Ferro-Alloy Resources Limited

Consolidated Financial Statements
for the year ended
31 December 2014

Contents

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Independent Auditors' Report

To the Management of Ferro-Alloy Resources Limited

We have audited the accompanying 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 2014, and 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Basis for Qualified Opinion

As disclosed in Note 1 (a) the Group ceased production of vanadium in 2011 in order to construct a new processing plant which is based on a technology not yet used in commercial production. The recoverable amount of the Group's property, plant and equipment, exploration and evaluation assets, intangible assets, prepayments and inventory balances is dependent on the successful realisation of this new processing plant. At 31 December 2013 the plant had not been operating on a consistent basis for long enough to enable us to verify the commercial and technical performance of the new plant and we were therefore unable to audit the assumptions used for impairment testing of property plant and equipment or the recoverable amounts of those assets dependent upon it.

At 31 December 2014, the plant has suspended operations and there are indications that the recoverable amount of the Group's property, plant and equipment, exploration and evaluation assets, intangible assets, prepayments and inventory balances may be lower than their carrying amounts. Management have not performed an assessment of the net realisable value of inventory, which is required under International Financial Reporting Standards IAS 2 *Inventories,* nor an impairment test for the other assets described above, which is required by IAS 36 *Impairment of Assets.* The effects of this departure from International Financial Reporting Standards on the consolidated financial statements have not been determined.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the first paragraph of the Basis for Qualified Opinion and except for the effects of the matter described in the second paragraph of the Basis for Qualified Opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the fact that the Group is in the development stage and had net operating cash outflows of USD 902,005 for the year ended 31 December 2014. The Group is planning to raise additional funding and these plans, together with additional matters concerning the Group's financial situation, are disclosed in Note 2(d). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Alla Nigay
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No.536
of 10 January 2003

Ashley Clarke
Audit Partner

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 Khaitova
General Director of KPMG Audit LLC
acting on the basis of the Charter

15 February 2016

USD	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,623,411	7,414,817
Exploration and evaluation assets	13	342,344	403,652
Intangible assets	14	59,657	74,565
Prepayments	18	68,166	129,367
VAT receivable	17	-	688,601
Total non-current assets		**6,093,578**	**8,711,002**
Current assets			
Inventories	16	350,642	565,191
Trade and other receivables	17	24,692	46,636
Prepayments	18	29,112	36,176
Cash and cash equivalents	19	30,305	114,079
Total current assets		**434,751**	**762,082**
Total assets		**6,528,329**	**9,473,084**
EQUITY AND LIABILITIES			
Equity	20		
Share capital		7,761	4,147
Share premium		21,867,863	20,401,671
Foreign currency translation reserve		(644,951)	702,903
Retained earnings		(16,351,281)	(13,011,357)
Total equity		**4,879,392**	**8,097,364**
Non-current liabilities			
Provisions	23	193,736	211,484
Total non-current liabilities		**193,736**	**211,484**
Current liabilities			
Loans and borrowings	22	304,728	445,402
Trade and other payables	24	1,150,473	718,834
Total current liabilities		**1,455,201**	**1,164,236**
Total liabilities		**1,648,937**	**1,375,720**
Total equity and liabilities		**6,528,329**	**9,473,084**

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 9 to 37.

USD	Note	2014	2013
Revenue	5	176,592	152,866
Cost of sales	6	(265,253)	(570,179)
Gross profit		**(88,661)**	**(417,313)**
Other income		13,177	22,674
Administrative expenses	7	(2,255,502)	(1,719,073)
Other expenses	8	(965,839)	(86,051)
Results from operating activities		**(3,296,825)**	**(2,199,763)**
Foreign exchange income		-	45,336
Finance costs	10	(43,099)	(45,672)
Net finance costs		**(43,099)**	**(336)**
Loss before income tax		**(3,339,924)**	**(2,200,099)**
Income tax	11	-	-
Loss for the year		**(3,339,924)**	**(2,200,099)**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Foreign currency translation differences		(1,347,854)	(169,754)
Loss and total comprehensive income for the year		**(4,687,778)**	**(2,369,853)**
Basic loss per share	21	(5.03)	(6.45)

These consolidated financial statements were approved by Management on 15 February 2016 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 9 to 37.

