Ferro-Alloy Resources Limited

Consolidated Financial Statements
for the year ended
31 December 2016

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Independent Auditors' Report

To the Shareholders of Ferro-Alloy Resources Limited

Qualified Opinion

We have audited the consolidated financial statements of Ferro-Alloy Resources Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

The recoverable amount of the Group's property, plant and equipment, exploration and evaluation assets, intangible assets and inventory balances is dependent on the successful implementation of its current plan, as disclosed in Notes 1(a) and 2(d). As at 31 December 2016, the plant had not been operating on a consistent basis and the Group generated negative operating cash flows during the years ended 31 December 2016 and 31 December 2015, which indicates that the recoverable amount of the Group's property, plant and equipment, exploration and evaluation assets, intangible assets and inventory balances may be lower than their carrying amounts. Management has not performed a formal estimate of the recoverable amount of these assets as at 31 December 2016 and 31 December 2015, which is required by International Financial Reporting Standard *IAS 36 Impairment of Assets* and *IAS 2 Inventories*. The effects of this departure from International Financial Reporting Standards on the consolidated financial statements has not been determined. Our opinions on the consolidated financial statements as at and for the year ended 31 December 2015 and on the current year's figures have been modified accordingly.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

«КПМГ Аудит» ЖШС, Қазақстанда тіркелген; Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative ("KPMG International") қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(d) of the consolidated financial statements, which indicates that the Group incurred a net loss of USD 1,523,596 and had net operating cash outflows of USD 1,005,780 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by USD 601,443. As stated in Note 2(d) these events or conditions, along with other matters as set forth in Note 2(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

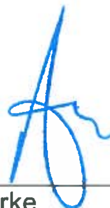
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

- 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 auditors' 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 auditors' 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.

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

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



Ashley Clarke
Engagement Partner

Anton Shcherbak
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. МФ-0000183 of 2 June 2014

KPMG Audit LLC

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

Assel Khairova
General Director of KPMG Audit LLC
acting on the basis of the Charter

17 May 2017

USD	Note	2016	2015
Revenue	5	292,289	126,722
Cost of sales	6	(906,770)	(105,054)
Gross (loss)/profit		**(614,481)**	**21,668**
Other income		34,690	4,691
Administrative expenses	7	(876,453)	(1,138,292)
Distribution expenses		(14,331)	-
Other expenses	8	(1,700)	(553,387)
Results from operating activities		**(1,472,275)**	**(1,665,320)**
Net finance costs	10	(51,321)	(681,206)
Loss before income tax		**(1,523,596)**	**(2,346,526)**
Income tax	11	-	-
Loss for the year		**(1,523,596)**	**(2,346,526)**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Foreign currency translation differences		44,812	(2,019,312)
Loss and total comprehensive income for the year		**(1,478,784)**	**(4,365,838)**
Loss per share of common stock attributable to the Shareholders			
Basic	20	(1.02)	(2.38)
Diluted	20	(1.02)	(2.38)

These consolidated financial statements were approved by Management on 17 May 2017 and were signed on its behalf by:

N. J. Bridgen
Chairman

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 35.

USD	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,687,325	2,966,952
Exploration and evaluation assets	13	187,304	183,603
Intangible assets	14	29,813	30,367
Prepayments	18	36,005	36,558
Total non-current assets		**2,940,447**	**3,217,480**
Current assets			
Inventories	16	736,891	565,037
Trade and other receivables	17	101,919	14,188
Prepayments	18	9,500	9,044
Cash and cash equivalents	19	71,855	266,931
Total current assets		**920,165**	**855,200**
Total assets		**3,860,612**	**4,072,680**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	15,038	14,962
Share premium	20	25,030,076	24,230,019
Foreign currency translation reserve		(2,619,451)	(2,664,263)
Accumulated losses		(20,221,403)	(18,697,807)
Total equity		**2,204,260**	**2,882,911**
Non-current liabilities			
Provisions	22	134,744	121,373
Total non-current liabilities		**134,744**	**121,373**
Current liabilities			
Loans and borrowings	21	392,235	115,279
Trade and other payables	23	1,129,373	953,117
Total current liabilities		**1,521,608**	**1,068,396**
Total liabilities		**1,656,352**	**1,189,769**
Total equity and liabilities		**3,860,612**	**4,072,680**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 35.

