bank accounts | 27,427 | 24,342 |
| Demand deposits | 950 | 7,118 |
| Reverse repo transactions | - | 3,118 |
| Expected credit losses | (5) | (6) |
| **Total cash and cash equivalents** | **28,372** | **34,572** |

## 31 Share Capital

At 31 December 2021, the total number of authorised and paid ordinary shares of the Company is 259,356,608 (2020: 259,356,608), of which, Samruk-Kazyna JSC owned 75% and 25% shares / global depositary receipts were on a free float listed on the London Stock Exchange (LSE) and the Astana International Exchange (AIX). Nominal value of one share is Tenge 142.9. One GDR represents a share in one share. Each ordinary share carries the right to one vote.

Dividends declared and paid during the year were as follows:

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Dividends payable at 1 January | - | - |
| Dividends declared during the year | 150,082 | 99,002 |
| Dividends paid during the year | (150,082) | (99,002) |
| **Dividends payable at 31 December** | **-** | **-** |
| **Dividends per share declared during the year, in Tenge** | **579** | **382** |

## 32 Loans and Borrowings

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| **Non-current** | | |
| Bonds issued | 77,700 | 76,300 |
| **Total non-current loans and borrowings** | **77,700** | **76,300** |
| **Current** | | |
| Bonds issued | 803 | 788 |
| **Total current loans and borrowings** | **803** | **788** |

Information about the Company’s loans and borrowings is presented below:

| *In millions of Kazakhstani Tenge* | Currency | Maturity | 2021 | 2020 |
|---|---|---|---|---|
| **Bonds issued** | | | | |
| Bonds issued | US Dollar | 2024 | 78,503 | 77,088 |
| **Total loans and borrowings** | | | **78,503** | **77,088** |

The Company's financial liabilities are represented by bonds placed on the organized securities market of Kazakhstan Stock Exchange JSC (“KASE”). The company placed 70 million US Dollar-indexed bonds on 27 September 2019 with a maturity of 27 October 2024 and a coupon of 4% per annum. The nominal value of one bond is Tenge 1,000. In 2021, the weighted average annual interest rate on loans was 3.89% (2020: 3.57%).

## 32 Loans and Borrowings (Continued)

***Reconciliation of debt***

The table below shows an analysis of the debt amount and changes in the Company's liabilities arising from financing activities for each of the periods presented. These liabilities are reflected in the statement of cash flows as part of finance activities.

| *In millions Kazakhstani Tenge* | **Lease liabilities** | **Loans and borrowings** | **Total** |
|---|---|---|---|
| Net debt at 1 January 2020 | 983 | 141,864 | 142,847 |
| Proceeds from loans and borrowings | - | 106,205 | 106,205 |
| Repayment of debt | (289) | (182,439) | (182,728) |
| Interest accrued | 70 | 4,157 | 4,227 |
| Interest payment | (89) | (4,058) | (4,147) |
| Foreign currency translation | - | 11,359 | 11,359 |
| Other non-cash changes | (168) | - | (168) |
| **Net debt at 31 December 2020** | **507** | **77,088** | **77,595** |
| Proceeds from loans and borrowings | - | 65,525 | 65,525 |
| Repayment of debt | (370) | (65,821) | (66,191) |
| Interest accrued | 38 | 3,129 | 3,167 |
| Interest payment | (99) | (3,115) | (3,214) |
| Foreign currency translation | - | 1,697 | 1,697 |
| Other non-cash changes | 51 | - | 51 |
| **Net debt at 31 December 2021** | **127** | **78,503** | **78,630** |

## 33 Provisions

| *In millions of Kazakhstani Tenge* | **Site restoration** |
|---|---|
| **At 1 January 2020** | |
| Non-current | 5,832 |
| **Total** | **5,832** |
| Unwinding of discount | 420 |
| Change in estimates | (2,460) |
| **At 31 December 2020** | |
| Non-current | 3,792 |
| **Total** | **3,792** |
| Unwinding of discount | 195 |
| Disposal | (733) |
| Change in estimates | (29) |
| **At 31 December 2021** | |
| Non-current | 3,225 |
| **Total** | **3,225** |

## 33 Provisions (Continued)

***Provision for restoration of mine sites***

The Company estimated the site restoration costs for each mine operated by the Company as of the year end. The undiscounted estimated cost of reclamation activities is Tenge 15,201 million (2020: Tenge 20,001 million). The amount of provision for asset retirement obligations was calculated using current prices (the prices effective at the reporting date) for expenditures to be incurred and then inflated using the forecast inflation rate effective for the period until the settlement of obligations (5.12% for the period 2021-2038). The present value at 31 December 2021 has been estimated using a discount rate of 9.85% (2020: 9.87 %), which 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 mine (Note 4).

