Joint Venture South Mining Chemical Company LLP

Financial Statements

for the year ended

31 December 2019

Contents

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Independent Auditors' Report

To Management of Joint Venture South Mining Chemical Company LLP

Opinion

We have audited the financial statements of Joint Venture South Mining Chemical Company LLP (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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.

The engagement partner on the audit resulting in this independent auditors' report is:

Sergey Dementyev
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. МФ-0000086 of 27 August 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

31 January 2020

'000 KZT	**Note**	**2019**	**2018**
Revenue	5	57,889,483	54,055,704
Cost of sales	6	(21,622,790)	(22,228,302)
Gross profit		**36,266,693**	**31,827,402**
Distribution expenses	7	(1,300,968)	(1,603,005)
Administrative expenses	8	(946,483)	(964,220)
Other expenses, net		(265,657)	(177,017)
Results from operating activities		**33,753,585**	**29,083,160**
Finance income	10	253,279	2,148,587
Finance costs	10	(1,407,776)	(253,516)
Net finance (costs) /income		**(1,154,497)**	**1,895,071**
Profit before income tax		**32,599,088**	**30,978,231**
Income tax expense	11	(6,665,740)	(6,062,548)
Profit for the year		**25,933,348**	**24,915,683**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Equity investments at FVOCI – net change in fair value		(166,231)	(71,360)
Other comprehensive income, net of income tax		**(166,231)**	**(71,360)**
Total comprehensive income for the year		**25,767,117**	**24,844,323**

These financial statements were approved by management on 31 January 2020 and were signed on its behalf by:

"ОҢТҮСТІК ТАУ-ХИМИЯЛЫҚ КОМПАНИЯСЫ" БІРЛЕСКЕН КӘСІПОРЫН"
Жауапкершілігі шектеулі серіктестігі
ҚАЗАҚСТАН РЕСПУБЛИКАСЫ ТҮРКІСТАН ОБЛЫСЫ
РЕСПУБЛИКА КАЗАХСТАН ТУРКЕСТАНСКАЯ ОБЛАСТЬ
Товарищество с ограниченной ответственностью
"СОВМЕСТНОЕ ПРЕДПРИЯТИЕ "ЮЖНАЯ ГОРНО-ХИМИЧЕСКАЯ КОМПАНИЯ"

E. L. Tashimov
General Director

G.O. Tazhybyeva
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 43.

'000 KZT	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Mine development assets	12	20,710,572	20,261,391
Property, plant and equipment	13	11,416,579	12,289,751
Intangible assets		158,608	148,486
VAT receivable		2,474,380	3,319,935
Restricted cash	14	2,652,635	2,232,922
Deferred tax asset	11	216,209	425,553
Other non-current assets		558,066	583,326
Total non-current assets		**38,187,049**	**39,261,364**
Current assets			
Inventories	15	3,799,983	4,000,176
Trade and other receivables	16	20,068,453	19,996,471
Current income tax		79,579	-
Cash and cash equivalents	17	9,135,683	5,389,541
Total current assets		**33,083,698**	**29,386,188**
Total assets		**71,270,747**	**68,647,552**
EQUITY AND LIABILITIES			
Equity	18		
Charter capital		64,000	64,000
Other provisions		(403,617)	(237,386)
Retained earnings		25,862,726	24,845,061
Total equity		**25,523,109**	**24,671,675**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	19	7,498,457	4,468,853
Provision for site restoration	20	3,350,026	3,160,912
Total non-current liabilities		**10,848,483**	**7,629,765**
Current liabilities			
Loans and borrowings	19	13,043,428	528,938
Trade and other payables	21	5,940,044	7,087,185
Dividends payable	18	15,915,683	27,800,640
Income tax payable		-	929,349
Total current liabilities		**34,899,155**	**36,346,112**
Total liabilities		**45,747,638**	**43,975,877**
Total equity and liabilities		**71,270,747**	**68,647,552**

These financial statements were approved by management on 31 January 2020 and were signed on its behalf by:

E. E. Tashimov
General Director

G.O. Tazhybyeva
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 43.

'000 KZT	**Charter capital**	**Other provisions**	**Retained earnings**	**Total**
At 1 January 2018	64,000	-	18,723,752	18,787,752
Adjustment on initial application of IFRS 9	-	(166,026)	(70,622)	(236,648)
Restated balance as at 1 January 2018	**64,000**	**(166,026)**	**18,653,130**	**18,551,104**
Total comprehensive income				
Profit for the year	-	-	24,915,683	24,915,683
Other comprehensive income				
Equity investments at FVOCI – net change in fair value	-	(71,360)	-	(71,360)
Total comprehensive income for the year	**-**	**(71,360)**	**24,915,683**	**24,844,323**
Transactions with owners of the Company				
Dividends declared	-	-	(18,723,752)	(18,723,752)
At 31 December 2018	**64,000**	**(237,386)**	**24,845,061**	**24,671,675**
At 1 January 2019	64,000	(237,386)	24,845,061	24,671,675
Total comprehensive income				
Profit for the year	-	-	25,933,348	25,933,348
Other comprehensive income				
Equity investments at FVOCI – net change in fair value	-	(166,231)	-	(166,231)
Total comprehensive income for the year	**-**	**(166,231)**	**25,933,348**	**25,767,117**
Transactions with owners of the Company				
Dividends declared	-	-	(24,915,683)	(24,915,683)
At 31 December 2019	**64,000**	**(403,617)**	**25,862,726**	**25,523,109**

These financial statements were approved by management on 31 January 2020 and were signed on its behalf by:

E. L. Tashimov
General Director

G.O. Tazhybyeva
Chief Accountant

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 43.

'000 KZT	2019	2018
Cash flows from operating activities		
Cash receipts from customers	59,193,582	56,418,279
Other receipts	395,533	185,145
Proceeds from VAT refund	597,830	1,066,483
Payments to employees	(3,125,787)	(2,765,311)
Other payments	(1,449,536)	(1,209,970)
Advances paid to suppliers for goods and services	(15,611)	(11,450)
Cash paid to suppliers for goods and services	(11,034,273)	(11,739,406)
Payments under insurance contracts	(42,032)	(91,774)
Payments to the budget	(6,020,124)	(5,336,073)
Cash flows from operations before income taxes and interest paid	**38,499,582**	**36,515,923**
Income tax paid	(7,064,275)	(5,783,958)
Interest paid	(686,476)	(2,584)
Net cash from operating activities	**30,748,831**	**30,729,381**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	4,290
Acquisition of intangible assets	(44,296)	(19,028)
Acquisition of property, plant and equipment	(459,916)	(230,362)
Acquisition of mine development assets	(4,489,107)	(3,804,581)
Bank deposits	(422,114)	(336,874)
Net cash used in investing activities	**(5,415,433)**	**(4,386,555)**
Cash flows from financing activities		
Proceeds from borrowings	24,120,712	4,824,040
Repayment of borrowings	(8,679,533)	-
Transaction costs related to loans and borrowings	(122,229)	(14,843)
Payment of dividends including withholding tax of KZT 146,978 thousand (2018: excluding KZT 840,000 thousand)	(36,800,640)	(23,160,000)
Repayment of notes	-	(4,624,138)
Net cash used in financing activities	**(21,481,690)**	**(22,974,941)**
Net increase in cash and cash equivalents	**3,851,708**	**3,367,885**
Cash and cash equivalents at 1 January	5,389,541	1,253,884
Effect of movements in exchange rates on cash and cash equivalents	(105,709)	769,445
Effect of movements in ECL on cash and cash equivalents	143	(1,673)
Cash and cash equivalents at 31 December (Note 17)	**9,135,683**	**5,389,541**

These financial statements were approved by management on 31 January 2020 and were signed on its behalf by:

E. L. Tashimov
General Director

G.O. Tazhybyeva
Chief Accountant

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 43.