USD	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Accumulated losses**	**Total equity**
Balance at 1 January 2015	7,761	21,867,863	(644,951)	(16,351,281)	4,879,392
Loss for the year	-	-	-	(2,346,526)	(2,346,526)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Foreign currency translation differences	-	-	(2,019,312)	-	(2,019,312)
Total comprehensive income for the year	**-**	**-**	**(2,019,312)**	**(2,346,526)**	**(4,365,838)**
Transactions with owners, recorded directly in equity					
Shares issued	7,201	2,362,156	-	-	2,369,357
Balance at 31 December 2015	**14,962**	**24,230,019**	**(2,664,263)**	**(18,697,807)**	**2,882,911**
Balance at 1 January 2016	14,962	24,230,019	(2,664,263)	(18,697,807)	2,882,911
Loss for the year	-	-	-	(1,523,596)	(1,523,596)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Foreign currency translation differences	-	-	44,812	-	44,812
Total comprehensive income for the year	**-**	**-**	**44,812**	**(1,523,596)**	**(1,478,784)**
Transactions with owners, recorded directly in equity					
Shares issued	76	800,057	-	-	800,133
Balance at 31 December 2016	**15,038**	**25,030,076**	**(2,619,451)**	**(20,221,403)**	**2,204,260**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 35.

USD	Note	2016	2015
Cash flows from operating activities			
Loss for the year		**(1,523,596)**	**(2,346,526)**
Adjustments for:			
Depreciation and amortisation	12, 14	403,532	460,127
Loss on write-off of property, plant and equipment		-	29,739
Impairment of VAT and trade receivables	7	33,992	96,570
Write down of inventories to net realisable value	6	44,195	-
Finance costs, net	10	51,321	681,206
Cash used in operating activities before changes in working capital		**(990,556)**	**(1,078,884)**
Change in inventories		(164,923)	(575,891)
Change in trade and other receivables, including VAT		(109,941)	(98,012)
Change in prepayments		(8,337)	10,033
Change in trade and other payables		267,977	659,561
Net cash used in operating activities		**(1,005,780)**	**(1,083,193)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(107,118)	(300,675)
Net cash used in investing activities		**(107,118)**	**(300,675)**
Cash flows from financing activities			
Proceeds from issue of share capital		701,923	1,055,846
Proceeds from borrowings	21	246,000	543,434
Repayment of loans received from key management		-	(10,422)
Net cash from financing activities		**947,923**	**1,588,858**
Net (decrease)/increase in cash and cash equivalents		**(164,975)**	**204,990**
Cash and cash equivalents at the beginning of year		266,931	30,305
Effect of movements in exchange rates on cash and cash equivalents		(30,101)	31,636
Cash and cash equivalents at the end of year	19	**71,855**	**266,931**

During 2016, the Group issued new shares for the total amount of USD 800,133 (2015: USD 2,369,357). Part of the expected proceeds of the new shares issued were offset against salaries in the amount of USD 98,210 (2015: against loans and salaries payable in the amount of USD 760,464 and USD 553,047, respectively). The remaining amount of proceeds from shares issued was paid in cash.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 35.

1 Background

(a) Organisation and operations

Ferro-Alloy Resources Limited (the "Company") is a company established on the territory of the British Virgin Islands in accordance with the legislation of the British Virgin Islands. The Company was incorporated on 18 April 2000 and its registered office is Geneva Place, Waterfront Drive, Road Town, Tortola, British Virgin Islands. Several individuals and legal entities have ownership in the Company. No single individual or legal entity has an ultimate control over the Company.

The consolidated financial statements as at and for the year ended 31 December 2016 comprise the Company and the following subsidiaries (together referred to as the "Group"):

Company	Location	Company's share in charter capital	Primary activities
Ferro-Alloy Products Limited	The British Virgin Islands	100%	Carries out the treasury and finance activities for the Group
Vanadium Processing LLC	Kazakhstan	100%	Does not trade
Firma Balausa LLC	Kazakhstan	100%	Production and sale of vanadium and associated by-products

The Group's principal activity is mining, processing and sale of vanadium-containing ores and associated by-products extracted from the Balasausqandyq mine located in Kazakhstan, Shieli under license MG1278D dated 8 December 1997, and processing and sale of purchased iron-containing concentrate. The Group's products are sold in Kazakhstan and abroad.

The Group's operations were initially of small scale intended as a pilot plant to demonstrate the technical and financial feasibility of treating ore from the Balasausqandyq deposit. Following the conclusion of testing the Group adapted its former pilot plant to the leaching of purchased iron-containing concentrate and carried out the reconstruction of the corresponding plant equipment. Commissioning commenced in October 2015 and during 2016, the Group produced vanadium products in the form of red cake and ammonium metavanadate. A total of 117,104 kg of ammonium metavanadate and 37,120 kg of red cake was sold during 2016-March 2017. The intention of the operation was to prove feasibility on a small scale with a view to carrying out an expansion of these processing operations once the operating performance and equipment requirements were known. As a result of the small scale of operations and early experimentation with the process the Group did not generate positive cash flows during 2016. Nevertheless, the management expects a positive cash flow from operations during 2017 due to higher US dollar product prices, lower Kazakhstan tenge based costs, and a higher volume of processed concentrate planned for 2017. A significant expansion of the current factory is planned, as well as the development of the Group's own mine and associated treatment plant.

