ALTYN

Altyn plc
Annual Report 2017

WELCOME TO ALTYN PLC

"In 2017 the Company has been preparing the groundworks to significantly increase production once the additional machinery is in place in 2018".

Altyn Plc (LSE: ALTN) is an exploration and development company, which listed on the standard segment of the London Stock Exchange in December 2014.

To read more about Altyn Plc please visit our website www.altyn.uk

At a glance

Altyn's main asset is its 100% interest in the Sekisovskoye gold mine in North East Kazakhstan with probable reserves of 2.26Moz.

The Company is continuing to develop the underground mine at Sekisovskoye, and its exploration asset at Karasuyskoye. The Company spent US$1.4m in relation to exploration costs at Karasuyskoye in the current year.

The mining licence for Sekisovskoye is valid until 18 July 2020 with an automatic pre-emptive contractual right to extend after this period.

The Company was awarded the subsoil exploration contract for the Karasuyskoye ore field for a 6-year term in 2016 with the right to extend for another 4 years if there is a commercial discovery of resources. The site encompasses an area of approximately 198km^2, and geological data purchased by the Company indicates that there are several mineralised zones, each with the potential to contain significant gold resources.

Throughout 2014, the Company worked on a Competent Persons Report (CPR) in relation to the Sekisovskoye mine site and the results of the findings were announced in November 2014. The significant highlights are summarised in the mineral resources statement on page 12. It is the intention of the Company to update the CPR in the near future to also incorporate the site at Karasuyskoye.

The Company's principal shareholders, the Assaubayev family (through their investment vehicle African Resources Limited), have provided strong financial support and commitment to the current development of the Company. The family's shareholding currently stands at 69.8%.

Our focus

During the current year the underground mine and infrastructure have been prepared to ramp up production once the necessary equipment is in place. In the current year the focus was on the development of access and preparation of the ore bodies.

The key highlights are documented below:

Underground development & exploration

- The transport decline was taken from the developmental level of 225masl down to 150masl.
- Access portal, for the second transport decline was completed during H2 2017.
- The processing plant was overhauled involving a number of replacement parts/equipment, to ensure efficient working at higher volume levels.
- Capital investment of US$2.6m (2016: US$5.6m) which included a new load-haul-dumper (LHD), and drilling machine at Sekisovskoye.
- Exploration work continued on the prospective Karasuyskoye site with extensive drilling in a number of areas on the site in order to better define the ore bodies and grade content.

Financial highlights

- Turnover increased in the year to US$21.6m (2016: US$15.9m).
- 16,747oz of gold sold (2016: 12,602oz), an increase of 4,145oz.
- Average gold price achieved (including silver as a by-product), US$1,293oz, (2016: US$1,259oz).
- Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation and excluding impairment) of US$3.7m (2016: US$260,000).
- EBRD loan was repaid in the year, in the current year capital and interest amounting to US$3.5m was repaid.
- In February 2018 the Company converted US$9.7m of the US$10m bond issued to African Resources into 233,333,333 new ordinary shares. It is the intention to convert the remaining shares and interest into ordinary shares in Q3 2018.

Operational highlights

- Gold poured 16,717oz, (2016: 10,970oz) a 52.4% increase year-on-year, the production was constrained by the closure of the processing plant for maintenance and availability of the necessary equipment.
- Operating cash cost US$774/oz, (2016: US$846/oz).
- Gold recovery rate 83.54% (2016: 80.20%) improvements in processing production techniques.

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Areas of exploration

1 Sekisovskoye

The Sekisovskoye deposit is the Company's flagship asset and is located close to the village of Sekisovka, approximately 40km from the North East Kazakhstan regional capital, Ust Kamenogorsk.

The mineral rights at Sekisovskoye are held by a 100% owned subsidiary of the Company, DTOO GRP Baurgold , and the processing plant is owned by the 100% owned subsidiary of the Company TOO GMK Altyn MM.

The Sekisovskoye deposit was discovered in 1833 with surface mining taking place during the periods 1833 to 1847, 1932 to 1935, and 1943 to 1946. From 1975 to 1986, a range of exploration work was carried out. Between 1978 and 1982 "AltaiZoloto" of the Ministry of Non-Ferrous Industry, KazSSR, mined the oxidised area of the ore body. In 2003, under Hambledon Mining's ownership (subsequently renamed to Altyn Plc), further exploration work was undertaken and gold production from the mine and processing plant commenced in 2008.

In 2014, the Company released the findings of the mining consultant, Venmyn Deloitte's Competent Persons Report on the mine, which demonstrated JORC reserves of 2.26Moz, JORC resources of 5.14Moz and a development plan to increase annual gold production to 100,000oz. This is to be achieved by accessing higher grade reserves through the continued development of the underground mine and by increasing the processing plant's throughput capacity from the current 850,000t per year to 1 million tonnes per year.

The extraction of the gold reserves is now undertaken solely from the underground mine. The Company is in the process of enhancing the production from the underground mine gradually increasing production with the aim to achieve upto 1,000,000t in the future.

2 Karasuyskoye Ore Fields

In May 2016, the Company was awarded the subsoil exploration contract to conduct further testing at the site Karasuyskoye ore field for the 6 year term with the right to extend for another 4 years in case of commercial discovery of resources.

The geological data that the Company acquired indicates that there are several mineralised zones at Karasuyskoye and this leads the Company to believe that this project has the potential to contain significant gold resources. The Company is validating the geological data by twinning previous drill holes and undertaking additional metallurgical test work. The initial results are very encouraging and this work will facilitate the preparation of an independent Competent Persons Report (CPR) to international standards, it is to be completed in the near term.

On completion of the (CPR), the Company envisages progressing towards mining from the Karasuyskoye Ore Fields, initially using cash generated from existing operations, external funding will be considered as the project progresses and the cost of development is considered.

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CHAIRMAN'S STATEMENT

"During the year the Company maintained tight control of costs to conserve working capital".

Dear shareholders,
We were expecting to be moving forward towards the targets set in the prior year in terms of production, however our progress was held back by the lack of equipment. Positive progress was made in developing the underground mine in relation to the ore bodies and infrastructure. However the lack of equipment had a direct effect on the level of output and grade achieved.