Changes in estimates occur due to annual revision of costs for site liquidation including newly drilled wells, sand traps and other facilities subject to subsequent liquidation.

In accordance with the terms of the subsurface use agreements the Company places cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2021 the accumulated amount of such restricted deposits was 5,897 million tenge (2020: 5,756 million tenge).

The Company performs mining activities together with another participant at Budenovskoye mine blocks 1, 2, 3, 4.

Key assumptions, 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 Company will proceed to development and production stages for its fields which are currently under exploration. This fact set out a constructive obligation for the Company to recognize the site restoration provision for 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 the expenditures is expected to occur –up to 2045, at the end of the life of the mines.

## 34 Accounts Payable

| *In millions of Kazakhstani Tenge* | **2021** | **2020** |
|---|---|---|
| **Current** | | |
| Trade accounts payable to related parties | 216,234 | 116,898 |
| Trade accounts payable | 17,613 | 9,200 |
| **Total trade accounts payable** | **233,847** | **126,098** |
| Other accounts payable to related parties | - | - |
| Other accounts payable | 130 | 122 |
| **Total other accounts payable** | **130** | **122** |
| **Total current accounts payable** | **233,977** | **126,220** |

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 37.

## 35 Other Liabilities

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| **Non-current** | | |
| Liabilities under inventory loan agreements | 13,461 | - |
| Advances received | 3,737 | 3,632 |
| Issued financial guarantees | 25 | 49 |
| Historical costs liabilities | - | 38 |
| Other liabilities | 289 | - |
| **Total non-current other liabilities** | **17,512** | **3,719** |
| **Current** | | |
| Liability under uranium swap transactions | 15,355 | 11,588 |
| Liabilities under contracts with customers | 9,252 | - |
| Joint operations liabilities | 4,569 | - |
| Liability for social sphere contribution | 3,000 | - |
| Accrued unused vacation payments and bonuses | 2,244 | 2,188 |
| Advances received | 287 | 546 |
| Wages and salaries payable | 218 | 336 |
| Social contributions payable | 132 | 120 |
| Liabilities under inventory loan agreements | 99 | 10,522 |
| Issued financial guarantees | 90 | 94 |
| Historical costs liabilities | - | 175 |
| Other liabilities | 686 | 33 |
| **Total current other liabilities** | **35,932** | **25,602** |

Joint operations liabilities represent obligations of the Company under the terms of the joint operations contractual agreements that require equal volumes of uranium to be purchased during the period by the participants. In 2021 the Company did not purchase the required volume.

The liability for social sphere contributions relates to a joint operation (Akbastau). As part of measures taken to amend the subsoil use contract of the joint operation, an agreement was reached during the year with the competent authority for Akbastau to make expenditures amounting to Tenge 3 billion to the region in which it carries out mining operations.

## 36 Contingencies and Commitments

### *Tax legislation*

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. In particular, existing subsurface use contracts do not have tax stability from 1 January 2009 and tax liabilities are computed under common regime. This could result in unfavourable changes to subsurface users' tax positions, including those of the Company. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest. Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax positions will be sustained. In the opinion of the Company's management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision or disclosures that have been made in these separate financial statements. In 2021, the Company calculated corporate income tax for previous periods in the amount of 2,917 million tenge, including corporate income tax for the declaration for 2020 on income of a controlled foreign company in the amount of 2,170 million tenge.

### *Transfer pricing legislation*

Under law on transfer pricing international transactions are subject to state control. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in international transactions, including existence of the documentation supporting the prices and differentials.

## 36 Contingencies and Commitments (Continued)

Additionally, differentials could not be applied to the international transactions with companies registered in off-shore countries. In case of deviation of transaction price from market price the tax authorities have the right to adjust taxable items and to impose additional taxes, fines and interest penalties.

During the audits, the tax authorities raised a general issue of transfer pricing for the Company regarding the documentary confirmation of the transport differential in China for subsidiaries and affiliates that was previously confirmed in practice by a letter from CNEIC, the maximum estimated amount of risk of which is Tenge 2,973 million. This procedure was included in the Rules (Methodology) for pricing natural uranium concentrate in 2021 to consolidate the existing practice.

Regardless of the inherent risks that the tax authorities may question transfer pricing policy of the Company related to the law on transfer pricing, the management of the Company believes that it will be able to sustain its position in case if transfer pricing policy of the Company will be challenged by the tax authorities. From 1 January 2009 the Company self-assesses additional income tax to reflect market prices. The amount of recognized additional income tax in 2021 was Tenge 5,369 million (2020: Tenge 1,308 million) (Note 17).

