

Ferro-Alloy Resources Limited

Consolidated Financial Statements
for the year ended
31 December 2017

Contents

Independent Auditors' Report	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12-44



«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report

To the Shareholders and the Board of Directors of Ferro-Alloy Resources Limited

Opinion

We have audited the consolidated financial statements of Ferro-Alloy Resources Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 4 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2016 has been restated. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative information

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2017, we have audited the adjustments described in Note 4 that were applied to restate the comparative information presented as at and for the year ended 31 December 2016 and the statement of financial position as at 1 January 2016. In our opinion, the adjustments described in Note 4 are appropriate and have been properly applied.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of property, plant and equipment, exploration and evaluation assets intangible assets and inventories	
Please refer to the Notes 13, 14, 15 and 17 in the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>In 2017 management reconsidered the basis of impairment tests that were performed for previous years in relation to property plant and equipment, exploration and evaluation assets, intangible assets and inventory. Management concluded that it was appropriate to update these tests using more appropriate assumptions. As a result, these assets have been impaired as at 31 December 2017.</p> <p>Management's estimate of recoverable amounts of these assets is based on their value in use. Under the corrected assumptions, management consider that the value in use of these assets is nil, due to the fact that at the relevant time when those financial statements had been drawn up the Group had been operating in a start-up phase for several years, had a history of losses, and was still in the process of testing and changing the technologies to be used in the realisation of its business plan at previous reporting dates.</p> <p>We believe that this is a key audit area, because of the amounts of impairment recognised in these consolidated financial statements, and due to the inherent uncertainties in forecasting future performance.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">– Evaluating whether management's estimate of the value in use complies with the requirements of IAS 36 <i>Impairment of assets</i>.– Considering the design and implementation of controls implemented by management relating to the determination of the impairment.– Evaluating reasonableness of the key assumptions made by management in relation to the impairment in particular in relation to the planned future use of the plant and equipment.



2. Going concern	
Please refer to the Notes 1(d) and 2(d) in the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>IFRS requires management to make an assessment of the entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, an entity is required to disclose those uncertainties in its financial statements.</p> <p>In assessing whether the going concern assumption is appropriate, management took into account all available information about the financial condition of the Group, which is at least, but not limited to, twelve months from the end of the reporting period. In making this assessment, management has considered, in particular, the following:</p> <ul style="list-style-type: none"> - The group made a loss of USD 1,080 thousand in 2017, had negative operating cash flows of USD 1,035 thousand; - The market price of vanadium increased from USD 5/lb at 31 January 2017 to USD 10/lb at 31 December 2017, and to USD 19/lb at 31 July 2018; - During 2018, and at the approval date of the financial statements, the Group had achieved positive cash flows from its operating activities; - In addition, management of the group indicated their willingness to provide financial support through continuing to defer payment of the Group's current liabilities which are due to them as compensation, if this should become necessary to support the Group's working capital or investment requirements. <p>Following this assessment, management concluded that there is no material uncertainty relating to going concern in relation to the Group's operations. This assessment is disclosed as a significant accounting judgement in Note 2 (d) to the financial statements.</p>	<p>We enquired of management their assessment of going concern, and performed the following procedures in relation to their assessment and documentation supporting that assessment:</p> <ul style="list-style-type: none"> - Performed audit procedures over reasonableness of operating results from 1 January to 31 July 2018 by inspecting supporting documents for revenues and comparing costs to actual incurred in 2017; - Performed analytical audit procedures over reasonableness of cash flow forecasts prepared by management, including reasonableness of the vanadium market prices used in the forecasts, level of production and operating costs; - Inspected bank statements showing the Group's cash balances and other documents showing overall liquidity position at the date of approval of the financial statements; and - Inspected correspondence from management stating their intention to defer payment of the Group's current liabilities due to them, if this should become necessary to support the Group's working capital or investment requirements. <p>We also read the disclosures in the financial statements relating to management's assessment of going concern, and considered the adequacy of these disclosures.</p>



2. Going concern, continued	
The key audit matter	How the matter was addressed in our audit
We believe this is a key audit area, because, if management's use of the going concern basis of accounting was to be found inappropriate, then the amounts of assets and liabilities recognised in the accompanying consolidated financial statements could have been materially misstated.	

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.




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

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

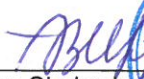
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Ashley Clarke
Engagement Partner



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

KPMG Audit LLC

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



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



12 September 2018

Ferro-Alloy Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

	Note	2017 \$000	Restated 2016 \$000
Revenue	5	1,132	292
Cost of sales	6	(1,084)	(645)
Gross profit/(loss)		48	(353)
Other income	7	52	35
Administrative expenses	8	(908)	(875)
Distribution expenses		(64)	(14)
Other expenses	9	(124)	(47)
Loss from operating activities		(996)	(1,254)
Net finance costs	11	(84)	(51)
Loss before income tax		(1,080)	(1,305)
Income tax	12	-	-
Loss for the year		(1,080)	(1,305)
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Foreign currency translation differences		2	(11)
Loss and total comprehensive income for the year		(1,078)	(1,316)
Loss per share of common stock attributable to the Shareholders			
Basic, USD	21	(0.71)	(0.87)
Diluted, USD	21	(0.71)	(0.87)

These consolidated financial statements were approved by Management on 11 September 2018 and were signed on its behalf by:



James Turian

Director and company secretary

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 12 to 44.

