

**Ferro-Alloy Resources Limited**

Unaudited Consolidated Interim Condensed  
Financial Statements  
for the nine-month period ended  
30 September 2018

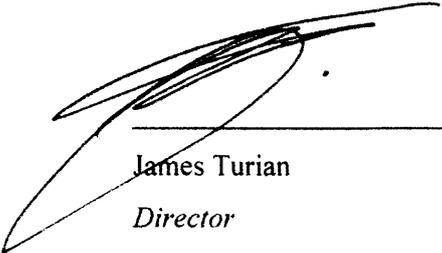
## **Contents**

Unaudited Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	3
Unaudited Consolidated Interim Condensed Statement of Financial Position	4
Unaudited Consolidated Interim Condensed Statement of Changes in Equity	5
Unaudited Consolidated Interim Condensed Statement of Cash Flows	6
Notes to the Unaudited Consolidated Interim Condensed Financial Statements	7-20

**Ferro-Alloy Resources Limited**  
*Unaudited Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the nine-month period ended 30 September 2018*

	Note	Unaudited nine-month period ended 30 September 2018 \$000	Unaudited nine-month period ended 30 September 2017 \$000
Revenue	4	3,259	1,032
Cost of sales	5	(1,172)	(696)
<b>Gross profit</b>		<b>2,087</b>	<b>336</b>
Administrative expenses	6	(950)	(776)
Distribution expenses		(87)	(40)
Other expenses		(1)	(93)
<b>Results from operating activities</b>		<b>1,049</b>	<b>(573)</b>
Net finance income/(costs)	8	(3)	19
<b>Income (loss) before income tax</b>		<b>1,046</b>	<b>(554)</b>
Income tax		(1)	-
<b>Income (loss) for the period</b>		<b>1,045</b>	<b>(554)</b>
<b>Other comprehensive income (loss)</b>			
<i>Items that will never be reclassified to profit or loss</i>			
Foreign currency translation differences		(161)	141
<b>Total comprehensive income (loss) for the period</b>		<b>884</b>	<b>(413)</b>
Profit/(loss) per share (basic and diluted), USD	16	0.003	(0.37)

These unaudited consolidated interim condensed financial statements were approved by management on 12 November 2018 and were signed on its behalf by:

  
\_\_\_\_\_  
James Turian  
Director

The unaudited consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the unaudited consolidated interim condensed financial statements set out on pages 7 to 20.

	Note	Unaudited 30 September 2018 \$000	31 December 2017 \$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	347	79
Intangible assets	11	1	2
Long-term VAT receivable	13	194	91
Prepayments		13	52
<b>Total non-current assets</b>		<b>555</b>	<b>224</b>
<b>Current assets</b>			
Inventories	12	612	596
Trade and other receivables	13	981	47
Prepayments	14	303	15
Cash and cash equivalents	15	274	267
<b>Total current assets</b>		<b>2,170</b>	<b>925</b>
<b>Total assets</b>		<b>2,725</b>	<b>1,149</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	16		
Share capital		27,306	15
Share premium		-	26,904
Additional paid-in capital		380	380
Foreign currency translation reserve		(2,833)	(2,672)
Accumulated losses		(23,193)	(24,238)
<b>Total equity</b>		<b>1,660</b>	<b>389</b>
<b>Non-current liabilities</b>			
Provisions		139	152
<b>Total non-current liabilities</b>		<b>139</b>	<b>152</b>
<b>Current liabilities</b>			
Trade and other payables	17	926	608
<b>Total current liabilities</b>		<b>926</b>	<b>608</b>
<b>Total liabilities</b>		<b>1,065</b>	<b>760</b>
<b>Total equity and liabilities</b>		<b>2,725</b>	<b>1,149</b>
Book value of ordinary share, USD	16	0.005	0.25

The unaudited consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the unaudited consolidated interim condensed financial statements set out on pages 7 to 20.