During the year in order to move the project forward, which requires capital investment, a great deal of work was done with investment advisors and potential lenders. The potential offers were carefully vetted and assessed to ensure that the finance to be provided was the correct fit for the Company. This necessarily involved additional time and resources and the time lines were extended to those originally envisaged. The management are working to ensure that the current funding being accessed for the required investment in equipment is at a competitive price for the shareholders and affordable for the Company. To this end they have identified two sources that will provide the necessary funding required to move the project forward, and are currently in the final stages of confirming the funding.

During the year the Company maintained tight control of costs to conserve working capital, with further savings being made in 2018 both at head office and at subsidiary Company level in Kazakhstan. At Head Office the administrative costs have been reduced by cutting office and professional fees. In the subsidiaries rent, travel and other overheads have been reduced. In Q1 2018 these have been further reduced. Employment costs have been reduced with a rationalisation of the workforce principally at the mine site.

During the year the Company met its commitment to repay the balance of the EBRD loan, which was settled in October 2017. The consequent finance cash flows in relation to servicing of this debt will prove useful in meeting its obligations on any new financial liability.

The decline has now progressed down to 150masl, and a number of ore bodies are now accessible to progress 2018 production.

Underground development

150masl

The decline is now at 150masl and a number of ore bodies are now accessible to progress production in 2018

We are confident from the work conducted so far that the mine will generate a very good return to the shareholders. The underground asset and infrastructure have been developed so that it can deliver the production required, via the new range of equipment to be purchased. This is expected to quickly transform the productive capacity, and move towards the targeted output levels. The recent drilling undertaken at Karasuyskoye has delivered promising results and the Company are expecting to move the project forward to the CPR stage in the near term.

I would like to thank the shareholders for their patience, as I am aware that the gold price was trending up whilst our share price was trending down. Based on the fundamentals and our understanding of the asset we see the long-term future of the Company in a positive light and the patience of shareholders will be rewarded.

With the ore bodies ready for exploitation and infrastructure in place including the refurbished processing plant. The additional equipment will now provide the necessary feed stock to the processing plant to see the results of all the hard work come to fruition.

Finally, may I once again thank all our employees and our Management team for their hard work, and we look forward to an exciting and fruitful year ahead for Altyn.

Kanat Assaubayev
Chairman
30 April 2018

CHIEF EXECUTIVE OFFICER'S REVIEW

"With the financing for the equipment almost in place the Company will be ready to move to the next phase of its development plan."

Overview

The Company is very close to securing the finance to purchase the equipment necessary to increase the output from its current levels to its initial target of 40,000t a month, moving to 70,000t in 2019.

Infrastructure enhancements and progress of the underground decline have been continuing in the year. This will provide a good springboard for increasing the output once the available equipment is in situ.

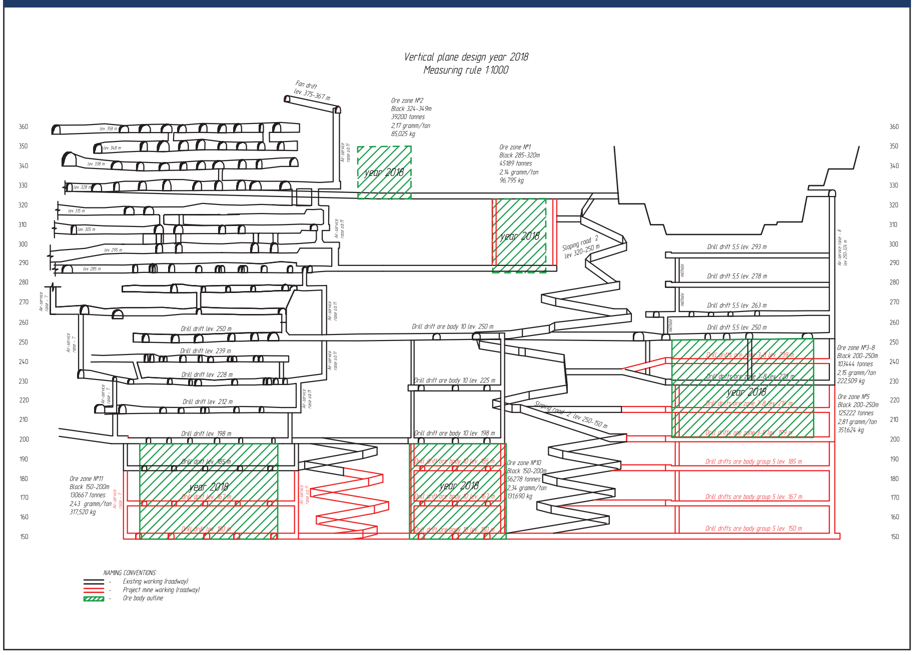
In terms of expected timelines the production is planned to increase from Q3 2018, once the equipment is commissioned and delivered.

Current developments

The following progress was achieved in developing the underground mine in the year:

- Development of the decline was taken down to 150masl, this gave access to ore bodies 10, 3-8 and ore body 5. There is no further requirement in the short term to develop the decline as this together with the original decline giving access to ore body 11, will provide sufficient mineable ore for the current planned production.
- Ore bodies have continued to be prepared for production however the lack of equipment has been a hindrance in this regard. In addition it has been difficult to target the ore bodies in a precise manner in order to extract the grade of ore as indicated by the exploration drilling, resulting in a higher than expected dilution in the grade.
- The actual overall processing grade achieved in the FY17 was 1.89 g/t (2016: 1.66g/t). As explained this was due to two factors a dilution issue and because lower grade ore stockpiled ore was mixed with the higher-grade ore to maintain operational efficiency in the processing plant. In the year the Company did not have the necessary equipment for contouring and drilling the ore bodies in order to maximise the extraction of the higher grade ore without dilution. The underground ore grade fell to 2.08g/t from 2.70g/t in 2016. The expectation is that these issues will be settled once the new equipment is in place.
- Refurbishment of the processing plant and the preparation of the ore bodies together with the completion of tailings dam 4 in early 2017, now allows for the rapid increase in production once the equipment is in situ expected to be in Q3 2018. The tailings dam will provide sufficient storage for at least three years.
- During the year the company purchased a LHD Fambition (load-haul-dumper used to fill the underground trucks with ore), and a prospect drilling machine, CSK Sondaj – C400 (used to define and contour the ore bodies to target and extract the higher-grade ores).
- In addition, the costs of exploration at Karasuyskoye were capitalised in accordance with the accounting policy this amounted approximately US$1.4m, (475mKzt), which was principally invoiced by third party consultants to conduct detailed geological testing, and project documentation.