1 Reporting entity

(a) Organisation and operations

Joint Venture South Mining Chemical Company LLP (the "Company") was incorporated on 1 August 2014 under the laws of the Republic of Kazakhstan. On 17 October 2014 National Atomic Company "Kazatomprom" JSC (hereinafter, "NAC KAP") transferred the subsoil use rights in accordance with the Addendum No.4 to the Exploration and Production Contract No.1800 on the block 4 of Inkai deposit, and Addendum No.7 to the Exploration and Production Contract No.647 on Akdala deposit (hereinafter, the "Contracts") to the Company. The subsoil use contract for Akdala field is intended for the period of 25 years, starting from 28 March 2001. The subsoil use contract for block 4 of Inkai deposit is valid for 24 years, starting from 8 July 2005.

Previously the Contracts as well as all mine development assets and property, plant and equipment for uranium extraction and primary processing were owned by Joint Venture Betpak Dala LLP, a related party. During 2014, according to the court decision, Joint Venture Betpak Dala LLP's contractual subsoil use rights were revoked, and the Contracts were returned to the original owner – NAC KAP; all respective contractual mine development assets were acquired from Joint Venture Betpak Dala LLP at their carrying amounts. In accordance with the agreement between the shareholders of Joint Venture Betpak Dala LLP and NAC KAP, a new Company – Joint Venture South Mining Chemical Company LLP- was established, and NAC KAP transferred the Contracts and sold the mine development assets at their carrying amounts. During 2014, Joint Venture Betpak Dala LLP retained its ownership of property, plant and equipment for extraction and primary processing of uranium ore, and provided the uranium extraction and primary processing services under the service contracts to the Company. In 2015, based on the decision of the Company's participants, the production assets were acquired from Joint Venture Betpak Dala LLP according to the sale and purchase agreement dated 1 October 2015.

As at the reporting date, the Company's principal activity is extraction and primary processing of uranium ore. Uranium ore, extracted using the in-situ leaching method, is produced at the Company's block 4 of Inkai deposit and Akdala deposit located in Turkestanskaya Oblast, Kazakhstan. Commercial production at block 4 of Inkai deposit and Akdala deposit started in 2004 and 2009, respectively. The Company produces its finished product (U_3O_8) at the processing facilities located at South Inkai mine with capacity about 3,000 tons per year.

The Company's participants are NAC KAP and Uranium One Rotterdam B.V. that own 30% and 70% interests in the Company, respectively.

The Company's registered office is: apart. 36, h. 23, microdistrict 1, Kyzemshek Village, Suzaksky District, Turkestanskaya Oblast, 161006, Republic of Kazakhstan.

Export of uranium from Kazakhstan is regulated by a respective export licence. The Government of the Republic of Kazakhstan represented by the Committee for Atomic and Energy Supervision and Control under the Ministry of Energy of the Republic of Kazakhstan (hereinafter, the "MoE") and Ministry of Environment Protection and Water Resources and other authorised bodies exercise supervision over the operations, exports and imports of uranium products in Kazakhstan.

As at 31 December 2019 the Company's average annual number of employees was 858 (31 December 2018: 843).

(b) Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge and volatility in the global price of oil also increases the level of uncertainty in the business environment.

The financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

This is the first set of the Company's annual financial statements in which IFRS 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 3(a).

(b) Going concern

These financial statements have been prepared on a going concern basis, which assumes realisation of assets and settlement of liabilities in the ordinary course of business. As at 31 December 2019 the Company's current liabilities exceeded its current assets by KZT 1,815,457 thousand (2018: KZT 6,959,924 thousand).

As at 31 December 2019 the Company had dividends payable of KZT 15,915,683 thousand (2018: KZT 27,800,640 thousand).

In 2019 the Participants of the General Meeting made a decision to distribute 100% of net income for 2018 of KZT 24,915,683 thousand (2018: KZT 18,723,752 thousand) among the Company's participants. In 2018 for the purpose of distribution of dividends for 2017, the Company raised debt finance from the bank in the amount of USD 65 million and a non-revolving credit facility of USD 20 million to meet the dividend payment schedule. Raising debt finance from the bank was approved by the Company's Supervisory Board.

In 2018 management resumed the work on attracting the bank financing, based on results of which in December 2018 the Company signed a loan agreement with SB Alfa-Bank JSC on opening of a non-revolving credit line of USD 20 million for a period of 5 years. In February 2019 the Company signed a loan agreement with Halyk Bank of Kazakhstan JSC on opening of a revolving credit line of USD 65 million for a 4-year period (Note 19).

Moreover, the Company has significant operating cash flows that are sufficient to pay off the current liabilities of the Company.

Having assessed the above circumstances, the Company's management has concluded that the use of the going concern assumption is appropriate in the preparation of the financial statements and there is no material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakh Tenge ("KZT"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in KZT has been rounded to the nearest thousand.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 20 – provision for site restoration;
- Note 12 – mine development assets.

Critical judgements also relate to the following:

(i) Useful lives of property, plant and equipment and mine development assets

The Company reviews the remaining useful lives of these assets at each reporting date, and, if the expected useful lives differ from prior periods estimates, the changes are accounted for as a change in the accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The factors affecting the estimated useful lives of mine development assets include the following:

- changes in proved and probable ore reserves;
- differences in the grade and quality of mineral resources;
- changes in the actual commodity prices and estimated commodity prices used to assess the ore reserves;
- operating issues related to production at the deposits; and
- changes in production, processes, restoration costs, discount rates and currency exchange rates that may negatively affect the economic viability of uranium ore mining.

Any of these changes may impact future depreciation charges and carrying amounts of the capitalised costs. Management regularly reviews the appropriateness of the useful lives of non-current assets. The analysis is based on the current condition of the assets and the estimated period during which they will continue to generate economic benefits for the Company.

(ii) Uranium reserves

Uranium reserves represent a significant factor in the Company's activity. All reserves' estimates involve some degree of uncertainty, depending on the geological and engineering information available at the estimation date, and interpretations thereof. Estimates may be reviewed as a result of implementation of new projects to improve production, changes in production capacity or changes in mine development strategy.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 11 - recognition of deferred tax assets and liabilities;
- Notes 20 and 23 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Notes 22 (b)– measurement of expected credit losses (ECL) allowance for financial assets.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, except as described in Note 3 (m)..