Ferro-Alloy Resources Limited
Consolidated Statement of Financial Position as at 31 December 2017

	31 December 2017 \$000	Restated 31 December 2016 \$000	Restated 1 January 2016 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	13	79	58
Intangible assets	15	2	1
Long-term VAT receivable	18	91	-
Prepayments	19	52	36
Total non-current assets	224	95	90
Current assets			
Inventories	17	596	590
Trade and other receivables	18	47	102
Prepayments	19	15	10
Cash and cash equivalents	20	267	72
Total current assets	925	774	828
Total assets	1,149	869	918
EQUITY AND LIABILITIES			
Equity			
Share capital	21	15	15
Share premium	21	26,904	25,030
Additional paid-in capital	24	380	-
Foreign currency translation reserve		(2,672)	(2,674)
Accumulated losses		(24,238)	(23,158)
Total equity		389	(787)
Non-current liabilities			
Provisions	23	152	135
Total non-current liabilities		152	135
Current liabilities			
Loans and borrowings	22	-	392
Trade and other payables	24	608	1,129
Total current liabilities		608	1,521
Total liabilities		760	1,656
Total equity and liabilities		1,149	918

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 12 to 44.

Ferro-Alloy Resources Limited
Consolidated Statement of Changes in Equity for the year ended 31 December 2017

	Share capital \$000	Share premium \$000	Additional paid- in capital \$000	Foreign currency translation reserve \$000	Accumulated losses \$000	Total \$000
Balance at 1 January 2016, as previously reported	15	24,230	-	(2,663)	(18,698)	2,884
Restatement (Note 4)	-	-	-	-	(3,155)	(3,155)
Balance at 1 January 2016, as restated	15	24,230	-	(2,663)	(21,853)	(271)
Loss for the year	-	-	-	-	(1,305)	(1,305)
Other comprehensive income						
<i>Items that will never be reclassified to profit or loss</i>						
Foreign currency translation differences	-	-	-	(11)	-	(11)
Total comprehensive income for the year	-	-	-	(11)	(1,305)	(1,316)
Transactions with owners, recorded directly in equity						
Shares issued	-	800	-	-	-	800
Balance at 31 December 2016, restated	15	25,030	-	(2,674)	(23,158)	(787)
Balance at 1 January 2017	15	25,030	-	(2,674)	(23,158)	(787)
Loss for the year	-	-	-	-	(1,080)	(1,080)
Other comprehensive income						
<i>Items that will never be reclassified to profit or loss</i>						
Foreign currency translation differences	-	-	-	2	-	2
Total comprehensive income for the year	-	-	-	2	(1,080)	(1,078)
Transactions with owners, recorded directly in equity						
Shares issued	-	1,874	-	-	-	1,874
Other transactions recognised directly in equity (Note 24)	-	-	380	-	-	380
Balance at 31 December 2017	15	26,904	380	(2,672)	(24,238)	389

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 12 to 44.

	Note	2017 \$000	Restated 2016 \$000
Cash flows from operating activities			
Loss for the year		(1,080)	(1,305)
<i>Adjustments for:</i>			
Depreciation and amortisation	13, 15	27	24
Impairment of property, plant and equipment and intangible assets	13, 15	119	47
Impairment of exploration and evaluation assets	14	5	-
Impairment of VAT receivables	8	4	25
Write-down of inventories to net realisable value and obsolescence	6	39	60
Finance costs, net	11	84	51
Impairment of prepayments and trade receivables	8	45	9
Cash used in operating activities before changes in working capital		(757)	(1,089)
Change in inventories		(44)	(67)
Change in trade and other receivables, including VAT		(43)	(110)
Change in prepayments		(47)	(8)
Change in trade and other payables		(144)	268
Net cash used in operating activities		(1,035)	(1,006)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(182)	(107)
Acquisition of intangible assets		(1)	-
Net cash used in investing activities		(183)	(107)
Cash flows from financing activities			
Proceeds from issue of share capital	22	1,747	702
Proceeds from borrowings	22	20	246
Repayment of loans and borrowings	22	(368)	-
Net cash from financing activities		1,399	948
Net increase/(decrease) in cash and cash equivalents		181	(165)
Cash and cash equivalents at the beginning of year		72	267
Effect of movements in exchange rates on cash and cash equivalents		14	(30)
Cash and cash equivalents at the end of year	20	267	72

During 2017, the Group issued new shares for the total amount of USD 1,874 thousand (2016: USD 800 thousand). Part of the expected proceeds of the new shares issued were offset against loans and borrowings and salaries in the amount of USD 91 thousand and USD 36 thousand, respectively (2016: against salaries in the amount of USD 98 thousand). 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 12 to 44.

1 Reporting entity

(a) Organisation and operations

Ferro-Alloy Resources Limited (the “Company”) was incorporated on 18 April 2000 in the British Virgin Islands. In April 2017 the Company moved its registered office from the British Virgin Islands to Guernsey and its new legal address is Noble House, Les Baissieres, St. Peter Port, Guernsey, GY1 2UE. The consolidated financial statements for the year ended 31 December 2017 comprise the Company and the following subsidiaries (together referred to as the “Group”):

<u>Company</u>	<u>Location</u>	<u>Company’s share in charter capital</u>	<u>Primary activities</u>
Ferro-Alloy Products Limited	British Virgin Islands	100%	Carries out the treasury and finance activities for the Group
Energy Metals Limited	UK	100%	Manages processing activity and performs management service
Vanadium Products LLC	Kazakhstan	100%	Performs services for the Group
Firma Balausa LLC	Kazakhstan	100%	Production and sale of vanadium and associated by-products
Balausa Processing Company LLC	Kazakhstan	100%	Expected processing

The Group’s principal activities are mining, processing and the sale of vanadium-containing and associated products which are sold in Kazakhstan and abroad.

