Altius Holding Inc.

Consolidated financial statements

For the year ended 31 December 2021,
with independent auditor's report

CONTENTS

Independent auditor's report

Consolidated financial statements

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

Building a better working world

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, д. 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 59 60
Fax: +7 727 258 59 61
www.ey.com

Independent auditor's report

To the Shareholder and the Management of Altius Holding Inc.

Opinion

We have audited the consolidated financial statements of Altius Holding Inc. and its subsidiary (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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 for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Building a better working world

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Building a better working world

We communicate with the management 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.

Ernst & Young LLP

Kairat Medetbayev
Auditor

Auditor qualification certificate
No. МФ - 0000137 dated 8 February 2013

Rustamzhan Sattarov
General Director
Ernst & Young LLP

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

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

18 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	5	**14,155,137**	15,018,182
Intangible assets	6	**920,406**	1,093,649
Right-of-use asset		**32,497**	80,864
Deferred tax assets	20	**357,557**	264,295
Other long-term financial assets	7	**1,066,868**	1,014,844
		16,532,465	17,471,834
Current assets			
Cash and cash equivalents	8	**9,948,133**	6,233,655
Other short-term financial assets	7	**8,634**	8,418
Trade receivables and other current assets	9	**3,124,382**	2,664,962
Inventories	10	**1,426,614**	1,170,664
Income tax prepaid		**332,258**	321,773
		14,840,021	10,399,472
Total assets		**31,372,486**	27,871,306
Equity and liabilities			
Equity			
Charter capital	11	**145,432**	145,432
Foreign currency translation reserve		**12,525,241**	12,577,589
Retained earnings		**10,497,095**	8,854,350
		23,167,768	21,577,371
Non-current liabilities			
Deferred tax liabilities	20	**488,393**	743,020
Abandonment and site restoration liabilities	12	**4,569,081**	3,894,261
Long-term lease liabilities		**19,668**	31,543
		5,077,142	4,668,824
Current liabilities			
Trade payables and other current liabilities	13	**1,273,149**	1,282,850
Income tax payable		**1,854,427**	342,261
		3,127,576	1,625,111
Total equity and liabilities		**31,372,486**	27,871,306

Kim Man Sup
Managing Director

ALTIUS HOLDINGS INC Alberta Canada

Suk Kim
Financial Director

The accounting policies and explanatory notes on page 5 through 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

In thousands of Tenge	Notes	2021	2020
Revenue from contracts with customers	14	**35,173,330**	20,158,227
Cost of sales	15	**(9,777,449)**	(8,307,040)
Gross profit		**25,395,881**	11,851,187
Selling expenses	16	**(9,863,729)**	(5,402,678)
General and administrative expenses	17	**(1,765,222)**	(1,932,299)
Profit from operations		**13,766,930**	4,516,210
Reversal of expected credit loss, net	18	**10,884,244**	–
Finance income		**55,234**	255
Foreign exchange gain, net		**129,371**	615,476
Finance cost		**(286,982)**	(303,131)
Impairment of non-current assets	5, 6	**–**	(184,866)
Other income	19	**607,711**	545,076
Other expense		**(363,121)**	(165,817)
Income before income tax		**24,793,387**	5,023,203
Income tax expense	20	**(5,434,582)**	(2,120,185)
Profit for the year		**19,358,805**	2,903,018
Other comprehensive income			
Foreign currency translation difference		**(52,348)**	167,835
Total comprehensive profit for the year		**19,306,457**	3,070,853

Kim Man Sup
Managing Director

ALTIUS HOLDINGS INC Alberta Canada

Suk Kim
Financial Director

The accounting policies and explanatory notes on page 5 through 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In thousands of Tenge	Notes	Charter capital	Foreign currency translation reserve	Retained earnings	Total equity
At 1 January 2020		145,432	12,409,754	5,951,332	18,506,518
Net profit for the year		–	–	2,903,018	2,903,018
Foreign currency translation differences for foreign operations		–	167,835	–	167,835
Total comprehensive income for the year		–	167,835	2,903,018	3,070,853
At 31 December 2020		145,432	12,577,589	8,854,350	21,577,371
Net profit for the year		–	–	**19,358,805**	**19,358,805**
Foreign currency translation differences for foreign operations		–	**(52,348)**	–	**(52,348)**
Total comprehensive income for the year		–	**(52,348)**	**19,358,805**	**19,306,457**
Distribution of dividends	11	–	–	**(17,716,060)**	**(17,716,060)**
At 31 December 2021		**145,432**	**12,525,241**	**10,497,095**	**23,167,768**

Kim Man Sup
Managing Director

ALTIUS HOLDING INC Alberta Canada

Suk Kim
Financial Director

The accounting policies and explanatory notes on page 5 through 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of Tenge	Notes	2021	2020
Cash flow from operating activities			
Profit before income tax		**24,793,387**	5,023,203
Adjustments for:			
Depreciation, depletion and amortization	5,6	**2,454,163**	2,277,314
Finance income		**(55,234)**	(255)
Foreign exchange gain, net		**(79,166)**	(526,354)
Finance cost		**286,982**	303,131
Reversal for expected credit loss	18	**(10,884,244)**	–
Impairment		**–**	184,866
Change in obsolete inventories		**(936)**	(10,597)
Loss on disposal of fixed assets		**162,386**	18,803
Operating cash flows before changes in working capital		**16,677,338**	7,270,111
Changes in working capital			
Change in inventories		**(255,014)**	(107,638)
Change in trade receivables and other current assets		**(442,947)**	(118,164)
Change in trade payables and other current liabilities		**(278,409)**	(68,981)
Cash generated from operating activity		**15,700,968**	6,975,328
Income tax paid		**(4,280,790)**	(4,205,065)
Interest received		**10,955,349**	–
Net cash generated from operating activities		**22,375,527**	2,770,263
Cash flow from investing activities			
Purchase of property, plant and equipment		**(937,945)**	(1,618,582)
Placement of cash deposit		**(42,086)**	(48,889)
Proceed from sale of property, plant and equipment		**470**	8,975
Net cash from/(used) in investing activities		**(979,561)**	(1,658,496)
Cash flow from financing activities			
Dividends paid	11	**(17,716,060)**	–
Lease liability payment		**(15,633)**	(76,425)
Net cash used in financing activities		**(17,731,693)**	(76,425)
Net change in cash and cash equivalents		**3,664,273**	1,035,342
Effects of exchange rate changes on cash and cash equivalents		**50,205**	609,908
Cash and cash equivalents, at the beginning of the year	8	**6,233,655**	4,588,405
Cash and cash equivalents, at the end of the year	8	**9,948,133**	6,233,655

Kim Man Sup
Managing Director

ALTIUS HOLDINGS INC Alberta Canada

Suk Kim
Financial Director

The accounting policies and explanatory notes on page 5 through 34 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Altius Holdings Inc. (the "Company") and its subsidiary (together the "Group") are independent upstream oil and gas companies with a portfolio of development and production assets located in Kazakhstan. The Group operates four production fields located in Kazakhstan.

