

TENEX-KOREA Co., Ltd.

Financial Statements

December 31, 2021 and 2020

(With independent auditors' report)

TENEX-KOREA Co., Ltd.
December 31, 2021 and 2020

Contents	Page
Independent auditors' report	1
Financial statements	
Statements of financial position.....	3
Statements of comprehensive income.....	4
Statements of changes in equity.....	5
Statements of cash flows.....	6
Notes to the financial statements	7



Independent auditors' report

To the Shareholders and Board of Directors of
TENEX-KOREA Co., Ltd.

We have audited the accompanying financial statements of TENEX-KOREA Co., Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Non-listed Entities in the Republic of Korea, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TENEX-KOREA Co., Ltd. as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-listed Entities in the Republic of Korea.

January 24, 2022
Samyoung Accounting Corporation

Samyoung Accounting Corp.

This audit report is effective as of January 24, 2022, the date of this audit report. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the audit report date to the time this audit report is read. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

TENEX-Korea Co., Ltd.
Statements of Financial Position
December 31, 2021 and 2020
(in Korean Won)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	₩ 992,246,238	₩ 543,400,668
Short-term financial instruments	-	435,200,000
Accounts receivable-trade (Note 11)	2,122,383	476,108,800
Accounts receivable-other	33,419	33,419
Prepaid expenses	38,244,221	28,860,427
Income tax receivable	69,770	12,660,596
Prepaid VAT	2,147,450	33,200,046
Total current assets	1,034,863,481	1,529,463,956
Property and equipment, net of accumulated depreciation (Note 1)	17,946,550	27,309,970
Long-term financial instruments (Note 3)	18,404,265	15,495,677
Refundable deposits	40,964,900	47,761,000
Total assets	₩ 1,112,179,196	₩ 1,620,030,603
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable-trade	3,708,451	314,231,808
Accounts payable-other	5,564,984	5,159,439
Withholding taxes	52,985,094	56,724,241
Total current liabilities	62,258,529	376,115,488
Provision for severance payment (Note 5)	118,654,169	90,365,002
Total liabilities	180,912,698	466,480,490
Commitments and contingencies (Note 10)	-	-
Stockholder's equity		
Common stock (Note 1)	235,000,000	235,000,000
Retained earnings (Note 6 and 13)	696,266,498	918,550,113
Total stockholder's equity	931,266,498	1,153,550,113
Total liabilities and stockholder's equity	₩ 1,112,179,196	₩ 1,620,030,603

See accompanying notes to financial statements.

TENEX-Korea Co., Ltd.

Statements of Income

For the years ended December 31, 2021 and 2020

(in Korean Won)

	2021	2020
Revenue (Note 11) :		
Service revenue	₩ 784,384,063	₩ 1,904,390,534
Total revenue	784,384,063	1,904,390,534
Cost of sales		
Service revenue	242,985,084	857,726,419
Total cost of sales	242,985,084	857,726,419
Gross profit	541,398,979	1,046,664,115
Selling and administrative expenses (Notes 7 and 12)	846,438,564	898,856,902
Operating income (loss)	(305,039,585)	147,807,213
Other income (expense):		
Interest income (expense), net	453,305	5,795,611
Gain (loss) on foreign currency transaction, net	34,708,345	(9,667,810)
Gain (loss) on foreign currency translation, net	47,404,706	(56,425,407)
Gain (loss) on disposal of property and equipment, net	-	7,343,168
Miscellaneous, net	352,090	5,814,101
Income (loss) before income taxes	(222,121,139)	100,666,876
Income taxes (Note 8)	162,476	13,278,224
Net income (loss)	₩ (222,283,615)	₩ 87,388,652
Earnings (loss) per share (Note 9)	₩ (4,729,439)	₩ 1,859,333

See accompanying notes to financial statements.

TENEX-Korea Co., Ltd.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020
(in Korean Won)

	Common stock	Retained earnings	Total
Balance at January 1, 2020	235,000,000	831,161,460	1,066,161,460
Net Income (loss)		87,388,652	87,388,652
Balance at December 31, 2020	₩ 235,000,000	918,550,113	1,153,550,113
Balance at January 1, 2021	235,000,000	918,550,113	1,153,550,113
Net Income (loss)	-	(222,283,615)	(222,283,615)
Balance at December 31, 2021	₩ 235,000,000	696,266,498	931,266,498

See accompanying notes to financial statements.

TENEX-Korea Co., Ltd.