(a) Changes in significant accounting policies

IFRS 16 *Leases*

Company initially applied IFRS 16 *Leases* from 1 January 2019.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3 (m).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Leases as a lessee

As a lessee, the Company leases properties (office premises). The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured as immaterial as at 1 January 2019. According to accounting policies, right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company’s incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term.

Impact on financial statements

Impact on transition

The Company has analysed the requirements of IFRS 16 and concluded that the standard does not a significant effect on the financial statements of the Company.

Amendments to IAS 23 *Borrowing Costs*

The Company has adopted amendments to IAS 23 *Borrowing Costs* issued by the International Accounting Standards Board as part of *Annual Improvements to IFRS Standards 2015–2017 Cycle* from 1 January 2019 and apply them to borrowing costs incurred on or after that date. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Therefore, the Company treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Borrowings that were intended to specifically finance qualifying assets which are now ready for their intended use or sale – or any non-qualifying assets – the Company includes in its general pool.

The Company has analysed the requirements of IAS 23 and concluded that the standard does not a significant effect on the financial statements of the Company.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company irrevocably elected to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Financial assets – Subsequent measurement and gains and losses	
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment 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 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offset

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(d) Charter capital

Charter capital is classified as equity. Incremental costs directly attributable to increase of charter capital are recognised as a deduction from equity, net of any tax effects.

(e) Mine development costs

(i) Acquisition cost

Mine development costs are measured at cost less accumulated depreciation (amortisation) and accumulated impairment losses.

The Company incurs costs related to finding mineral resources on unexplored blocks of the Deposits. These costs are capitalised as exploration and evaluation assets until a reserve evaluation is completed. Once the technical feasibility and commercial viability of the project is demonstrable, costs associated with the exploration and evaluation activities including exploratory drilling, topographical, geological and geophysical studies and a pilot plant operation to develop uranium processing technology and confirm the economic feasibility of the project, are tested for impairment and reclassified to development assets.

The Company also incurs costs to prepare the mining area for commercial extraction of uranium on producing blocks. These costs include costs directly attributable to construction of injection, pumping, inspection and exploratory wells, wells sub-drilling, surface infrastructure of the well field, including piping, solutions distribution units, infield roads, reagents piping racks etc. These well field costs are recognised as tangible mine development costs.

(ii) Amortisation

Amortisation commences on the start of commercial extraction of uranium. Intangible development costs are amortised using the unit-of-production method based on the recoverable reserves on the deposit to which the assets relate. Tangible mine development costs related to certain block are amortised using the unit-of-production method based on the current extraction and available reserves on this block, determined during the initial exploration and further exploration carried out during the process of well field construction.

Tangible mine development costs related to the entire deposit are amortised using the units-of-production method based on the reserves of the deposit, which are planned to be extracted during the Contract’s terms. The unit-of-production method is calculated as a proportion to the amount of reserves extracted.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

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

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

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a significant component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Buildings and constructions related to the facilities of the mining and industrial complex are depreciated using the unit-of production method based on proven reserves. Equipment that is inseparable from the buildings and constructions is also depreciated using the unit-of production method. However, the straight-line method of depreciation is applied to those machinery and equipment, which are available at the mine but which are used individually, are transportable and may be relocated to other places for operations.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives for other machinery and equipment, transport vehicles and other items of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

Buildings and constructions	unit-of-production method;
Residential buildings	20 years;
Machinery and equipment	3-10 years;
Vehicles	5-10 years;
Other	3-7 years.

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(h) Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognises loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost;
- equity investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard and Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Company's corporate assets do not generate separate cash inflows and are utilised by more than one unit, generating cash flow. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of the cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

(i) Employee benefits

(i) Defined contribution plans

The Company does not incur any expenses in relation to provision of pensions or other post-employment benefits to employees. In accordance with the State pension social insurance regulations, the Company withholds pension contributions from employee salaries and transfers them into pension funds. . Once the pension contributions have been paid, the Company has no further pension obligations. Upon retirement of employees, all pension payments are administrated by the pension fund directly.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(j) Provisions

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

Site restoration

Mining operations of the Company are subject to various environmental laws and regulations. The Company estimates the provision for site restoration obligation based on management's understanding of the current legal requirements and terms of the Contract. Provision is determined based on net present value of site restoration costs when such liability arises. The actual costs incurred in future may substantially differ from the provision amount. Future amendment of environmental laws and regulations, field valuation terms and discount rates may also affect the carrying amount of the provision.

(k) Revenue

Sale of finished goods

Customers obtain control of finished goods when the goods are delivered to and have been accepted at the destination point. The destination point under the contract is the customer's warehouse, the seller's warehouse, a convertor or a processing factory. Invoices are generated at that point in time. Invoices are usually payable within 30-60 days.

All contracts on sale of finished goods have one performance obligation. Revenue is recognised at a point of time when the goods have been delivered and accepted at the customer's warehouse, a convertor or a processing factory.

Revenue is measured based on the consideration specified in a contract with a customer. According to IFRS 15, revenue is recognised on these contracts to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Based on its assessment, the Company also believes that its existing contracts with customers do not contain a significant financing component as there is no difference between the transaction price and the price that would have been paid for the uranium if it is immediately paid in cash; and there is no significant impact from the period between the moment when the obligation is performed and the moment when the payment is made.

(l) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Lease

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

(i) Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(ii) Leases in which the Company is a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Leases in which the Company is a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Leases in which the Company is a lessee

In the comparative period, as a lessee the – the purchaser had the ability or right to control classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Leases in which the Company is a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(n) New standards and interpretations not yet adopted

Two new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

– *Amendments to References to Conceptual Framework in IFRS Standards;*
– *Definition of a Business (Amendments to IFRS 3);*
– *Definition of Material (Amendments to IAS 1 and IAS 8); and*
– *IFRS 17 Insurance Contracts.*

4 Determination of fair values

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

(a) Trade and other receivables and loans issued

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other receivable with short maturity does not differ much from the carrying amount as the impact of the time value of money is insignificant.

(b) Non-derivative financial liabilities

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Management believes that fair value of the financial asset and liabilities of the Company approximates their carrying amount.

5 Revenue

'000 KZT	**2019**	**2018**
Sale of uranium oxide	57,745,483	54,055,510
Other revenue	144,000	194
Revenue from contracts with customers	**57,889,483**	**54,055,704**

During 2019, the Company sold 71% and 29% of uranium produced to "Uranium One Inc." (Canada) and NAC KAP (Kazakhstan), respectively (2018: 88% and 12% of uranium produced to "Uranium One Inc." and NAC KAP, respectively). The entire revenue was recognised at a certain point in time, when the products were delivered to the customers.

The Company concludes contracts with customers for a period of 1 year for an approximate volume of planned shipments. Uranium selling prices are determined on the basis of the arithmetic weighted average value of spot prices adjusted for discounts agreed by the parties. The Company determined that each shipment represent one performance obligation and revenue thereon is recognised when the goods have been delivered to and accepted on the territory agreed on in the contracts.