As a result of audit conducted by tax authorities, the Company was presented additional corporate income tax in the amount of Tenge 6,282 million on various transfer pricing issues. The most significant issue in the amount of Tenge 4,320 million was made for short-term contracts concluded under the Framework Agreements. The Group is preparing to discuss controversial issues with the tax authorities and intends to make every effort to resolve the issue positively.

### *Compliance with subsoil use contractual obligations*

In accordance with the terms of the subsoil use contracts, the mining entities are required to comply with the obligations specified therein. Failure to comply with the conditions stipulated by subsoil use contracts may lead to negative consequences, including termination of contracts, fines and penalties. Under current subsoil use legislation, the payment of penalty does not relieve subsurface user from fulfillment of stated obligations in full.

In 2020 in order to prevent the spread of coronavirus infection, the Company undertook a number of measures during the year including suspension of mining preparation and repair and restoration. In this regard, production plans for 2020 were adjusted. As a result, deviations from the contractual obligations or production exceeded the levels acceptable under relevant regulations of the Republic of Kazakhstan. The Company received certificates of the occurrence of force majeure from appropriate government authorities and sent notifications to the Competent authority about the reduction in production volumes due to the occurrence of force majeure. The Company initiated actions to sign amendments to subsoil use contracts during 2021 and update the minimum working programs to take into account reduced production volumes and financial obligations; as of 31 December 2021 the amendments were not signed by government authorities.

### *Insurance*

The Kazakhstani insurance industry is in development stage, and many forms of insurance protection common in other countries are not yet available. In 2021, the implementation of the Corporate Property Insurance Program for the Company against “all risks” of death, loss or damage as a result of accidental and unforeseen direct physical impact (excluding equipment breakdown/failure and interruption in production) was launched.

The Company does not have full insurance coverage for risks related to its mining activities and production facilities, including for damages caused by the stoppage of production or obligations incurred to third parties in connection with damages caused to the property or the environment resulting from accidents or operations.

The Company provides Directors’ & Officers’ Liability insurance (D&O). D&O insurance policies offer liability cover for the Company’s managers to protect them from claims which may arise from decisions and actions taken (“alleged wrongful acts”) within the scope of their regular duties. The terms of the policy prohibit disclosure of the amount of the insurance coverage.

### *Guarantees*

Guarantees are irrevocable assurances that the Company will make payments in the event that another party cannot meet its obligations. The maximum exposure to credit risk under financial guarantees, provided to secure financing of certain related parties, at 31 December 2021 is Tenge 5,220 million (2020: Tenge 15,216 million) (Note 7).

## 36 Contingencies and Commitments (Continued)

***Compliance with covenants***

The Company is subject to certain covenants related primarily to its liabilities under credit lines and guarantee agreements. The Company complied with all applicable covenants as of 31 December 2021 and 31 December 2020 and during the periods then ended.

***Legal proceedings***

From time to time and in the normal course of business, claims against the Company may be received. During 2021 and as of 31 December 2021 there were no material claims or litigations against the Company. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims.

***Environmental obligations***

*Changes in the Environmental Code*

In 2021, a new Environmental Code came into force in the Republic of Kazakhstan. One of the provisions in this Code requires the obtaining of integrated environmental permits associated with the use of the best available techniques (BAT) to be issued by Committee for Environmental Regulation and Control of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan. At the first stage of implementation of the Code, the fifty largest enterprises from the oil and gas, mining and metallurgical, chemical and electric power industries will be required to obtain BAT permits. The uranium mining enterprises of the Company were not included in the list of the fifty largest enterprises. According to the new Code, currently uranium mining and processing activities do not require the introduction of BAT. However, this situation may change.

Until a full assessment is completed, it is not possible to assess the financial implications of the new requirements of the new Kazakhstani Ecological Code, but the cost of complying with environmental requirements is expected to increase, either in the form of additional investment required for waste management and the development of appropriate monitoring processes, or in the form of higher fees for waste production.

## 37 Financial Risk Management

Accounting policies and disclosures in respect of financial instruments are applied to the following classes of financial instruments:

| *In millions of Kazakhstani Tenge* | Note | 2021 | 2020 |
|---|---|---|---|
| **Financial assets** | | | |
| Trade accounts receivable | 26 | 215,268 | 133,870 |
| Term deposits | | 43,235 | 15 |
| Current bank accounts | 30 | 27,422 | 24,336 |
| Loans to related parties | 30 | 10,854 | 13,011 |
| Short term securities | | 5,045 | 5,098 |
| Restricted cash | 27 | 1,617 | 1,394 |
| Demand deposits | 30 | 950 | 7,118 |
| Financial assets, measured at amortised cost | | 179 | 324 |
| Loans to employees | 27 | 126 | 192 |
| Other accounts receivable | 26 | 14 | 40 |
| Reverse repo transactions | 30 | - | 3,118 |
| Financial derivative asset | | - | 1,048 |
| **Total financial assets** | | **304,710** | **189,564** |
| **Financial liabilities** | | | |
| Trade accounts payable | 34 | 233,847 | 126,098 |
| Bonds issued | 32 | 78,503 | 77,088 |
| Other accounts payable | 34 | 129 | 122 |
| Lease liability | | 127 | 507 |
| Provision for guarantees | 35 | 115 | 143 |
| Historical costs liabilities | 35 | - | 213 |
| **Total financial liabilities** | | **312,721** | **204,171** |