(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 depreciation of the Kazakhstan tenge in 2015, and a 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.

(c) Current operations

The current production test plant is treating purchased low-grade concentrates to produce vanadium in the form of ammonium metavanadate (AMV). This plant was adapted from the former pilot plant which had been built and operated to test the proposed treatment process for ore mined at Balasausqandiq. Having served its purpose, it was converted to the treatment of purchased concentrates. The Group’s plan was to prove the commercial potential of the plant whilst making minimal changes and then increase its capacity to a more substantial scale.

1 Reporting entity, continued

(c) Current operations, continued

In 2017 the first steps were taken to increase the plant's production capacity and enable it to treat a wider variety of raw materials. 150 tonnes of high-grade raw-materials of different types and origin were procured and samples were tested. A new production circuit to treat these materials was designed to operate in parallel with the existing circuits and in September 2017 this plan was initiated by the design and ordering of a new roaster. During the remainder of 2017 a new evaporation pond was constructed, the factory operations were reorganised, preparatory work was carried out to prepare for the delivery of the roaster and the associated leaching and desorption equipment was installed. The roaster was delivered in January 2018 and after installation and preliminary commissioning, operating regimes for several new materials were tested on the new equipment with favourable results. Production from the new equipment on a commercial scale is expected to start in October 2018.

Over the course of 2017 the European market price of vanadium pentoxide (an indicator of vanadium prices generally) rose from just over USD 5/lb at the start of the year to nearly USD 10/lb at the end, averaging USD 6.94/lb compared with USD 3.60/lb in 2016. The start of 2018 has also been marked by further strong growth with the price at the end of July being just under USD 19/lb.

(d) Future plans

Processing operations

The Group has already embarked on the first steps of a development plan which it expects will have the effect of increasing production capacity to a level which is expected to allow sustained production of over 125 tonnes per month of vanadium pentoxide (contained in AMV), a more than tenfold increase on previous levels. Following testing of the new roaster and associated production equipment, the plan has been modified to focus more on higher grade secondary materials.

The plan entails increasing the size of the existing plant, installing ovens to convert AMV to vanadium pentoxide in easily transportable flake or granule form together with additional leach and filtration capacity. At the same time, infrastructure improvements are being made to the power supply, railway sidings, offices and accommodation. The total capital cost is now estimated at approximately USD 10 million although the later stages will be financed by earnings from the earlier production. This represents a reduction of some USD 2 million over the previously planned amount. Much of the work will also benefit the development of the Group's own mine and associated treatment plant which will also utilise the improved power, railway sidings, accommodation and offices. The additional plant items will be built and introduced step by step so that no major shutdown will be required. Subject to finance, production is expected to rise incrementally over the course of the rest of 2018 and 2019.

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, measured on the basis of the vanadium pentoxide content. A subsequent expansion is planned which will increase this to 22,400 tonnes per year.

(e) Financing

During 2017 the Company raised USD 1.7 million from subscriptions for share capital. This was aided by the listing of the Company's shares on the Kazakhstan Stock Exchange (KASE) in July 2017. This capital has been used by the Group to continue to develop the current operations as described above, as well as to repay all group borrowings.

2 Basis of accounting

(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 have been 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 has been rounded to and is presented in thousands of USD unless stated otherwise.

(d) Going concern

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

During 2017 the Group operated a production test plant and incurred a net loss of USD 1,080 thousand and had net operating cash outflows of USD 1,035 thousand.

The Group is reliant on its ability make operating profits and to raise future finance in order to implement its plans described in Note 1 (d). Its ability to generate sufficient positive cash flows may be significantly affected by unexpected fluctuations in the vanadium price or unforeseen production difficulties. In the event of such issues arising, management may consider other alternatives including adapting or rescheduling future investment plans. However, at the date of approval of these consolidated financial statements the Group is operating profitably (unaudited). In addition, management of the group indicated their willingness to provide financial support through continuing to defer payment of the Group’s current liabilities which are due to them as compensation, as necessary to support the Group’s working capital or investment requirements.

Based on its estimates of future operating costs and its level of liabilities management considers that the Group has sufficient funds to allow it to continue in operation and meet its obligations in the foreseeable future.

(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 note:

- Note 2(d) – Going concern assumption;
- Note 3(h) and 17 – Net realisable value of inventories;
- Note 4 – Restatement of comparative information;
- Note 16 – Unrecognised deferred tax assets;
- Note 23 – 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.

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Non-derivative financial instruments, continued

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 18 and cash and cash equivalents as presented in Note 20.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances in banks, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value and petty cash.

(ii) Non-derivative financial liabilities

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

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

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

(iii) Share capital

Ordinary shares

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

(d) Property, plant and equipment

(i) 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.

3 Significant accounting policies, continued

(d) Property, plant and equipment, continued

(ii) 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.

(iii) 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.

(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.

3 Significant accounting policies, continued

(i) Impairment, continued

(i) *Non-derivative financial assets, continued*

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.

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.

3 Significant accounting policies, continued

(i) Impairment, continued

(ii) *Non-financial assets, continued*

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.

(iii) *Share-based payments*

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(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 a 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, 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 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 cost and the reduction of the outstanding liability. The finance cost 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 result in a net gain or loss.

(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.

