Ferro-Alloy Resources Limited

Consolidated Financial Statements
for the year ended
31 December 2015

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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 2015, 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.

«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.

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, intangible assets, exploration and evaluation assets and inventory balances is dependent on the successful realisation of this new processing plant. At 31 December 2015, the plant had not been operating on a consistent basis and there are indicators that the recoverable amount of the Group's property, plant and equipment, intangible assets, exploration and evaluation assets and inventory balances may be lower than their carrying amounts. Management have not performed a formal estimate of the recoverable amount of these assets as at 31 December 2014 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 2014 and on the current year's figures have been modified accordingly.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

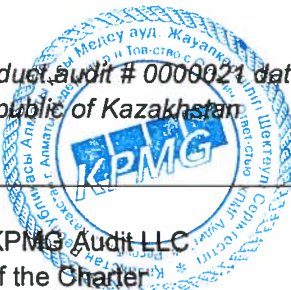
Emphasis of matter

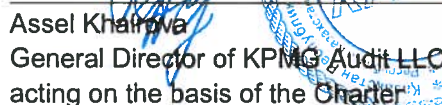
Without further qualifying our opinion, we draw attention to the fact that the Group is in the development stage and had net operating cash outflows of USD 1,083,193 for the year ended 31 December 2015. The Group is planning to raise additional funding and its continued operations are dependent on the realisation of its business plan. 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.

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

14 December 2016

USD	Note	2015	2014
Revenue	5	126,722	176,592
Cost of sales	6	(105,054)	(265,253)
Gross profit		**21,668**	**(88,661)**
Other income		4,691	13,178
Administrative expenses	7	(1,138,292)	(2,215,041)
Other expenses	8	(553,387)	(1,006,301)
Results from operating activities		**(1,665,320)**	**(3,296,825)**
Finance costs	10	(681,206)	(43,099)
Net finance costs		**(681,206)**	**(43,099)**
Loss before income tax		(2,346,526)	**(3,339,924)**
Income tax	11	-	-
Loss for the year		**(2,346,526)**	(3,339,924)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Foreign currency translation differences		(2,019,312)	(1,347,854)
Loss and total comprehensive income for the year		**(4,365,838)**	**(4,687,778)**

These consolidated financial statements were approved by Management on 14 December 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 33.

USD	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,966,952	5,623,411
Exploration and evaluation assets	13	183,603	342,344
Intangible assets	14	30,367	59,657
Prepayments	18	36,558	68,166
Total non-current assets		**3,217,480**	**6,093,578**
Current assets			
Inventories	16	565,037	350,642
Trade and other receivables	17	14,188	24,692
Prepayments	18	9,044	29,112
Cash and cash equivalents	19	266,931	30,305
Total current assets		**855,200**	**434,751**
Total assets		**4,072,680**	**6,528,329**
EQUITY AND LIABILITIES			
Equity	20		
Share capital		14,962	7,761
Share premium		24,230,019	21,867,863
Foreign currency translation reserve		(2,664,263)	(644,951)
Retained earnings		(18,697,807)	(16,351,281)
Total equity		**2,882,911**	**4,879,392**
Non-current liabilities			
Provisions	22	121,373	193,736
Total non-current liabilities		**121,373**	**193,736**
Current liabilities			
Loans and borrowings	21	115,279	304,728
Trade and other payables	23	953,117	1,150,473
Total current liabilities		**1,068,396**	**1,455,201**
Total liabilities		**1,189,769**	**1,648,937**
Total equity and liabilities		**4,072,680**	**6,528,329**

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 33.

USD	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
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**
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 loss 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**

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 33.