Underground development



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CHIEF EXECUTIVE OFFICER'S REVIEW continued

Looking forward

- The decline was developed to the 150masl during the year further development of the decline will be limited, as there is sufficient access to the ore bodies at this level which can be prepared for production. Ore body 11 contains on average higher-grade ore and is expected to be mined during 2018.
- Preparatory works will be undertaken to include horizontal shaft development to access ore bodies 3-8,5 and 10 down to this level.
- With the new equipment to come on stream in Q3 2018 the production is expected to increase from this point gradually increasing to the run rate of 70,000t a month.

Capital requirements

An update to the current projected development capital requirements is given in the table to the right.

In summary part of the capex requirement was met in 2017 from the Company's own resources of the total amount shown above the external funding being sourced is in the range of US$30m – US$35m, the balance will be funded from the Company's operations. The Company has entered into an agreement with Freedom Finance to raise US$15m of the external funding requirement. The Company is also in discussions with another party to provide direct equipment financing. Taken together this will enable the Company to progress its development plans.

Sekisovskoye operational update

The operational performance of the Company's Sekisovskoye gold mine during 2017 against the prior year is shown in the tables to the right.

In the year to December 2017, the ore mined has increased substantially from last year, as extensive preparation work was done on the ore bodies in the prior year and is continuing in to the current year.

The underground gold grade is lower than in 2016, and has dropped from 2.70 to 2.08, this is principally due to the lack of currently available mining equipment to target the ore body in the most efficient way. This led to a higher than anticipated dilution and a lower grade of ore recovered, lower grade ore was being mined from around the targeted ore zone. It is anticipated that the gold grade will increase as more targeted drilling is undertaken once the necessary equipment is available.

During the year the company gold mining grades ranged from a low of 1.50 to a high in a particular month of 2.59. This was a reflection of the amount of development ore that was included within the ore mined. This is not an ideal situation and is expected to be remedied as noted above as further drilling equipment is deployed.

The mineral processing has increased significantly, however it should be noted that the actual processing plant was closed for three weeks for refurbishment in 2017. However there is a significant uplift in production for the period which is encouraging, moving up to 16,717oz of gold poured in comparison to 10,970 in the prior year. The gold production increased from H1 of 7,327oz to 9,390oz in H2, production will only build significantly from this point once the new equipment is deployed.

We are very pleased with the recovery rate of 83.54% (2016 80.20%), the upgrades in the plant processing equipment and revised working methodology has led to this improvement, and the recovery rates are being maintained at current levels.

As in the prior year the processed ore was a mixture of lower grade ore from the stock piles and the developmental ore from the higher grade underground ore bodies. The ore grade was at a low level from the stock piles and was only used in order to keep the plant operational. This process of mixing the ores will be discontinued once sufficient feed stock is generated from the underground sources.

Projected capital expenditures underground operations

	Total US$m	2018 US$m	2019 US$m	2020 US$m
Prospect drilling	**3.7**	0.7	1.5	1.5
Underground development	**5.6**	2.0	1.6	2.0
Infrastructure	**3.4**	3.4	–	–
Ore handling facilities	**19.2**	12.0	4.9	2.3
Process plant & paste plant	**8.6**	1.7	4.5	2.4
Karasuyskoye – exploration	**4.7**	0.9	1.9	1.9
Contingency	**3.5**	2.1	0.7	0.7
Total	**48.7**	22.8	15.1	10.8

Mining – open pit

		2017	2016
Ore mined	T	**–**	107,586
Gold grade	g/t	**–**	0.91
Silver grade	g/t	**–**	1.60
Contained gold	oz	**–**	3,065
Contained silver	oz	**–**	5,361

Mining – underground

		2017	2016
Ore mined	T	**287,389**	100,763
Gold grade	g/t	**2.08**	2.70
Silver grade	g/t	**2.80**	3.76
Contained gold	oz	**19,243**	8,757
Contained silver	oz	**25,909**	12,182

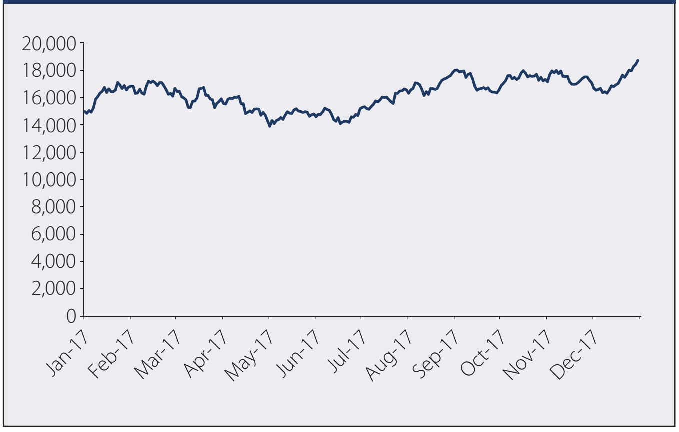
Mining – processing

		***2017**	2016
Crushing	T	**332,502**	258,206
Milling	T	**332,947**	262,546
Gold grade	g/t	**1.88**	1.66
Silver grade	g/t	**2.56**	2.88
Gold recovery	%	**83.54**	80.20
Silver recovery	%	**73.85**	73.45
Contained gold	oz	**20,040**	13,679
Contained silver	oz	**27,138**	22,491
Gold poured	oz	**16,717**	10,970
Silver poured	oz	**19,989**	16,519

*The mining processing relates to nine months as the processing plant was closed for three months for upgrade works.

MARKET REVIEW AND SHARE PRICE PERFORMANCE

FTSE 350 Mining Index



ALTN p per share

Gold price US$/oz

KZT/USD

The share price of the Company has been trading at a low level, and is a disappointment to the Directors, who are of the opinion it does not reflect the true value and potential of the Company.

The Board has worked hard in order to ensure that the Company is set up and restructured to be operationally efficient and to be cost efficient. It has taken time to move to this stage, and the next stage of development is dependent on further funding being made available.