Altius Holdings Inc. is an entity established under the laws of Canada. The Company is wholly owned by KNOC Black Hill Ltd., a Canadian entity, which is controlled by Korea National Oil Corporation, which, in its turn, is ultimately controlled by the Government of the Republic of Korea.

The registered legal address of the Company is 4500 Bankers Hall East, 855 − 2nd Street SW, Calgary, AB, T2P 4K7, Canada.

Altius Petroleum International B.V. ("API B.V."), 100% subsidiary of the Company, is engaged in oil and gas development and production on Akzhar, Besbolek, Karataikyz and Alimbai fields located in North-Western Kazakhstan through its branches registered in Aktobe and Atyrau cities. The Group's operating licenses, which were obtained from the Government of the Republic of Kazakhstan, expire:

Akzhar field	expires in 2029
Besbolek field	expires in 2037
Karataikyz field	expires in 2029
Almbai field	expires in 2036

These consolidated financial statements of the Group for the year ended 31 December 2021 were approved for issue by the Managing Director and Financial Director on 18 March 2021.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. These consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousands, except when otherwise stated.

Statement of compliance

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

The preparation of consolidated financial statements requires to use certain critical accounting estimates, it also requires management to make judgments on the assumptions in the applying of accounting policies. The areas involving a higher degree of complexity or judgements, also areas where assumption and estimate is significant to the consolidated financial statements are disclosed in *Note 4*.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT"). The functional currency of Altius Holdings Inc. and Altius Petroleum International B.V. is US Dollar ("USD"). The functional currency of Altius Petroleum International B.V. Atyrau branch and Aktobe branch is Kazakhstani Tenge ("Tenge" or "KZT"). The results and financial position of entities whose functional currency is different from the presentation currency are translated into presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Transactions and balances (continued)

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Exchange rates

The market exchange rate was established as an average exchange rate of Tenge against foreign currencies on the afternoon trading session at the Kazakhstan Stock Exchange ("KASE"). The following table shows the exchange rates of foreign currencies against Tenge used in preparation of the financial statement:

		Exchange rate as at	Average weighted rate during the year
31 December 2021	US Dollars	**431.80**	**426.06**
31 December 2021	Euro	**489.1**	**503.96**
31 December 2021	Canadian Dollars	**339.49**	**339.93**
31 December 2020	US Dollars	420.91	413.46
31 December 2020	Euro	516.13	472.05
31 December 2020	Canadian Dollars	330.15	308.55

3. SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* − amendment to IFRS 16 *Leases.*

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.However, the Group has not received COVID-19 related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards and interpretations issued but not yet effective

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

Reference to the Conceptual Framework − Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations − Reference to the Conceptual Framework.* The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Consolidated Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or 1FRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Consolidated Financial Statements.*

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use − Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment − Proceeds before Intended Use,* which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts − Costs of Fulfilling a Contract − Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to providegoods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates − Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies − Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Expected to be realised within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are not observable.

For assets and liabilities that are revalued in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date the Group analyses changes in the cost of assets and liabilities that should be reanalysed reassessed in accordance with the Group's accounting policy. As a part of such analysis, the Group checks main inputs used at the latest evaluation by comparing information used at evaluation with agreements and other relevant documents. The Group and external appraisers of the Group also compare changes in fair value of each asset and liability with relevant external sources in order to determine the change relevancy.

Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, usually on delivery of the goods. Payment is usually made within 30-60 days from date of delivery.

Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial assets – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

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

Excess profits tax

Under the Subsoil use contract, the Group is subject to excess profit tax. In accordance with the Tax Code of the Republic of Kazakhstan the object of taxation for excess profit tax shall be the part of net income calculated for each Subsoil use contract in a tax period that exceeds 25% of the Subsoil user's deductions for excess profit tax purpose. Net income for excess profit tax calculating purposes is determined as a difference between net income for Subsoil use contract computed for excess profit tax calculation purposes and corporate income tax for Subsoil use contract.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Value added tax

The tax authorities of Republic of Kazakhstan permit the settlement of sales and purchases value added tax (VAT) on a net basis.

VAT payable

VAT is payable to tax authorities upon collection of receivables from customers. Export sales are zero rated. VAT on purchases, which have been settled at the reporting date, is deducted from the amount payable. In addition, VAT related to sales which have not been collected at the reporting date is also included in the balance of VAT payable. Where allowance has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT payable is maintained until the debtor is written off for tax purposes.

VAT receivable

VAT receivable relates to purchases, which have not been settled at the reporting date. VAT receivable is reclaimable against VAT related to sales upon payment for the purchases or reimbursed by tax authorities of Republic of Kazakhstan by cash or by offset with other taxes payable.

Property and equipment

Property, plant and equipment' are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost (if the asset was previously classified as assets in development), any costs directly attributable to bringing the asset into operation, the initial estimate of the abandonment obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case, the straight-line method is applied. The unit-of-production rate calculation for the depreciation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, and major inspection costs are amortised over three to five years, which represents the estimated period before the next planned major inspection.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised. The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

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

Buildings and constructions	20-40 years
Machinery and equipment	5-20 years
Other property, plant and equipment	5-20 years
Oil and gas property	Unit-of-production basis

Construction-in-progress

Construction-in-progress represents property, plant and equipment under construction and machinery and equipment awaiting installation and is stated at cost. Construction-in-progress includes cost of construction and equipment and other direct costs. When construction of such assets is completed or when the machinery and equipment are ready for their intended use, construction-in-progress is transferred to the appropriate category. Construction-in-progress is not depreciated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at initial cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets have finite useful lives.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Expenses for amortization of intangible assets with finite useful life are recognized in the statement of comprehensive income in the category of expenses, which corresponds to the function of the intangible asset.