	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 2017	15	25,030	-	(2,674)	(23,158)	(787)
Income (loss) for the period	-	-	-	-	(554)	(554)
<b>Other comprehensive income</b>						
Foreign currency translation differences	-	-	-	141	-	141
<b>Total comprehensive income (loss) for the period</b>	-	-	-	<b>141</b>	<b>(554)</b>	<b>(413)</b>
<b>Transactions with owners, recorded directly in equity</b>						
Shares issued	-	1,498	-	-	-	1,498
<b>Balance at 30 September 2017</b>	<b>15</b>	<b>26,528</b>	<b>-</b>	<b>(2,533)</b>	<b>(23,712)</b>	<b>298</b>
Balance at 1 January 2018	15	26,904	380	(2,672)	(24,238)	389
Income for the period	-	-	-	-	1,045	1,045
<b>Other comprehensive income</b>						
Foreign currency translation differences	-	-	-	(161)	-	(161)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	<b>(161)</b>	<b>1,045</b>	<b>884</b>
<b>Transactions with owners, recorded directly in equity</b>						
Shares issued	-	387	-	-	-	387
Other transactions recognized directly in equity	27,291	(27,291)	-	-	-	-
<b>Balance at 30 September 2018</b>	<b>27,306</b>	<b>-</b>	<b>380</b>	<b>(2,833)</b>	<b>(23,193)</b>	<b>1,660</b>

The unaudited consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the unaudited consolidated interim condensed financial statements set out on pages 7 to 20.

	Unaudited nine-month period ended 30 September 2018 \$000	Unaudited nine-month period ended 30 September 2017 \$000
<b>Cash flows from operating activities</b>		
<b>Income (loss) for the period</b>	<b>1,046</b>	<b>(554)</b>
<i>Adjustments for:</i>		
Depreciation and amortisation	28	8
Loss on write-off of property, plant and equipment	16	-
Net finance income (costs)	(3)	19
<b>Cash from operating activities before changes in working capital</b>	<b>1,087</b>	<b>(527)</b>
Change in inventories	(16)	(275)
Change in trade and other receivables	(1,037)	(299)
Change in prepayments	(249)	6
Change in trade and other payables	318	115
Income tax paid	(1)	-
<b>Net cash from operating activities</b>	<b>102</b>	<b>(980)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(341)	(3)
<b>Net cash used in investing activities</b>	<b>(341)</b>	<b>(3)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	387	1,498
Proceeds from borrowings	-	45
<b>Net cash from financing activities</b>	<b>387</b>	<b>1,543</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>148</b>	<b>560</b>
Cash and cash equivalents at 1 January	267	72
Effect of movements in exchange rates on cash and cash equivalents	(141)	84
<b>Cash and cash equivalents at 30 September</b>	<b>274</b>	<b>716</b>

The unaudited consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unaudited consolidated interim condensed financial statements set out on pages 7 to 20.

## 1 Background

### (a) Organisation and operations

Ferro-Alloy Resources Limited (the “Company”) is incorporated in Guernsey and has its registered address at Noble House, Les Baissieres, St. Peter Port, Guernsey, GY1 2UE. The unaudited consolidated interim condensed financial statements for the period ended 30 September 2018 comprise the Company and the following subsidiaries (together referred to as the “Group”):

Company	Location	Company’s share in charter capital	Primary activities
Ferro-Alloy Products Limited	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%	Development of processing facilities

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

### (c) Report on operations for nine-month period to 30 September 2018

#### *Production*

By the beginning of 2018 the adaptation of the former pilot plant to treat low-grade purchased concentrates had been completed and the required operating regimes had been worked out. Operations were curtailed in January and February as a result of a shortage of raw materials caused by a regional shortage of railway wagons in the autumn of 2017 which prevented stockpiling, and difficulties loading and unloading in the short sharp winter months. Apart from this, operations have carried on without major interruption throughout the nine-months of 2018. The Company produces ammonium metavanadate (AMV) which is sold on the basis of its content of vanadium pentoxide. Production of vanadium pentoxide for the first quarter totalled approximately 19 tonnes, the second 27 tonnes and the third 38 tonnes, compared with 33 tonnes in the whole of 2017. Shipments to customers in the period totalled 91 tonnes.

Overall, the plant operated for 85% of available time in the third quarter, 77% during the nine month period. The main causes of unplanned down-time continued to be power outages and power instability. Even short outages can cause long stoppages due to the need to shut down and restart, and power instability causes damage to equipment. The Company is already carrying out the engineering design to connect to the nearby high-voltage power-line which will secure stable power at a much reduced cost.

#### *Vanadium prices*

The price of vanadium pentoxide started the year at around US\$9.75 per lb and by 30 September 2018 had reached nearly US\$23/lb, averaging US\$16.10 in the period. The Company's only product during the nine month period was AMV, a precursor product from which vanadium pentoxide is made by heating in a dissociation oven. On the basis of the content of vanadium pentoxide, AMV sells for a small discount to standard vanadium pentoxide. The Company has ordered a dissociation oven as part of its expansion plan.