The Company may also have a performance obligation to store and/or transport the goods to the specified destination after sales of the goods; however, due to short-term nature of such obligations and insignificance of costs related to such obligations, the Company considers that revenue from such services is insignificant and, therefore, does not separate the performance obligation under such contracts.

6 Cost of sales

'000 KZT	**2019**	**2018**
Raw materials and consumables	7,187,798	7,451,608
Taxes (including mineral extraction tax)	3,882,727	4,098,828
Depreciation of mine development assets	3,312,602	3,187,460
Wages and salaries	2,846,378	2,680,915
Depreciation and amortisation	1,707,453	1,943,690
Third party services	970,324	956,609
Salary related taxes	382,619	381,265
Vacation and bonus accruals	359,532	388,286
Depreciation of exploration costs	187,047	343,774
Repair and technical maintenance	156,107	169,077
Ion-exchange resin	125,845	122,248
Depreciation of site restoration assets	58,867	28,227
Other	445,491	476,315
	21,622,790	**22,228,302**

7 Distribution expenses

'000 KZT	**2019**	**2018**
Transportation expenses on finished goods	1,257,931	1,554,938
Wages and salaries	29,059	29,470
Salary related taxes	2,823	2,970
Other	11,155	15,627
	1,300,968	**1,603,005**

8 Administrative expenses

'000 KZT	2019	2018
Wages and salaries	493,643	488,039
Third party services	245,542	268,545
Salary related taxes	46,637	47,144
Raw materials and consumables	35,840	14,262
Depreciation and amortisation	29,250	37,072
Membership fee	15,442	14,975
Vacation and bonus accruals	6,429	(889)
Accrual of impairment loss allowance for trade receivables	2,744	5,503
Other	70,956	89,569
	946,483	**964,220**

9 Personnel costs

'000 KZT	2019	2018
Wages and salaries	3,699,091	3,526,476
Social tax and social contributions	286,698	290,261
Obligatory professional pension contributions	96,955	93,919
Obligatory social security contributions	41,167	39,211
	4,123,911	**3,949,867**

10 Finance income and costs

'000 KZT	2019	2018
Interest income on deposits	253,279	239,566
Net foreign exchange gain	-	1,909,021
Finance income	**253,279**	**2,148,587**
Interest and other finance expense on loans and borrowings (Note 19)	(823,423)	(20,301)
Net foreign exchange loss	(350,770)	-
Unwinding of discount on provisions (Note 20)	(233,583)	(232,059)
Unwinding of discount on historical costs liability	-	(1,156)
Finance costs	**(1,407,776)**	**(253,516)**
Net finance income/(costs) recognised in profit or loss	**(1,154,497)**	**1,895,071**

11 Income tax expense

In 2019, the Company's applicable tax rate is the income tax rate of 20% for Kazakhstan companies.

'000 KZT	2019	2018
Current tax expense		
Current tax	6,341,621	6,593,546
Adjustments for prior years	114,775	(289,773)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	209,344	(241,225)
	6,665,740	**6,062,548**

Reconciliation of effective tax rate:

	2019		2018	
	'000 KZT	%	'000 KZT	%
Profit before income tax	**32,599,088**	**100.0**	**30,978,231**	**100.0**
Income tax at applicable tax rate	6,519,818	20.0	6,195,646	20.0
Non-deductible expenses	31,147	0.1	156,675	0.5
Adjustments for prior years	114,775	0.4	(289,773)	(0.9)
	6,665,740	**20.5**	**6,062,548**	**19.6**

(a) Recognised deferred tax assets and liabilities

Under the current tax legislation of the Republic of Kazakhstan, the Company is obligated to maintain separate tax accounting records of the contractual and non-contractual activities. The taxable income for the contractual operations is determined based on the amount of extracted uranium and taxable income from non-contractual activity is determined as a positive difference between the income in the financial statements and income from contractual operations.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 KZT	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Intangible assets	-	-	(17,297)	(18,695)	(17,297)	(18,695)
Property, plant and equipment	-	-	(55,124)	(168,326)	(55,124)	(168,326)
Site restoration asset	-	-	(84,091)	(103,113)	(84,091)	(103,113)
Historical costs asset	-	-	(20,972)	(23,323)	(20,972)	(23,323)
Vacation and bonus accruals	57,816	50,545		-	57,816	50,545
Taxes	179,738	477,357	-	-	179,738	477,357
Provision for site restoration	133,500	180,100	-	-	133,500	180,100
Impairment loss allowances	15,596	26,334	-	-	15,596	26,334
Other payables	7,043	4,674	-	-	7,043	4,674
	393,693	**739,010**	**(177,484)**	**(313,457)**	**216,209**	**425,553**

(b) Movement in temporary differences during the year

'000 KZT	**1 January 2019**	**Recognised in profit or loss**	**31 December 2019**
Intangible assets	(18,695)	1,398	(17,297)
Property, plant and equipment	(168,326)	113,202	(55,124)
Site restoration asset	(103,113)	19,022	(84,091)
Historical costs asset	(23,323)	2,351	(20,972)
Vacation and bonus accruals	50,545	7,271	57,816
Taxes	477,357	(297,619)	179,738
Provision for site restoration	180,100	(46,600)	133,500
Impairment loss allowances	26,334	(10,738)	15,596
Other payables	4,674	2,369	7,043
	425,553	**(209,344)**	**216,209**

'000 KZT	**1 January 2018**	**Recognised in profit or loss**	**31 December 2018**
Intangible assets	(17,877)	(818)	(18,695)
Property, plant and equipment	(206,121)	37,795	(168,326)
Site restoration asset	(32,619)	(70,494)	(103,113)
Historical costs asset	(25,691)	2,368	(23,323)
Vacation and bonus accruals	49,988	557	50,545
Historical costs liability	10,744	(10,744)	-
Taxes	243,697	233,660	477,357
Provision for site restoration	127,565	52,535	180,100
Impairment loss allowances	28,655	(2,321)	26,334
Other payables	5,987	(1,313)	4,674
	184,328	**241,225**	**425,553**

12 Mine development assets

Costs of development of block 4 of Inkai deposit and Akdala deposit are classified as assets related to the mining of mineral resources.