The current share range has seen a drop from the prior year and in the region of 1.0-1.3p (2016: 1.5-2.0p). The Directors feel that this is not a true reflection of the value of the Company and expect the share price to improve significantly as production improves and the potential of the Company is realised.

In addition to the current site which is producing at Sekisovskoye, the Company is pressing ahead with the development of the resources at Karasuyskoye. It is hoped that 2018 will see a significant improvement in the share price as production and profitability improves with a stable gold price. It is expected that the gold price would continue to trade in the range US$1,250-US$1,300 an ounce, similarly no significant impact is expected in exchange rate fluctuations in the forthcoming year, the Tenge is currently trading at 329 to the US Dollar.

OUR STRATEGY AND BUSINESS MODEL

Our strategy is to grow and develop by continuing to upgrade our underground mine at Sekisovskoye, targeting annual gold production of 100,000oz.

Beyond this, the highly prospective Karasuyskoye Ore Fields, adjacent to the Sekisovskoye mine, has the potential to enable us to grow significantly beyond our core asset.

In addition to growing our production and asset base, our progression to the Main Board of the London Stock Exchange in December 2014 represented not only a natural step in our growth strategy, but also our commitment to the London investor base and regulatory environment, and we remain committed to meeting best practice governance standards.

Our business model is simple – we intend to generate profits for our Company and value for our shareholders through the mining and sale of gold at our flagship operation, the Sekisovskoye mine in North East Kazakhstan.

In order to ensure long-term success in this regard, we plan to continue developing the high grade underground mine. This should result in gold production increasing to 100,000oz annually in the future once the necessary equipment is in place.

The acquisition of the adjacent Karasuyskoye Ore Fields geological data and imminent conclusion expected of subsoil user rights should ensure gold production growth into the future. This is now progressing to development of the site with extensive drilling to confirm the mineral resources, with the next step to progress with a CPR. The Company is continually looking to complement existing operations with other targeted acquisitions.

We have four pillars to our business:

Mining – In prior years, we have demonstrated our cost effective open pit production track record at Sekisovskoye to our shareholders and stakeholders. We intend to demonstrate our capabilities once again with the development of the underground mine.

Development – In ensuring our long-term future, we are in the process of developing the underground mine at Sekisovskoye in order to access the significant deeper ore reserves. Accessing these reserves should add significantly to the life of mine and increase our annual gold production to 100,000oz.

Exploration – The Company has been conducting extensive drilling at the Karasuyskoye site, with positive results. Geologically, we see potential for this area to contain multiple mineralised zones that could potentially host future mines. We believe our efforts are well focused in this highly prospective land package that has obvious synergies with our current production facilities.

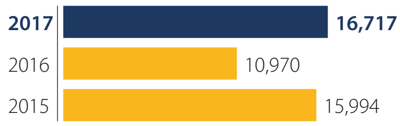
Growth and Evaluation – We are committed to adding value for our shareholders and believe the best approach to achieve this is to set the foundations in place for future production growth. As we intend to focus our efforts on production, development, exploration and evaluation, we are confident that we can deliver increased gold production for the long term. We frequently evaluate investment opportunities which are presented to us both in Kazakhstan and in the wider Central Asia area and, as part of our long-term business development plan, we will continue to evaluate other potential opportunities going forwards.

FINANCIAL PERFORMANCE

Key performance indicators (KPIs)

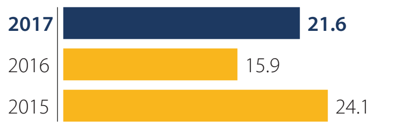
Annual gold poured (oz)

16,717oz



Revenue (US$m)

US$21.6m

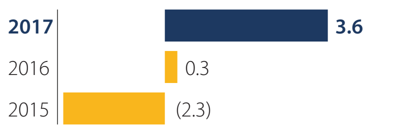


Cash production cost (US$oz)

US$774oz

Adjusted EBITDA (US$m)

US$3.6m



Net assets (US$m)

US$33.2m

The gold poured increased to 16,717oz this is a significant increase from last year. In terms of production and revenue generation, there is expected to be a significant step up once the Company is able to purchase further equipment. As the Company is still in the process of obtaining the equipment it is expected this will only have the effect of uplifting production significantly in Q3 2018. However production with the current capex levels is also budgeted to increase from 2017 levels, but not by a significant amount. Gold prices are budgeted to remain stable at current levels, and there is not expected to be any change in the principal customer purchasing the gold.

As in the prior year the Company has made use of low grade ore from that remaining in the stock piles this has again led to the low levels of grade and recovery rates, as it was principally used to maintain the operation of the processing plant at efficient levels. As the low grade ore will be used in 2018 a write back has been made to the profit and loss account of US$374,000, to reflect the fact that this stock will be utilised in 2018.

The total cash cost of production, which includes administrative costs but excludes depreciation and provisions, amounted to US$1,075/oz, (2016: US$1,238oz). The operating cash cost amounts to US$774/oz (2015: US$832/oz). This is based on the above but excluding administrative expenses. The cash cost of production has fallen as costs have been controlled in both consumables and the number of workers used to generate the increased level of production. As the level of production increases with tight control over costs, it is anticipated that the cash cost of production will continue to fall to the targeted level of US$540.

The Company has reported a net loss of US$1.9m (2016: US$6.4m), with a gross profit of US$4.2m (2016: US$2.3m). The operational loss is US$484,000 (2016: loss US$4.1m). The reduction in the loss is a reflection of tighter production costs as noted above and partly a result of head office savings, which are budgeted to reduce further in 2018. In Q1 2018 the Company has also further restructured the work force in Kazakhstan by outsourcing the transportation department and reducing the building/maintenance department. The EBITDA is US$3.6m (2016: US$0.3m), after adjusting the operating loss of US$484,000 (2016: US$4.1m) for depreciation of US$4.5m (2016: US$3.3m), and impairment gain of US$374,000 (2016: loss US$1.1m).

During 2017, the Company sold 16,747oz of gold (2016: 12,602oz). The average price achieved per oz in 2017 was US$1,293 similar to last year, which achieved an average price of US$1,259. The prices are budgeted to stay at similar levels in 2018, and there are no changes anticipated to the sales offtake agreement currently in place to the Kazakh national refinery.