Statements of Cash flows

For the years ended December 31, 2021 and 2020
(in Korean Won)

	2021	2020
Cash flows from operating activities:		
Net income (loss)	₩ (222,283,615) ₩	87,388,652
Adjustments to reconcile net income to		
Cash provided by(used in) operating activities :		
Provision for severance benefits	28,289,167	23,719,370
Depreciation	9,363,420	9,363,420
Gain on disposal of fixed asset		(7,343,168)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable-trade	473,986,417	(476,108,800)
Decrease (increase) in accounts receivable-other		1,531,468
Decrease (increase) in prepaid expenses	(9,383,794)	8,670,871
Decrease (increase) in prepaid VAT	31,052,596	(30,873,464)
Decrease (increase) in income tax receivable	12,590,826	(12,660,596)
Increase (decrease) in accounts payable-trade	(310,523,357)	314,231,808
Increase (decrease) in accounts payable-other	405,545	2,859,119
Increase (decrease) in income tax payable	-	(75,898,502)
Increase (decrease) in withholding taxes	(3,739,147)	5,273,070
Net cash provided by (used in) operating activities	9,758,058	(149,846,752)
Cash flows from investing activities:		
Decrease (increase) in short-term financial instruments	435,200,000	375,260,000
Decrease (increase) in long-term financial instruments	(2,908,588)	48,558,557
Disposal of property and equipment	-	7,343,168
Decrease (increase) in refundable deposits	6,796,100	(8,572,000)
Net cash used in investing activities	439,087,512	422,589,725
Cash flows from financing activities:		
Net cash used in financing activities	-	-
Net increase(decrease) in cash and cash equivalents	448,845,570	272,742,973
Cash and cash equivalents at beginning of year	543,400,668	270,657,695
Cash and cash equivalents at end of year	₩ 992,246,238 ₩	543,400,668

See accompanying notes to financial statements.

1. Corporate information

TENEX-KOREA Co., Ltd. (the “Company”) was incorporated in 2003 under the Commercial Code of the Republic of Korea and the main business of the Company is as follows:

- to provide customers with sales assistant activities such as finding potential customers, improving relationship with existing and potential customers, supplying market information and reports thereon and so forth.
- to trade materials related with nuclear energy such as uranium

As of December 31, 2021, the Company is authorized to issue 110 shares of common stock (par value of ₩5,000,000) and has 47 issued and outstanding shares of common stock, wholly owned by Joint stock company "TENEX", the legal entity organized under the laws of the Russian Federation.

2. Summary of significant accounting policies

2-1 Basis of presentation of Financial Statements

The Company maintains its official accounting records in Korean won and prepares financial statements in the Korean Language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea (“Korean GAAP”). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices.

2-2 Adoption of Special Provision for Small-Sized Enterprises

As permitted for small and medium-sized companies by Accounting Standards for Non-Public Entities No. 31, “Exceptions to Accounting for Small and Medium-Sized Entities”, the Company elected not to adopt the deferred income tax accounting.

2-3 Allowance for doubtful accounts

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection.

2. Summary of significant accounting policies-Continued

2-4 Property and Equipment

Property and equipment are stated at cost. Significant additions or improvements extending useful lives of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the expected estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount.

Depreciation is provided by the straight-line method, over the following useful lives which are determined on the estimated periods expected to be useful in operations.

	<u>Estimated useful lives</u>
Vehicles	4 years
Furniture & fixtures	4 years
Leasehold improvements	4 years

2-5 Accounting for foreign currency transactions and translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains or losses recognized in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the prevailing rate of exchange on the date of statement of financial position that is permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction.

2-6 Revenue Recognition

Service revenue is recognized when persuasive evidence of an arrangement exists, the services are rendered, the price is fixed or determinable, and collection of the resulting receivable is reasonably assured.

Trade income is recognized when persuasive evidence of an arrangement exists, the product has been delivered and title of the product has been transferred, the price is fixed or determinable, and collection of the resulting receivable is reasonably assured.

2-7 Income taxes

The Company provides current income tax only. It does not provide for deferred tax, as allowed by Accounting Standards for Non-Public Entities No.31, Exceptions to Accounting for Small and Medium-Sized Entities.

2. Summary of significant accounting policies-Continued

2-8 Provision for retirement and severance benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on current rates of pay and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the the date of statement of financial position is accrued in the accompanying statement of financial position.