Financial risk comprises market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The primary objective of the financial risk management policy is to establish risk limits, and then ensure that exposure to risks stays within these limits. Risk management policies and systems are regularly analysed for the need of revision due to changes in market conditions and the Company operations. The Company sets standards and training and management procedures to create streamlined and effective system of controls where all employees understand their roles and responsibilities. The primary objective of the Company's risk management functions is to establish and monitor compliance with approved policies and procedures.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's policy for management of capital. Further quantitative disclosures are included throughout these separate financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Management Board has established a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Management Board and the Board of Directors on its activities.

***Credit risk***

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets. Financial assets, which potentially expose the Company to credit risk, consist mainly of trade and other receivables, cash and cash equivalents, term deposits and loans to employees and related parties.

## 37 Financial Risk Management (Continued)

The Company's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statements of financial position and the nominal amount of financial guarantees. The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with the highest available (in Kazakhstan) credit ratings assigned by international credit rating agencies. The table below shows credit ratings of banks where the Company had placements as at 31 December 2021:

| *In millions of Kazakhstani Tenge* | **Rated Standard & Poor's AAA – A-** | **Rated Standard & Poor's BBB+ – BBB-** | **Rated Standard & Poor's BB+ – B-** | **Others** | **Total** |
|---|---|---|---|---|---|
| Current bank accounts | 342 | 23,803 | 3,276 | 2 | 27,422 |
| Demand deposits | 950 | - | - | - | 950 |
| Restricted cash | 24 | 597 | 996 | - | 1,617 |
| Term deposits | - | 43,220 | 15 | - | 43,235 |
| **Total** | **1,316** | **67,620** | **4,287** | **2** | **73,224** |

The table below shows credit ratings of banks where the Company had placements as at 31 December 2020:

| *In millions of Kazakhstani Tenge* | **Rated Standard & Poor's AAA – A-** | **Rated Standard & Poor's BBB+ – BBB-** | **Rated Standard & Poor's BB+ – B-** | **Others** | **Total** |
|---|---|---|---|---|---|
| Current bank accounts | 430 | 13,638 | 10,266 | 2 | 24,336 |
| Demand deposits | 21 | - | 7,097 | - | 7,118 |
| Restricted cash | 26 | - | 1,368 | - | 1,394 |
| Term deposits | - | - | 15 | - | 15 |
| **Total** | **477** | **13,638** | **18,746** | **2** | **32,863** |

The Company's exposure to credit risk in respect of trade accounts receivable is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has no significant influence on credit risk. The Company is exposed to concentration of credit risk. In 2021, approximately 54% of the Company's revenue (2020: 78%) and 31% of trade accounts receivable (2020: 73%) is attributable to sales transactions with six main customers. The Company defines counterparties as having similar characteristics if they are related entities.

The Company applies a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company does not require collateral in respect of trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was (by registration place of counterparty):

| *In millions of Kazakhstani Tenge* | **2021** | **2020** |
|---|---|---|
| European Union | 79,808 | 63,231 |
| China | 66,703 | 33,891 |
| USA | 27,862 | 11 |
| Russia | 19,044 | 18,366 |
| United Kingdom | 11,182 | 13,265 |
| Kazakhstan | 10,573 | 3,825 |
| Canada | 96 | - |
| Argentina | - | 1,222 |
| Brasil | - | 59 |
| **Total** | **215,268** | **133,870** |

The average credit period on sales of goods is 30-90 days. No interest is charged on receivables for the first 30 days from the date of the invoice.

## 37 Financial Risk Management (Continued)

***Expected Credit Loss (ECL) measurement***

Measurement of ECLs is an estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk ("SICR"), probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Company used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Several assumptions that are easily interpretable can be selected for analysis: GDP growth rate, inflation rate, exchange rate, crude oil price and current economic indicator. Final macroeconomic scenario includes only historically observed values of the inflation rate and the share of overdue loans. Forward-looking information is included in parameters of PD within the horizon of the next year after the reporting date. In addition, to calculate credit losses, the corporate average cumulative default probabilities are updated annually according to S&P's Annual Global Corporate Default Study and Rating.

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period.