3 Significant accounting policies, continued

(o) Income tax, continued

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

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

(p) Earnings per share

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

(q) Segment reporting

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

(r) New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s operations. The Group plans to adopt these pronouncements when they become effective.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

(i) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables.

(ii) Impairment – Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

3 Significant accounting policies, continued

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

IFRS 9 Financial Instruments, continued

(ii) Impairment – Financial assets and contract assets, continued

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- *12-month ECLs*. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group has chosen to apply this policy also for trade receivables and contract assets with a significant financing component.

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

(iii) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

(iv) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

(v) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will generally be recognised in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

3 Significant accounting policies, continued

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 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*.

(i) Sales of goods

For the sale of vanadium products, revenue is currently recognised when the goods are delivered to the point at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods. For vanadium product contracts, the customer controls the product after it is delivered to the agreed point.

The new Standard is not expected to have a significant effect on the consolidated financial statements of the Group.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

— *IFRS 16 Leases* replaces existing leases guidance including *IAS 17 Leases*, *IFRIC 4 Determining whether an Arrangement contains a Lease*, *SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

— *Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28*.

— *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*.

— *Transfers of Investment Property (Amendments to IAS 40)*.

— *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*.

— *IFRIC 22 Foreign Currency Transactions and Advance Consideration*.

— *IFRIC 23 Uncertainty over Income Tax Treatments*.

(s) Changes in accounting policies and presentation

The Company has adopted the following amendments to standards with a date of initial application of 1 January 2017. *Disclosure Initiative (Amendments to IAS 7)*. IAS 7 *Statement of Cash Flows* has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. However, the objective could also be achieved in other ways.

4 Restatement of comparative information

In these consolidated financial statements figures as at 1 January 2016 and as at and for the year ended 31 December 2016 were restated after making an allowance for impairment of certain assets, including assets relating to the test plant and exploration and evaluation assets. Restatement occurred because management reconsidered the basis of impairment assessments that were performed in previous years and concluded that it was appropriate to correct the carrying amounts of long-term assets and inventories as at 1 January 2016 and 31 December 2016. Cash flow projections used in previous impairment assessments were based on a number of scenarios, all of which required significant additional financing, significant recovery of vanadium prices and successful testing and implementation of new vanadium processing technologies (the test plant), which were not yet available at the dates of previous impairment assessments. Therefore management concluded that there was a reason to consider that a provision for impairment of non-current assets and some current assets was required. Consequently, the carrying values of these assets have been reduced to the values that could be proven to be recoverable in the economic conditions at the relevant year ends.

The Group is currently developing plans and forecasts for the reorganisation of current operations which are expected to show that the assets in question will be profitably utilised in future, principally due to a programme of expansion of capacity coupled with an expectation of more favourable vanadium prices. Once such plans have been formalised and put into effect and once profitable production has been demonstrated for a considerable period, the directors will consider reinstating the carrying values of impaired assets to their original cost, less accumulated depreciation.

The following tables summarise the impact of restatement on the Group's consolidated financial statements.

(a) Consolidated statement of financial position

	Impact of restatement		
	As previously reported \$000	Adjustments \$000	As restated \$000
1 January 2016			
Property, plant and equipment	2,967	(2,915)	52
Exploration and evaluation assets	184	(184)	-
Intangible assets	30	(29)	1
Inventories	565	(27)	538
Accumulated losses	(18,698)	(3,155)	(21,853)

	Impact of restatement		
	As previously reported \$000	Adjustments \$000	As restated \$000
31 December 2016			
Property, plant and equipment	2,687	(2,629)	58
Exploration and evaluation assets	187	(187)	-
Intangible assets	30	(29)	1
Inventories	737	(147)	590
Foreign currency translation reserve	(2,619)	(55)	(2,674)
Accumulated losses	(20,221)	(2,937)	(23,158)

4 Restatement of comparative information, continued

(b) Consolidated statement of profit or loss and other comprehensive income

	Impact of restatement		
	As previously reported \$000	Adjustments \$000	As restated \$000
For the year ended 31 December 2016			
Cost of sales	(907)	262	(645)
Gross loss	(615)	262	(353)
Administrative expenses	(876)	1	(875)
Other expenses	(2)	(45)	(47)
Loss from operating activities	(1,472)	218	(1,254)
Loss before income tax	(1,523)	218	(1,305)
Loss for the year	(1,523)	218	(1,305)
Foreign currency translation difference	44	(55)	(11)
Loss and total comprehensive income	(1,479)	163	(1,316)
Loss per share (basic), USD	(1.02)	0.15	(0.87)
Loss per share (diluted), USD	(1.02)	0.15	(0.87)

There is no impact on the Group's total operating, investing or financing cash flows for the years ended 31 December 2017 and 2016.

5 Revenue

	2017 \$000	2016 \$000
Revenue from sales of vanadium products	1,110	238
Sales of gravel and waste rock	15	49
Revenue from transportation services	3	5
Other	4	-
	1,132	292

6 Cost of sales

	2017 \$000	Restated 2016 \$000
Materials	571	358
Wages, salaries and related taxes	341	122
Electricity	101	62
Raw materials write-down	36	-
Depreciation	15	8
Taxes other than on income	12	21
Write-down of inventories to net realisable value	3	60
Other	5	14
	1,084	645

7 Other income

	2017	2016
	\$000	\$000
Correction of property taxes	52	-
Reversal of excess depreciation	-	28
Other	-	7
	52	35

During 2017 the Group filed amended property tax declarations to the tax authorities and recognised income from reversal of property tax accrued for the period of 2014-2016.