Historical costs and subsoil use rights are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. Intangible assets are amortised on a straight-line basis over their estimated useful lives of 3 to 5 years or using units-of-production method. The amortisation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

For assets an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (e) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Financial assets of the Group include cash and cash equivalents, trade and other accounts receivable, other long-term financial assets.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. excluded from the statement of financial position) if:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the note − Significant accounting judgements, estimates and assumptions *(Note 4)*.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Trade and other accounts payable

Liabilities for trade and other accounts payable are recognised at fair value to be paid in the future for goods and services received, whether or not billed to the Group.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of materials and supplies inventory is determined using weighted average method. The cost of crude oil is determined using weighted average method. The cost comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

Cash and short-term deposits

Cash includes petty cash and cash held on current bank accounts. Cash equivalents comprise short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents comprise short-term bank deposits with an original maturity of three months or less. The carrying value of these assets is a reasonable estimate of their fair value.

Provisions

General

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Transactions with shareholders

Gains or losses from transactions with shareholders or a party who is related to the shareholders and acts on behalf of the shareholders are recognized directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

Changes in estimates are accounted for prospectively.

Useful economic lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at each end of reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Recoverability of oil and gas and intangible assets

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

The key assumptions required for the recoverable amount estimation are the oil prices, WACC and production volumes.

For the year ended 31 December 2021, management of the Group performed impairment assessment of the recoverable amount of oil and gas property of oilfields Akzhar, Besbolek, Karataikyz and Alimbai. The result of this assessment indicated that the carrying value of assets of Akzhar, Besbolek and Karataikyz and Alimbai do not exceed the recoverable amount, and thus no impairment amount for the year ended 31 December 2021 (2020: Alimbai impaired by 23,943 thousand Tenge.). The projection of cash flows was calculated using the sale price for Brent crude oil from USD 70.91 to USD 91.14 US Dollars for the period from 2022 to 2037 based on average forecast of Consultant agencies (CERA, Woodmack, PIRA). Cash flows were discounted using the weighted average cost of capital ("WACC") of 14.56% and 14.78% for Akzhar and Karataikyz, Besbolek and Alimbai and oilfields, respectively. According to the sensitivity analysis no impairment is observed on the Akzhar, Besbolek, Alimbai and Karataikyz if the discount rates are reduced/increased by 1% while other variables stay constant.

Abandonment and site restoration liabilities

The Group estimates future dismantlement and site restoration cost for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practice.

The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost. The Group estimates future abandonment cost of oil and gas

assets using current year prices and the average long-term inflation rate. The settlement of obligation is estimated to be the date of a license expiry or proved reserve depletion whichever is earlier.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Abandonment and site restoration liabilities (continued)

The Group reviews abandonment and site restoration obligations at each reporting date and adjust them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities.*

Taxation

The Group is subject to taxation in the Republic of Kazakhstan, in particular to Transfer Pricing law. Significant judgment is required in determining taxes due to inconsistent application, interpretation and enforcement of tax legislation. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences may impact income tax, taxes other than income tax and deferred tax provisions in the period in which such determination is made.

The Group exercises significant judgement when classifying differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes as temporary or permanent.

Recovery of deferred tax assets

Judgment is required to determine whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, production expenses, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization expenses. The Group estimates its oil and gas reserves in accordance with the methodology of the Petroleum Resources Management System ("SPE PRMS"). In estimating its reserves under SPE PRMS methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved reserves are used to calculate the unit of production rates for Depreciation Depletion & Amortization (DD&A) in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

The Group uses estimation of proved oil reserves in the calculation of amortization of subsoil use rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The most recent valuation of oil reserves was carried out as at 31 December 2021 by Oilfield Production Consultants Ltd.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Commitments and contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

5. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the years ended 31 December 2021 and 2020 is as follows:

In thousands of Tenge	Oil and gas property	Construction-in-progress	Other property, plant and equipment	Total
Cost				
At 1 January 2020	37,318,552	1,082,122	1,492,803	39,893,477
Additions	260,270	1,409,784	170,675	1,840,729
Change in estimates	(315,551)	–	–	(315,551)
Disposals	(58,617)	–	(40,880)	(99,497)
Transfers	977,384	(983,491)	6,107	–
At 31 December 2020	38,182,038	1,508,415	1,628,705	41,319,158
Additions	**357,194**	**547,973**	**229,968**	**1,135,135**
Change in estimates	**413,622**	**–**	**–**	**413,622**
Disposals	**(162,013)**	**(78,458)**	**(12,599)**	**(253,070)**
Transfers	**1,055,689**	**(1,096,384)**	**40,695**	**–**
At 31 December 2021	**39,846,530**	**881,546**	**1,886,769**	**42,614,845**
Accumulated depreciation and impairment				
At 1 January 2020	(22,884,078)	(434,373)	(868,325)	(24,186,776)
Charge for the year	(1,913,813)	–	(111,307)	(2,025,120)
Disposals	40,962	–	30,881	71,843
Impairment	(160,923)	–	–	(160,923)
At 31 December 2020	(24,917,852)	(434,373)	(948,751)	(26,300,976)
Charge for the year	**(2,113,381)**	**–**	**(135,565)**	**(2,248,946)**
Disposals	**80,405**	**–**	**9,809**	**90,214**
At 31 December 2021	**(26,950,828)**	**(434,373)**	**(1,074,507)**	**(28,459,708)**
Net book value				
At 31 December 2020	**13,264,186**	**1,074,042**	**679,954**	**15,018,182**
At 31 December 2021	**12,895,702**	**447,173**	**812,262**	**14,155,137**

As at 31 December 2021 property and equipment with the cost of 2,528,008 thousand Tenge were fully depreciated (as at 31 December 2020: 1,471,138 thousand Tenge).