2-9 Earnings per share

Earnings per share are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of shares outstanding during the period.

2-10 Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from those estimates.

2-11 Statement of compliance

The Company prepared the financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea (“K-GAAP for Non-Public Entities”) which have been effective since January 1, 2011.

3. Restricted deposits

Deposits which are restricted in use as of December 31, 2021 and 2020, are as follows:

	(In thousands of Won)	
	2021	2020
Long-term financial instruments	9,500	9,500
(Deposits for company credit card)		

TENEX-KOREA Co., Ltd.
Notes to the financial statements
December 31, 2021 and 2020

4. Property and Equipment

Changes in property and equipment for the year ended December 31, 2021 are as follows:

(In thousands of Won)

	2021			
	Book value as of Jan. 1	Increase	Decrease	Book value as of Dec. 31
Leasehold Improvement	-	-	-	-
Vehicles	27,310	-	(9,363)	17,947
Furniture & fixtures	-	-	-	-
	<u>27,310</u>	<u>-</u>	<u>(9,363)</u>	<u>17,947</u>

Changes in property and equipment for the year ended December 31, 2020 are as follows:

(In thousands of Won)

	2020			
	Book value as of Jan. 1	Increase	Decrease	Book value as of Dec. 31
Leasehold Improvement	-	-	-	-
Vehicles	36,673	-	(9,363)	27,310
Furniture & fixtures	-	-	-	-
	<u>36,673</u>	<u>-</u>	<u>(9,363)</u>	<u>27,310</u>

5. Provision for severance payment

Changes in provision for retirement and severance benefits for the years ended December 31, 2021 and 2020 are summarized as follows:

(In thousands of Won)

	2021	2020
Balance at beginning of year	90,365	66,646
Provision	28,289	23,719
Less) Payments	-	-
Ending balance, net	<u>118,654</u>	<u>90,365</u>

TENEX-KOREA Co., Ltd.
Notes to the financial statements
December 31, 2021 and 2020

6. Retained Earnings

Retained earnings as of December 31, 2021 and 2020 are summarized as follows:

	2021	2020
Legal reserve	115,741	115,741
Unappropriated retained earnings	580,526	802,809
	696,267	918,550

(a) Legal reserve

The Korean Commercial Code requires the Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

7. Selling and administrative expenses

Selling and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Salary	479,244	535,350
Severance benefits	28,289	23,719
Automobile expenses	5,250	6,348
Other employee benefits	34,799	57,884
Travel expenses	10,474	7,923
Communications	8,753	8,296
Utilities	37,518	34,228
Depreciation	9,363	9,363
Insurance	11,766	11,100
Entertainment	18,629	11,702
Office and house rental	130,814	125,420
House maintenance fee	7,665	5,146
Office supplies	2,183	2,537
Professional service fee	50,817	45,921
Taxes and dues	828	1,104
Commission expenses	3,772	4,580
Subscription	660	260
Conference/exhibit	3,587	700
Education	-	4,671
Membership	1,000	1,760
Other expenses	1027	846
	846,438	898,857

TENEX-KOREA Co., Ltd.
Notes to the financial statements
December 31, 2021 and 2020

8. Income Taxes

The Company is subject to Korean corporate income taxes on taxable income at the following rates (including 10% resident tax surcharges):

<u>Taxable income</u>	<u>Rates</u>
Up to ₩200 million	11.0%
₩200 million ~ ₩20 billion	22.0%
₩20 billion ~ ₩300 billion	24.2%
Over ₩300 billion	27.5%

For the years ended December 31, 2021 and 2020, the Company recorded KRW 0 and KRW 13,278 thousand, respectively, as income taxes.

In accordance with special provisions for small and medium-sized companies, the Company does not recognize deferred income taxes arising from temporary differences between the tax bases of assets and liabilities and their financial reporting amounts.

9. Earnings per share

Earnings per share are computed as follows:

	<u>2021</u>	<u>2020</u>
Net income in Won	(222,283,615)	87,388,652
Weighted-average number of shares of common stock outstanding (shares)	<u>47</u>	<u>47</u>
Earnings per share in Won	<u>(4,729,439)</u>	<u>1,859,333</u>

10. Commitments and contingencies

The Company has entered into a service agreement with its shareholder, Joint stock company "TENEX", under which the Company provides its parent company with sales assistant activities such as finding potential customers, improving relationship with existing and potential customers and supplying market information and reports thereon and so forth.