8 Administrative expenses

	2017	Restated
	\$000	2016
		\$000
Wages, salaries and related taxes	471	685
Professional services	119	26
Listing and reorganisation expenses	114	-
Impairment of prepayments	42	9
Materials	39	29
Security	18	17
Business trip expenses	11	13
Bank fees	10	4
Taxes other than income tax	10	2
Utilities	9	16
Fines and penalties	9	12
Depreciation and amortization	6	16
Transportation services	6	4
Impairment of VAT receivable	4	25
Impairment of trade receivables	3	-
Communication and information services	3	2
Insurance	2	1
Rent	1	2
Staff training	1	1
Scientific and research developments	-	5
Other	30	6
	908	875

9 Other expenses

		2017	Restated
		\$000	2016
			\$000
Impairment of property, plant and equipment	13	118	46
Impairment of exploration and evaluation assets	14	5	-
Impairment of intangible assets	15	1	1
Other		-	-
		124	47

10 Personnel costs

	2017	2016
	\$000	\$000
Wages, salaries and related taxes	892	842
	892	842

During 2017 personnel costs of USD 341 thousand (2016: USD 122 thousand) have been charged to cost of sales, USD 471 thousand (2016: USD 685 thousand) to administrative expenses and USD 80 thousand (2016: USD 35 thousand) were charged to cost of inventories which were not yet sold as at the year-end.

11 Net finance costs

	2017	2016
	\$000	\$000
Interest expense on financial liabilities measured at amortised cost	47	33
Unwinding of discount on site restoration provision	12	11
Net foreign exchange loss	25	7
Net finance costs	84	51

12 Income tax

The Group's applicable tax rates in 2017 are the income tax rate of 20% for Kazakhstan subsidiaries (2016: 20%) and 0% (2016: 0%) for Guernsey and BVI companies.

During the years ended 31 December 2017 and 2016 the Group incurred tax losses and therefore did not recognise any current income tax expense. Unrecognised deferred tax assets are described in Note 16.

Reconciliation of effective tax rate:

	2017		Restated 2016	
	\$000	%	\$000	%
Loss before income tax	(1,080)	100	(1,305)	100
Income tax at the applicable tax rate	(216)	20	(261)	20
Effect of unrecognised deferred tax assets	126	(12)	69	(5)
Net non-deductible expenses	90	(8)	192	(15)
	-	-	-	-

13 Property, plant and equipment

	Land and buildings \$000	Plant and equipment \$000	Vehicles \$000	Computers \$000	Other \$000	Construction in progress \$000	Total \$000
<i>Cost</i>							
Balance at 1 January 2016	1,807	1,671	320	11	28	349	4,186
Additions	-	8	25	-	3	36	72
Transfers	-	279	-	-	-	(279)	-
Disposal	-	(2)	-	-	-	-	(2)
Foreign currency translation difference	37	40	6	1	1	1	86
Balance at 31 December 2016	1,844	1,996	351	12	32	107	4,342
Balance at 1 January 2017	1,844	1,996	351	12	32	107	4,342
Additions	3	18	37	-	11	97	166
Disposal	-	(4)	(26)	-	-	-	(30)
Foreign currency translation difference	6	5	2	1	(1)	(2)	11
Balance at 31 December 2017	1,853	2,015	364	13	42	202	4,489
<i>Depreciation and impairment</i>							
Balance at 1 January 2016, as previously reported	336	576	268	11	28	-	1,219
Restatement	1,471	1,095	-	-	-	349	2,915
Balance at 1 January 2016, as restated	1,807	1,671	268	11	28	349	4,134
Depreciation for the year, restated	-	-	23	1	1	-	25
Disposal, restated	-	(2)	-	-	-	-	(2)
Transfer, restated	-	292	-	-	-	(292)	-
Impairment, restated	-	8	-	-	-	38	46
Foreign currency translation difference, restated	37	27	4	-	1	12	81
Balance at 31 December 2016, restated	1,844	1,996	295	12	30	107	4,284
Balance at 1 January 2017	1,844	1,996	295	12	30	107	4,284
Depreciation for the year	-	-	25	-	2	-	27
Disposal	-	(4)	(26)	-	-	-	(30)
Impairment	3	18	-	-	-	97	118
Foreign currency translation difference	6	5	1	1	-	(2)	11
Balance at 31 December 2017	1,853	2,015	295	13	32	202	4,410
<i>Carrying amounts</i>							
At 1 January 2016, restated	-	-	52	-	-	-	52
At 31 December 2016, restated	-	-	56	-	2	-	58
At 31 December 2017	-	-	69	-	10	-	79

During 2017 depreciation expense of USD 15 thousand (2016: USD 8 thousand, restated) has been charged to cost of sales, USD 6 thousand (2016: USD 16 thousand, restated) – to administrative expenses, and USD 6 thousand has been charged to cost of finished goods that were not sold at the year-end (2016: USD 1 thousand, restated).

13 Property, plant and equipment, continued

Impairment

Management has considered that as at 31 December 2017, 31 December 2016 and 1 January 2016 there were indications that the recoverable amounts of the Group's property, plant and equipment ("PPE") exploration and evaluation assets ("E&E assets") and intangible assets ("IA") were lower than their carrying amounts. Management's estimate of recoverable amount of PPE, E&E assets and IA is based on their value in use, which management considered to be nil, due to uncertainties at the previous reporting dates as to the plans for the future development of the test-plant.