USD	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2013	2,312	17,671,570	872,657	(10,811,258)	7,735,281
Loss for the year	-	-	-	(2,200,099)	(2,200,099)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Foreign currency translation differences	-	-	(169,754)	-	(169,754)
Total comprehensive loss for the year	**-**	**-**	**(169,754)**	**(2,200,099)**	**(2,369,853)**
Transactions with owners, recorded directly in equity					
Shares issued	1,835	2,730,101	-	-	2,731,936
Balance at 31 December 2013	**4,147**	**20,401,671**	**702,903**	**(13,011,357)**	**8,097,364**
Balance at 1 January 2014	4,147	20,401,671	702,903	(13,011,357)	8,097,364
Loss for the year	-	-	-	(3,339,924)	(3,339,924)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Foreign currency translation differences	-	-	(1,347,854)	-	(1,347,854)
Total comprehensive loss for the year	**-**	**-**	**(1,347,854)**	**(3,339,924)**	**(4,687,778)**
Transactions with owners, recorded directly in equity					
Shares issued	3,614	1,466,192	-	-	1,469,806
Balance at 31 December 2014	**7,761**	**21,867,863**	**(644,951)**	**(16,351,281)**	**4,879,392**

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 9 to 37.

USD	Note	2014	2013
Cash flows from operating activities			
Loss for the year		**(3,339,924)**	**(2,200,099)**
Adjustments for:			
Depreciation and amortisation	12,14	715,693	179,703
Loss on write-off of property, plant and equipment	12	4,165	58,624
Impairment of VAT and trade receivables	7	599,276	17,241
Write down of inventories to net realisable value	6	-	267,096
Finance costs		43,099	8,021
Cash used in operating activities before changes in working capital		**(1,977,691)**	**(1,669,414)**
Change in inventories		127,680	(61,193)
Change in trade and other receivables, including VAT		10,252	(108,597)
Change in prepayments		1,390	10,096
Change in trade and other payables		999,131	277,539
Net cash used in operating activities		**(839,238)**	**(1,551,569)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(41,212)	(1,328,132)
Prepayments for property, plant and equipment		-	(139,918)
Net cash used in investing activities		**(41,212)**	**(1,468,050)**
Cash flows from financing activities			
Proceeds from issue of share capital		574,086	2,199,995
Proceeds from borrowings	22	295,568	867,180
Repayment of finance lease liabilities		(10,211)	(6,671)
Net cash from financing activities		**859,443**	**3,060,504**
Net (decrease)/increase in cash and cash equivalents		**(21,007)**	**40,885**
Cash and cash equivalents at 1 January		114,079	73,194
Effect of movements in exchange rates on cash and cash equivalents		(62,767)	-
Cash and cash equivalents at 31 December	19	**30,305**	**114,079**

During 2014, the Group issued new shares for the total amount of USD 1,469,806. Part of the expected proceeds of the new shares issued were offset against loans and salaries payable in amount of USD 451,133 and USD 444,587, 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 9 to 37.

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 the Company's registered office is Palm Grove House, P.O. Box 3186, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The consolidated financial statements as at and for the year ended 31 December 2014 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 banking 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 Bala-Sauskandyk mine located in Kazakhstan, Shieli under license MG1278D dated 8 December 1997. 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 Balasauskandik deposit. In February 2011, management of the subsidiary Firma Balausa LLC decided to temporarily stop the production at its plant in order to modify the process by introducing conventional crushing milling and autoclave leaching. The improvement was intended to enable greater recovery of vanadium, reduced sulphuric acid consumption and allowed the extraction of the carbon and flux by-products which would be available for sale. Apart from test production, no commercial quantities of vanadium were produced during 2011 to 2014. Subsequent to 31 December 2014, management of Firma Balausa decided to convert the plant, so that instead of extracting vanadium through autoclave leaching, it would be used to treat purchased vanadium concentrates on a commercial basis.

(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 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. In addition, significant devaluation of tenge and drop of the oil prices have increased the uncertainty in the business environment.

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.

2 Basis of preparation, continued

(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 accompanying 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.

The Group is in the investing and development stage, and during 2014 the Group incurred losses of USD 3,339,924 (2013: USD 2,200,099), and used net cash for operating activities in the amount of USD 902,005 (2013: USD 1,551,569). As at 31 December 2014 its current liabilities exceeded its current assets by USD 1,020,450 (2013: USD 402,154).

Management has considered the following factors while assessing the Group’s ability to continue as a going concern and has concluded that whilst there remains significant uncertainty, it is appropriate to apply the going concern basis:

- As described in note 29 below, the Group issued new shares in 2015 raising a total of $2.3m net of expenses which funds were used to repay debts and modify the process plant as described below.
- In 2015 the Group modified its vanadium processing facility to treat vanadium concentrates to produce saleable vanadium products and generates additional cash flows through sale of gravel. There are furtherplans for the development of a significant expansion to its current operations supported by a feasibility study and various independent studies confirming the geological resources and other matters.
- The Group has plans to obtain additional financing to allow the execution of its business plan and negotiations with potential investors are ongoing.