#### *Earnings and cash flow*

The Group made a net profit of US\$1,045,000 in the first nine months of 2018. A further US\$386,738 (before costs) was subscribed for shares issued. From these funds, US\$158,000 was utilised for the reorganisation and other costs preparatory to the listing of the Company on a major stock exchange as well as for starting on the development plan described below.

#### *Balasausqandiq*

During the first nine-months of 2018 the plan to mine and process one million tonnes per year of ore up to the year 2043 was approved by the Central Commission for the Exploration and Development of Mineral Deposits of the Ministry of Natural Resources of the Republic of Kazakhstan and the Company is in the final stages of making the consequent amendments to the subsoil use agreement. The next steps are to complete testing of certain improvements which were not trialled in the pilot plant study and then to progress to detailed engineering.

#### *Corporate*

In July 2018 the Company's shareholders voted by ordinary resolution to subdivide each share into 200 new shares of no par value so that the listed shares will be of a value within the normal range for listing companies.

#### *Future prospects*

Later in the fourth quarter of the year various significant pieces of equipment which have already been ordered and are being constructed are due to be delivered. In particular, the dissociation oven to convert AMV to vanadium pentoxide and recover the ammonia, a new filter press that will reduce water content in products and enable washing to achieve higher purity, a larger capacity back-up diesel generator that will reduce down-time, and various leaching and reactor tanks to increase capacity are all due for delivery in the last quarter of the year. After installation and commissioning, this equipment is likely to start to have an impact on production early in the new year, although work on the full expansion plan will continue throughout 2019 and early 2020.

## **2 Basis of preparation**

### **(a) Statement of compliance**

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

### **(b) Basis of measurement**

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

### **(c) Functional and presentation currency**

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

### **(d) Use of estimates and judgments**

Preparing the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these 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.

## **3 Accounting policies**

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018.

### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented as previously reported under IAS 18, IAS 11 and related interpretations. The Group has determined that its accounting policies for revenue recognition applied under the previous standards do not differ significantly from those introduced by IFRS 15.

Accordingly, there was no material impact of adopting IFRS 15 on the Company's interim statement of financial position as at 30 September 2018 and its interim statements of profit or loss, other comprehensive income and cash flows for the nine month period then ended.

### **IFRS 9 *Financial Instruments***

IFRS 9 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 and measurement of financial assets and financial liabilities***

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; fair value through other comprehensive income (FVOCI) – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

All financial assets of the Group were classified as loans and receivables under IAS 39 and are measured at amortized cost in accordance with IFRS 9 as at 1 January 2018.

#### ***ii. Impairment of financial assets***

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of guarantee deposits, trade receivables, bank deposits and cash and cash equivalents.

Under IFRS 9, loss allowances are 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.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or if the external credit rating assigned to a financial asset by an international rating agency falls to CCC or lower per Standard and Poor’s and Fitch.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB- or higher per Standard and Poor's or Fitch.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### **Impact of the new impairment model**

#### **Cash and cash equivalents**

Cash and cash equivalents are held with banks and financial institutions which are rated AA- and BB- based on Fitch ratings as at 31 December 2017.

The estimated impairment on cash and cash equivalents was calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties.

#### **Trade and other receivables**

The estimated ECLs were calculated based on actual credit loss experience. Given the short term nature of trade receivables, actual credit loss experience was not adjusted to reflect differences between economic conditions during the period over which the historical data was collected and current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.
- The Group has carried out the determination of the business model within which a financial asset is held on the basis of the facts and circumstances that existed at the date of initial application.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

Management consider that the impact on the financial statements of adopting IFRS 9 is not material.