'000 KZT	Site restoration obligation	Historical costs liability	Development costs	Exploration costs	Ion exchange resin	Total
At 1 January 2018	163,093	128,455	8,559,979	6,760,680	2,017,539	17,629,746
Additions	-	-	3,337,090	1,274,134	-	4,611,224
Transfer from inventories	-	-	952,044	-	250,051	1,202,095
Depreciation	(15,018)	(11,838)	(3,233,893)	(166,401)	(122,012)	(3,549,162)
Change in estimates (Note 20)	367,488	-	-	-	-	367,488
At 31 December 2018	**515,563**	**116,617**	**9,615,220**	**7,868,413**	**2,145,578**	**20,261,391**
At 1 January 2019	515,563	116,617	9,615,220	7,868,413	2,145,578	20,261,391
Additions	-	-	3,480,555	-	-	3,480,555
Transfer from inventories	-	-	726,805	-	-	726,805
Depreciation	(50,638)	(11,758)	(3,301,586)	(223,766)	(125,962)	(3,713,710)
Change in estimates (Note 20)	(44,469)	-	-	-	-	(44,469)
At 31 December 2019	**420,456**	**104,859**	**10,520,994**	**7,644,647**	**2,019,616**	**20,710,572**
Cost as at 31 December 2018	**1,257,316**	**201,548**	**26,058,098**	**9,351,193**	**2,525,061**	**39,393,216**
Cost as at 31 December 2019	**1,212,848**	**201,548**	**30,265,457**	**9,351,193**	**2,525,061**	**43,556,107**
Accumulated depreciation as at 31 December 2018	**(741,753)**	**(84,931)**	**(16,442,878)**	**(1,482,780)**	**(379,483)**	**(19,131,825)**
Accumulated depreciation as at 31 December 2019	**(792,392)**	**(96,689)**	**(19,744,463)**	**(1,706,546)**	**(505,445)**	**(22,845,535)**

Depreciation was recognised in cost of sales and has been charged to the finished goods and work-in-progress.

13 Property, plant and equipment

'000 KZT	Buildings and constructions	Machinery and equipment	Vehicles and other	Under construction	Total
Cost					
Balance at 1 January 2018	11,225,407	5,740,815	1,181,712	935,444	19,083,378
Additions	48,668	130,268	51,005	82,760	312,701
Transfers	208,349	40,001	(120,467)	(127,883)	-
Disposals	-	(36,587)	(10,022)	(97,113)	(143,722)
Transfer from inventories	-	16,808	6	38	16,852
Balance at 31 December 2018	**11,482,424**	**5,891,305**	**1,102,234**	**793,246**	**19,269,209**
Balance at 1 January 2019	11,482,424	5,891,305	1,102,234	793,246	19,269,209
Additions	-	122,006	70,573	617,619	810,198
Transfers	1,695,020	(1,625,918)	(69,102)	-	-
Disposals	(12,546)	(47,136)	(2,631)	-	(62,313)
Transfer from WIP	27,149	173,470	22,996	(223,615)	-
Balance at 31 December 2019	**13,192,047**	**4,513,727**	**1,124,070**	**1,187,250**	**20,017,094**
Depreciation and impairment losses					
Balance at 1 January 2018	(2,619,381)	(2,094,294)	(355,840)	-	(5,069,515)
Depreciation for the year	(808,109)	(970,585)	(170,722)	-	(1,949,416)
Impairment loss	-	-	-	(4,500)	(4,500)
Disposals	-	34,414	9,559	-	43,973
Transfers	-	2,164	(2,164)	-	-
Balance at 31 December 2018	**(3,427,490)**	**(3,028,301)**	**(519,167)**	**(4,500)**	**(6,979,458)**
Balance at 1 January 2019	(3,427,490)	(3,028,301)	(519,167)	(4,500)	(6,979,458)
Depreciation for the year	(999,313)	(569,616)	(114,098)	-	(1,683,027)
Disposals	12,547	47,120	2,303	-	61,970
Transfer	(762,466)	733,672	28,794	-	-
Balance at 31 December 2019	**(5,176,722)**	**(2,817,125)**	**(602,168)**	**(4,500)**	**(8,600,515)**
Carrying amount					
At 31 December 2018	**8,054,934**	**2,863,004**	**583,067**	**788,746**	**12,289,751**
At 31 December 2019	**8,015,325**	**1,696,602**	**521,902**	**1,182,750**	**11,416,579**

Depreciation was recognised in cost of sales, administrative expenses, finished goods and work-in-progress.

As at 31 December 2019 the cost of fully depreciated, but still in use assets comprised KZT 453,199 thousand (31 December 2018: KZT 496,982 thousand).

14 Restricted cash

'000 KZT	31 December 2019	31 December 2018
Liquidation fund deposit	2,682,528	2,260,414
Cash pledged	1,000	1,000
	2,683,528	**2,261,414**
Impairment loss allowance	(30,893)	(28,492)
	2,652,635	**2,232,922**

The Company's exposure to credit and currency risks, and risk of impairment losses related to financial assets are disclosed in Note 22.

15 Inventories

'000 KZT	31 December 2019	31 December 2018
Finished goods	2,223,832	2,198,528
Raw materials and consumables	871,534	1,251,022
Work in-progress	782,597	672,295
Impairment loss allowance	(77,980)	(121,669)
	3,799,983	**4,000,176**

16 Trade and other receivables

'000 KZT	31 December 2019	31 December 2018
Trade receivables from related parties at amortised cost	19,293,389	18,726,987
Other receivables	167,133	215,128
	19,460,522	**18,942,115**
Impairment loss allowance	(10,947)	(8,326)
Total financial assets	**19,449,575**	**18,933,789**
VAT receivable	458,516	988,822
Other receivables	160,362	73,860
Total non-financial assets	**618,878**	**1,062,682**
	20,068,453	**19,996,471**

As at 31 December, trade and other receivables were denominated in the following currencies:

'000 KZT	31 December 2019	31 December 2018
USD	17,433,979	18,137,838
KZT	2,634,474	1,858,633
	20,068,453	**19,996,471**

The Company's exposure to credit and currency risks, and risk of impairment losses related to financial assets are disclosed in Note 22.

17 Cash and cash equivalents

'000 KZT	31 December 2019	31 December 2018
Cash on current bank accounts – KZT	4,941,704	3,077,711
Cash on current bank accounts – USD	4,195,796	2,313,503
	9,137,500	**5,391,214**
Impairment loss allowance	(1,817)	(1,673)
	9,135,683	**5,389,541**

The Company's exposure to credit and currency risks, and risk of impairment losses related to financial assets are disclosed in Note 22.

18 Equity

(a) Equity

'000 KZT	31 December 2019	Ownership	31 December 2018	Ownership
Uranium One Rotterdam B.V.	44,800	70%	44,800	70%
NAC KAP	19,200	30%	19,200	30%
	64,000	**100%**	**64,000**	**100%**

(b) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with IFRS. As at 31 December 2019, the Company's distributable reserves amounted to KZT 25,862,726 thousand (2018: KZT 24,845,061 thousand).

During 2019 the Participants of the General meeting decided to distribute 100% of the net profit for 2018 in the amount of KZT 24,915,683 thousand among the Company's participants. The amount of KZT 36,800,649 thousand of the distributed net profits for 2016-2018 was partially repaid to the participants during 2019, in proportion to their interests. As at 31 December 2019, dividends payable for 2018 amounted to KZT 15,915,683 thousand (2018: KZT 27,800,640 thousand).

(c) Other reserves

Other reserves comprise the cumulative net changes in fair value of equity securities designated per Company's discretion at FVOCI on transition to IFRS 9. The amount of adjustment as at 1 January 2018 represents the effect of change in the fair value of investment in Uranenergo LLP as a result of adoption of IFRS 9.