(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.

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 12 – Impairment of property, plant and equipment;
- Note 3(d) – Useful lives of property, plant and equipment;
- Note 15 – Deferred tax assets;
- Note 16 – Net realisable value of inventories;
- Note 23 – Provisions.

2 Basis of preparation, continued

(f) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these financial statements.

The Group has adopted the following amendments to a standard and new interpretation with a date of initial application of 1 January 2014.

a. IFRIC 21 Levies

b. Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36).

The nature and effects of the changes are explained below.

(i) Levies

The Group has adopted IFRIC 21 Levies with a date of initial application of 1 January 2014.

The interpretation clarifies that a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation.

(ii) Disclosures of recoverable amount for non-financial assets

Amendments to IAS 36 require expanded disclosures of recoverable amounts when they are based on fair value less costs of disposal.

The above standards have had no impact on the financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 Significant accounting policies

Except for the adoption of the new standards and interpretations effective as at 1 January 2014, the accounting policies applied by the Group were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2013.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. 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 retranslated to the functional currency at the exchange rate at that date.

3 Significant accounting policies, continued

(b) Foreign currency, continued

(i) Foreign currency transactions, continued

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 in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss.

(ii) Presentation currency

Assets and liabilities are translated to USD at the exchange rates at the reporting date. Income and expenses 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, historical cost obligations 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 callable cash balances and petty cash.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(*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, historical cost obligations 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.

(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.

3 Significant accounting policies, continued

(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.

(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.

3 Significant accounting policies, continued

(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.

(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.

3 Significant accounting policies, continued

(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.

(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.

3 Significant accounting policies, continued

(i) Impairment, continued

(ii) Non-financial assets, continued

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.

3 Significant accounting policies, continued

(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.

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) Loss per share

The Group presents basic and diluted loss per share (“LPS”) data for its ordinary shares. Basic LPS 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.

(q) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating 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.

Management of the Group identifies and considers only one segment, the country that represents business activities in which it engages and economic environment in which it operates through subsidiary company Firma Balausa LLC – Republic of Kazakhstan.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2014, and are not applied in preparing in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s consolidated financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its consolidated financial statements.

3 Significant accounting policies, continued

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

- 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;
- 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. The Group has not yet analysed the impact of this new standard on the consolidated financial statements.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 July 2014. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

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 and payables 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	2014	2013
Revenue from sales of gravel and waste rock	175,794	141,955
Revenue from transportation services	798	10,911
	176,592	**152,866**

6 Cost of sales

USD	2014	2013
Wages, salaries and related taxes	70,038	90,785
Installation and examination services	61,563	-
Depreciation and amortisation	58,181	116,682
Materials	51,067	80,005
Taxes other than on income	4,891	7,460
Write down of finished goods and work in progress to net realisable value	-	267,096
Drilling and blasting services	-	5,212
Other	19,513	2,939
	265,253	**570,179**

7 Administrative expenses

USD	2014	2013
Wages, salaries and related taxes	962,095	1,063,265
Impairment of VAT receivable	598,059	-
Professional services	249,927	219,080
Materials	125,790	63,251
Taxes other than on income	67,266	38,136
Utilities	52,888	84,679
Depreciation and amortisation	27,429	58,512
Transportation services	13,974	28,211
Business trip expenses	11,707	22,328
Communication and information services	10,697	13,514
Bank fees	6,932	16,766
Insurance	2,858	3,569
Rent	2,791	8,827
Staff training	2,138	11,706
Impairment charge against trade receivables	1,217	17,241
Charity	-	3,286
Fines and penalties	-	1,085
Other	119,734	65,617
	2,255,502	**1,719,073**

8 Other expenses

USD	2014	2013
Depreciation and amortisation of plant and equipment not used	630,083	-
Salary of production staff	332,756	-
Loss on write-off of property, plant and equipment	4,159	58,624
Other expenses	(1,159)	27,427
	965,839	**86,051**

The Group completed construction of certain plant and equipment and this was put into use in December 2013. During 2014 this plant and equipment ceased operations and therefore the related depreciation and production salary costs are presented in other expenses.

9 Personnel costs

USD	2014	2013
Wages, salaries and related taxes	1,223,147	1,707,921
	1,223,147	**1,707,921**

During 2014 personnel costs of USD 70,038 (2013: USD 90,785) have been charged to cost of sales, USD 820,353 (2013: USD 1,063,265) - to administrative expenses and USD 332,756 to other expenses (2013: USD 553,871 were capitalised).