6. INTANGIBLE ASSETS

The movement of intangible assets for the years ended 31 December 2021 and 2020 is as follows:

In thousands of Tenge	**2021**	2020
Cost		
At 1 January	**6,846,962**	6,831,268
Additions	**–**	15,694
At 31 December	**6,846,962**	6,846,962
Accumulated depreciation		
At 1 January	**(5,753,313)**	(5,524,153)
Charge for the period	**(173,243)**	(205,217)
Impairment	**–**	(23,943)
At 31 December	**(5,926,556)**	(5,753,313)
Net book value		
At 1 January	**1,093,649**	1,307,115
At 31 December	**920,406**	1,093,649

Intangible assets mostly represent computer software, historical costs and subsoil use rights as at 31 December 2021.

7. OTHER SHORT-TERM AND LONG-TERM FINANCIAL ASSETS

As at 31 December 2021, other long-term financial assets consists of restricted cash deposits of 1,057,339 thousand Tenge (2020: 1,004,867 thousand Tenge) which are accumulated for the purpose of abandonment and site restoration of oil fields and long-term loans to employees in the amount of 9,529 thousand Tenge (2020: 9,977 thousand Tenge). The deposits mature at the inception of the liquidation programs approved by the Ministry of Energy of the Republic of Kazakhstan. The Group placed restricted cash deposits at 0.01% per annum in SB Sberbank of Russia JSC.

As at 31 December 2021 short-term deposits of 8,634 thousand Tenge are the bank deposits placed in US Dollars with maturity period of more than three months with an average interest rate of 1% in SB Sberbank JSC (2020: 8,418 thousand Tenge).

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Cash on bank account	**9,947,854**	4,263,881
Cash on deposit	**–**	1,968,919
Petty cash	**279**	855
	9,948,133	6,233,655

At 31 December 2021 and 2020, cash and cash equivalents were denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
USD	**5,862,583**	4,674,621
EUR	**1,081,058**	972,508
KZT	**2,644,762**	586,526
CAD	**359,730**	–
	9,948,133	6,233,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE RECEIVABLES AND OTHER CURENT ASSETS

In thousands of Tenge	**31 December 2021**	31 December 2020
Trade receivables	**1,939,255**	1,489,116
Advances paid	**413,086**	426,730
Other taxes prepaid	**499,796**	371,090
Value-added tax recoverable	**152,668**	263,115
Other current assets	**119,577**	114,911
	3,124,382	2,664,962

The Group classified trade receivables from export sales of crude oil to EURO-ASIAN OIL PTE. LTD. (2020: Euro-Asia Oil SA) as financial assets at fair value through profit or loss due to the contractual terms of the financial instrument cash flows depend on changes in the market prices after the transfer of control.

Trade receivables are interest free and normally receivable within 30 days. All trade receivables are current as at 31 December 2021 and 31 December 2020 and represent amounts due from sales of crude oil.

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due, but not impaired				
In thousands of Tenge	**Total**	**Neither past due nor impaired**	**1 to 30 days**	**31 to 90 days**	**91 to 180 days**	**181 to 360 days**	**Over 360 days**
31 December 2021	**1,939,255**	**1,939,255**	**–**	**–**	**–**	**–**	**–**
31 December 2020	1,489,116	1,486,059	3,057	–	–	–	–

Other taxes prepaid

In thousands of Tenge	**31 December 2021**	31 December 2020
Export custom duties prepaid	**266,620**	211,549
Rental tax prepaid	**127,829**	60,981
Mineral extraction tax prepaid	**50,251**	48,949
Other	**55,096**	49,611
	499,796	371,090

10. INVENTORIES

In thousands of Tenge	**31 December 2021**	31 December 2020
Raw and other materials (at cost or net realizable value)	**912,607**	678,148
Finished goods – crude oil (at cost)	**467,606**	451,543
Work in progress (at cost)	**46,401**	40,973
	1,426,614	1,170,664

11. CHARTER CAPITAL

The charter capital of the Group as at 31 December 2021 and 2020 equals to 182,644,452 ordinary shares for 145,432 thousand Tenge. No shares were issued in 2021 and 2020. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

In accordance with the dividends distribution policy, approved by the shareholders of the Group, and according to the Resolutions of the Board of Directors of the Group during 2021 the Group declared and paid dividends of 17,716,060 thousand Tenge (equivalent to 41,000 thousand US Dollars). The dividends paid are classified as cash outflows in the financing activities in the consolidated statement of cash flow (2020: no declared dividends).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. ABANDONMENT AND SITE RESTORATION LIABILITIES

In thousands of Tenge	**2021**	2020
At 1 January	**3,894,261**	3,865,541
Additional provision for the year	**–**	51,216
Change in estimate	**413,622**	(315,551)
Unwinding of discount	**279,309**	293,055
Liquidation of wells	**(18,111)**	–
At 31 December	**4,569,081**	3,894,261

In order to comply with the Subsoil use contractual obligations, subsoil users are obliged to perform decommissioning and restoration works upon the abandonment of the field. Accordingly, the obligation, which is subject to significant judgment, was accrued.

The cost of restoration was estimated considering the prices and local risks. The abandonment obligation was accrued based on the best estimates available by that date. The average abandonment obligation of one well is 8,387 thousand Tenge (2020: 7,737 thousand Tenge).

Akzhar

Net present value of abandonment obligation of wells and other assets are 2,268,503 thousand Tenge and 1,045,382 thousand Tenge, respectively (2020: 1,966,194 thousand Tenge and 902,442 thousand Tenge). Inflation rate is 5.50% as of 31 December 2021 (2020: 5.57%). As at 31 December 2021 the present value of the abandonment obligation was discounted at a rate of 6.24% (2020: 7.06%).

Besbolek

Net present value of abandonment obligation wells and other assets are 441,764 thousand Tenge and 441,878 thousand Tenge, respectively (2020: 365,178 thousand Tenge and 354,068 thousand Tenge). Inflation rate is 5.50% as of 31 December 2021 (2020: 5.54%). As at 31 December 2021 the present value of the abandonment obligation was discounted at a rate of 6.7% (2020: 7.54%).

Alimbai

Net present value of abandonment obligation wells and other assets are 113,680 thousand Tenge and 140,771 thousand Tenge, respectively (2020: 91,666 thousand Tenge and 113,521 thousand Tenge). The inflated rate is 5.50% as of 31 December 2021 (2020: 5.54%). As at 31 December 2021 the present value of the abandonment obligation was discounted at a rate of 6.7% (2020: 7.55%).