The current cash position and anticipated trading is sufficient for the budgeted capex (with no expansion), and budgeted production for the next year. The principal shareholders have agreed to provide monetary support as necessary, in order to provide any short term financing that may be required.

Cash at year-end was US$704,000 (2016: US$2.2m). Resources are sufficient to meet the current working capital requirements. The Company generated an EBITDA of US$3.6m (2016: US$0.3m). Financing commitments can be met from the cash generation of the Company, and are expected to be at a reduced level from the prior year, being principally interest commitments on the US$2m convertible loan and repayment of short term borrowings, in total these are expected to amount to approximately US$1m in 2018. At the start of the year, the Company had convertible bonds amounted to US$12m. In February 2018, US$9.7m of the US$10m issued to the principle shareholder African Resources Limited was converted to 233,333,333 ordinary shares at a conversion price of 3p. The principal shareholders have agreed to defer any loan repayments, in addition it is anticipated that the remaining amounts due under the convertible bond due to African Resources to include accrued interest will be converted into new ordinary shares in Q3 2018.

As stated in the CEO report the Company is in the final stages of obtaining the finance to purchase further capital equipment in order to increase the processing output. Until this is in place costs including further capital investment will be kept at low levels and it is budgeted to be in line with 2017 at approx. US$3m, to include further exploratory work at the Karasuyskoye site.

The consolidated net assets of the Company are US$33.2m (2016: US$33.9m), no significant changes from the prior year.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Mitigation
Fiscal changes in Kazakhstan	Given that Altyn operates solely in Kazakhstan, the Company is naturally at risk of adverse changes to the fiscal regime in the country. Kazakhstan is a relatively young country and there have been fiscal changes in recent years, in some cases related to the mining industry. However, the country is outward looking and committed to attracting direct foreign investment. Kazakhstan has hosted international exhibitions and sporting events, and is positively encouraging investment, including relaxing visa requirements We therefore believe that the Kazakh government is aligned with potential foreign investors and would be very cautious in implementing any fiscal changes which could deter investment. Recent tax audits of the subsidiary companies have not revealed any material discrepancies, the Company has consulted with the tax authorities and provided all necessary information as and when required, and will seek expert tax advice as and when necessary.
No access to capital – funding Sekisovskoye	In order to continue with the underground development at Sekisovskoye, the Company must incur additional capital expenditure. Currently, the Company does not have the funds available to complete the capital work programme. The Company is therefore dependent on cash from external sources and therefore its future is at risk if funds from these external sources are unavailable. While the required level of funding has not been secured, the Assaubayev family, which owns 69.8% of the Altyn shares through its vehicle, African Resources, has invested in and lent to the Company in the past and is keen to see the Company succeed. However, without further external funding to complete the underground mine, production would proceed at a much slower pace than that currently planned. The Company is currently in the process of seeking further investment, and has engaged brokers and other consultants to market the Company to potential investors.
Commodity price risk	The Company generates its revenue from the sale of gold and silver that it has produced. While the Company has no control over commodity prices, it is in a fortunate position to have a very robust mine and development project in Sekisovskoye that can withstand prolonged weak precious metals prices. Given the higher grades expected to be processed and the low cash cost of production the Company has a significant buffer and will remain profitable at lower gold prices.
Currency risk	The US Dollar has remained stable during 2017 against the Kazakh Tenge. As at 31 December 2017, 1 US Dollar equated to approximately 330KZT and is expected to remain in this range in the foreseeable future. As the revenue is generated in US Dollars any strengthening of the US Dollar against the Kazakh Tenge will favour the Company, in addition as the Company has a relatively low cost of production, local price inflation is not expected to have a significant impact.
Reliance on operating in one country	Currently all of the Company's mining assets are in Kazakhstan. The Company believes that Kazakhstan has significant future mineral potential, hence the choice of jurisdiction. The Company makes it its business to be well informed of any in-country changes which may adversely affect the business. While the Company knows and understands Kazakhstan well and hence has a strong position in-country, it has stated that it would look at other opportunities in the future within the Central Asia region and this may mitigate risk.

Risk	Mitigation
Altyns reliance on one operation	Currently, the Company only generates revenue from one mine – Sekisovskoye. The Group is actively exploring its adjacent property, Karasuyskoye, and is now developing this asset for future production.
Technical difficulties developing the underground mine at Sekisovskoye	Encountering technical difficulties in further developing the underground mine at Sekisovskoye would be negative for the future of the Company. To mitigate this, the Company uses external consultants to provide validate the work which has been undertaken to date. The Company is in discussions with international consultants to ensure that the most appropriate development methods are utilised.
Failure to achieve production estimates	Failure to achieve production estimates could arise due to various circumstances, not the least mining issues, processing plant issues and breakdowns, and political and other disruptions. Given that Company revenues are dependent on producing gold and silver from the Sekisovskoye mine, failure to achieve production targets would adversely affect the Company's profitability and ability to generate cash. The Company mitigates this risk by careful operational planning and detailed technical appraisal work, as well as regular maintenance work The Company's management has analysed the risks and uncertainties and has in place control systems that monitor daily the performance of the business via key performance indicators. Certain factors are beyond the control of the Company such as the fluctuations in the price of gold and possible political upheaval. However, the Company is aware of these factors and tries to mitigate these as far as possible. In relation to the gold price the Company is pushing to achieve a lower cost base in order to minimise possible downward pressure of gold prices on profitability. In addition it maintains close relationships with the Kazakhstan authorities, in order to minimise bureaucratic delays and problems.

CORPORATE SOCIAL RESPONSIBILITY

"Each of the Company's facilities is subject to external environmental checks on a quarterly basis."

Human resources

The Company has maintained a strong commitment to equality of opportunity in its employment policies, practices and procedures. It is continually looking at proactive ways to manage the work force and introduce measures that will benefit the work force.

The accompanying table shows their current employees and gender.

In December 2017 after a thorough review of the employment requirements of the Company it was decided that a number of the functions could be better fulfilled by outsourcing certain activities. As a result a number of the workforce particularly in transport and construction were outsourced, and approximately 180 people made redundant. The Company are conscious of their social responsibilities and have ensured that the employees have been dealt with in a fair and responsible way.

Human rights

Whilst the Company does not have a specific human rights policy, it does have policies such as Equal Opportunities and an Anti-bribery policy that adhere to internationally proclaimed human rights principles.