10 Finance costs

USD	2014	2013
Interest expense on financial liabilities measured at amortised cost	(24,364)	(28,945)
Net foreign exchange loss	(2,870)	-
Unwinding of discount on site restoration provision	(15,865)	(16,727)
Finance costs recognised in profit or loss	**(43,099)**	**(45,672)**

11 Income tax

The Group's applicable tax rates in 2014 are the income tax rate of 20% for Kazakhstan subsidiaries (2013: 20%) and 0% (2013: 0%) for BVI companies.

Reconciliation of effective tax rate:

	2014		2013	
	USD	%	USD	%
Loss before income tax	**(3,339,924)**	**100**	**(2,200,099)**	**100**
Income tax at the applicable tax rate in the British Virgin Islands	-	-	-	-
Income tax at the applicable tax rate in Kazakhstan	(667,985)	20	(440,020)	20
Net non-deductible expenses	121,268	(4)	30,704	(1)
Effect of unrecognised deferred tax assets	546,717	(16)	409,316	(19)
	-	-	-	-

12 Property, plant and equipment

USD	Land and buildings	Plant and equipment	Vehicles	Computers	Other	Construction in progress	Total
Cost							
Balance at 1 January 2013	518,150	924,393	718,369	28,475	88,192	4,957,589	7,235,168
Additions	17,158	230,945	1,220	3,970	6,308	1,399,001	1,658,602
Transfers	3,508,800	2,563,534	33,811	1,288	(22,584)	(6,084,849)	-
Disposals	-	(64,550)	(128,447)	-	(367)	-	(193,365)
Foreign currency translation difference	(43,424)	(43,398)	(12,525)	(584)	(1,488)	(47,784)	(149,203)
Balance at 31 December 2013	**4,000,684**	**3,610,924**	**612,428**	**33,149**	**70,061**	**223,957**	**8,551,203**
Balance at 1 January 2014	4,000,684	3,610,924	612,428	33,149	70,061	223,957	8,551,203
Additions	-	29,191	391	-	960	51,479	82,021
Write-offs	-	(5,612)	-	(6,394)	(7,890)	-	(19,896)
Foreign currency translation difference	(630,544)	(569,532)	(96,531)	(5,111)	(10,920)	(36,211)	(1,348,849)
Balance at 31 December 2014	**3,370,140**	**3,064,971**	**516,288**	**21,644**	**52,211**	**239,225**	**7,264,479**
Depreciation							
Balance at 1 January 2013	69,325	321,448	527,604	13,427	39,784	-	971,588
Depreciation for the year	55,902	143,105	100,099	5,830	14,526	-	319,462
Transfers	25,496	(59,307)	33,811	-	-	-	-
Disposals	-	(15,063)	(72,926)	-	(367)	-	(88,356)
Write-off	-	(12,574)	(33,810)	-	-	-	(46,384)
Foreign currency translation difference	(2,074)	(6,546)	(10,118)	(306)	(880)	-	(19,924)
Balance at 31 December 2013	**148,649**	**371,063**	**544,660**	**18,951**	**53,063**	**-**	**1,136,386**
Balance at 1 January 2014	148,649	371,063	544,660	18,951	53,063	-	1,136,386
Depreciation for the year	254,057	396,292	45,495	4,960	11,059	-	711,863
Write-offs	-	(3,936)	-	(4,340)	(7,455)	-	(15,731)
Foreign currency translation difference	(27,934)	(65,440)	(86,651)	(2,998)	(8,427)	-	(191,450)
Balance at 31 December 2014	**374,772**	**697,979**	**503,504**	**16,573**	**48,240**	**-**	**1,641,068**
Carrying amounts							
At 1 January 2013	448,825	602,945	190,765	15,048	48,408	4,957,589	6,263,580
At 31 December 2013	**3,852,035**	**3,239,861**	**67,768**	**14,198**	**16,998**	**223,957**	**7,414,817**
At 31 December 2014	**2,995,368**	**2,366,992**	**12,784**	**5,071**	**3,971**	**239,225**	**5,623,411**

During 2014 depreciation expense of USD 58,181 (2013: USD 116,682) has been charged to cost of sales, USD 26,703 (2013: USD 54,003) - to administrative expenses and USD 626,979 to other expenses (2013: USD 148,777 was capitalised to construction in progress).

12 Property, plant and equipment, continued

Management's review of impairment

The property, plant and equipment of the Group is very specific and there is no active market for most assets, meaning that it is difficult to determine the fair value of the assets less costs to sell. Therefore, the Group estimated the recoverable amount of the Group's property, plant and equipment based on value in use by estimating the future cash flows from continuing use of the assets and applying an appropriate discount rate to those future cash flows, as required by IAS 36.