Karataikyz

Net present value of abandonment obligation wells and other assets are 111,598 thousand Tenge and 5,505 thousand Tenge, respectively (2020: 96,435 thousand Tenge and 4,757 thousand Tenge). Inflation is 5.50% as of 31 December 2021 (2020: 5.57%). As at 31 December 2021 the present value of the abandonment obligation was discounted at a rate of 6.2% (2020: 7.06%).

13. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

In thousands of Tenge	**31 December 2021**	31 December 2020
Trade payables	**688,705**	751,031
Unused vacation reserve	**304,793**	297,012
Contract liabilities	**80,919**	67,295
Other current liabilities	**65,912**	60,647
Short-term lease payable	**16,524**	33,520
Value-added tax payable	**38,465**	–
Other taxes	**77,831**	73,345
	1,273,149	1,282,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of Tenge	**2021**	2020
Type of goods or service		
Export oil sales	**23,087,043**	11,384,082
Domestic oil sales	**12,086,287**	8,774,145
	35,173,330	20,158,227
Geographical markets		
Europe – Netherlands, France, Switzerland	**23,087,043**	11,384,082
Asia − Kazakhstan	**12,086,287**	8,774,145
	35,173,330	20,158,227
Timing of revenue recognition		
Goods transferred at a point in time	**35,173,330**	20,158,227
	35,173,330	20,158,227

In accordance with the terms of contracts with customers, the Group has one single performance obligation for each contract, and revenue is recognized when the goods are delivered and accepted at the point negotiated in contracts.

During 2021 the Group produced 299,162 tons and sold 281,390 tons (during 2020: 287,096 tons produced and sold 276,282 tons) of crude oil.

Sale of crude oil contracts stipulate preliminary pricing at the time of shipment, while final pricing is based on the market price for a specific future period. The final price is based on the average Brent crude oil quotes for each shipment, according to the Platt's Crude Oil Marketwire publications for the publication days to be agreed between the Group and the customer. In 2021 change between provisional and final price for contracts with customers is reflected in revenue and debited for 1,097,959 thousand Tenge (change in 2020: debited for 713,453 thousand Tenge).

15. COST OF SALES

For the years ended 31 December cost of sales comprised the following:

In thousands of Tenge	**2021**	2020
Depreciation and depletion	**2,192,174**	2,068,534
Payroll expenses and related taxes	**1,606,537**	1,455,621
Rent of specialised equipment and transport	**1,325,909**	1,290,602
Mineral extraction tax	**1,295,245**	814,337
Repair and maintenance expenses	**1,041,689**	970,796
Fuel and electricity	**444,254**	372,732
Services	**343,713**	225,405
Materials and supplies	**329,685**	256,329
Taxes other than income	**315,930**	312,690
Catering	**150,632**	134,733
Security	**98,093**	95,744
Research and development	**80,326**	–
Insurance	**34,286**	31,720
Training and education	**11,016**	62,311
Inventory obsolescence	**(21,484)**	–
Change in finished goods and work-in-process	**(29,578)**	(72,386)
Other	**559,022**	287,872
	9,777,449	8,307,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. SELLING EXPENSES

For the years ended 31 December selling expenses comprised the following:

In thousands of Tenge	**2021**	2020
Transportation of crude oil	**2,635,101**	2,934,729
Rental tax	**3,686,175**	654,166
Export custom duties	**2,841,647**	1,218,820
Collection and storage of crude oil	**241,005**	178,682
Depreciation and depletion	**170,769**	148,725
Personnel and related taxes	**141,905**	123,244
Other	**147,127**	144,312
	9,863,729	5,402,678

17. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended 31 December general and administrative expenses comprised the following:

In thousands of Tenge	**2021**	2020
Personnel and related taxes	**1,267,931**	1,294,804
Depreciation and amortization	**108,719**	60,055
Sponsorship	**93,727**	94,696
Professional services	**93,047**	168,159
Business trip expenses	**25,737**	18,841
Training and education	**16,798**	102,387
Communication	**12,672**	10,608
Rent and office maintenance	**12,589**	23,328
Fines and penalties	**2,537**	29,096
Other	**131,465**	130,325
	1,765,222	1,932,299

18. REVERSAL OF EXPECTED CREDIT LOSS

In 2011 the Group issued loans to KNOC Kaz B.V. and Kernhem International B.V. in the amount of 49,125 thousand US Dollars and 875 thousand US Dollars, respectively. In 2015 the Group has created a provision for impairment that represents management estimate of losses in respect of non-recoverable loans for the full amount of loans issued and interest accrued on those loans.

In thousands of Tenge	**31 December 2021**	31 December 2020
KNOC Kaz B.V.		
At 1 January	**32,470,955**	27,241,867
Unwinding of discount	**2,575,990**	2,358,120
Interest received	**(10,907,250)**	–
Translation difference	**981,963**	2,870,968
	25,121,658	32,470,955
Expected credit loss		
At 1 January	**(32,470,955)**	(27,241,867)
Unwinding of discount	**(2,575,990)**	(2,358,120)
Reversal of expected credit loss	**10,907,250**	–
Translation difference	**(981,963)**	(2,870,968)
At 31 December	**(25,121,658)**	(32,470,955)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. REVERSAL OF EXPECTED CREDIT LOSS (continued)

In thousands of Tenge	**31 December 2021**	31 December 2020
Kernhem International B.V.		
At 1 January	**731,020**	611,982
Unwinding of discount	**23,006**	53,181
Translation difference	**47,633**	65,857
	801,659	731,020
Expected credit loss		
At 1 January	**(731,020)**	(611,982)
Unwinding of discount	**(23,006)**	(53,181)
Translation difference	**(47,633)**	(65,857)
At 31 December	**(801,659)**	(731,020)

In 2021, the Group received from KNOC Kaz B.V. payment of 25,000 thousand US Dollars, which is equivalent to 10,097,250 thousand Tenge, and recognized reversal of expected credit loss for the amount of payment.

19. OTHER INCOME

In thousands of Tenge	**2021**	2020
Income from services on collection and storage of crude oil	**481,025**	496,044
Other	**126,686**	49,032
	607,711	545,076

20. INCOME TAX EXPENSE

The Group's applicable tax rate for Kazakhstani operations is the income tax of 20%. The Group is also subject to branch profit tax of 5% after corporate income tax as determined under the laws of the Republic of Kazakhstan. Altius Holdings Inc., an entity registered in Canada, has an applicable rate of 27%. API B.V., an entity registered in the Netherlands, has an applicable rate of 25%. The Group is a Subsoil user that is subject to excess profit tax which is determined based on a Subsoil user's net profits for the year.