Employment policies and diversity

The Company is in the process of implementing and developing its diversity policy and communicating it to its employees in a formal manner after consultation with the local authorities it is fully supported by senior management and employee representatives Once formally in place the policy will be monitored and reviewed annually to ensure that equality and diversity is continually promoted in the workplace. Based on the movement of employees, one female left the Company on a net basis. The Company is currently reviewing in particular the number of senior women managers with an aim to increase numbers if justified.

The Company currently does adopt high standards in diversity and is dedicated to encouraging a supportive and inclusive culture amongst the whole workforce, this now needs to be formally put in place.

The aim is to ensure that all employees and job applicants are given equal opportunity and that our organisation is representative of all sections of society. Each employee will be respected and valued and able to give their best as a result. This policy reinforces our commitment to providing equality and fairness to all in our employment and not provide less favourable facilities or treatment on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, ethnic origin, colour, nationality, national origin, religion or belief, or sex and sexual orientation.

We are opposed to all forms of unlawful and unfair discrimination. All employees, no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. The Company will enforce current work practice and work within the spirit of the law.

When selecting candidates for employment, promotion, training, or any other benefit, it will be on the basis of their aptitude and ability.

The policy will aim to create an environment in which individual differences and the contributions of all team members are recognised and valued. To create a working environment that promotes dignity and respect for every employee. To not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach this policy. To make training, development, and progression opportunities available to all staff. To promote equality in the workplace. To encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures. To encourage employees to treat everyone with dignity and respect. To regularly review all our employment practices and procedures so that fairness is maintained at all times.

Employee involvement

Members of the management team regularly visit subsidiaries and discuss matters of current interest and concern with members of staff.

Gender diversity

	Male	Female	Total
2017	**523**	**106**	**629**
2016	523	107	630

The table above shows the staff employment by gender. The Company places a great deal of emphasis on gender equality and diversity. At present there are 17 women in senior management positions (2016: 23), male senior managers in 2017 were 14 (2016: 35), as last year no women Directors, to 6 male Directors (2017: 6) other employees female 89 (84) male 503 (2016: 482).

Environment

During 2017 each of the Company's facilities was environmentally monitored on a quarterly basis by accredited outsourced companies. This included the following checks:

- Checks were made on the water at surface and sub-surface levels to ensure that it was within safe limits, within both the production site and the tailings dump site.
- Checks were regularly made on the air quality at the production site, to include testing of the air extraction systems at the crushing and grinding plant, laboratory and transfer conveyors. Appropriate repairs were carried out in the year if there was any deviation from the accepted norms.

The Company's emissions by scope

The Company's emissions by scope

Scope	Source	**Tonnes CO_2 2017**	Tonnes CO_2 2016
Scope 1	Plant	**3,301**	3,382
Scope 2	Electricity	**2,835**	2,195
Scope 3	Other equipment	**399**	390
Total		**6,535**	5,967

			2017	2017
Intensity 1	Tonnes CO_2e produced	per Dollar of revenue	**0.000301861**	0.000376065
Intensity 2	Tonnes CO_2e produced	per oz of gold produced	**0.390919**	0.543938

- Soil samples were analysed at the tailings dumps to ensure that there was no adverse effects on the environment.

Of primary importance to the Company is to ensure that the tailings dam and water discharges are within environmentally safe limits. The facility has a system in place that provides treatment and discharge of mine water into the surface reservoir – quarterly testing is done to ensure all required standards are met. This is reported to the authorities on a quarterly basis.

The Company has introduced systems to control the processing of waste in a controlled and environmentally compliant manner. All household waste produced is disposed of to specialised landfill sites. Tyres are temporarily stored prior to removal to a specialised site. Hazardous waste such as Mercury is carefully sent for recycling as are plastic waste from plastic packaging and other plastic waste from pipes cutting sand geomembrane to reduce the amount being sent to the landfill sites. Metal scraps and exhausted oils are recycled as far as possible on the production site.

In 2017 an energy saving system was used in the production facilities to reuse the heat being generated from the compressor plant. The energy saving system allowed the heat previously wasted to be recycled with the facility, resulting in fuel savings and lower gas emissions.

It is in the Company's plans to further refine and develop its environmental management systems. Further development of the tailings dump and future ways of dealing with this waste in the most efficient and environmentally manner remain a key objective of the Company.

Our approach to the environment

The Company's policies outline our commitment to environmental responsibility. Safeguarding the environment and training our employees to minimise the environmental impact of our activities are important aspects of our business. We remain committed to achieving the highest environmental standards.

Greenhouse gas reporting

Greenhouse gas emissions (GHG), are classified as either direct or indirect and which are divided further into Scope 1, Scope 2 and Scope 3 emissions.

Direct GHG emissions are emissions from sources that are owned or controlled by the Company.

Indirect GHG emissions are emissions that are a consequence of the activities of the Company but that occur at sources owned or controlled by other entities.

Scope 1 emissions

Direct emissions controlled by the Company arising from plant.

Scope 2 emissions

Indirect emissions attributable to the Company due to its consumption of purchased electricity.

Scope 3 emissions

Other indirect emissions associated with activities that support or supply towards the Company's operations.

Health and safety

Altyn is pleased to report that during 2017, there were no accidents at the Sekisovskoye mine. The Company maintains its first aid rooms to the highest standards and ensures that rescue contracts are in place for employees in the event of an emergency.

Our community

The support of the local community is key to the success of the Company, and the various initiatives and projects have been undertaken to ensure that the success of the mine is of a benefit to all parties. This is regarded as an ongoing commitment by the Company to the local community and has been formalised in a memorandum of co-operation by the Company with the authorities of the rural district. The company regularly contributes to local projects and participates in local events.

MINERAL RESOURCES STATEMENT

"Our November 2014 Competent Persons Report identified JORC compliant indicated and inferred mineral resources which total 5.14Moz and a further 3.3Moz have been identified as an exploration result."

In 2014, a Competent Persons Report (CPR), commissioned by the Company was completed to assess the mineral resources and provide a valuation of the potential of the underground mine. The Competent Persons Report was prepared in compliance with and to the extent required by the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC). Venmyn Deloitte (Deloitte) are Competent Persons and Competent Experts as defined by the JORC Codes, as well as other international Reporting Codes.