## 4 Revenue

	Unaudited nine-month period ended 30 September 2018 \$000	Unaudited nine-month period ended 30 September 2017 \$000
Revenue from sales of vanadium products	3,253	1,017
Sales of gravel and waste rock	6	15
	<b>3,259</b>	<b>1,032</b>

## 5 Cost of sales

	Unaudited nine-month period ended 30 September 2018 \$000	Unaudited nine-month period ended 30 September 2017 \$000
Materials	689	403
Wages, salaries and related taxes	381	202
Electricity	54	56
Depreciation	12	10
Other	36	25
	<b>1,172</b>	<b>696</b>

## 6 Administrative expenses

	Unaudited nine-month period ended 30 September 2018 \$000	Unaudited nine-month period ended 30 September 2017 \$000
Wages, salaries and related taxes	541	467
Listing & reorganisation expenses	158	123
Audit	42	55
Professional services	35	15
Materials	31	18
Depreciation and amortization	13	13
Other	130	85
	<b>950</b>	<b>776</b>

## 7 Personnel costs

	<b>Unaudited nine-month period ended 30 September 2018 \$000</b>	<b>Unaudited nine-month period ended 30 September 2017 \$000</b>
Wages, salaries and related taxes	922	669
	<b>922</b>	<b>669</b>

## 8 Finance costs

	<b>Unaudited nine-month period ended 30 September 2018 \$000</b>	<b>Unaudited nine-month period ended 30 September 2017 \$000</b>
Interest expense on financial liabilities measured at amortised cost	-	39
Net foreign exchange costs/(income)	3	(58)
<b>Net finance costs/(income)</b>	<b>3</b>	<b>(19)</b>

## 9 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 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
<b>Balance at 31 December 2017</b>	<b>1,853</b>	<b>2,015</b>	<b>364</b>	<b>13</b>	<b>42</b>	<b>202</b>	<b>4,489</b>
Balance at 1 January 2018	1,853	2,015	364	13	42	202	4,489
Additions	7	72	52	11	12	186	340
Disposal	-	(1)	-	-	-	(15)	(16)
Foreign currency translation difference	(153)	(170)	(34)	(2)	(4)	(29)	(392)
<b>Balance at 30 September 2018</b>	<b>1,707</b>	<b>1,916</b>	<b>382</b>	<b>22</b>	<b>50</b>	<b>344</b>	<b>4,421</b>
<i>Depreciation</i>							
Balance at 1 January 2017	1,844	1,996	295	12	30	107	4,284
Depreciation for the period	-	-	25	-	2	-	27
Disposal	-	(4)	(26)	-	-	-	(30)
Impairment	3	18	-	-	-	97	118
Foreign currency translation difference	6	5	1	1	-	(2)	11
<b>Balance at 31 December 2017</b>	<b>1,853</b>	<b>2,015</b>	<b>295</b>	<b>13</b>	<b>32</b>	<b>202</b>	<b>4,410</b>
Balance at 1 January 2018	1,853	2,015	295	13	32	202	4,410
Depreciation for the period	-	1	21	2	4	-	28
Foreign currency translation difference	(152)	(165)	(26)	(1)	(3)	(17)	(364)
<b>Balance at 30 September 2018</b>	<b>1,701</b>	<b>1,851</b>	<b>290</b>	<b>14</b>	<b>33</b>	<b>185</b>	<b>4,074</b>
<i>Carrying amounts</i>							
At 1 January 2017	-	-	56	-	2	-	58
At 31 December 2017	-	-	69	-	10	-	79
At 30 September 2018	6	65	92	8	17	159	347

## 10 Exploration and evaluation assets

During the nine-month period ended 30 September 2018 the Group did not capitalise any exploration and evaluation assets (in 2017: nil).

## 11 Intangible assets

	<b>Mineral rights \$000</b>	<b>Patents \$000</b>	<b>Computer software \$000</b>	<b>Total \$000</b>
<i>Cost</i>				
Balance at 1 January 2017	114	36	3	153
Additions	-	1	-	1
Foreign currency translation difference	1	(1)	1	1
<b>Balance at 31 December 2017</b>	<b>115</b>	<b>36</b>	<b>4</b>	<b>155</b>
Balance at 1 January 2018	115	36	4	155
Additions	-	1	-	1
Foreign currency translation difference	(3)	(1)	(1)	(5)
<b>Balance at 30 September 2018</b>	<b>112</b>	<b>36</b>	<b>3</b>	<b>151</b>
<i>Amortisation</i>				
Balance at 1 January 2017	114	36	2	152
Amortisation for the period	-	-	-	-
Impairment loss	-	1	-	1
Foreign currency translation difference	1	(1)	-	-
<b>Balance at 31 December 2017</b>	<b>115</b>	<b>36</b>	<b>2</b>	<b>153</b>
Balance at 1 January 2018	115	36	2	153
Foreign currency translation difference	(3)	-	-	(3)
<b>Balance at 30 September 2018</b>	<b>112</b>	<b>36</b>	<b>2</b>	<b>(150)</b>
<i>Carrying amounts</i>				
At 1 January 2017	-	-	1	1
<b>At 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>At 30 September 2018</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>