USD	Note	2015	2014
Cash flows from operating activities			
Loss for the year		**(2,346,526)**	**(3,339,924)**
Adjustments for:			
Depreciation and amortisation	12,14	460,127	715,693
Loss on write-off of property, plant and equipment		29,739	4,165
Impairment of VAT and trade receivables	7	96,570	599,276
Finance costs	10	681,206	43,099
Cash used in operating activities before changes in working capital		**(1,078,884)**	**(1,977,691)**
Change in inventories		(575,891)	127,680
Change in trade and other receivables, including VAT		(98,012)	10,252
Change in prepayments		10,033	1,390
Change in trade and other payables		659,561	999,131
Net cash used in operating activities		**(1,083,193)**	**(839,238)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(300,675)	(41,212)
Net cash used in investing activities		**(300,675)**	**(41,212)**
Cash flows from financing activities			
Proceeds from issue of share capital		1,055,846	574,086
Proceeds from borrowings	21	543,434	295,568
Repayment of finance lease liabilities		-	(10,211)
Repayment of loans received from key management		(10,422)	-
Net cash from financing activities		**1,588,858**	**859,443**
Net increase/(decrease) in cash and cash equivalents		**204,990**	**(21,007)**
Cash and cash equivalents at 1 January		30,305	114,079
Effect of movements in exchange rates on cash and cash equivalents		31,636	(62,767)
Cash and cash equivalents at 31 December	19	**266,931**	**30,305**

During 2015, the Group issued new shares for the total amount of USD 2,369,357 (2014: USD 1,469,806). Part of the expected proceeds of the new shares issued were offset against loans and salaries and trade payable in amount of USD 760,464 (2014: USD 451,133) and USD 553,047 (2014: 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 33.

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 2015 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 treasuryand 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, 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 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. No vanadium was produced in 2011 to 2014. During 2015, the Group changed its production technology from autoclave leaching to atmospheric leaching of purchased iron-containing concentrate and carried out the reconstruction of the corresponding plant equipment. In September 2015, the Group started preparatory work for the production and in October 2015 performed a test release of hydrated vanadium pentoxide, and then continued pre-commissioning activities.

(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. In addition, the recent significant depreciation of the Kazakhstan tenge, and the reduction in the global price of oil, have increased the level of uncertainty in the business environment.

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 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.

Current operations

The Group is in the investing and development stage, and during 2015 the Group incurred losses of USD 2,341,936 (2014: USD 3,339,924), and used net cash for operating activities in the amount of USD 751,295 (2014: USD 839,238). As at 31 December 2015 its current liabilities exceeded its current assets by USD 213,196 (2014: USD 1,020,450).

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. Up to the date of these consolidated financial statements, three sales have been made to three customers in three countries. New equipment has recently been installed and production is expected to slowly increase as operators become more proficient at handling the increased levels of production that the plant is now capable of. The management expect a positive cash flow from operations from January 2017 onwards.

The current price of vanadium pentoxide (which is used in the Groups’s business model for production of ammonium metavanadate) is quoted as USD 3.83 per lb in Europe. Management consider this is low compared with historic levels which have averaged around USD 7/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 recovery is uncertain. If such a recovery occurs, the profitability of operations, even at current levels of production, will rise substantially.

Future plans

Processing operations

Management of the Group is planning a project to increase throughput and production by a multiple of about five times, which management expect will have the effect of significantly increasing profits even at current prices.

2 Basis of preparation, continued

(d) Going concern, continued

Future plans, continued

Processing operations, continued

This project entails approximately doubling the size of the existing plant. Capital costs will total 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 is nearing completion and the Group plans, subject to finance, to start construction in the beginning of 2017.

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 will increase this fourfold.

Finance

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 shareholders who have lent money from time to time to the Group 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 dependent on the Group raising additional finance. The Group is currently in discussions with its brokers concerning the raising of this finance either prior to listing on a recognised stock exchange or as part of such listing. During the year 2016, the Group issued 6,534 new shares raising USD 631,093 net of costs. The profitability of current operations without further expansion is dependent on the maintenance of vanadium prices at current levels or above and on the Group achieving its production plans.

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 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.

(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.

3 Significant accounting policies, continued

(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 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, 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.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(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.