Presented below is the provision matrix for trade receivables based on overdue balances as of 31 December 2021.

| *In % of gross value* | **Loss rate** | **Gross carrying amount** | **Lifetime ECL** |
|---|---|---|---|
| **Trade accounts receivable** | | | |
| - current | 0.07% | 212,403 | (146) |
| - 30 – 90 days overdue | 1.57% | 3,059 | (48) |
| - over 360 days overdue | 100% | 8 | (8) |
| **Total trade accounts receivables (gross carrying amount)** | | **215,470** | |
| Credit loss allowance | | | **(202)** |
| **Total trade accounts receivables (net carrying amount)** | | **215,268** | |

Presented below is the provision matrix for trade accounts receivable as of 31 December 2020:

| *In % of gross value* | **Loss rate** | **Gross carrying amount** | **Lifetime ECL** |
|---|---|---|---|
| **Trade accounts receivable** | | | |
| - current | 0.06% | 130,652 | (81) |
| - 30 – 90 days overdue | 0.15% | 3,304 | (5) |
| - over 360 days overdue | 100% | 19 | (19) |
| **Total trade accounts receivables (gross carrying amount)** | | **133,975** | |
| Credit loss allowance | | | **(105)** |
| **Total trade accounts receivables (net carrying amount)** | | **133,870** | |

## 37 Financial Risk Management (Continued)

The following table explains the changes in the credit loss allowance for trade and other receivables between the beginning and the end of 2021 as well as impairment provision for trade and other receivables during 2020:

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Impairment provision at 1 January | (105) | (388) |
| Increase during the year | (165) | (42) |
| Reversal | 68 | 325 |
| **Credit loss allowance as of 31 December** | **(202)** | **(105)** |

Credit risk exposure in respect of loans to related parties (Note 29) and loans to employees (Note 27) arises from possibility of non-repayment of provided funds. For loans to joint ventures and associates and employees the Company manages the credit risk by requirement to provide collateral in lieu of borrowers' property. In respect of loans given to subsidiaries the Company decreases the risk via participation in cash flow management of the borrowers. Borrowers do not have a credit rating.

### *Liquidity risk*

The Company seeks to maintain a stable funding base primarily consisting of borrowing, trade and other payables and debt securities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressful conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Below is a summary of the Company's undrawn borrowing facilities and available cash and cash equivalents, including term deposits, which are the important instruments in managing the liquidity risk:

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Undrawn borrowing facilities | 174,879 | 241,602 |
| Term deposits | 43,220 | - |
| Current deposits | 950 | 7,118 |
| Current bank accounts | 27,427 | 24,342 |
| Reverse repo transactions | - | 3,118 |
| **Total** | **246,476** | **276,180** |

The table below shows liabilities at the reporting date by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statements of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The following are the contractual maturities of financial liabilities at 31 December 2021:

| *In millions of Kazakhstani Tenge* | Carrying value | Contractual cash flows | On demand ınd less than 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| Trade accounts payable | 233,847 | 233,847 | - | 233,847 | - | - | - |
| Bonds issued | 78,503 | 88,589 | - | - | 3,896 | 84,693 | - |
| Provision for financial guarantees | 115 | 21,154 | - | 21,154 | - | - | - |
| Financial lease liabilities | 127 | 243 | - | 32 | 96 | 115 | - |
| Other accounts payable | 130 | 129 | - | 129 | - | - | - |
| **Total** | **312,722** | **343,962** | **-** | **255,162** | **3,992** | **84,808** | **-** |

## 37 Financial Risk Management (Continued)

The above table does not include a potential cash outflow that might be required if put option relating to DP Ortalyk LLP and Ulba-FA LLP are exercised pursuant to put option mechanism. This is because the Group assessed it controls the exercise of such put options and therefore has no unavoidable obligation to pay cash (see more in Note 1).

The following are the contractual maturities of financial liabilities at 31 December 2020:

| *In millions of Kazakhstani Tenge* | **Carrying value** | **Contrac-tual cash flows** | **On demand and less than 1 month** | **From 1 to 3 months** | **From 3 months to 1 year** | **From 1 to 5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|---|
| Trade accounts payable | 126,098 | 129,536 | - | 129,536 | - | - | - |
| Bonds issued | 77,088 | 88,589 | - | - | 3,896 | 84,693 | - |
| Provision for financial guarantees | 143 | 19,390 | - | 19,390 | - | - | - |
| Historical cost liabilities | 213 | 219 | - | 44 | 131 | 44 | - |
| Financial lease liabilities | 507 | 543 | - | 126 | 302 | 115 | - |
| Other accounts payable | 122 | 122 | - | 122 | - | - | - |
| **Total** | **204,171** | **238,399** | **-** | **149,218** | **4,329** | **84,852** | **-** |

### *Market risk*

The Company takes on exposure to market risks. Market risk is the risk that changes in market prices will have a negative impact on the Company's income or the value of its financial instrument holdings. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimising the return on investments. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

### *Currency risk*

The Company is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the functional currency. Borrowings are denominated in currencies that match the cash flows generated by operating entities in the Company. Therefore, in most cases, economic hedging is achieved without derivatives. In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by planning future expenses taking into consideration the currency of payment.