(b) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan.

The depreciation of the Kazakhstan tenge in 2015 caused largely by the reduction in the global price of oil, has significantly reduced local costs when expressed in US dollar terms, greatly benefiting exporters of products which are priced internationally.

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The national currency of Kazakhstan is the Kazakhstan tenge ("KZT) which is also the Company's functional currency and the functional currency of its subsidiaries. These consolidated financial statements are presented in United States Dollars ("USD") as this is the currency familiar to the majority of the Company's shareholders. All financial information presented in USD has been rounded to the nearest USD.

(d) Going concern

The consolidated financial statements are prepared in accordance with IFRS on a going concern basis, which contemplates realisation of assets and satisfaction of liabilities in the normal course of business in the foreseeable future.

Current operations

The Group is in the investing and development stage and incurred a net loss of USD 1,523,596 (2015: USD 2,346,526) and had net operating cash outflows of USD 1,005,780 (2015: USD 1,083,193) during the year ended 31 December 2016 and, as of that date the Group's current liabilities exceeded its current assets by USD 601,443 (2015: USD 213,196).

In 2015 the pilot plant, which had been used to demonstrate and refine the processing methods to be used by the Group in developing the Balasausqandiq vanadium deposit, was modified to become a production plant to treat purchased concentrates. The objective was to use the plant to generate cash flows from small-scale operations, to be used in the development of the main project. Commissioning of the modified pilot plant started in the last quarter of 2015. No sales were made in 2015.

In the middle of 2016 production was achieved and the first shipments of vanadium pentoxide were made in July and are continuing. All production is exported.

The price quotations of vanadium pentoxide in Europe (which is used in the Group's business model for production of ammonium metavanadate) went up from USD 2.78 per lb in January 2016 to USD 6.07 per lb in May 2017. Management consider that this is still low compared with historic levels, which have averaged almost USD 7 per lb in the last ten years after adjusting for inflation. Management have considered the views of certain independent forecasters who expect a significant increase in vanadium prices but the timing of any such increase is uncertain.

Future plans

Processing operations

The management of the Group is planning a short-term project to increase throughput and production by a multiple of about ten times, which management expects will have the effect of significantly increasing profits even at current prices.

In its entirety, this project entails approximately doubling the size of the existing plant at a capital cost of approximately USD 12 million. Approximately half of this amount will be used for the development of infrastructure which will be required for the main development of Balasausqandiq, reducing the amount to be financed later. The feasibility assessment for this project has been completed and the Group plans, subject to financing, to start construction in 2017.

2 Basis of preparation, continued

(d) Going concern, continued

Future plans, continued

Processing operations, continued

The Group has tested the treatment of other secondary materials which can also provide suitable feed for the current operation. Some of these materials are highly concentrated and management considers that this will allow a significant increase in production for a much smaller capital cost than the full project described above, and will therefore allow most of the infrastructure costs to be deferred until the main project described below is constructed. In this way, management considers that a significant increase in profitability can be achieved, if necessary, without any further equity funding.

Development of the Balasausqandiq mine and processing plant

In parallel with existing operations discussed above, and using the resulting cash flows, the Group plans to continue development of the Balasausqandiq vanadium deposit. A feasibility study indicates that capital costs of some USD 100 million will be required as a first stage of development to mine and treat one million tonnes per year of ore, producing some 5,600 tonnes per year of vanadium-containing products on a vanadium pentoxide basis. A subsequent expansion is planned which will increase this fourfold.

Financing

Group's forecasts indicate that it has sufficient funds to reach the position where it will be generating cash from operations. The Group has the support of certain shareholders who have lent money to the Group from time to time and have indicated that they will not require repayment until cash flows permit.

Future plans for expansions of current processing operations and the development of the Balasausqandiq deposit are highly dependent on the Group raising additional financing. The Group plans to do this initially through listing on the Kazakhstan Stock Exchange ("KASE"). The Group has involved brokers to assist them in the KASE listing process and plan to finalise listing sometime in the summer of 2017. Later, the Group plans a dual listing on the London Stock Exchange.

The events and conditions described above suggest that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. However, as described above, management has a reasonable expectation that the Group will continue operating in the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

(e) Use of estimates and judgments

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

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

2 Basis of preparation, continued

(e) Use of estimates and judgments, continued

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

- Note 2(d) – Going concern assumption;
- Note 3(i) – Impairment of non-financial assets;
- Note 3(d) – Useful lives of property, plant and equipment;
- Note 3(h) and 16 – Net realisable value of inventories;
- Note 15 – Unrecognised deferred tax assets;
- Note 22 – Provisions.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

3 Significant accounting policies, continued

(b) Foreign currency, continued

(ii) Presentation currency

The assets and liabilities of foreign operations are translated to USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at the average exchange rate for the period, which approximates the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and are presented within the foreign currency translation reserve in equity.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise the following classes of assets: trade and other receivables as presented in Note 17 and cash and cash equivalents as presented in Note 19.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances in banks and petty cash.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) Recognition and measurement

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

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

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

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

(v) Subsequent costs

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

(d) Property, plant and equipment

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- Buildings 50 years;
- Plant and equipment 4-17 years;
- Vehicles 7 years;
- Computers 3 years;
- Other 5 years.