The mineral resource statement was prepared for the Sekisovskoye underground deposit. The Company also acquired mining data in relation to the Karasuyskoye concession adjacent to Sekisovskoye and this is currently being developed with a view to obtaining the subsoil user licence in the near future. For clarity the resources in relation to the Karasuyskoye site are not included in the analysis below, and will be subject to an independent Competent Persons Report in the future.

The Company has a 100% shareholding in the Sekisovskoye Project and holds the Mining Licence covering a total area of 85.5ha, valid until 2020, and expected to renew until 2033. The Sekisovskoye Project is located at the village of Sekisovka, approximately 40km north of the town of Ust-Kamenogorsk, the capital city of the East Kazakhstan region. The current operation is exploiting two open pits where the near-vertical deposits extended to surface.

The ore body has been mined in the open pit environment since 2008 and the relationship between ore and waste is well understood.

The Sekisovskoye Project is set to be a selective-mining underground operation, which requires a level of confidence to be developed to support the new input and output parameters.

Venmyn Deloitte conducted a review of the exploration drilling, metallurgical testing, geological modelling and the GKZ Reserve and Resource prepared by the Company, and has used this information to estimate the JORC (2012) compliant gold and silver Mineral Resources. These are shown in the following tables.

Subsequent to estimating the Indicated Resource, Venmyn Deloitte applied the appropriate modifying factors (including dilution and mining losses) and has estimated a Probable Reserve of 2.26Moz of gold.

Altyn has not updated its mineral resources since 2014.

JORC Indicated and Inferred Mineral Resources total 5.14Moz. In addition, a further 3.30Moz have been identified as an Exploration Result below the –800masl. While these will require further exploration drilling to be potentially upgraded to Mineral Resources, this result does highlight the potential for a larger Mineral Resource than is currently estimated. Assuming that this potential were to be realised, Sekisovskoye would contain in excess of 8Moz of gold.

Geologically, the Sekisovskoye Project is suitable for mining of underground extensions of the deposit, which is shown to extend almost vertically below the currently exploited open pits. Geological features

MINERAL RESOURCES STATEMENT continued

in the underground area are expected to be similar in nature to those in the near surface portion of the deposit. The exploration method is systematic and appropriate for the style of mineralisation and the targeted resources and reserves are of sufficient quantity to support an expanded mining operation.

The risks for underground production are reduced by the following:

- the Sekisovskoye Project has operated successfully for a number of years in the open pit environment;
- the Company has created an extensive drilling database for geological modelling of the breccia zones and mineralised ore bodies;
- the underground mining method is based upon a block model that has identified important breccia zones that can be selectively mined;
- the underground ore body is a natural extension of the open pit ore;
- the mining, metallurgical plant, power, water and tailings facilities are all established including the main underground ramp ways; and
- the ore reserve and mineral resource estimates have been based on a very substantial exploration programme which represents more than 170,083m of drilling.

The strategic report was approved by the Board of Directors and signed on its behalf by

Aidar Assaubayev
Chief Executive Officer
30 April 2018

The following tables show the reserves, resources and exploration results as at November 2014:

Reserves

JORC classification	Tonnes (Mt)	Pay limit (g/t)	grade (g/t)	grade (g/t)	gold (Moz)	silver (Moz)
Probable	17.25	2.6	4.09	5.37	2.26	2.97

Resources

Level	JORC classification	Gold cut off grade (g/t)	Tonnes	Gold grade (g/t)	Contained gold (Moz)	Silver grade (g/t)	Contained silver (Moz)
Surface to −400m	Indicated	3.00	15,700	5.32	2.67	6.99	3.52
Surface to −400m	Inferred	2.00	3,500	4.21	0.48	No estimation	
Surface to −800m	Inferred	2.00	14,700	4.21	1.99	No estimation	
Total average JORC resources		**2.46**	**33,900**	**4.72**	**5.14**	**6.99**	**3.52**

Exploration

Level	JORC classification	Gold cut off grade (g/t)	Tonnes	Gold grade (g/t)	Contained gold (Moz)	Silver grade (g/t)	Contained silver (Moz)
−800m to −1500m	Exploration	2.00	24,400	4.21	3.30	No estimation	
Total average JORC resources		**2.00**	**24.400**	**4.21**	**3.30**	**No estimation**	

BOARD OF DIRECTORS

Altyn plc has a highly experienced Board of Directors with a commitment to driving profitability and long-term shareholder value.

Chairman

Kanat Assaubayev

Appointment
Kanat Assaubayev was appointed to the Board as Chairman on 23 October 2013.

Experience
Kanat Assaubayev is one of Kazakhstan's leading entrepreneurs in the natural resources sector. Mr. Assaubayev was the first Kazakh to get a doctorate in metallurgy. His early career was in academia where he was the Chairman of the Metallurgy and Mining Department of Kazakh National Polytechnic University. He subsequently began his business career in the 1990s and has led a number of natural resources enterprises to national and international success.

Chief Executive Officer

Aidar Assaubayev

Appointment
Aidar Assaubayev was appointed to the Board as Chief Executive Officer on 25 February 2013.

Experience
Aidar Assaubayev is an Executive Director of AltynGroup Kazakhstan LLP. He was formerly Executive Vice Chairman of KazakhGold Limited, the gold mining corporation, and he was also formerly Vice President and a director of JSC MMC Kazakhaltyn. Mr. Assaubayev graduated from the Kazakh National Technical University in Almaty and he also holds a degree in Economics from the Institute of Systemic Analysis in Moscow.

Executive Director

Sanzhar Assaubayev

Appointment
Sanzhar Assaubayev was appointed to the Board as Executive Director on 29 February 2016.

Experience
Sanzhar Assaubayev was formerly Director of International Affairs of JSC MMC Kazakhaltyn and an Executive Director of KazakhGold Group Limited, the gold mining corporation. He is also a member of the board of directors of AltynGroup plc. He was educated at the Leysin American School in Switzerland, where he specialised in management, and the American University in the United Kingdom. Sanzhar Assaubayev is the son of Kanat Assaubayev.

Non-Executive Director

Neil Herbert

Appointment

Neil Herbert was appointed to the Board as Non-Executive Director on 29 February 2016. On 2 February 2017 he was subsequently appointed as Executive Deputy Chairman, and stepped down from this role on November 2017, back to a Non-Executive role.