In thousands of Tenge	**2021**	2020
Corporate income tax	**3,778,207**	1,539,585
Adjustment of prior periods	**64,677**	227,027
Excess profit tax	**1,939,587**	425,184
	5,782,471	2,191,796
Deferred corporate income tax benefit	**(175,790)**	(88,252)
Deferred excess profits tax expense/(benefit)	**(155,534)**	16,641
Correction of deffered corporate income tax	**(16,565)**	–
	(347,889)	(71,611)
Total income tax expense	**5,434,582**	2,120,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. INCOME TAX EXPENSE (continued)

Income tax expense for the years ended 31 December 2021 and 2020 is as follows:

In thousands of Tenge	**2021**	2020
Profit before income tax	**24,793,387**	5,023,203
Income tax at applicable tax rate 20%	**4,958,677**	1,004,641
Branch profit tax expense	**991,735**	200,928
Deferred excess profit tax	**(155,534)**	16,641
Excess profit tax	**1,939,587**	425,184
Reversal of expected credit loss	**(2,721,061)**	–
Unrecognised tax loss carry-forward	**(237,423)**	(605,401)
Correction deffered corporate income tax	**(16,565)**	–
Adjustment of prior periods corporate income tax	**64,677**	227,027
Other differences	**610,489**	851,165
Income tax expense	**5,434,582**	2,120,185

The tax effect of the major temporary differences that give rise to the deferred tax assets and liabilities at 31 December is presented below:

In thousands of Tenge	**31 December 2021**	**Charge in profit and loss statement**	31 December 2020	Charge in profit and loss statement	1 January 2020
Deferred tax assets					
Abandonment and site restoration liabilities	**1,114,444**	**211,888**	902,556	(257,202)	1,159,758
Inventories	**70,694**	**2,593**	68,101	7,092	61,009
Other taxes	**4,295**	**418**	3,877	(13,313)	17,190
Other current liabilities	**97,018**	**(12,108)**	109,126	55,252	53,874
Property, plant and equipment	**20,228**	**(32,780)**	53,008	163,147	(110,139)
Tax loss carry-forward	**–**	**(237,423)**	237,423	(605,401)	842,824
Provision for unrecognized deferred tax assets	**–**	**237,423**	(237,423)	605,401	(842,824)
Deferred tax assets	**1,306,679**	**–**	1,136,668	–	1,181,692
Deferred tax liabilities					
Property, plant and equipment	**(1,437,515)**	**177,878**	(1,615,393)	116,635	(1,732,028)
Deferred tax charge in statements of profit and loss	**–**	**347,889**	–	71,611	–
Deferred tax liabilities	**(1,437,515)**	**–**	(1,615,393)	–	(1,732,028)

Table above represents deferred tax assets and deferred tax liabilities on the gross basis for each consolidated legal entity. As at 31 December 2021 the Group has unrecognized deferred tax asset for tax loss carry-forward for 33,414,873 thousand tenge in gross (2020: 35,139,730 thousand tenge).

Recorded in the statement of financial position as:

In thousands of Tenge	**31 December 2021**	31 December 2020
Deferred tax assets	**357,557**	264,295
Deferred tax liabilities	**(488,393)**	(743,020)

21. COMMITMENTS AND CONTINGENCIES

Operating environment

The Government of the Republic of Kazakhstan continues economic reforms and development of legal, tax and regulatory frameworks, which would meet the requirements of a market economy. The stability of the Kazakhstan economy is significantly dependent upon these reforms and developments and the effectiveness actions taken by the Government in the field of economic, financial and monetary policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities

The Group is party to various legal proceedings related to business operations, such as property damage claims and employee claims. The Group does not believe that pending or threatened claim of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's financial position or results of operations. The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that actual events giving rise to liability will occur and the amount of the liability can be reasonably estimated.

Subsoil use contracts compliance

The Government has the right to suspend or cancel the Subsoil use contracts if the Group is in material breach of its obligations and commitments under the Subsoil use contracts. Management believes the Group is in compliance with the commitments set forth in the Subsoil use contracts. However, such compliance may be questioned by the relevant authorities whose interpretations may differ significantly from those of the shareholders.

Commitment for social infrastructure development

In accordance with the Subsoil use contracts, the Group shall be directly involved in the social infrastructure development in the area of its operations. The Group spends 171,000 thousand US Dollars (equivalent to 73,816 thousand Tenge) and 1,000 thousand Tenge per annum in these regards. Additionally, the Group annually incurs 1 percent of total operational expenses incurred during the year for education and professional trainings of the citizens of Kazakhstan. During 2021 the Group incurred expenses for 67,924 thousand Tenge for social development and 40,778 thousand Tenge for education and professional trainings, accordingly. The management of the Group believes that Subsoil use contract terms met in full as at 31 December 2021 and 2020.

The domestic market delivery

As required by the Subsoil use contracts the Group is required to deliver 25% of crude oil produced on Akzhar, 35% on Alimbay and Karataikyz fields on domestic market. Domestic sales of crude oil produced on Besbolek field is directly regulated by Ministry of Energy of Republic of Kazakhstan. In 2021 the Group sold 172,400 tons (2020: 170,390 tons) on domestic market that comprises 61% (2020: 62%) of total production volume. As at 31 December 2021 management of the Group believes that the Group fully complied with domestic sales commitments.

Compliance with minimal working program

In accordance with minimal working program the Group incurred capital commitments for 2021 of 574,569 thousand Tenge (2020: 364,106 thousand Tenge). The management of the Group believes that the Group substantially complied with minimal work program requirements as at 31 December 2021.

Insurance commitments

In accordance with the Subsoil use contracts, the Group is obliged to develop the business, property and liability risk insurance program and submit it for approval to the Ministry of Energy of the Republic of Kazakhstan. The Ministry of Energy of the Republic of Kazakhstan approved the business, property and liability risk insurance program submitted by the Group for Subsoil use contracts.