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

3 Significant accounting policies, continued

(e) Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest once the legal right to explore has been acquired, other than that acquired through a purchase transaction, is carried forward as an asset provided that one of the following conditions is met.

- Such costs are expected to be recouped through successful exploration and development of the area of interest or, alternatively, by its sale;
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs are capitalised as incurred. Exploration and evaluation assets are classified as tangible or intangible based on their nature. Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred.

The exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets will be reclassified either as tangible or intangible development assets and amortised on a unit-of-production method based on proved reserves;

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggests that the carrying amount of exploration and evaluation assets may exceed its recoverable amount, which is the case when: the period of exploration license has expired and it is not expected to be renewed; substantial expenditures on further exploration are not planned; exploration has not led to the discovery of commercial viable reserves; indications exist that exploration and evaluation assets will not be recovered in full from successful development or by sale.

(f) Intangible assets

(i) Intangible assets with finite useful lives

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

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

- patents 10-20 years;
- mineral rights 20 years.

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

3 Significant accounting policies, continued

(g) Leased assets

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

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

(h) Inventories

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

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

(i) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3 Significant accounting policies, continued

(i) Impairment, continued

(ii) Non-financial assets

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

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

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash generating unit to which the corporate asset belongs.

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

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

(j) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

(k) Provisions

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

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration and the related expense is recognised when the land is disturbed as a result of pit development.

3 Significant accounting policies, continued

(l) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of all products, transfer usually occurs when the product is delivered, depending on contractual conditions.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Usually services are rendered within a short period of time and require no significant judgement with respect to stage of completion.

(m) Other expenses

Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions for historical costs and site restoration, foreign currency losses and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

3 Significant accounting policies, continued

(o) Income tax, continued

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) New standards and interpretations not yet adopted

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2016, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

The Group has not yet analysed the likely impact of the following new Standard on its financial position or performance:

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted;

3 Significant accounting policies, continued

(r) New standards and interpretations not yet adopted, continued

- IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted;
- IFRS 16 *Leases* introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

4 Determination of fair values

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

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For trade and other receivables with a short maturity fair value is not materially different from the carrying value because the effect of the time value of money is not material.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Revenue

USD	2016	2015
Revenue from sales of vanadium products	237,560	-
Sales of gravel and waste rock	48,526	80,989
Revenue from transportation services	6,203	45,733
	292,289	**126,722**

6 Cost of sales

USD	2016	2015
Materials	357,510	14,499
Depreciation	286,613	55,757
Wages, salaries and related taxes	121,794	24,909
Electricity	61,728	3,180
Write down of inventory to net realisable value	44,195	-
Taxes other than on income	21,094	1,896
Other	13,836	4,813
	906,770	**105,054**

7 Administrative expenses

USD	2016	2015
Wages, salaries and related taxes	684,930	807,917
Materials	28,705	19,266
Professional services	26,027	95,350
Impairment of VAT receivable	24,664	96,570
Security	17,159	26,270
Depreciation and amortisation	16,143	23,857
Utilities	15,883	5,782
Business trip expenses	12,965	12,022
Fines and penalties	12,002	81
Expenses on bad debt allowance	9,328	-
Scientific and research developments	5,226	-
Bank fees	4,399	5,704
Transportation services	4,231	10,039
Taxes other than on income	2,218	18,259
Rent	2,092	18
Communication and information services	1,984	4,987
Insurance	1,290	759
Staff training	969	2,834
Other	6,238	8,577
	876,453	**1,138,292**

8 Other expenses

USD	2016	2015
Depreciation and amortisation of plant and equipment not used	-	380,513
Salary and related taxes	-	92,410
Property tax expenses	-	30,189
Loss on write-off of property, plant and equipment	-	29,739
Other	1,700	20,536
	1,700	**553,387**

During 2015 until September certain plant and equipment was idle and, therefore, related depreciation, production salary costs and other overhead costs are presented in other expenses.

9 Personnel costs

USD	2016	2015
Wages, salaries and related taxes	841,824	1,025,616
	841,824	**1,025,616**

During 2016 personnel costs of USD 121,794 (2015: USD 24,909) have been charged to cost of sales, USD 684,930 (2015: USD 807,917) – to administrative expenses and none (2015: USD 92,410) – to other expenses; USD 35,100 were charged to cost of inventories, which were not yet sold as at the year-end (2015: USD 100,380 were capitalised to construction in progress).