For the purposes of impairment tests, market prices for vanadium pentoxide were taken as fixed for the forecast period based on the price at the balance sheet date and amounted to USD 3.35/lb as at 1 January 2016, USD 5/lb as at 31 December 2016 and as of 31 December 2017 at USD 9/lb during 2018-2019 and at USD 6/lb from 2020 to the end of the forecast period. Operating expenses were projected as fixed per unit of raw materials and were based on actual operating expenses for the previous year. All cash flows were projected without taking into account inflation. The pre-tax discount rate for each impairment test equaled 10%.

The presence of full impairment based on the results of the impairment tests does not have a significant sensitivity to the assumptions above.

14 Exploration and evaluation assets

	2017	Restated
	\$000	2016
	\$000	\$000
Cost		
Balance at 1 January	187	184
Additions	5	-
Foreign currency translation difference	1	3
Balance at 31 December	193	187
Impairment		
Balance at 1 January	187	184
Accrual	5	-
Foreign currency translation difference	1	3
Balance at 31 December	193	187
Carrying amounts		
1 January, restated	-	-
31 December	-	-

15 Intangible assets

	Mineral rights \$000	Patents \$000	Computer software \$000	Total \$000
<i>Cost</i>				
Balance at 1 January 2016	112	34	3	149
Additions	-	1	-	1
Foreign currency translation difference	2	1	-	3
Balance at 31 December 2017	114	36	3	153
Balance at 1 January 2017	114	36	3	153
Additions	-	1	-	1
Foreign currency translation difference	1	(1)	1	1
Balance at 31 December 2017	115	36	4	155
<i>Amortisation and impairment</i>				
Balance at 1 January 2016, as previously reported	112	5	2	119
Restatement	-	29	-	29
Balance at 1 January 2016, as restated	112	34	2	148
Impairment, restated	-	1	-	1
Foreign currency translation difference, restated	2	1	-	3
Balance at 31 December 2016, restated	114	36	2	152
Balance at 1 January 2017	114	36	2	152
Impairment	-	1	-	1
Foreign currency translation difference	1	(1)	-	-
Balance at 31 December 2017	115	36	2	153
<i>Carrying amounts</i>				
At 1 January 2016, restated	-	-	1	1
At 31 December 2016, restated	-	-	1	1
At 31 December 2017	-	-	2	2

During 2017 and 2016 amortisation of intangible assets was charged to administrative expenses.

16 Deferred tax assets and liabilities

Unrecognised deferred tax assets

	31 December 2017 \$000	Restated 31 December 2016 \$000	Restated 1 January 2016 \$000
Temporary deductible differences	537	630	691
Tax losses carried forward	1,145	926	796
	1,682	1,556	1,487

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

Temporary deductible differences mostly relate to property, plant and equipment. Unutilised tax losses expire after 10 years from the year of origination.

16 Deferred tax assets and liabilities, continued

Unrecognised deferred tax assets, continued

Expiry dates of unrecognised deferred tax assets in respect of tax losses carried forward at 31 December 2017 are presented below:

Expiry year	\$000
2018	8
2019	65
2020	94
2021	86
2022	81
2023	258
2024	132
2025	63
2026	223
2027	134
	1,145

17 Inventories

	31 December 2017 \$000	Restated 31 December 2016 \$000	Restated 1 January 2016 \$000
Raw materials and consumables	312	266	523
Finished goods	284	39	15
Goods in-transit	-	281	-
Other	-	4	-
	596	590	538

During 2017 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to USD 574 thousand (2016: USD 418 thousand, restated) (Note 6), including USD 3 thousand (2016: USD 60 thousand, restated) written down as a result of adjustment of inventories to net realisable value.

18 Trade and other receivables

	31 December 2017 \$000	31 December 2016 \$000	1 January 2016 \$000
<i>Non-current</i>			
VAT receivable	506	411	378
Provision for VAT receivable	(415)	(411)	(378)
	91	-	-
<i>Current</i>			
Due from employees	28	80	8
Trade receivables from third parties	44	36	25
Other receivables	2	10	5
	74	126	38
Bad debt allowance	(27)	(24)	(24)
	47	102	14

During 2017 the management of the Group created a provision of USD 4 thousand for VAT receivable (2016: USD 25 thousand) 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 25 (b).

18 Trade and other receivables, continued

Below is a movement in impairment provision on trade receivables:

	2017 \$000	2016 \$000
Balance at 1 January	24	24
Accrual (Note 8)	3	-
Balance at 31 December	27	24

19 Prepayments

	31 December 2017 \$000	31 December 2016 \$000	1 January 2016 \$000
<i>Non-current</i>			
Prepayments for equipment	52	36	37
	52	36	37
<i>Current</i>			
Prepayments for goods and services	15	10	9
	15	10	9

Below is a movement in impairment provision on non-current and current prepayments:

	2017 \$000	2016 \$000
Balance at 1 January	9	-
Accrual	42	9
Foreign currency translation difference	2	-
Balance at 31 December	53	9
- impairment provision on short-term prepayments	15	8
- impairment provision on long-term prepayments	38	1

20 Cash and cash equivalents

	31 December 2017 \$000	31 December 2016 \$000	1 January 2016 \$000
Bank balances and other cash deposits	267	71	248
Petty cash	-	1	19
Cash and cash equivalents	267	72	267

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

21 Equity

(a) Share capital and share premium

	Ordinary shares	
	2017	2016
<i>Number of shares unless otherwise stated</i>		
Par value, USD	0.01	0.01
Outstanding at beginning of year	1,503,796	1,496,235
Issued	19,936	7,561
Outstanding at end of year	1,523,732	1,503,796

21 Equity, continued

(a) Share capital and share premium, continued

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 2017 the Company issued 19,936 shares (2016: 7,651 shares) with nominal amount of USD 199 (2016: USD 76) and share premium of USD 1,874,096 (2016: USD 800,057).