The impairment test performed by management as at 31 December 2013 was based on future approved cash flow projections for the use of plant and equipment to extract vanadium through commercial crushing milling and autoclave leaching activities. The impairment test used a discount rate of 15% and had not resulted in recognition of any impairment loss. The estimated recoverable amount of the property, plant and equipment exceeded its carrying amount by approximately USD 1,209,385. Management had identified two key assumptions at 31 December 2013 for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The above estimates are particularly sensitive in the following areas:

- An increase of 5% in the discount rate used would have caused the recoverable amount to equal the carrying amount.
- A 5% decrease in vanadium prices would have caused the recoverable amount to equal the carrying amount.

As described in Note 1 (a), subsequent to 31 December 2014, the Group decided to convert its plant and equipment, so that instead of extracting vanadium through autoclave leaching, it would be used to treat purchased vanadium concentrates. As at 31 December 2014 the management of the Group has not updated the assumptions used for impairment testing of property, plant and equipment.

13 Exploration and evaluation assets

During the year ended 31 December 2014 the Group did not capitalise the cost of drilling services to exploration and evaluation assets (2013: nil).

Management's review of impairment

In 2014, the management of the Group did not update the assumptions used for impairment testing for exploration and evaluation assets.

During 2013, management performed an impairment assessment for exploration and evaluation assets which is based on a business plan using the same assumptions described in Note 12. Based on this assessment, management has concluded that the carrying amount of exploration and evaluation assets exceeds their recoverable amount.

14 Intangible assets

USD	Mineral rights	Patents	Computer software	Total
Cost				
Balance at 1 January 2013	257,210	73,272	-	330,482
Additions	-	2,728	6,080	8,808
Disposals	-	(1,610)	-	(1,610)
Foreign currency translation difference	(8,724)	(1,380)	(58)	(10,162)
Balance at 31 December 2013	**248,486**	**73,010**	**6,022**	**327,518**
Balance at 1 January 2014	248,486	73,010	6,022	327,518
Additions	-	738	-	738
Foreign currency translation difference	(39,164)	(11,520)	(949)	(51,633)
Balance at 31 December 2014	**209,322**	**62,228**	**5,073**	**276,623**
Amortisation				
Balance at 1 January 2013	(257,210)	-	-	(257,210)
Amortisation for the year	-	(3,655)	(854)	(4,509)
Foreign currency translation difference	8,724	35	7	8,766
Balance at 31 December 2013	**(248,486)**	**(3,620)**	**(847)**	**(252,953)**
Balance at 1 January 2014	(248,486)	(3,620)	(847)	(252,953)
Amortisation for the year	-	(3,104)	(726)	(3,830)
Foreign currency translation difference	39,164	586	67	39,817
Balance at 31 December 2014	**(209,322)**	**(6,138)**	**(1,506)**	**(216,966)**
Carrying amounts				
At 1 January 2013	-	73,272	-	73,272
At 31 December 2013	**-**	**69,390**	**5,175**	**74,565**
At 31 December 2014	**-**	**56,090**	**3,567**	**59,657**

Amortisation

During 2014 amortisation expense of USD 3,104 (2013: nil) was charged to other expenses and USD 726 (2013: USD 4,509) to administrative expenses.

15 Deferred tax assets and liabilities

(a) Unrecognised deferred tax assets

A deferred tax asset has not been recognised in respect of the following items:

USD	2014	2013
Provisions	179,210	25,084
Property, plant and equipment and intangible assets	71,762	-
Tax loss carry-forwards	1,184,914	896,105
	1,435,886	**921,189**

The tax losses incurred from 1 January 2010 to 31 December 2014 expire in 10 years from the date when these losses had been incurred.

Deferred tax assets have not been recognised in respect of these items because it is not certain that future taxable profits will be available against which the Group can utilise the benefits therefrom.

15 Deferred tax assets and liabilities, continued

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
USD	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Property, plant and equipment	71,281	-	-	(39,351)	71,281	(39,351)
Intangible assets	481	2,015	-	-	481	2,015
Trade and other receivables	8,829	6,685	-	-	8,829	6,685
Provisions	38,747	42,173	-	-	38,747	42,173
Loans and borrowings	-	1,693	-	-	-	1,693
Trade and other payables	14,146	11,869	-	-	14,146	11,869
Tax loss carry-forwards	1,184,914	896,105	-	-	1,184,914	896,105
Tax assets/(liabilities)	**1,318,398**	**960,540**	-	**(39,351)**	**1,318,398**	**921,189**
Unrecognised deferred tax assets	(1,318,398)	(921,189)	-	-	(1,318,398)	(921,189)
Net tax assets/(liabilities)	-	**39,351**	-	**(39,351)**	-	-