## 12 Inventories

	<b>Unaudited 30 September 2018 \$000</b>	<b>31 December 2017 \$000</b>
Raw materials and consumables	454	312
Finished goods	158	-
Goods in transit	-	284
	<b>612</b>	<b>596</b>

### 13 Trade and other receivables

	Unaudited	
	30 September 2018	31 December 2017
	\$000	\$000
<i>Non-current</i>		
VAT receivable	574	506
Provision for VAT receivable	(380)	(415)
	<b>194</b>	<b>91</b>

	Unaudited	
	30 September 2018	31 December 2017
	\$000	\$000
<i>Current</i>		
Trade receivables from third parties	943	44
Due from employees	56	28
Other receivables	4	2
	<b>1,003</b>	<b>74</b>
Bad debt allowance	(22)	(27)
	<b>981</b>	<b>47</b>

### 14 Prepayments

	Unaudited	
	30 September 2018	31 December 2017
	\$000	\$000
<i>Non-current</i>		
Prepayments for equipment	13	52
	<b>13</b>	<b>52</b>
<i>Current</i>		
Prepayments for goods and services	303	15
	<b>303</b>	<b>15</b>

### 15 Cash and cash equivalents

	Unaudited	
	30 September 2018	31 December 2017
	\$000	\$000
Bank balances and other cash deposits	273	267
Petty cash	1	-
<b>Cash and cash equivalents</b>	<b>274</b>	<b>267</b>

## 16 Equity

### (a) Share capital and share premium

*Number of shares unless otherwise stated*

	<b>Ordinary shares</b>	
	<b>Unaudited 30 September 2018</b>	<b>31 December 2017</b>
Par value	-	0.01 USD
Outstanding at beginning of period/year	1,523,732	1,503,796
Shares issued	1,493	19,936
Outstanding after splitting	305,045,000	
Shares issued after splitting	373,913	
<b>Outstanding at end of period/year</b>	<b>305,418,913</b>	<b>1,523,732</b>

#### **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 Company.

In July the Company's shareholders voted by ordinary resolution to subdivide each share into 200 new shares of no par value so that the listed shares will be of a value within the normal range for listing companies.

### (b) Book value of ordinary share calculation

In accordance with the requirements of Kazakhstan Stock Exchange the book value of ordinary share at the end of the period/year was:

	<b>Unaudited 30 September 2018 \$000</b>	<b>31 December 2017 \$000</b>
	Total assets	2,725
Intangible assets	(1)	(2)
Total liabilities	(1,065)	(760)
<b>Net assets</b>	<b>1,659</b>	<b>387</b>
Outstanding ordinary shares at end of period/year	305,418,913	1,523,732
<b>Book value of ordinary share, USD</b>	<b>0.005</b>	<b>0.25</b>

### (c) Dividends

No dividends were declared for the nine-month period ended 30 September 2018.

### (d) Profit 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) **Profit attributable to ordinary shareholders (basic and diluted)**

	Unaudited nine-month period ended 30 September 2018 \$000	Unaudited nine-month period ended 30 September 2017 \$000
Profit (loss) for the year, attributable to owners of the Company	1,045	(554)
<b>Profit (loss) attributable to ordinary shareholders</b>	<b>1,045</b>	<b>(554)</b>

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

	Unaudited nine-month period ended 30 September 2018	Unaudited nine-month period ended 30 September 2017
<b>Shares</b>		
Issued ordinary shares at 1 January (after subdivision)	304,746,400	1,503,796
Effect of shares issued	252,242	3,568
<b>Weighted-average number of ordinary shares at 30 September</b>	<b>304,998,642</b>	<b>1,507,364</b>
Income (loss) per share of common stock attributable to the Company (basic and diluted)	0.003	(0.37)

## 17 Trade and other payables

	Unaudited 30 September 2018 \$000	31 December 2017 \$000
Due to employees	573	347
Trade payables	247	164
Other taxes	103	83
Advances received	3	14
	<b>926</b>	<b>608</b>

## **18 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 or economically available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. 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 interpretations by different tax authorities. Taxes are subject to review and investigation by various levels of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years but under certain circumstances a tax year may remain open longer.

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