(b) Dividends

No dividends were declared for the year ended 31 December 2017 (2016: nil).

(c) Loss per share (basic and diluted)

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

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

	2017 \$000	Restated 2016 \$000
Loss for the year, attributable to owners of the Company	1,180	1,305
Loss attributable to ordinary shareholders	1,180	1,305

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

Shares	2017	2016
Issued ordinary shares at 1 January	1,503,796	1,496,235
Effect of shares issued	6,989	3,854
Weighted-average number of ordinary shares at 31 December	1,510,785	1,500,089

Loss per share of common stock attributable to the Company (basic and diluted), USD

(0.79)	(0.87)
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At 31 December 2016, convertible bonds in the amount of USD 268 thousand were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

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.

	31 December 2017 \$000	31 December 2016 \$000	1 January 2016 \$000
<i>Current liabilities</i>			
Loans from shareholders	-	392	115
	-	392	115

22 Loans and borrowings, continued

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

USD	Currency	Nominal interest rate	Year of maturity	31 December 2017		31 December 2016	
				Face value	Carrying amount	Face value	Carrying amount
Loans from shareholders	USD	15%	on demand	-	-	268	268
Loans from shareholders	USD	10%	on demand	-	-	123	123
Loans from shareholders	KZT	0%	on demand	-	-	1	1
				-	-	392	392

During 2017 the Group received a loan tranche from shareholders in the amount of USD 20 thousand (2016: a series of loan tranches in the total amount of USD 246 thousand). During 2017 loans payable in the amount of USD 91 thousand were offset against shares issued (2016: no loans payable were offset against shares issued).

Reconciliation of movements of financial liabilities to cash flows arising from financing activities

	Loans and borrowings \$000	Share premium \$000	Total \$000
Balance at 1 January 2017	392	25,030	25,422
Changes from financing cash flows			
Proceeds from issue of shares	-	1,747	1,747
Proceeds from loans and borrowings	20	-	20
Repayment of borrowings	(368)	-	(368)
Total changes from financing cash flows	(348)	1,747	1,399
Interest expense	47	-	47
Conversion of debt to equity	(91)	91	-
Offset with salaries payable	-	36	36
Balance at 31 December 2017	-	26,904	26,904

23 Provisions

	2017	2016
	\$000	\$000
Balance at 1 January	135	121
Unwinding of discount	12	11
Change in estimate	5	-
Foreign currency translation difference	-	3
Balance at 31 December	152	135
<i>Non-current</i>	152	135
	152	135

Site restoration

A provision was recognised in respect of the Group's obligation to rectify environmental damage in the Balasausqandyq 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 81,945 thousand (31 December 2016: KZT 81,166 thousand) or USD 247 thousand at the closing 2017 KZT/USD exchange rate (31 December 2016: USD 244 thousand). The present value of restoration costs was determined by discounting the estimated restoration cost using a risk-free rate for the respective period, adjusted for the risks specific to the liability and inflation of 8.4% (31 December 2016: 8.8%). Environmental legislation in 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 the Government officials at the time that restoration commences.

24 Trade and other payables

	31 December	31 December	1 January
	2017	2016	2016
	\$000	\$000	\$000
Due to employees	347	653	270
Trade payables	164	180	498
Other taxes	83	194	180
Advances received	14	102	5
	608	1,129	953

As at 31 December 2017 the Group's CEO and COO waived previously accrued salaries in the total amount of USD 380 thousand (2016: nil) due to a formal decision to reduce the amount of liabilities at the Group level. Since both CEO and COO are the Company's significant shareholders, this waiver has been recognised directly in equity as additional paid-in capital.

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.

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	
	31 December 2017 \$000	31 December 2016 \$000
Trade and other receivables, excluding due from employees and VAT receivable	19	22
Cash and cash equivalents	267	71
	286	93

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

	Carrying amount	
	31 December 2017 \$000	31 December 2016 \$000
Kazakhstan	19	22
	19	22

25 Financial instruments and risk management, continued

(b) Credit risk, continued

(i) Exposure to credit risk, continued

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

	Carrying amount	
	31 December 2017 \$000	31 December 2016 \$000
<i>Trade receivables:</i>		
Wholesale customers	17	12
<i>Other receivables</i>		
Other	2	10
	19	22

The Group's most significant customer accounts for USD 12 thousand of the trade receivables carrying amount at 31 December 2017 (31 December 2016: USD 10 thousand).

Impairment losses

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

	Gross 2017 \$000	Impairment 2017 \$000	Net 2017 \$000	Gross 2016 \$000	Impairment 2016 \$000	Net 2016 \$000
Not past due	19	-	-	22	-	22
Past due more than 180 days	27	(27)	-	24	(24)	-
	46	(27)	-	46	(24)	22

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

	2017 \$000	2016 \$000
Balance at beginning of the year	24	24
Impairment charge	3	-
Balance at end of the year	27	24

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 2017 the Group did not have any collective impairment on its trade receivables (31 December 2016: nil).