(c) Movement in temporary differences during the year

USD	**1 January 2014**	**Recognised in profit or loss**	**Foreign currency translation difference**	**31 December 2014**
Property, plant and equipment	(39,351)	106,414	4,218	71,281
Intangible assets	2,015	(1,243)	(291)	481
Trade and other receivables	6,685	3,239	(1,095)	8,829
Provisions	42,173	3,173	(6,599)	38,747
Loans and borrowings	1,693	(1,456)	(237)	-
Trade and other payables	11,869	4,193	(1,916)	14,146
Tax loss carry-forwards	896,105	432,397	(143,588)	1,184,914
Tax assets/(liabilities)	**921,189**	**546,717**	**(149,508)**	**1,318,398**
Unrecognised deferred tax assets	(921,189)	(546,717)	149,508	(1,318,398)
Net tax assets/(liabilities)	-	-	-	-

USD	**1 January 2013**	**Recognised in profit or loss**	**Foreign currency translation difference**	**31 December 2013**
Property, plant and equipment	(39,267)	(942)	858	(39,351)
Intangible assets	4,193	(2,114)	(64)	2,015
Trade and other receivables	22,993	(16,013)	(295)	6,685
Provisions	39,724	3,347	(898)	42,173
Loans and borrowings	2,594	(856)	(45)	1,693
Trade and other payables	3,191	8,857	(179)	11,869
Tax loss carry-forwards	494,932	417,037	(15,864)	896,105
Tax assets/(liabilities)	**528,360**	**409,316**	**(16,487)**	**921,189**
Unrecognised deferred tax assets	(528,360)	(409,316)	16,487	(921,189)
Net tax assets/(liabilities)	-	-	-	-

16 Inventories

USD	2014	2013
Raw materials and consumables	225,763	432,452
Finished goods	84,142	105,703
Work in progress	40,737	27,036
	350,642	**565,191**
Write-down of inventories in the current year (Note 6)	**-**	**(267,096)**

In 2014 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to USD 51,067 (2013: USD 347,101) (Note 6).

Inventories have been written down to reflect the fact that the net realisable value is less than the cost of production due to the impact of low production levels. In 2013, the Group had written-down inventories to their net realisable value, which resulted in a loss of USD 267,096. Finished goods were written down to net realisable value based on selling prices of these goods. Work in progress was written down to net realisable value considering its cost of production and additional expected costs of bringing it to finished good condition. The write-down was made based on selling prices of finished goods as at 31 December 2013. The write-down was recognised in cost of sales. No inventories were written-down during the year ended 31 December 2014.

17 Trade and other receivables

Non-current

USD	2014	2013
VAT receivable	-	688,601
	-	**688,601**

Current

USD	2014	2013
Due from employees	9,970	17,857
Trade receivables from third parties	7,722	1,582
Other receivables	7,000	21,377
	24,692	**40,816**
VAT receivable	-	5,820
	24,692	**46,636**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 25 (b).

18 Prepayments

USD	2014	2013
Non-current		
Prepayments for equipment	68,166	129,367
	68,166	**129,367**
Current		
Prepayments for goods and services	29,112	36,176
	29,112	**36,176**

19 Cash and cash equivalents

USD	2014	2013
Bank balances	27,940	112,719
Petty cash	2,365	1,360
Cash and cash equivalents	**30,305**	**114,079**

The Group's exposure to credit and foreign currency risks is disclosed in Note 25.

20 Equity

(a) Share capital and share premium

	Ordinary shares	
Number of shares unless otherwise stated	**2014**	**2013**
Authorised shares	5,000,000	5,000,000
Par value	0.01 USD	0.01 USD
Outstanding at beginning of year	414,655	231,205
Issued	361,408	183,450
Outstanding at end of year	**776,063**	**414,655**

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 2014 the Group issued 361,408 shares (2013: 183,450 shares) with nominal amount of USD 3,614 (2013: USD 1,835) and share premium of USD 1,466,192 (2013: USD 2,730,101).

(b) Dividends

No dividends were declared for the year ended 31 December 2014 (2013: nil).

21 Loss per share

	2014	2013
Basic loss per share	**(5.03)**	**(6.45)**

Basic loss per share		
Net loss attributable to common shareholders	**(3,339,924)**	**(2,200,099)**
Issued common shares as at 1 January, shares	414,655	231,205
Shares issued	361,408	183,450
Issued common shares as at 31 December, shares	**776,063**	**414,655**
Weighted average number of shares for the year ended 31 December, shares	**664,033**	**341,241**

22 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 25.