Capital commitments

As at 31 December 2021, according to subsoil use agreement, the Group has contractual commitments of 1,300,259 thousand Tenge, excluding VAT (as at 31 December 2020: 1,194,858 thousand Tenge, excluding VAT) on capital expenditures from 2021 to 2037.

Environmental contingencies

The Group may also be subject to loss contingencies relating to regional environmental claims that may arise from the past operations of the related fields in which it operates. As Kazakhstan laws and regulations evolve concerning environmental assessments and site restoration, the Group may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the government's assessment of respective parties' ability to pay for the costs related to environmental reclamation. However, depending on any unfavorable claims or penalties assessed by the Kazakhstan regulatory agencies, it is possible that the Group's future results of operations or cash flow could be materially affected in a particular period. It is the opinion of management that there is a remote likelihood that such costs will have a material effect on the financial condition of the Group and accordingly no further provisions for future environmental claims or penalties are included in the accompanying financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. COMMITMENTS AND CONTINGENCIES (continued)

Taxation

Various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual.

Kazakhstan's tax laws and regulations are subject to constant change and interpretation. There are often differences of opinion between local, regional and national tax authorities, including opinions regarding the recording of income, expenses and other items in the consolidated financial statements in accordance with IFRS. The current system of fines and penalties for detected offences, based on the laws of Kazakhstan, is very severe. Fines are usually within 80% of the amount of additional taxes accrued, and interest accrued at the refinancing rate set by the National Bank of Kazakhstan multiplied by 1.25. As a result, the amount of penalties and penalties may be several times higher than the amount of additional taxes. Financial periods remain open for review by the tax authorities during the five calendar years preceding the year in which the audit is conducted. Under certain circumstances, inspections may cover longer periods. In view of the uncertainty inherent in Kazakhstan's tax system, the final amount of taxes, penalties and interest, if any, may exceed the amount currently charged and accrued as at 31 December 2021. The Group believes that, as at 31 December 2021, its interpretation of applicable law is appropriate, and it is probable that the Group's tax position will be confirmed, except as provided for or otherwise disclosed in these consolidated financial statements.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price.

The law on transfer pricing is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

As at 31 December 2021 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

22. FAIR VALUE AND RISK MANAGEMENT

Exposure to concentration of commodity price risk as well as to the credit, foreign currency and liquidity risks arises in the normal course of the Group's business.

Commodity price risk

Commodity price risk is the risk that changes in market prices for commodities (crude oil) will negatively affect current or future revenues of the Group.

Credit risk

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's concentration risk is significant. Based on the past practice the management believes that risk of trade receivable default is low.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, receivables from related parties, including the shareholder, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group is exposed to credit risk from its operating activities and certain investing activities. With regard to investing activities, the Group mostly places deposits with Kazakhstan banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FAIR VALUE AND RISK MANAGEMENT (continued)

Credit risk (continued)

The table below shows the balances of cash and cash equivalents, bank deposits in banks as at the reporting date:

			December 31			
In thousands of Tenge	**Location**	**Agency**	**2021**	2020	**2021**	2020
SB Sberbank of Russia JSC	Kazakhstan	Moody's Investors Service	**Ba1/Positive**	Ba1/Stable	**334,622**	3,275,610
Citi bank Kazakhstan	Kazakhstan	S&P Global ratings	**A+/Stable**	BBB+/Stable	**7,229,506**	2,207,317
KEB Hana of Netherlands	Netherlands	Moody's Investors Service	**A1/Stable**	A1/Stable	**2,032,471**	1,628,502
KEB Hana Bank Canada	Canada	Moody's Investors Service	**A1/Stable**	A1/Stable	**359,730**	134,494
Shinhan bank JSC	Kazakhstan	S&P Global ratings	**A+/Stable**	A/Stable	**158**	163

During 2021, the Group did not recognize any allowance for expected credit losses on cash and cash equivalents. Trade receivables were neither past due nor impaired as at 31 December 2021 and 2020.

Foreign currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group's currency risk is primarily attributable to its cash and cash equivalents, trade receivables, long-term financial assets and short-term financial assets. Operational foreign currency risk of Group is connected to the sales of crude oil in currency other than functional currency of the Group. Most of Group's sales are expressed in US Dollars, while most of expenses are expressed in Tenge. Most of proceeds from revenue are realized within 30 days from the moment of sales.

Thus, the exposure to exchange rate risk from trade receivables at any point in time is limited to one month. The Group does not use hedging instruments to eliminate exposure to exchange rate risk from loans from banks.

The carrying amounts of the Group's monetary assets by currency are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Cash and cash equivalents	**7,303,371**	5,651,340
Other long-term financial assets	**1,066,869**	882,767
Other short-term financial assets	**8,634**	4,207
Trade receivables	**1,939,255**	1,004,868
	12,962,891	7,543,182

Foreign currency sensitivity

Exposure to foreign currency exchange rate risk arises on cash and cash equivalents, accounts receivables and other long-term assets as at December 31, 2020 that are denominated in a foreign currency other than the functional currency in which they are measured.

The following table demonstrates the sensitivity to a reasonable possible change in the foreign currency exchange rate, with all variables held constant, of the Group's profit before income tax (due to change in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

In thousands of Tenge	**Increase/ decrease in Tenge to US Dollar exchange rate**	**Effect on profit before tax**
2021	**+13.00%**	**1,152,805**
	-10.00%	**(886,773)**
2020	14.00%	919,894
	-11.00%	(722,774)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FAIR VALUE AND RISK MANAGEMENT (continued)

Foreign currency sensitivity (continued)

In thousands of Tenge	Increase/ decrease in Tenge to Euro exchange rate	Effect on profit before tax
2021	**+13.00%**	**140,538**
	-10.00%	**(108,106)**
2020	14.00%	136,151
	-11.00%	(106,976)

In thousands of Tenge	Increase/ decrease in Tenge to Canadian Dollar exchange rate	Effect on profit before tax
2021	**+13.00%**	**46,765**
	-10.00%	**(35,973)**
2020	14.00%	–
	-11.00%	–

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities when they fall due. The Group's liquidity position is carefully monitored and managed. The Group makes use of a detailed budgeting and cash forecasting process to ensure that it has adequate cash available to meet its payment obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