10 Finance costs

USD	2016	2015
Interest expense on financial liabilities measured at amortised cost	32,832	39,488
Unwinding of discount on site restoration provision	10,654	15,110
Net foreign exchange loss	7,835	626,608
Net finance costs	**51,321**	**681,206**

11 Income tax

The Group’s applicable tax rates in 2016 are the income tax rate of 20% for Kazakhstan subsidiaries (2014: 20%) and 0% (2015: 0%) for BVI companies.

During the years ended 31 December 2016 and 2015 the Group incurred tax losses and therefore did not recognise any current income tax expense. Unrecognised deferred tax assets are described in Note 15.

Reconciliation of effective tax rate:

	2016		2015	
	USD	%	USD	%
Loss before income tax	**(1,523,596)**	**100**	**(2,346,526)**	**100**
Income tax at the applicable tax rate	(304,719)	20	(469,305)	20
Net non-deductible expenses	190,593	(13)	330,809	(14)
Effect of unrecognised deferred tax assets	114,126	(7)	138,496	(6)
	-	**-**	**-**	**-**

12 Property, plant and equipment

USD	Land and buildings	Plant and equipment	Vehicles	Computers	Other	Construction in progress	Total
Cost							
Balance at 1 January 2015	3,370,140	3,064,971	516,288	21,644	52,211	239,225	7,264,479
Additions	-	78,639	97,802	-	625	336,802	513,868
Write-offs	-	(37,808)	(32,682)	-	-	-	(70,490)
Foreign currency translation difference	(1,562,708)	(1,435,304)	(261,891)	(10,036)	(24,425)	(227,255)	(3,521,619)
Balance at 31 December 2015	**1,807,432**	**1,670,498**	**319,517**	**11,608**	**28,411**	**348,772**	**4,186,238**
Balance at 1 January 2016	1,807,432	1,670,498	319,517	11,608	28,411	348,772	4,186,238
Additions	-	69,338	24,555	474	3,090	8,652	106,109
Transfer from construction in progress	275	217,422	-	-	(275)	(217,422)	-
Transfer to inventories	-	(2,233)	(1)	-	(152)	(34,261)	(36,647)
Foreign currency translation difference	36,450	40,912	7,068	247	640	857	86,174
Balance at 31 December 2016	**1,844,157**	**1,995,937**	**351,139**	**12,329**	**31,714**	**106,598**	**4,341,874**
Depreciation							
Balance at 1 January 2015	374,772	697,979	503,504	16,573	48,240	-	1,641,068
Depreciation for the year	206,961	319,068	25,565	3,406	3,877	-	558,877
Write-offs	-	(11,340)	(29,411)	-	-	-	(40,751)
Foreign currency translation difference	(245,261)	(429,936)	(232,142)	(8,862)	(23,706)	-	(939,908)
Balance at 31 December 2015	**336,472**	**575,771**	**267,516**	**11,116**	**28,411**	**-**	**1,219,286**
Balance at 1 January 2016	336,472	575,771	267,516	11,116	28,411	-	1,219,286
Depreciation for the year	134,679	242,899	21,582	963	1,261	-	401,384
Transfer to inventories	-	(887)	-	-	-	-	(887)
Foreign currency translation difference	10,208	17,759	5,942	250	607	-	34,766
Balance at 31 December 2016	**481,359**	**835,542**	**295,040**	**12,329**	**30,279**	**-**	**1,654,549**
Carrying amounts							
At 1 January 2015	2,995,368	2,366,992	12,784	5,071	3,971	239,225	5,623,411
At 31 December 2015	**1,470,960**	**1,094,727**	**52,001**	**492**	**-**	**348,772**	**2,966,952**
At 31 December 2016	**1,362,798**	**1,160,395**	**56,099**	**-**	**1,435**	**106,598**	**2,687,325**

During 2016 depreciation expense of USD 286,613 (2015: USD 55,757) has been charged to cost of sales, USD 13,995 (2015: USD 23,210) – to administrative expenses and none (2015: USD 378,810) – to other expenses, and USD 100,776 was included in inventories, which were not yet sold as at the year-end (2015: USD 101,100 was capitalised to property, plant and equipment).

13 Exploration and evaluation assets

During the year ended 31 December 2016 the Group did not capitalise any costs to exploration and evaluation assets (2015: nil).