19 Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. Company's exposure to interest rate risk, currency risk and liquidity risk is provided in Note 22.

'000 KZT	31 December 2019	31 December 2018
Non-current liabilities		
Secured loan from SB Alfa-Bank JSC	5,337,242	4,468,853
Secured loan from Halyk Bank of Kazakhstan JSC	2,161,215	-
	7,498,457	**4,468,853**
Current liabilities		
Current portion of secured loan from Halyk Bank of Kazakhstan JSC	11,383,605	-
Current portion of secured loan from SB Alfa-Bank JSC	1,642,229	525,747
Interest payable	17,594	3,191
	13,043,428	**528,938**

Terms and debt repayment schedule

Terms and repayment schedule of outstanding loans were as follows:

				31 December 2019		31 December 2018	
KZT'000	**Currency**	**Nominal interest rate, %**	**Year of maturity**	**Nominal value**	**Carrying amount**	**Nominal value**	**Carrying amount**
Secured loan from Halyk Bank of Kazakhstan JSC	US Dollars	4.8	2020-2023	13,544,820	13,557,064	-	-
Secured loan from SB Alfa-Bank JSC	US Dollars	4.6	2020-2023	6,979,470	6,984,821	4,994,600	4,997,791
Total interest-bearing liabilities				**20,524,290**	**20,541,885**	**4,994,600**	**4,997,791**

During 2018 the Company entered into a loan agreement for a long-term bank facility of USD 20 million at the interest rate of 4.6% per annum with maturity in 2020-2023. Under this loan agreement, in March 2019 the Company received the second tranche of USD 7 million (equivalent to KZT 2,645,930 thousand). The Company pledged cash on its current account of KZT 1,000 thousand as collateral under this loan facility. During 2019, cash flows received under the contract with NAC KAP on purchase and sale of natural uranium concentrate in the form of uranium oxide serve as an additional collateral for the loan.

In February 2019 the Company signed a loan agreement with Halyk Bank of Kazakhstan JSC for a revolving credit line in the amount of USD 65 million, bearing an interest rate of 4.8% per annum, which matures in December 2023. As part of this loan agreement, during 2019 the Company received tranches of USD 56.4 million (equivalent to KZT 21,474,782 thousand) and repaid tranches of USD 20.8 million (equivalent to KZT 8,679,533 thousand). Cash flows received under the contract with Uranium One Inc. on purchase and sale of natural uranium concentrate in the form of uranium oxide are used to secure this loan.

Reconciliation of movements of liabilities to cash flows arising from financing activities

'000 KZT	**2019**	**2018**
Balance at 1 January	**4,997,791**	**-**
Changes from financing cash flows		
Proceeds from loans and borrowings	24,120,712	4,824,040
Repayment of loans	(8,679,533)	(14,843)
Total changes from financing cash flows	**15,441,179**	**4,809,197**
Effect of movement in exchange rates	**88,197**	**168,293**
Other changes		
Related liability		
Interest expense	823,423	20,301
Interest paid	(686,476)	-
Transaction costs related to loans and borrowings	(122,229)	(14,843)
Total other liability related changes	**14,718**	**5,458**
Balance at December 31	**20,541,885**	**4,997,791**

20 Provision for site restoration

'000 KZT	**31 December 2019**	**31 December 2018**
At the beginning of the year	3,160,912	2,561,365
Change in estimate (Note 12)	(44,469)	367,488
Unwinding of discount (Note 10)	233,583	232,059
At the end of the year	**3,350,026**	**3,160,912**

In accordance with the Contract, the Company will incur the costs for site restoration in future. The expected future cash flows were discounted to the net present value using a nominal risk-free discount rate of 7.13% (2018: 7.45 %), including projected inflation of 5.30% (2018: 5.30%). It is expected that the major part of expenses will be incurred within the period of 2020-2028 years, at the end of the production life of the Deposits.

The Company is also obliged to hold cash on a long-term bank deposit to finance future site reclamation works in accordance with the Contract (Note 14).

In view of the long-term nature of site restoration liabilities, there is an uncertainty concerning the actual amount of expenses that will be incurred in performing the site restoration activities and discount rate to be applied to the present value of these future obligations.

21 Trade and other payables

'000 KZT	**31 December 2019**	**31 December 2018**
Trade payables to third parties	2,596,740	2,949,075
Trade payables to related parties	1,163,392	651,945
Taxes payable	1,107,092	2,685,272
Other payables	1,072,820	800,893
	5,940,044	**7,087,185**

As at 31 December 2019 the Company has fully repaid the commercial discovery bonus of KZT 1,239,109 thousand charged as a result of increase by 43,376 tons of the uranium reserves on block 4 of Inkai deposit in 2018.

22 Financial instruments

The main risks inherent in the Company's daily operations are currency risk, interest rate risk and credit risk. The Company does not use hedging instruments to minimise those risks.

(a) Overview

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

- credit risk;
- liquidity risk;
- market risk.

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 management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Supervisory Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has not established a Risk Management Committee that is why the management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Supervisory Board on its activities.

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

Financial instruments of the Company comprise receivables, payables, loans and borrowings and cash. The Company's accounting policy with regard to the financial instruments is disclosed in Note 3 (c). The Company does not use financial instruments for speculative transactions and does not use the derivative financial instruments for hedging risks exposure.

The exposure to credit risk, liquidity risk and market risk arise in the normal course of business of the Company.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's receivables from customers.

The carrying amount of financial assets represents the Company's maximum credit risk exposure.

Exposure to credit risk

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

'000 KZT	**31 December 2018**	**31 December 2018**
Trade receivables	19,285,142	18,721,484
Cash and cash equivalents	9,135,683	5,389,541
Restricted cash	2,652,635	2,232,922
Other receivables	164,433	212,305
	31,237,893	**26,556,252**

(i) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Total revenue of the Company is mostly attributable to sales transactions with two customers. Details of concentration of revenue are included in Note 5.

All Company's customers have been transacting with the Company for over six years, and no account balances of these customers were written-off or credit-impaired at the reporting date.

A summary of the Company's exposure to credit risk for trade and other receivables is as follows:

'000 KZT	**31 December 2019**	**31 December 2019**
	Not credit-impaired	Credit-impaired
External credit rating from Moody's at least Baa3 or Standard & Poor's at least BBB-	19,293,389	-
Other customers		
– Six or more years' trading history with the Company	167,133	-
Total gross carrying amount	**19,460,522**	**-**
Impairment loss allowance	(10,947)	-
	19,449,575	**-**

'000 KZT	**31 December 2018**	**31 December 2018**
	Not credit-impaired	Credit-impaired
External credit rating from Moody's at least Baa3 or Standard & Poor's at least BBB-	18,726,987	-
Other customers		
– Five or more years' trading history with the Company	215,128	-
Total gross carrying amount	**18,942,115**	**-**
Impairment loss allowance	(8,326)	-
	18,933,789	**-**

(ii) Restricted cash

The Company held restricted cash of KZT 2,682,528 thousand at 31 December 2019 (2018: KZT 2,261,414 thousand) with the bank, which is rated BB-/B, based on rating agency Standard & Poor's ratings (Note 14).