(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:

3 Significant accounting policies, continued

(e) Exploration and evaluation assets, continued

- 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.

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) 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 2015, and have not applied 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.

- 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.

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	2015	2014
Sales of gravel and waste rock	80,989	175,794
Revenue from transportation services	45,733	798
	126,722	**176,592**

6 Cost of sales

USD	2015	2014
Depreciation	55,757	58,181
Wages, salaries and related taxes	24,909	70,038
Materials	14,499	51,067
Taxes other than on income	1,896	4,891
Installation and examination services	-	61,563
Other	7,993	19,513
	105,054	**265,253**

7 Administrative expenses

USD	2015	2014
Wages, salaries and related taxes	807,917	962,095
Impairment of VAT receivable	96,570	598,059
Professional services	95,350	249,927
Security	26,270	-
Depreciation and amortisation	23,857	27,429
Materials	19,266	125,790
Taxes other than on income	18,259	67,266
Business trip expenses	12,022	11,707
Transportation services	10,039	13,974
Utilities	5,782	52,888
Bank fees	5,704	6,932
Communication and information services	4,987	10,697
Staff training	2,834	2,138
Insurance	759	2,858
Fines and penalties	81	-
Rent	18	2,791
Impairment charge against trade receivables	-	1,217
Other	8,577	79,273
	1,138,292	**2,215,041**

8 Other expenses

USD	2015	2014
Depreciation and amortisation of plant and equipment not used	380,513	630,083
Salary and related taxes	92,410	332,756
Loss on write-off of property, plant and equipment	29,739	4,159
Other expenses	50,725	39,303
	553,387	**1,006,301**

The Group completed construction of certain plant and equipment and put it into use in December 2013. During 2014 and during the period from January to August 2015 this 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	2015	2014
Wages, salaries and related taxes	1,025,616	1,223,147
	1,025,616	**1,223,147**

During 2015 personnel costs of USD 24,909 (2014: USD 70,038) have been charged to cost of sales, USD 807,917 (2014: USD 962,095) - to administrative expenses and USD 92,410 to other expenses (2014: USD 332,756); USD 100,380 were capitalised to construction in progress (2014: nil). During the fourth quarter of 2015, the Group started reconstruction work of an experimental plant for the processing of ferrous concentrate. Costs of labour, materials and other costs directly related to the reconstruction of the plant were capitalised from September to December 2015.

10 Finance costs

USD	2015	2014
Interest expense on financial liabilities measured at amortised cost	39,488	24,364
Net foreign exchange loss	626,608	2,870
Unwinding of discount on site restoration provision	15,110	15,865
Finance costs recognised in profit or loss	**681,206**	**43,099**

11 Income tax

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

During the years ended 31 December 2015 and 2014 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:

	2015		**2014**	
	USD	**%**	**USD**	**%**
Loss before income tax	**(2,346,526)**	**100**	**(3,339,924)**	**100**
Income tax at the applicable tax rate in the British Virgin Islands	-	-	-	-
Income tax at the applicable tax rate in Kazakhstan	(469,305)	20	(667,985)	20
Net non-deductible expenses	330,809	(14)	121,268	(4)
Effect of unrecognised deferred tax assets	138,496	(6)	546,717	(16)
	-	**-**	**-**	**-**

12 Property, plant and equipment

USD	Land and buildings	Plant and equipment	Vehicles	Computers	Other	Construction in progress	Total
Cost							
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**
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**
Depreciation							
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**
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**
Carrying amounts							
At 1 January 2014	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**
At 31 December 2015	**1,470,960**	**1,094,727**	**52,001**	**492**	**-**	**348,772**	**2,966,952**

During 2015 depreciation expense of USD 55,757 (2014: USD 58,181) has been charged to cost of sales, USD 23,210 (2014: USD 26,703) - to administrative expenses and USD 378,810 to other expenses (2014: USD 626,979), and USD 101,100 was capitalised to property, plant and equipment (2014: nil).