14 Intangible assets

USD	Mineral rights	Patents	Computer software	Total
Cost				
Balance at 1 January 2015	209,322	62,228	5,073	276,623
Additions	-	714	-	714
Foreign currency translation difference	(97,061)	(29,102)	(2,352)	(128,515)
Balance at 31 December 2015	**112,261**	**33,840**	**2,721**	**148,822**
Balance at 1 January 2016	112,261	33,840	2,721	148,822
Additions	-	1,009	-	1,009
Foreign currency translation difference	2,264	709	54	3,027
Balance at 31 December 2016	**114,525**	**35,558**	**2,775**	**152,858**
Amortisation				
Balance at 1 January 2015	(209,322)	(6,138)	(1,506)	(216,966)
Amortisation for the year	-	(2,552)	(647)	(3,199)
Foreign currency translation difference	97,061	3,728	921	101,710
Balance at 31 December 2015	**(112,261)**	**(4,962)**	**(1,232)**	**(118,455)**
Balance at 1 January 2016	(112,261)	(4,962)	(1,232)	(118,455)
Amortisation for the year	-	(1,665)	(483)	(2,148)
Foreign currency translation difference	(2,264)	(141)	(37)	(2,442)
Balance at 31 December 2016	**(114,525)**	**(6,768)**	**(1,752)**	**(123,045)**
Carrying amounts				
At 1 January 2015	-	56,090	3,567	59,657
At 31 December 2015	**-**	**28,878**	**1,489**	**30,367**
At 31 December 2016	**-**	**28,790**	**1,023**	**29,813**

Amortisation

During 2016 amortisation expense of USD 2,148 (2015: USD 647) was charged to administrative expenses, nil (2015: USD 1,703) – to other expenses and nil was capitalised to fixed assets (2015: USD 849).

15 Deferred tax assets and liabilities

Unrecognised deferred tax assets

As at 31 December 2016 the Group did not recognise deferred tax assets in the amount of USD 835,090 (2015: USD 703,874), mainly related to tax losses carried forward, because there is a doubt that the Group will be able to realise these assets in the foreseeable future. Unutilised tax losses expire after 10 years from the year of origination.

16 Inventories

USD	31 December 2016	31 December 2015
Goods in-transit	428,110	-
Raw materials and consumables	265,714	550,075
Finished goods	39,371	14,953
Work in progress	-	9
Other	3,696	-
	736,891	**565,037**

During 2016 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to USD 401,705 (2014: USD 14,499) (Note 6), including USD 44,195 (2015: nil) written down as a result of adjustment of inventories to net realisable value.

17 Trade and other receivables

Non-current **USD**	31 December 2016	31 December 2015
VAT receivable	411,187	378,271
Provision for VAT receivable	(411,187)	(378,271)
	-	**-**

Current **USD**	31 December 2016	31 December 2015
Due from employees	80,371	7,641
Trade receivables from third parties	36,013	24,623
Other receivables	9,688	5,600
	126,072	**37,864**
Bad debt allowance	(24,153)	(23,676)
	101,919	**14,188**

During 2016 the management of the Group created a provision of USD 24,664 for VAT receivable (2015: USD 96,570) due to uncertainties related to recovery of VAT by the methods allowed by legislation of the Republic of Kazakhstan. The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 24 (b).

18 Prepayments

USD	31 December 2016	31 December 2015
Non-current		
Prepayments for equipment	36,005	36,558
	36,005	**36,558**
Current		
Prepayments for goods and services	9,500	9,044
	9,500	**9,044**

19 Cash and cash equivalents

USD	31 December 2016	31 December 2015
Bank balances	71,419	247,549
Petty cash	436	19,382
Cash and cash equivalents	**71,855**	**266,931**

The Group's exposure to credit and foreign currency risks is disclosed in Note 24.

20 Equity

(a) Share capital and share premium

Number of shares unless otherwise stated	Ordinary shares 2016	2015
Authorised shares	5,000,000	5,000,000
Par value, USD	0.01	0.01
Outstanding at beginning of year	1,496,235	776,063
Issued	7,561	720,172
Outstanding at end of year	**1,503,796**	**1,496,235**

Ordinary shares

All shares rank equally with regard to the Group's residual assets. 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.

During 2016 the Group issued 7,561 shares (2015: 720,172 shares) with nominal amount of USD 76 (2015: USD 7,201) and share premium of USD 800,057 (2015: USD 2,362,156).

(b) Dividends

No dividends were declared for the year ended 31 December 2016 (2015: nil).

(c) Loss per share (basic and diluted)

The calculation of basic and diluted loss per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

(i) Loss attributable to ordinary shareholders (basic and diluted)

USD	**2016**	**2015**
Loss for the year, attributable to owners of the Company	(1,523,596)	(2,346,526)
Loss attributable to ordinary shareholders	**(1,523,596)**	**(2,346,526)**

(ii) Weighted-average number of ordinary shares (basic and diluted)

Shares	**2016**	**2015**
Issued ordinary shares at 1 January	1,496,235	776,063
Effect of shares issued	3,854	208,727
Weighted-average number of ordinary shares at 31 December	**1,500,089**	**984,790**
Loss per share of common stock attributable to the Company (basic and diluted)	(1.02)	(2.38)

At 31 December 2016, convertible bonds in the amount of USD 267,622 (2015: nil) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

21 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to foreign currency and liquidity risks, refer to Note 24.