Impairment on restricted cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its restricted cash has low credit risk based on the external credit ratings of the counterparties.

As at 31 December 2019 the impairment allowance was KZT 30,893 thousand (2018: KZT 28,492 thousand).

Cash and cash equivalents

The Company held cash and cash equivalents of KZT 9,137,500 thousand as at 31 December 2019 (2018: KZT 5,391,214 thousand). The cash and cash equivalents are held with banks and financial institutions rated from B- to BB- based on rating agency Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on expected credit loss basis according to contractual maturity dates that reflect the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

As at 31 December 2019 the impairment allowance was KZT 1,817 thousand (2018: KZT 1,673 thousand).

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations – in accordance with the contract term; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, not including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. Liquidity of the financial instruments is disclosed on the basis of discounted cash flows of financial assets and liabilities pursuant to the expected cash inflow (or outflow) date.

As at 31 December 2019	**Carrying amount**	**Weighted average effective interest rate %**	**Total**	**On demand**	**0-3 months**	**3 months - 1 year**	**1-5 years**	**More than 5 years**
Financial assets:								
Cash and cash equivalents	9,135,683	Interest free	9,137,500	9,137,500	-	-	-	-
Restricted cash	2,652,635	10%	4,948,991	-	-	268,253	1,073,011	3,607,727
Trade receivables from Uranium One Inc.	17,429,932	Interest free	17,433,979	-	17,433,979	-	-	-
Trade receivables from NAC KAP JSC	1,855,211	Interest free	1,859,411	-	1,859,411	-	-	-
Other receivables	161,734		164,433	-	164,433	-	-	-
Total	**31,235,195**		**33,544,314**	**9,137,500**	**19,457,823**	**268,253**	**1,073,011**	**3,607,727**
Financial liabilities:								
Trade and other payables, including dividends payable	(20,748,635)	Interest free	(20,748,636)	-	(20,748,636)	-	-	-
Loans and borrowings	(20,541,885)	4.6%;4.8%	(21,602,470)	-	(3,644,990)	(10,043,126)	(7,914,354)	-
Total	**(41,290,520)**		**(42,351,106)**	**-**	**(24,393,626)**	**(10,043,126)**	**(7,914,354)**	**-**
Net balance position	**(10,055,325)**		**(8,806,792)**	**9,137,500**	**(4,935,803)**	**(9,774,873)**	**(6,841,343)**	**3,607,727**

At 31 December 2018	Carrying amount	Weighted average effective interest rate %	Total	On demand	0-3 months	3 months - 1 year	1-5 years	More than 5 years
Financial assets:								
Cash and cash equivalents	5,389,541	0.8%	5,391,214	5,391,214	-	-	-	-
Restricted cash	2,232,922	10.0%	4,367,439	-	-	226,041	904,166	3,237,232
Trade receivables from Uranium One Inc.	18,137,838	Interest free	18,142,284	-	18,142,284	-	-	-
Trade receivables from NAC KAP JSC	583,646	Interest free	584,703	-	584,703	-	-	-
Other receivables	212,305	Interest free	215,128	-	215,128	-	-	-
Total	**26,556,252**		**28,700,768**	**5,391,214**	**18,942,115**	**226,041**	**904,166**	**3,237,232**
Financial liabilities:								
Trade and other payables, including dividends payable	(32,202,553)	Interest free	(32,202,553)	-	(32,202,553)	-	-	-
Loans and borrowings	(4,997,791)	4.6%	(5,653,591)	-	(57,438)	(693,426)	(4,902,727)	-
Total	**(37,200,344)**		**(37,856,144)**	**-**	**(32,259,991)**	**(693,426)**	**(4,902,727)**	**-**
Net balance position	**(10,644,092)**		**(9,155,376)**	**5,391,214**	**(13,317,876)**	**(467,385)**	**(3,998,561)**	**3,237,232**

(d) Capital and financial risk management

The Company manages capital to ensure the continued operations. The capital structure of the Company comprises the Company's equity (including the issued stock, retained earnings). The Company is not subject to externally imposed capital requirements. Management reviews the capital structure on the annual basis. Based on the review results the Company takes measure to balance the entire capital structure through increase of the charter capital.

(e) Market risk

Market risk is the risk that changes in market prices, such as spot quotations, foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company neither buys and sells derivatives, nor incurs financial liabilities, in order to manage market risks. The Company does not apply special hedge accounting in order to manage volatility in profit or loss.

(i) Market price risk

The Company is exposed to the effect of fluctuations in the price of uranium, which is quoted in US Dollars on the international markets. The Company prepares an annual budget based on various levels of uranium prices in the future. Uranium prices historically fluctuate and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of natural uranium production, depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium.

At the reporting date there was no significant impact of commodity price risk on financial assets and liabilities recognised by the Company.

The Company does not hedge its exposure to the risk of fluctuations in the price of uranium.

(ii) Currency risk

The Company is exposed to currency risk to the extent that this is a mismatch between currencies in which sales, purchases and borrowings are primarily denominated and the functional currency of the Company. The currency in which these transactions are primarily denominated is USD.

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 buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	USD-denominated	**USD-denominated**
'000 KZT	**31 December 2019**	**31 December 2018**
Accounts receivable	17,433,979	18,137,838
Cash and cash equivalents	4,195,796	2,313,503
Loans and borrowings	(20,541,885)	(4,997,791)
Accounts payable	(2,872)	-
Net exposure	**1,085,018**	**15,453,550**

The following exchange rates applied during the year:

in KZT	**Average rate**	**Reporting date spot rate**	**Average rate**	**Reporting date spot rate**
	2019	**2019**	**2018**	**2018**
1 USD	382.75	380.44	344.71	384.20

Sensitivity analysis

Weakening of the KZT, as indicated below, against the USD at 31 December would have increased profit net of taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

'000 KZT	**Profit or loss**	
	Strengthening of KZT	**Weakening of KZT**
31 December 2019	(173,603)	173,603
KZT/USD (20% movement)		

'000 KZT	**Profit or loss**	
	Strengthening of KZT	**Weakening of KZT**
31 December 2018		
KZT/USD (20% movement)	(2,472,568)	2,472,568

(iii) Interest rate risk

Changes in interest rates impact primarily other financial liabilities, by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Profile

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

Fixed rate instruments	**Carrying amount**	**Carrying amount**
'000 KZT	**2019**	**2018**
Restricted cash (Note 14)	2,652,635	2,232,922
Loans and borrowings (Note 19)	(20,541,885)	(4,997,791)
	(17,889,250)	**(2,764,869)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

(f) Fair value

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts. Fair values have been determined for measurement and disclosure purposes based on the following methods.

Fair value hierarchy

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Before 1 January 2018 the Company held equity securities categorised as available-for-sale under IAS 39. Starting from 1 January 2018 these securities have been categorised as measured at fair value through other comprehensive income under IFRS 9.