In thousands of Tenge	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Year ended 31 December 2021						
Long-term lease liability	**–**	**–**	**–**	**19,668**	**–**	**19,668**
Trade and other current liabilities	**–**	**1,273,149**	**–**	**–**	**–**	**1,273,149**
	–	**1,273,149**	**–**	**19,668**	**–**	**1,292,817**

In thousands of Tenge	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Year ended 31 December 2020						
Long-term lease liability	–	–	–	40,500	–	40,500
Trade and other current liabilities	–	831,698	13,500	–	–	845,198
	–	831,698	13,500	40,500	–	885,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FAIR VALUE AND RISK MANAGEMENT (continued)

Changes in liabilities arising from financial activities

Below is the movement of financial liabilities of the Group for the years ended 31 December 2021 and 2020:

In thousands of Tenge	1 January 2021	**Other**	**Interest accrued**	**Cash outflows**	**31 December 2021**
Financial liabilities					
Lease liability	65,063	**(13,238)**	**846**	**(15,633)**	**36,192**
	65,063	**(13,238)**	**846**	**(15,633)**	**36,192**

In thousands of Tenge	1 January 2020	Additions	Interest accrued	Cash outflows	31 December 2020
Financial liabilities					
Lease liability	73,322	58,090	10,076	(76,425)	65,063
	73,322	58,090	10,076	(76,425)	65,063

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The following methods and assumptions were used to determine fair value:

- The carrying value of cash and cash equivalents, trade receivables, trade and other payables is approximately equal to their fair value due to the short-term nature of these financial instruments.
- Long-term fixed-rate or variable-rate loans are assessed by the Group on the basis of such parameters as interest rates, specific country risk factors, individual creditworthiness of the client and risk characteristics of the financed project. Based on this estimate, provisions are charged to expected losses on this receivable. As at 31 December 2021 and 31 December 2020, the carrying amount of such receivables, net of provisions, is not materially different from their estimated fair value.

Hierarchy of fair value measurement

The Group uses the following hierarchical structure of measurement methods to determine and disclose the fair value of financial instruments:

- Level 1: quotes (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation models for which all inputs that have a significant impact on the reported fair value are based, directly or indirectly, on information observed in the market.
- Level 3: valuation models that use inputs that have a significant impact on the reported fair value that are not based on market observable information.

As at 31 December 2021 and 2020, the Group had financial instruments classified as level 1 or level 2 financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FAIR VALUE AND RISK MANAGEMENT (continued)

Fair value of financial instruments (continued)

Hierarchy of fair value measurement (continued)

At 31 December 2021 and 2020, the carrying value of financial assets and financial liabilities approximates their fair value due to the short-term maturities of these instruments.

	Carrying amount		Fair value	
In thousands of Tenge	**31 December 2021**	31 December 2020	**31 December 2021**	31 December 2020
Financial assets				
I level				
Cash and cash equivalents	**9,948,133**	6,233,655	**9,948,133**	6,233,655
II level				
Trade receivables	**3,124,381**	2,664,962	**3,124,381**	2,664,962
	13,072,514	8,898,617	**13,072,514**	8,898,617
Financial liabilities				
II level				
Trade accounts payable	**1,273,149**	1,282,850	**1,273,149**	1,282,850
	1,273,149	1,282,850	**1,273,149**	1,282,850

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity structure. As at 31 December 2021, the capital structure of the Group comprises of the charter capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021.

23. RELATED PARTY TRANSACTIONS

Related parties include shareholders, affiliates, entities under common ownership, entities over which the Group has the ability to exercise significant influence, and key management of the Group.

The Group's immediate parent company is KNOC Black Hill Ltd. (Canada), which is controlled by Korea National Oil Corporation, which produces publicly available financial statements. KNOC is ultimately controlled by the Government of the Republic of Korea.

During the years ended 31 December 2021 and 2020, the Group entered into the following transactions with related parties:

Entities under common control

Other income

In thousands of Tenge	**2021**	2020
ADA Oil LLP	**460,601**	409,602
	460,601	409,602

Trade receivables

In thousands of Tenge	**31 December 2021**	31 December 2020
ADA Oil LLP	**86**	64
Meerbusch TOO	**1**	–
	87	64

23. RELATED PARTY TRANSACTIONS (continued)

Entities under common control (continued)

Advances received

In thousands of Tenge	**31 December 2021**	31 December 2020
ADA Oil LLP	**59,713**	51,929
	59,713	51,929

Loans and borrowings

In thousands of Tenge	**31 December 2021**	31 December 2020
KNOC Kaz B.V.	**25,121,658**	27,241,867
Kernhem International B.V.	**801,659**	611,982
Provision	**(25,923,317)**	(27,853,849)
	–	–

In 2015 the Group has created a provision for impairment that represents management estimate of losses in respect of irrecoverable loans for the full amount of loans issued and interest accrued on those loans (*Note 18*).

Compensation to key management personnel

Key management personnel comprise members of the Management Board and independent directors of the Group. Key management personnel of the Group totaled 16 people as at 31 December 2021 (as at 31 December 2020: 13 people). Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 505,862 thousand Tenge for the year ended 31 December 2021 (as at 31 December 2020: 445,397 thousand Tenge). Compensation to key management personnel consists mainly of salaries and other compensation payments in accordance with internal policy of the Group.

24. SUBSEQUENT EVENTS

On 2 January 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquified natural gas retail price. These protests spread to other cities and resulted in riots, damage to property and loss of life. On 5 January 2022 the government declared a state of emergency.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the Tenge exchange rate.

The Group is currently unable to quantify what the impact, if any, may be on the Group's financial position of any new measures the government may take or any impact from the effect on the Kazakhstan economy as a result of the above protests and state of emergency.

In February 2022 because of the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation. Due to the growth of geopolitical tensions since February 2022, there has been a significant increase in volatility in the stock and currency markets, as well as a significant decline in exchange rate of Tenge against US Dollar and Euro.

As at 18 March 2022, the Group had cash and cash equivalents with total amount of equivalent to 1,384,459 thousand Tenge at subsidiary of Russian bank.

As of the date of issue of the financial statements, the exchange rate of the Dollar against the Tenge was 506.14 Tenge.

The Group considers these events as non-adjusting events after the reporting period, the quantitative effect of which cannot currently be estimated with a reasonable degree of certainty. The Group's management is currently analyzing the possible impact of changing micro- and macroeconomic conditions on the financial position and performance of the Group.