USD	31 December 2016	31 December 2015
Current liabilities		
Loans from shareholders	392,235	115,279
	392,235	**115,279**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2016		31 December 2015	
USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Loans from shareholders	USD	15%	upon demand	267,622	267,622	-	-
Loans from shareholders	USD	10%	upon demand	122,973	122,973	111,765	111,765
Loans from shareholders	KZT	0%	upon demand	1,640	1,640	3,514	3,514
				392,235	**392,235**	**115,279**	**115,279**

During 2016 the Group received a series of loan tranches from shareholders in the total amount of USD 246,000 (2015: USD 543,434). During 2016 no loans payable were offset against shares issued (2015: offset with shares issued constituted USD 760,464).

22 Provisions

USD	2016	2015
Balance at 1 January	121,373	193,736
Unwinding of discount	10,654	11,578
Change in estimate	-	15,110
Foreign currency translation difference	2,717	(99,051)
Balance at 31 December	**134,744**	**121,373**
Non-current	134,744	121,373
	134,744	**121,373**

Site restoration

A provision was recognised in respect of the Group's obligation to rectify environmental damage in the Balasausqandyq mine, Kyzylorda region.

22 Provisions, continued

Site restoration, continued

In accordance with Kazakhstan environmental legislation, land contaminated by the Group in the Kyzylorda region must be restored before the end of 2022. The provision was estimated by considering the risks related to the amount and timing of restoration costs based on the known level of damage. Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are available currently and total estimated undiscounted cash outflow equals to KZT 81,166 thousand (31 December 2015: KZT 73,451 thousand) or USD 243,529 at the closing 2016 KZT/USD exchange rate (31 December 2015: USD 216,026). The present value of restoration costs was determined by discounting the estimated restoration cost using a risk-free rate for the respective period, adjusted for the risks specific to the liability and inflation of 8.8% (2015: 8.8%). Environmental legislation in the Kazakhstan continues to evolve and it is difficult to determine the exact standards required by the current legislation in restoring sites such as this. Generally the standard of restoration is determined based on discussions with Government officials at the time that restoration commences.

23 Trade and other payables

USD	31 December 2016	31 December 2015
Due to employees	653,432	269,623
Other taxes	194,453	180,259
Trade payables	179,718	497,953
Advances received	101,770	5,282
	1,129,373	**953,117**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 24.

24 Financial instruments and risk management

(a) Overview

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

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

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

Risk management framework

The Chief Executive has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

24 Financial instruments and risk management, continued

(b) Credit risk

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

(i) Exposure to credit risk

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

	Carrying amount	
USD	**31 December 2016**	**31 December 2015**
Trade and other receivables, excluding due from employees and VAT receivable	21,548	6,547
Cash and cash equivalents	71,419	247,549
	92,967	**254,096**

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

	Carrying amount	
USD	**31 December 2016**	**31 December 2015**
Kazakhstan	21,548	6,547
	21,548	**6,547**

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	Carrying amount	
USD	**31 December 2016**	**31 December 2015**
Trade receivables:		
Wholesale customers	11,860	947
Other receivables		
Other	9,688	5,600
	21,548	**6,547**

The Group's most significant customer, a Kazakhstan wholesaler, accounts for USD 9,945 of the trade receivables carrying amount at 31 December 2016 (2015: USD 947).

Impairment losses

The ageing of trade and other receivables at the reporting date was:

USD	**Gross 2016**	**Impairment 2016**	**Net 2016**	**Gross 2015**	**Impairment 2015**	**Net 2015**
Not past due	21,548	-	21,548	6,547	-	6,547
Past due more than 180 days	24,153	(24,153)	-	23,676	(23,676)	-
	45,701	**(24,153)**	**21,548**	**30,223**	**(23,676)**	**6,547**

24 Financial instruments and risk management, continued

(b) Credit risk, continued

(i) Exposure to credit risk, continued

Impairment losses, continued

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

USD	2016	2015
Balance at beginning of the year	23,676	44,146
Effect on movement in exchange rates	477	(20,470)
Balance at end of the year	**24,153**	**23,676**

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 30 days.

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and is written off against the financial asset directly. As at 31 December 2016 the Group did not have any collective impairment on its trade receivables (2015: nil).