The Company owns 6.97% interest in Uranenergo LLP which is not listed on a stock exchange and this investment is accounted for as investment at fair value through other comprehensive income under IFRS 9. Because of limited market activity in the shares, the valuation is not benchmarked against observed transaction prices. Instead, the Company applies a model, in which certain inputs are unobservable. Hence, this investment has been included in Level 3 of fair value hierarchy.

23 Commitments and contingencies

(a) Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Transfer pricing law

A new transfer pricing law was enacted as at 1 January 2009. As before, the new law applies to cross-border transactions involving sales of goods and services. In addition, the new transfer pricing law applies to in-country sales and purchases of goods and services, if these transactions are determined to be effected not at arm’s length.

Also, the law excluded the 10 percent price safe harbour provision that existed under the previous transfer pricing law (except for the sales of agricultural produce). Accordingly, the tax authorities are now entitled to review prices under any transaction, subject to the negotiated price varies from the price of transaction on commercial terms by any percentage. Management of the Company considers these requirements while assessing its income tax liabilities.

(b) Environmental issues

The Company believes that currently it is in compliance with all existing Republic of Kazakhstan environmental laws and regulations. However, Kazakhstan environmental laws and regulations may change in the future. The Company is unable to predict the timing or extent to which these environmental laws and regulations may change. Such changes, if made, may require the Company to modernize technology to meet more stringent standards.

(c) Compliance with Work Program

All mineral reserves in Kazakhstan are owned by the State; in this regard the authorised Competent Authority grants the rights for exploration and production to the third parties. Subsoil use rights are granted for a limited period and any extension thereof should be agreed on before expiry date of a respective contract or license. These rights may be terminated by the Competent Authority if the Company fails to meet its contractual obligations.

Under the Work Programs for two deposits approved by the Competent Authority, the contractual liabilities are denominated in tenge.

(i) Social commitments

Training of Kazakhstan specialists

Akdala subsoil use contract

In accordance with the subsoil use contract, the Company is committed to provide annual financing for professional training for local staff not less than 1% of geological exploration costs during the exploration period and 0.05% of production costs during the production period.

Subsoil use contract for block 4 of Inkai deposit

In accordance with the subsoil use contract, the Company is committed to provide annual financing for professional training for local staff in the amount not less than 1% of exploration costs and not less than 1% of production costs during the production period.

Development of the social sphere

Akdala subsoil use contract

In accordance with the subsoil use contract, the Company is committed to pay an annual amount not less than USD 75,000 for the social and economic development of the region and its infrastructure by means of transfer to the budget of the local executive body.

Subsoil use contract for block 4 of Inkai deposit

In accordance with the subsoil use contract, the Company is committed to pay an annual amount not less than USD 150,000 for the social and economic development of the region and its infrastructure by means of transfer to the budget of the local executive body.

Management believes that as at 31 December 2019 the Company is in compliance with its commitments stated in subsoil use contracts.

(ii) Site restoration liabilities

Within two years after transition to the commercial production under the Contracts the Company is required to provide a reclamation plan for the Deposits to the Competent Authority. To comply with this requirement the Company approved the site restoration program in 2017.

(iii) Liquidation fund

Pursuant to the Liquidation Program, the Company is obligated to accumulate cash on a special bank account to meet its site restoration liability related to the obligations to rehabilitate land and make mines safe after termination of their use, and the estimate costs of cleaning up after any chemical leakage.

The Company has accumulated cash on a special account with SB Alfa-Bank JSC. This deposit may be used only for the purpose of site restoration as agreed with the respective authority. As 31 December 2019 the deposit amounted to KZT 2,651,635 thousand (2018: KZT 2,231,922) (Note 14).

Management believes that as at 31 December 2019 the Company is in compliance with its commitments stated in subsoil use contracts.

(iv) Annual production

In accordance with the Contract, the Company is obligated to produce a certain amount of uranium per year. An annual output on block 4 of Inkai deposit and Akdala deposit for 2019 was established at the 1,600 tons and 800 tons, respectively. The actual output of the Company in 2019 was 1,600 tons and 800 tons, respectively, taking into account a permitted deviation of 20% (2018: 1,617 tons and 800 tons, respectively).

24 Related parties

(a) Control relationship

Uranium One Rotterdam B.V. is a subsidiary of Uranium One Inc. incorporated in Canada. The ultimate owner of Uranium One Inc. is Rosatom State Atomic Energy Corporation (“Rosatom”). Rosatom and NAC KAP produces publicly available financial statements.

(b) Related party transactions

During the period, the Company has made a number of transactions with the related parties:

'000 KZT	Sales 2019	Purchase of services 2019	Purchase of production and other assets 2019	Sales 2018	Purchase of services 2018	Purchase of production and other assets 2018
Shareholders	57,745,483	-	-	54,055,510	-	-
Companies under common or joint control of the shareholders	144,574	912,235	5,653,709	5,208	920,567	6,353,880

Balances payable/receivable at the end of the reporting period

'000 KZT	Receivables from related parties 2019	Payables to related parties 2019	Receivables from related parties 2018	Payables to related parties 2018
Shareholders	19,285,143	-	18,721,484	-
Companies under common or joint control of the shareholders	-	1,163,392	411	651,945

Dividends

'000 KZT	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2019	2018	2019	2018
Shareholders	(36,800,640)	(23,160,000)	15,915,683	27,800,640

(c) Key management remuneration

'000 KZT	2019	2018
Salaries and bonuses	66,713	71,690
Contributions to pension funds	3,991	4,867
	70,704	**76,557**

(d) Transactions with government and government-related companies

In the ordinary course of business, the Company conducts transactions with government bodies and companies under control of the Republic of Kazakhstan and Russian Federation. These transactions were conducted on the terms, which are comparable with those of other counteragents.

25 Subsequent events after the reporting date

Dividend payment

On 16 January 2020 the Company paid dividends for 2018 in the amount of KZT 6,000 million (including withholding tax of KZT 210 million) in accordance with the share of each: Uranium One Rotterdam B.V. in the amount of KZT 4,200 million and NAC KAP in the amount of KZT 1,800 million.

Repayment of loans and borrowings

On 27 January 2020 the Company repaid loans of Halyk Savings Bank JSC in the amount of USD 2,846 thousand (equivalent to KZT 1,077,341 thousand), including principal amount of USD 2,684 thousand (equivalent to KZT 1,016,111 thousand) and interest amount USD 162 thousand (equivalent to KZT 61,231 thousand) and SB Alfa-Bank JSC in the amount of USD 1,150 thousand (equivalent to KZT 435,399 thousand), including the principal amount of USD 1,073 thousand (equivalent to KZT 406,275 thousand) and the interest payment in amount of USD 77 thousand (equivalent to KZT 29,123 thousand).

Receipt loans and borrowing

In January 2020 the Company received tranches for loans under a loan agreement with Halyk Bank JSC in the amount of USD 4,399 thousand (equivalent to KZT 1,641,466 thousand).