25 Financial instruments and risk management, continued

(b) Credit risk, continued

(ii) Cash and cash equivalents

As at 31 December 2017 the Group held cash of USD 267 thousand (31 December 2016: USD 72 thousand), of which bank balances of USD 267 thousand (31 December 2016: USD 71 thousand) represent its maximum credit exposure on these assets. 84% (31 December 2016: 84%) is held in banks with credit ratings of A+ to AA-, 13% in banks with credit ratings of B to BB- and the remaining 3% is held with a broker, which does not have a credit rating (31 December 2016: remaining 16% is held in a bank with credit rating CCC). Credit ratings are provided by the rating agency Fitch.

(c) Liquidity risk

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

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

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

2017

	Carrying amount \$000	Contractual cash flows \$000	On demand \$000	0-6 mths \$000
Non-derivative financial liabilities				
Trade and other payables, excluding due to employees, advances received and salary related taxes	164	164	-	164
	164	164	-	164

2016

	Carrying amount \$000	Contractual cash flows \$000	On demand \$000	0-6 mths \$000
Non-derivative financial liabilities				
Loans from shareholders	392	392	392	-
Trade and other payables, excluding due to employees, advances received and salary related taxes	180	180	-	180
	572	572	392	180

(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.

25 Financial instruments and risk management, continued

(d) Market risk, continued

(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.

Exposure to currency risk

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

	USD- denominated	GBP- denominated	HKD- denominated	RUB- denominated
	2017 \$000	2017 \$000	2017 \$000	2017 \$000
Cash and cash equivalents	164	20	21	-
Trade and other payables	(74)	(52)	-	(22)
Net exposure	90	(32)	21	(22)

	USD- denominated	GBP- denominated	HKD- denominated	RUB- denominated
	2016 \$000	2016 \$000	2016 \$000	2016 \$000
Cash and cash equivalents	59	1	1	-
Trade and other payables	(665)	(90)	-	(4)
Loans and borrowings	(391)	-	-	-
Net exposure	(997)	(89)	1	(4)

The following significant exchange rates applied during the year:

in USD	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
KZT 1	0.0031	0.0029	0.0030	0.0030
GBP 1	1.2888	1.5213	1.2642	1.0519
RUB 1	0.0171	0.0150	0.0168	0.0162
HKD 1	0.1283	0.1289	0.1259	0.1290

25 Financial instruments and risk management, continued

(d) Market risk, continued

(i) Currency risk, continued

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.

	Profit or (loss) \$000
2017	
USD (20% strengthening)	(18)
GBP (20% strengthening)	6
RUB (20% strengthening)	(4)
HKD (20% strengthening)	4
2016	
USD (20% strengthening)	200
GBP (20% strengthening)	18
RUB (20% strengthening)	1
HKD (20% strengthening)	-

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 do not significantly impact the Group's position as at 31 December 2017 (31 December 2016: primarily impacts 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.

Changes 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 Group's financial assets and liabilities approximates their carrying amounts.

The basis for determining fair values is disclosed below.

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.

Trade and other receivables

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

25 Financial instruments and risk management, continued

(e) Fair values versus carrying amounts, continued

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.

(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 2017 and 31 December 2016, all financial instruments held by the Group fell within Level 3.

26 Commitments

Commitments for training of Kazakhstan employees

Under the conditions of the subsoil use contract the Group is obliged to train Kazakh employees. According to the contract, the annual training expense should equal to 1% of the Group's capital expenditures on subsoil activity. Yuzhkaznedra, the government body, responsible for regional inspection of subsoil protection and usage, approves the minimum required size of the expense to be paid annually. Total training expense in 2017 is USD 1 thousand (2016: USD 1 thousand).

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, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

28 Segment reporting

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

29 Related party transactions

(a) Transactions with management and close family members

Management remuneration

Key management personnel received the following remuneration during the year, which is included in personnel costs (see Note 10):

	2017 \$000	2016 \$000
Wages, salaries and related taxes	264	430

As described in Note 24 as at 31 December 2017 certain key management waived previously accrued salaries in the total amount of USD 380 thousand (2016: nil) due to a formal decision to reduce the amount of liabilities at the Group level. Since key management were also significant shareholders of the Company, this waiver has been recognised directly in equity as additional paid-in capital.

(b) Transactions with other related parties

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

Loans and receivables

	Received 2017 \$000	Paid 2017 \$000	Outstanding balance 2017 \$000	Received 2016 \$000	Outstanding balance 2016 \$000
Loans received from shareholders	20	(368)	-	246	392

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

30 Share-based payments

At 31 December 2017, the Group had an arrangement, whereby the Company's non-executive directors ("NEDs") were remunerated for their services in the Company's ordinary shares. The cost of services received from NEDs was measured as a product of the number of shares issued and the fair value of those shares. The fair value of shares was determined by reference to the consideration received for share subscriptions from the Company's ordinary shareholders during 2017.

As a result, during 2017 the Group recognised an increase in share premium of USD 36 thousand (2016: USD 98 thousand) as administrative expenses in the statement of profit or loss and other comprehensive income.

31 Subsequent events

From 1 January 2018 until 11 July 2018 the Company issued 1,493 shares for a consideration of USD 165 thousand after expenses. Of the total consideration, USD 45 thousand was offset against salaries.

On 12 July 2018 the Company by shareholders' resolution subdivided each of its 1,525,225 ordinary shares of USD 0.01 each into 200 shares of no par value, resulting in 305,045,000 shares being then in issue.

Following the subdivision of the shares on 12 July 2018, a further 373,913 shares have been issued for a subscription of USD 215,000 received in cash.