(ii) Cash and cash equivalents

As at 31 December 2016 the Group held cash of USD 71,855 (2015: USD 266,931), of which bank balances of USD 71,419 (2015: USD 247,549) represent its maximum credit exposure on these assets. 84% (2015: 89%) is held in a bank with credit rating AA- and the remaining 16% in a bank with credit rating CCC (2015: 11% is held in a in a bank with credit rating B-). Credit ratings are provided by a rating agency Fitch.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group aims to have sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

24 Financial instruments and risk management, continued

(c) Liquidity risk, continued

2016

USD	Carrying amount	Contractual cash flows	On demand	0-6 mths
Non-derivative financial liabilities				
Loans from shareholders	392,235	392,235	392,235	-
Trade and other payables, excluding due to employees, advances received and salary related taxes	179,718	179,718	-	179,718
	571,953	**571,953**	**392,235**	**179,718**

2015

USD	Carrying amount	Contractual cash flows	On demand	0-6 mths
Non-derivative financial liabilities				
Loans from shareholders	115,279	115,279	115,279	-
Trade and other payables, excluding due to employees, advances received and salary related taxes	497,953	497,953	-	497,953
	613,232	**613,232**	**115,279**	**497,953**

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of Group entities. The currency in which these transactions are primarily denominated is USD.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

24 Financial instruments and risk management, continued

(d) Market risk, continued

(i) Currency risk, continued

Exposure to currency risk

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

	USD-denominated 2016	GBP-denominated 2016	HKD-denominated 2016	RUB-denominated 2016
Cash and cash equivalents	58,714	1,233	704	-
Trade and other payables	(665,298)	(89,808)	-	(3,512)
Loans and borrowings	(390,595)	-	-	-
Net exposure	**(997,179)**	**(88,575)**	**704**	**(3,512)**

	USD-denominated 2015	GBP-denominated 2015	HKD-denominated 2015	RUB-denominated 2015
Cash and cash equivalents	194,514	47,955	2,115	-
Trade and other payables	(300,887)	(107,514)	-	(279,380)
Loans and borrowings	(111,765)	-	-	-
Net exposure	**(218,138)**	**(59,559)**	**2,115**	**(279,380)**

The following significant exchange rates applied during the year:

in USD	**Average rate**		**Reporting date spot rate**	
	2016	**2015**	**2016**	**2015**
KZT 1	0.0029	0.0045	0.0030	0.0029
GBP 1	1.5213	1.5285	1.0519	0.6779
RUB 1	0.0150	0.0165	0.0162	0.0137
HKD 1	0.1289	0.1290	0.1290	0.1290

Sensitivity analysis

A strengthening of the KZT, as indicated below, against the following currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

USD	**Profit or (loss)**
2016	
USD (20% strengthening)	199,467
GBP (20% strengthening)	17,715
RUB (20% strengthening)	562
HKD (20% strengthening)	(141)
2015	
USD (20% strengthening)	44,615
GBP (20% strengthening)	11,912
RUB (20% strengthening)	44,701
HKD (20% strengthening)	(423)

A weakening of the KZT against the above currencies at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

24 Financial instruments and risk management, continued

(d) Market risk, continued

(ii) Interest rate risk

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

Change in interest rates at the reporting date would not significantly affect profit or loss.

(e) Fair values versus carrying amounts

Management believes that the fair value of the Company's financial assets and liabilities approximates their carrying amounts.

The basis for determining fair values is disclosed in Note 4.

(f) Fair value hierarchy

Financial instruments measured at fair value are presented by level within which the fair value measurement is categorized. The levels of fair value measurement are determined as following:

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

As at 31 December 2016 and 31 December 2015, all financial instruments held by the Group fell within Level 3.

25 Commitments

Commitments for training of Kazakhstan employees

Under the conditions of the subsoil use contract the Group is liable to train Kazakh employees. According to the contract the annual training expense should equal to 1% of the Group's capital expenditures. Regional inspection of subsoil protection and usage Yuzhkaznedra, as a government body, provides the minimum required size of the expense to be paid annually. Total training expense in 2016 is USD 969 (2015: USD 3,456).

26 Contingencies

(a) Insurance

The insurance industry in the Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities or business interruption. There is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

26 Contingencies, continued

(b) Taxation contingencies

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

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

27 Segment reporting

The Group's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Operating Segments*. The Group's assets are primarily concentrated in the Republic of Kazakhstan, and the Group's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Group, the Chairman, only receives and reviews the information on the Group as a whole.

28 Related party transactions

(a) Transactions with management and close family members

Management remuneration

The following have been provided in respect of remuneration of key management during the year, which is included in personnel costs (see Note 9):

USD	2016	2015
Wages, salaries and related taxes	430,000	551,853

(b) Transactions with other related parties

The Group's other related party transactions are disclosed below:

Loans and receivables

USD	Transaction value 2016	Transaction value 2015	Outstanding balance 2016	Outstanding balance 2015
Loans received from shareholders	246,000	543,434	392,235	115,279

The information on terms and conditions of outstanding loans received from shareholders is disclosed in Note 21.

29 Subsequent events

In April 2017 the Company moved its registration and registered office to Noble House, Les Baissieres, St Peter Port, Guernsey, GU1 2UE.

In January-April 2017 the Company issued a total of 660 (six hundred sixty) shares for a total receipt of USD 68,670.