The Company is mainly exposed to the risk of US Dollar currency fluctuations. The Company's exposure to currency risk was as follows:

| *In millions of Kazakhstani Tenge* | **2021** | **2020** |
|---|---|---|
| **Denominated in US Dollar** | | |
| Trade accounts receivable | 193,916 | 126,671 |
| Loans to related parties* | 8,660 | 11,511 |
| Cash and cash equivalents | 5,674 | 13,603 |
| Restricted cash | - | 1,183 |
| Other assets | 1,597 | 65 |
| **Total assets** | **209,847** | **153,033** |
| Bonds issued* | (78,503) | (77,088) |
| Trade accounts payable | (7,483) | (101) |
| Other financial liabilities | (17,381) | (10,522) |
| **Total liabilities** | **(103,367)** | **(87,711)** |
| **Net exposure to currency risk** | **106,480** | **65,322** |

* loans to related parties and bonds issues are denominated in Tenge but are subject to indexation in case of US Dollar/Tenge exchange rate fluctuations.

## 37 Financial Risk Management (Continued)

A 13% weakening and 10% strengthening of Tenge against US Dollar as at 31 December 2021 (2020: 14% and 11%) would increase/(decrease) equity and profit or loss by the amounts shown below.

| *In millions of Kazakhstani Tenge* | **2021** | **2020** |
|---|---|---|
| US Dollar strengthening by 13% (2020: 14%) | 11,074 | 7,316 |
| US Dollar weakening by 10% (2020: 11%) | (8,518) | (5,748) |

Movements of Tenge against US Dollar above represent reasonably possible changes in market risk estimated by analysing annual standard deviations based on the historical market data for 2021.

*Price risk on the uranium products*

The Company is exposed to the effect of price fluctuations of uranium quoted in US Dollar in the international markets. The Company prepares an annual budget based on future uranium prices.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Company's control, including, but not limited to:

- demand for uranium used as fuel by nuclear electric stations;
- 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;
- impact of regulations by the International Agency on Nuclear Energy;
- other factors related specifically to uranium industry.

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

*Interest rate risk*

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (floating rate debt). At the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or a floating rate would be more favourable to the Company over the expected period until maturity.

As at 31 December 2021 the Company has obligations in the form of bonds with a fixed interest rate 4.0% (2020: 4.0%).

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

| *In millions of Kazakhstani Tenge* | **2021** | **2020** |
|---|---|---|
| **Fixed rate instruments** | | |
| Term deposits | 43,220 | - |
| Loans to related parties | 10,854 | 13,011 |
| Securities | 4,985 | 5,035 |
| Restricted cash | 1,617 | 1,394 |
| Demand deposits | 950 | 7,118 |
| Bonds issued | (78,503) | (77,088) |
| **Net position** | **(16,877)** | **(55,530)** |

## 37 Financial Risk Management (Continued)

*Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss. However, fixed rate financial assets and financial liabilities are exposed to fair value risk from change in interest rates. Reasonably possible changes in interest rates do not significantly affect fair values of those financial assets and financial liabilities.

*Fair values versus carrying amounts*

The Company believes that the carrying value of financial assets and financial liabilities are recognised in the financial statements approximate their fair value.

In assessing fair values, management uses the following major methods and assumptions: (a) for interest free financial liabilities and financial liabilities with fixed interest rate, financial liabilities were discounted at effective interest rate which approximates the market rate; (b) for financial liabilities with floating interest rate, the fair value is not materially different from the carrying amount because the effect of the time value of money is immaterial.

***Capital management***

The Company's policy is to maintain a strong capital base to safeguard the Company's ability to continue as a going concern, to maintain investor, creditor and market confidence, to provide returns for shareholder, to maintain an optimal capital structure to reduce the cost of capital, and to sustain future development of the business.

According to the mandatory terms of the credit and guarantees agreements, the Company shall comply in all respects with the applicable laws; should not create or permit the creation of obligations with respect to any of its assets or dispose them, except as provided for in credit agreements; obtain permission from lender banks to acquisitions, mergers and disposals as they arise; and the Company may sell uranium for civilian purposes to buyers, located only in those countries that have signed the Treaty on the Non-Proliferation of Nuclear Weapons, and are Members of the International Atomic Energy Agency.