13 Exploration and evaluation assets

During the year ended 31 December 2015 the Group did not capitalise the cost of drilling services to exploration and evaluation assets (2014: nil).

14 Intangible assets

USD	Mineral rights	Patents	Computer software	Total
Cost				
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**
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**
Amortisation				
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)**
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)**
Carrying amounts				
At 1 January 2014	-	69,390	5,175	74,565
At 31 December 2014	**-**	**56,090**	**3,567**	**59,657**
At 31 December 2015	**-**	**28,878**	**1,489**	**30,367**

Amortisation

During 2015 amortisation expense of USD 1,703 (2014: USD 3,104) was charged to other expenses, USD 647 (2014: USD 726) to administrative expenses and USD 849 was capitalised to fixed assets (2014: nil).

15 Deferred tax assets and liabilities

Unrecognised deferred tax assets

As at 31 December 2015 the Group did not recognise deferred tax assets in the amount of USD 703,874 (2014: USD 1,318,398) because there is doubt that the Company will be able to realize these assets in the foreseeable future due to the low probability of taxable profit.

16 Inventories

USD	2015	2014
Raw materials and consumables	550,075	225,763
Finished goods	14,953	84,142
Work in progress	9	40,737
	565,037	**350,642**

In 2015 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to USD 14,499 (2014: USD 51,067) (Note 6).

17 Trade and other receivables

Non-current

USD	**2015**	**2014**
VAT receivable	378,271	587,453
Provision for VAT receivable	(378,271)	(587,453)
	-	-

Current

USD	**2015**	**2014**
Trade receivables from third parties	24,623	51,868
Due from employees	7,641	9,970
Other receivables	5,600	7,000
	37,864	68,838
Bad debt allowance	(23,676)	(44,146)
	14,188	**24,692**

During 2015 and 2014, the management of the Group has created a provision for VAT receivable in the amount of USD 96,570 and USD 598,059, respectively, 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	**2015**	**2014**
Non-current		
Prepayments for equipment	36,558	68,166
	36,558	**68,166**
Current		
Prepayments for goods and services	9,044	29,112
	9,044	**29,112**

19 Cash and cash equivalents

USD	**2015**	**2014**
Bank balances	247,549	27,940
Petty cash	19,382	2,365
Cash and cash equivalents	**266,931**	**30,305**

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 2015	2014
Authorised shares	5,000,000	5,000,000
Par value	0.01 USD	0.01 USD
Outstanding at beginning of year	776,063	414,655
Issued	720,172	361,408
Outstanding at end of year	**1,496,235**	**776,063**

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 2015 the Group issued 720,172 shares (2014: 361,408 shares) with nominal amount of USD 7,201 (2014: USD 3,614) and share premium of USD 2,362,156 (2014: USD 1,466,192).

(b) Dividends

No dividends were declared for the year ended 31 December 2015 (2014: nil).

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	**2015**	**2014**
Current liabilities		
Loans from shareholders	115,279	304,728
	115,279	**304,728**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2015		**31 December 2014**	
USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Loans from shareholders	USD	15%	upon demand	-	-	200,910	200,910
Loans from shareholders	GBP	10%	upon demand	111,765	111,765	98,819	98,819
Loans from shareholders	KZT	0%	upon demand	3,514	3,514	4,999	4,999
				115,279	**115,279**	**304,728**	**304,728**

The Group received a series of loan tranches from shareholders during 2015 in the total amount of USD 543,434 (2014: USD 295,568). Loans payable in the amount of USD 760,464 were set off against shares issued in 2015 (2014: USD 451,133).

22 Provisions

USD	Site restoration liability
Balance at 1 January 2015	193,736
Unwinding of discount	15,110
Change in estimate	11,578
Foreign currency translation difference	(99,051)
Balance at 31 December 2015	**121,373**
Non-current	121,373
	121,373

Site restoration

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

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 216,026 at the closing 2015 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 8.8% (2014: 9.5%), adjusted for the risks specific to the liability and 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.