USD	2014	2013
Current liabilities		
Loans from shareholders	304,728	436,913
Current portion of finance lease liabilities	-	8,489
	304,728	**445,402**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2014		31 December 2013	
USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Loans from shareholders	USD	10%	upon demand	-	-	115,853	115,853
Loans from shareholders	USD	15%	upon demand	200,910	200,910	-	-
Loans from shareholders	USD	0%	upon demand	-	-	121,586	121,586
Loans from shareholders	GBP	10%	upon demand	-	-	199,474	199,474
Loans from shareholders	GBP	10%	upon demand	98,819	98,819	-	-
Loans from shareholders	KZT	0%	upon demand	4,999	4,999	-	-
Finance lease liabilities	KZT	0%	2014	-	-	10,211	8,489
				304,728	**304,728**	**447,124**	**445,402**

The Group received a series of loan tranches from shareholders during 2014 in the total amount of USD 295,568. Loans payable in the amount of USD 451,133 were set off against shares issued in 2014.

Finance lease liabilities are payable as follows:

	2013		
USD	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	10,211	1,722	8,489
	10,211	**1,722**	**8,489**

23 Provisions

USD	Total
Balance at 1 January 2014	211,484
Unwinding of discount	15,865
Foreign currency translation difference	(33,613)
Balance at 31 December 2014	**193,736**
Non-current	193,736
	193,736

Site restoration

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 73,451 thousand or USD 404,020 at the closing 2014 KZT/USD exchange rate. The present value of restoration costs was determined by discounting the estimated restoration cost using a risk-free rate for the respective period of 8.5% (2013: 8.5%), adjusted for inflation. 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.

The unwinding of discount is recognised in profit or loss. As at 1 January 2006, the full amount of the provision was capitalised in property, plant and equipment.

24 Trade and other payables

USD	2014	2013
Trade payables	356,074	190,112
Due to employees	522,130	393,421
Salary related taxes	44,965	30,471
Advances received	227,304	104,830
	1,150,473	**718,834**

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

25 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.

25 Financial instruments and risk management, continued

(a) Overview, continued

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.

(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	**2014**	**2013**
Trade and other receivables, excluding due from employees and VAT receivable	14,722	22,959
Cash and cash equivalents	27,940	112,719
	42,662	**135,678**

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

	Carrying amount	
USD	**2014**	**2013**
Kazakhstan	14,722	17,596
United Kingdom	-	5,363
	14,722	**22,959**

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

	Carrying amount	
USD	**2014**	**2013**
Trade receivables:		
Wholesale customers	7,722	1,582
Other receivables		
Other	7,000	21,377
	14,722	**22,959**

25 Financial instruments and risk management, continued

(b) Credit risk, continued

(i) Exposure to credit risk, continued

The Group's most significant customer, a Kazakhstan wholesaler, accounts for USD 4,420 of the trade receivables carrying amount at 31 December 2014 (2013: USD 1,419).

Impairment losses

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

USD	Gross 2014	Impairment 2014	Net 2014	Gross 2013	Impairment 2013	Net 2013
Not past due	14,722	-	14,722	21,377	-	21,377
Past due 31-180 days	-	-	-	6,178	(4,596)	1,582
Past due more than 180 days	44,146	(44,146)	-	46,390	(46,390)	-
	58,868	**(44,146)**	**14,722**	**73,945**	**(50,986)**	**22,959**

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

USD	2014	2013
Balance at beginning of the year	50,986	114,966
Write-offs	-	(79,670)
Increase during the year	1,217	17,241
Effect on movement in exchange rates	(8,057)	(1,551)
Balance at end of the year	**44,146**	**50,986**

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 2014 the Group did not have any collective impairment on its trade receivables (2013: nil).

(ii) Cash and cash equivalents

The Group held cash of USD 30,305 at 31 December 2014 (2013: USD 114,079), of which bank balances of USD 27,940 (2013: USD 112,719) represent its maximum credit exposure on these assets. 77% (2013: 64%) is held in a bank with credit rating AA- and the remaining 23% (2013: 36%) in a bank with credit rating B-. Credit ratings are provided by a rating agency Fitch.

25 Financial instruments and risk management, continued

(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.

2014

USD	Carrying amount	Contractual cash flows	On demand
Non-derivative financial liabilities			
Loans from shareholders	304,728	304,728	304,728
Trade and other payables, excluding due to employees, advances received and salary related taxes	356,074	356,074	356,074
	660,802	**660,802**	**660,802**

2013

USD	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths
Non-derivative financial liabilities				
Loans from shareholders	436,913	436,913	436,913	-
Finance lease liabilities	8,489	10,211	5,106	5,105
Trade and other payables, excluding due to employees, advances received and salary related taxes	190,112	190,112	190,112	-
	635,514	**637,236**	**632,131**	**5,105**

(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.