Furthermore, the Company should maintain several key financial indicators at established levels based on such separate financial information of the Company as:

- the debt-to-equity ratio;
- the debt ratio to earnings before interest, taxes, depreciation and amortisation (Debt/EBITDA).

The Company has internal quantitative indicators similar to external ones for capital management purposes.

The Company follows the policy of JSC «Samruk-Kazyna» on borrowings and financial sustainability for risk management purposes by adopting common principles and rules of fundraising and financial sustainability for non-financial organisations.

The Company has complied with all externally and internally imposed capital requirements throughout 2021 and 2020, including above- mentioned requirements related to loans and borrowings.

## 38 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

***Assets and liabilities not measured at fair value but for which fair value is disclosed***

Estimates of all assets and liabilities not measured at fair value but for which fair value is disclosed, except bonds, are level 3 of the fair value hierarchy.

The fair values in level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

***Financial assets carried at amortised cost***

The fair value of floating rate instruments is normally their carrying amount. Estimate of all financial assets carried at amortised cost is level 3 measurement. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

***Liabilities carried at amortised cost***

The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The discount rates used ranged from 4.5% p.a. to 11.8% p.a. depending on the length and currency of the liability.

## 39 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 Financial Instruments classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. All of the Company's financial assets as of the end of reporting period fell into the category AC, except for the financial derivative asset, classified as FVTPL. All of the Company's financial liabilities were carried at AC. Fair value is approximate to carrying amount.

## 40 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The CODM has been identified as the Management Board of the Company headed by the CEO.

***(a) Description of products and services from which each reportable segment derives its revenue***

The Company is a vertically integrated business involved in the production chain of end products – from geological exploration and mining of uranium to marketing and sales and represents one segment "Uranium".

## 40 Segment Information (Continued)

### *(b) Factors that management used to identify the reportable segments*

Segment financial information reviewed by the CODM includes:

- information about income and expenses by business units (segments) based on IFRS figures on a quarterly basis;
- assets and liabilities as well as capital expenditures by segment on a quarterly basis;
- operating data (such as production and inventory volumes) and revenue data (such as sales volumes per type of product, average sales price) are also reviewed by the CODM on a monthly and quarterly basis.

### *(c) Measurement of operating segment profit or loss, assets and liabilities*

The CODM evaluates performance of segment based on gross and net profit. Segment financial information is prepared on the basis of IFRS financial information. As the Company represents one "uranium" segment, presented statement of income or loss and other comprehensive income, statement of financial position shows the segment financial information.

### *(d) Analysis of revenues by products and services*

The Company's revenues are analysed by products and services in Note 8. Information about finance income and costs is disclosed in Note 16.

### *(e) Geographical information*

The Company's main assets are located in the Republic of Kazakhstan. Distribution of the Company's sales between countries on the basis of the customer's country of domicile was as follows:

| *In millions of Kazakhstani Tenge* | **2021** | **2020** |
|---|---|---|
| China | 150,473 | 181,695 |
| United Kingdom (including Jersey and Cayman Islands) | 142,929 | 17,731 |
| Switzerland | 74,885 | 28,997 |
| France | 49,952 | 65,400 |
| USA | 30,685 | 3,683 |
| Russia | - | 68,324 |
| India | - | 32,662 |
| South Korea | - | 9,983 |
| Other | 39,513 | 14,722 |
| **Total revenue** | **488,437** | **423,197** |

## 41 Earnings per Share and Book Value per Share

On September 2019, the Company issued 70 million bonds indexed to US Dollars on the organised securities market of Kazakhstan Stock Exchange JSC (hereinafter - the "Exchange"). The Company and the Exchange concluded an Agreement on listing of corporate securities. As part of the execution of this Agreement, as well as the Listing Rules, in the statement of financial position at the end of each reporting period, the Company must display data on the book value of one share calculated in accordance with the Listing Rules, as well as basic earnings per share. Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Company by the number of ordinary shares in issue during the period. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share. Earnings per share from continuing operations is calculated as follows:

| | **For the year ended** | |
|---|---|---|
| *In millions of Kazakhstani Tenge* | **31 December 2021** | **31 December 2020** |
| Profit for the period attributable to owners of the Company (in millions of Kazakhstani Tenge) | 199,869 | 166,279 |
| Number of ordinary shares (in thousands) | 259,357 | 259,357 |
| Earnings per share attributable to the owners of the Company, basic and diluted (rounded to Tenge) | 771 | 641 |

**41 Earnings per Share and Book Value per Share (Continued)**

Book value per share is calculated as follows:

| *In millions of Kazakhstani Tenge* | 2021 | 2020 |
|---|---|---|
| Total assets of the Company (in millions Tenge) | 1,133,369 | 958,121 |
| Intangible assets (in millions Tenge) | (46,833) | (50,615) |
| Total liabilities of the Company (in millions Tenge) | (402,786) | (277,349) |
| | **683,750** | **630,157** |
| Number of ordinary shares (in thousands) | 259,357 | 259,357 |
| Book value per share (Tenge per share) | 2,636 | 2,430 |

## 42 Events after the Reporting Period

Subsequent to balance date, significant geopolitical events have occurred in Kazakhstan and Russia/Ukraine. These events have not had a material impact to date on the Company's operations although the resulting market uncertainty has caused a significant decline in the traded price of the Company's securities. Management is unable to predict the consequences of future impacts, if any, on the Company's financial position or operating performance. Management will continue to monitor the potential impact of the above events and will take all necessary steps to prevent adverse business impacts.