23 Trade and other payables

USD	2015	2014
Trade payables	497,953	356,074
Due to employees	269,623	522,130
Other taxes	180,259	44,965
Advances received	5,282	227,304
	953,117	**1,150,473**

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.

(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	**2015**	**2014**
Trade and other receivables, excluding due from employees and VAT receivable	6,547	14,722
Cash and cash equivalents	247,549	27,940
	254,096	**42,662**

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

	Carrying amount	
USD	**2015**	**2014**
Kazakhstan	6,547	14,722
	6,547	**14,722**

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

	Carrying amount	
USD	**2015**	**2014**
Trade receivables:		
Wholesale customers	947	7,722
Other receivables		
Other	5,600	7,000
	6,547	**14,722**

24 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 947 of the trade receivables carrying amount at 31 December 2015 (2014: USD 4,420).

Impairment losses

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

USD	Gross 2015	Impairment 2015	Net 2015	Gross 2014	Impairment 2014	Net 2014
Not past due	6,547	-	6,547	14,722	-	14,722
Past due more than 180 days	23,676	(23,676)	-	44,146	(44,146)	-
	30,223	**(23,676)**	**6,547**	**58,868**	**(44,146)**	**14,722**

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

USD	2015	2014
Balance at beginning of the year	44,146	50,986
Increase during the year	-	1,217
Effect on movement in exchange rates	(20,470)	(8,057)
Balance at end of the year	**23,676**	**44,146**

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 2015 the Group did not have any collective impairment on its trade receivables (2014: nil).

(ii) Cash and cash equivalents

The Group held cash of USD 266,931 at 31 December 2015 (2014: USD 30,305), of which bank balances of USD 247,549 (2014: USD 27,940) represent its maximum credit exposure on these assets. 89% (2014: 77%) is held in a bank with credit rating AA- and the remaining 11% in a bank with credit rating CCC (2014: 23% is held in a in a bank with credit rating B-). Credit ratings are provided by a rating agency Fitch.

24 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.

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**

2014

USD	Carrying amount	Contractual cash flows	On demand	0-6 mths
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**	**304,728**	**356,074**

(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 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)**

	USD-denominated 2014	GBP-denominated 2014
Cash and cash equivalents	14,392	6,633
Trade and other payables	(503,964)	-
Loans and borrowings	(200,910)	(98,819)
Net exposure	**(690,482)**	**(92,186)**

The following significant exchange rates applied during the year:

in USD	**Average rate**		**Reporting date spot rate**	
	2015	**2014**	**2015**	**2014**
KZT 1	0.0045	0.0056	0.0029	0.0055
GBP 1	1.5285	1.6474	0.6779	1.5586
RUB 1	0.0165	-	0.0137	-
HKD 1	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)**
2015	
USD (20% strengthening)	44,615
GBP (20% strengthening)	11,912
RUB (20% strengthening)	44,701
HKD (20% strengthening)	(423)
2014	
USD (20% strengthening)	115,395
GBP (20% strengthening)	41,139
RUB (20% strengthening)	4,022

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 2015, all financial instruments held by the Group fell within Level 2.

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 2015 is USD 3,456 (2014: USD 2,138).

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. 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.

27 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	2015	2014
Wages, salaries and related taxes	551,853	553,303
	551,853	**553,303**

During 2015, USD 407,812 (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 2015	Transaction value 2014	Outstanding balance 2015	Outstanding balance 2014
Loans received from shareholders	(543,434)	(295,568)	(115,279)	(304,728)

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

28 Events subsequent to the reporting date

In 2016, the Group issued 6,541 new shares raising USD 631,093 net of costs. In addition, the Group received a 15% interest bearing loan from shareholder AM2 in the amount of USD 246,000, repayable within 30 days of a demand from the lender.