25 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 2014	USD-denominated 2013	GBP-denominated 2014	GBP-denominated 2013
Trade and other receivables	-	5,363	-	-
Cash and cash equivalents	14,392	7,392	6,633	62,325
Trade and other payables	(503,964)	(43,621)	-	-
Loans and borrowings	(200,910)	(237,439)	(98,819)	(199,474)
Net exposure	**(690,482)**	**(268,305)**	**(92,186)**	**(137,149)**

The following significant exchange rates applied during the year:

in USD	**Average rate**		**Reporting date spot rate**	
	2014	**2013**	**2014**	**2013**
KZT 1	0.0056	0.0066	0.0055	0.0065
GBP 1	1.6474	1.5647	1.5586	1.6489

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**
2014	
USD (30% strengthening)	165,716
GBP (30% strengthening)	22,125
2013	
USD (20% strengthening)	42,929
GBP (10% strengthening)	10,972

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.

(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.

25 Financial instruments and risk management, continued

(e) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

USD	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Trade and other receivables, excluding due from employees and VAT receivable	14,722	14,722	22,959	22,959
Cash and cash equivalents	30,305	30,305	114,079	114,079
Loans and borrowings	(304,728)	(304,728)	(445,402)	(445,402)
Trade and other payables, excluding due to employees, advances received and salary related taxes	(356,074)	(356,074)	(190,112)	(190,112)
	(615,775)	**(615,775)**	**(498,476)**	**(498,476)**

(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 2014, all financial instruments held by the Group fell within Level 2.

(g) Master netting or similar agreements

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amount receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events. In particular, in accordance with the Kazakhstan civil law an obligation can be settled by offsetting against a similar claim if it is due, has no maturity or is payable on demand, however such offsetting is not possible in case of the insolvency of one of the parties to the contracts.

There were no offsetting transactions in the reporting and comparative periods.

(h) Capital management

The Group does not operate formal capital management policies. However, management aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

25 Financial instruments and risk management, continued

(h) Capital management, continued

The Group's debt to capital ratio at the end of the reporting period was as follows:

USD	2014	2013
Total liabilities	1,648,937	1,375,720
Less: cash and cash equivalents	(30,305)	(114,079)
Net debt	**1,618,632**	**1,261,641**
Total equity	**4,879,392**	**8,097,364**
Debt to capital ratio at 31 December	0.33	0.16

There were no changes to the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 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 2014 is USD 2,138 (2013: USD 11,706).

27 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.

(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. Taxes are subject to review and investigation by various levels of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years but 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.

28 Related party transactions

(a) Transactions with management and close family members

Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see Note 9):

USD	2014	2013
Wages, salaries and related taxes	553,303	489,103
	553,303	**489,103**

During 2014, USD 444,587 of salaries payable to key management were offset against share issues which were made to key management.

(b) Transactions with other related parties

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

Loans and receivables

USD	Transaction value 2014	Transaction value 2013	Outstanding balance 2014	Outstanding balance 2013
Other receivables from shareholders	-	5,363	-	5,363
Loans received from shareholders	(295,568)	(867,180)	(304,728)	(436,913)

The information on terms and conditions of outstanding loans received from shareholders is disclosed in Note 22.

29 Events subsequent to the reporting date

On 20 August 2015, the NBRK and Government of Republic of Kazakhstan made the decision to allow the tenge to float freely where previously the National Bank of the Republic of Kazakhstan had maintained the tenge in a corridor of 170-198 KZT per USD. The KZT closed at 252.26 per USD after the announcement, down approximately 28% from the previous day's close of KZT 197.05 per USD and has since depreciated further to around KZT 360 per USD. As the devaluation occurred after the reporting date, these financial statements have not been adjusted for the rate change. However, note 25 (d) discloses the possible effect of the devaluation on financial assets and liabilities at the reporting date.

In 2015 the Group issued 2,287 new shares raising USD 0.5 million net of costs. In addition, the Group carried out a rights issue in September 2015 raising USD 1.8 million. These funds have been applied to the expansion and modification of the existing pilot plant, to the repayment of debts and to working capital.

In 2015, the existing pilot plant has been expanded and modified to treat purchased concentrates. Commissioning commenced on 29 September 2015 at an initial rate expected to achieve annualized production of 500 tonnes of vanadium pentoxide (equivalent).