*(a) January events in Kazakhstan*

On 2 January 2022 protests triggered by a rise in fuel prices began in the Mangistau region of Kazakhstan which spread to other regions in the country. The protestors demanded a number of social and economic reforms. Although the Government took measures to respond to these demands, including a decrease in fuel prices, the protests escalated into significant social unrest in Almaty and southern regions of the country.

As a result, on 5 January 2022 a state of emergency was declared until 19 January 2022, and restrictions were imposed on communication and transportation of people and vehicles, including railway and airline carriage. Currently, the situation in all regions of the country has stabilized, and the state of emergency has been cancelled. The work of communal facilities and life support systems have been fully restored, and restrictions on communication and transportation have been relieved.

*(b) Events in Ukraine*

On February 24, Russian President announced the recognition of the Luhansk People's Republic and Donetsk People's Republic independence and the Russian military mobilized its troops to territory of Ukraine. As a response to the Russian actions, the United States, the European Union and a number of other states-imposed sanctions against Russia including the disconnection of a number of Russian financial institutions from SWIFT.

In connection with the sharp devaluation of the Russian ruble, the Tenge exchange rate began to be adjusted. To date, the National Bank of the Republic of Kazakhstan has taken a number of measures to maintain the stability of the Kazakhstan financial system.

Since American citizens and legal entities are prohibited from conducting settlements and other activities with Sberbank, VTB Bank and other organizations specified in the list of the Kazakhstan Ministry of Finance without the permission of Office of Foreign Assets Control (including subsidiaries with a share of 50 percent or more of these banks), it is inappropriate for the Company to service or interact with these banks and their subsidiaries. The Company has taken measures to redistribute free funds to banks that are not under current sanctions.

The Company has a Uranium Processing Agreement with the Uranium Enrichment Center (TsOU) (a resident of the Russian Federation). At the date of these financial statements, the Company anticipates that provision of services under this agreement will continue as the situation should not affect the activities of the TsOU and its ability to enrich uranium for the Company. The contract is denominated in US Dollars and therefore purchases of services might be affected. There may be a risk of difficulty in making mutual settlements in US Dollars with TsOU in the event of restriction and blocking of the TsOU's foreign currency accounts or in the event of the withdrawal of Russian banks from the SWIFT system.

## 42 Events after the Reporting Period (Continued)

Due to the fact that part of the exported products is transported through Russia, there are risks associated with both transit through the territory of Russia and the delivery of cargo by sea vessels. The Company constantly monitors the situation with sanctions against Russia and the potential impact on the transportation of finished products in this direction. However, at the moment, there are no special restrictions and negative impact on the Company's activities related to the supply of the Company's products to end customers.

The Company’s financial position is unaffected by the events in Ukraine. The majority of the Company’s revenues is received in US dollars and funding is also raised in US dollars, creating a natural hedging effect on foreign exchange risk. Accordingly, fluctuations in the exchange rate of the national currency do not have a significant impact on the financial performance of the Company.

*(c) Investment in Uranium Fund*

On November 22, 2021, the Company signed a Framework Agreement with Genchi Global Limited to participate in ANU Energy OEIC Ltd (hereinafter referred to as "ANU Energy" or the "Fund"), created on the Astana International Financial Center (hereinafter referred to as the AIFC). The purpose of the Fund is to store physical uranium as a long-term investment, the initial acquisition of which will be carried out through a joint investment of the founders of the Fund in the amount of USD 50 million.

After the start of the Fund's operations, as part of the second stage of its development, it is expected to attract additional investments of up to 500 million US Dollars from institutional and/or private investors through a public or private placement in order to purchase additional volumes of uranium. The parameters and timing of the placement will be determined market conditions.

As part of the implementation of the terms of the Framework Agreement, the stakeholders have determined the investment mechanisms in ANU Energy and the investment management policy which requires that contributions will be made no later than April 2022.

Also, in accordance with the Framework Agreement, the Company and ANU Energy signed a short-term contract for the sale and purchase of natural uranium concentrates, under which the Company will supply natural uranium concentrates no later than May 2022.