Experience

Neil Herbert has a wealth of experience managing, advising and investing in growth companies through business expansion, M&A and IPOs. Prior to Polo Resources, where he worked until 2013, he was Finance Director of Galahad, another investment company, which achieved an average IRR of 66%pa over its four year existence. Neil became Finance Director of its most successful investment which he took from start-up to a US$2.5bn takeover with Galahad achieving an annualised return of 167%. He has worked with natural resources since joining Antofagasta during its 1990s transformation into a major copper producer with the US$1.3bn Los Pelambres and US$0.3bn El Tesoro mines taken into production. Following that he was CFO of gold explorer Brancote until its US$0.4bn acquisition. Neil began his career working with PwC, he is a Fellow of the Association of Chartered Certified Accountants and has a BA Joint Honours degree in Economics & Economic History. He has served as a director of companies on the AIM, ASX, LSE, JSE and TSX. Today Neil works with growth companies across sectors and he is a founder & chairman of Siderian Resource Capital, HeliumOne and Anglo African Agriculture.

Non-Executive Director

Ashar Qureshi

Appointment

Ashar Qureshi was appointed to the Board as Non-Executive Director on 7 December 2012.

Experience

Ashar Qureshi is a London based US qualified lawyer. He was formerly the Vice Chairman of Renaissance Group, where his position was a senior investment-banking role, and prior to that he worked with international firm Cleary Gottlieb Steen & Hamilton LLP. Mr. Qureshi holds a Juris Doctorate and is a graduate of Harvard Law School and Harvard College.

Non-Executive Director

Vladimir Shkolnik

Appointment

Vladimir Shkolnik was appointed to the Board as Non-Executive Director on 21 November 2017.

Experience

Vladimir Shkolnik has held a number of high profile positions in the Kazakhstan government, and is currently advising the Kazakhstan government on industrial and energy matters.

His previous positions included the office of Minister of Energy, Minister of Trade and Industry, and also Deputy Head of Presidential administration, reporting directly to the President.

He is an academic with a doctorate in physics and has written a number of papers and books in the field of energy, natural resources and other scientific fields. He has been influential in setting up academic institutions, in the areas of mineral processing and also nuclear power in Kazakhstan, working with a number of leading Companies from Japan, France and Russia in setting up joint enterprises.

Go to page 65 to view our Company details

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements on pages 31 to 64.

Principal activities and business review

The principal activity of the Company is that of a holding company and a provider of support and management services to its operating subsidiaries. Together with its subsidiaries, it is involved in the production of gold dore from the Sekisovskoye gold and silver deposits, and the development of further suitable investment opportunities.

A review of the activities of the business throughout the year and up to 30 April 2018 is set out in the Strategic report on pages 1 to 13 which includes information on the Company's risks, uncertainties and performance indicators. The Company accounts are prepared on a going concern basis. However, reference should be made to factors affecting the ability of the Company to continue trading as noted on page 38 (note 2).

Results and dividends

The Company's loss for the year after taxation amounts to US$1.9m (2016 loss: US$6.4m). The results of the year are set out on page 31 in the consolidated statement of profit or loss.

The Directors do not recommend the payment of a dividend for the year (2016: nil).

Financial instruments

At the start of the year, the Company had convertible bonds amounting to US$12m. In February 2018, US$9.7m of the US$10m issued to the principal shareholder African Resources Limited (a company controlled by the Assaubayev family) was converted to 233,333,333 ordinary shares at a conversion price of 3p. African Resources Limited have indicated that the balance of the convertible bond and accrued interest amounting to US$1.4m will be converted into new ordinary shares in the company in Q3 2018. The convertible bonds of US$2m issued to institutional investors in 2016 at a redemption price of 2.1p are redeemable in February 2021. The convertible bonds have a coupon rate of 10% with interest payable bi-annually.

At the start of the year the Company had loans (including accrued interest) at an average interest rate of 13%, totaling US$1,739,000 from Amrita Investments Limited, (a company controlled by the Assaubayev family) , of this amount, US$924,000 was repaid in the year, the balance of loans and accrued interest amounting to US$937,000 has an average interest rate of 7% and are repayable in 2019 , see note 22.

The Company also received a loan of US$724,000 during the year for working capital purposes, this amount is repayable in 2018.

The company made the final repayment in respect of the EBRD loan in October 2017, the capital and interest repaid in the year amounted to US$3.5m.

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, foreign exchange risk and interest rate risk. Further details are provided in note 26 on pages 55 to 57 of the Company's financial statements.

Share capital details of the Company's issued share capital, are set out in note 24.

The Company has one class of ordinary share and they carry no right to fixed income. Each ordinary share carries the right to one vote at the general meetings of the Company. All issued ordinary shares are fully paid. There are no specific restrictions on the size of the holding or on the transfer of the ordinary shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's ordinary shares that may result in restrictions on the transfer of securities or on voting rights.

Certain Directors have an interest in the ordinary shares in the Company and these are disclosed in the related party note 29 on page 58. Share options awarded to one Director in February 2017 as part of his remuneration package with options over 46,686,843 shares at an exercise price of 2.125p per share, were forfeited during the year as he stepped down from an executive to a non-executive Director role.

Qualifying indemnity provision

The Company has entered into an insurance policy to indemnify the Directors of the Company against any liability when acting for the Company.

Directors

The following Directors served during the year and up to 31 December 2017.

Kanat Assaubayev	Chairman
Aidar Assaubayev	Chief Executive Officer
Sanzhar Assaubayev	Executive Director
Ashar Qureshi	Non-Executive Director
Neil Herbert*	Non-Executive Director
Alain Balian	Non-Executive Director (resigned 29 December 2017)
Vladmir Shkolnik	Non-Executive Director (appointed 21 November 2017)

*Neil Herbert was appointed as Executive Deputy Chairman on 2 February 2017 and stepped down from this role to a Non-Executive role on 21 November 2017.

Directors' shareholdings

The interests of the Directors in the shares of the Company, are shown below:

Director	No of shares	% owned
Ashar Qureshi	7,880,000	0.34

The interest of the Assauabyev family who own their interest in the shares of the Company via their shareholding of African Resources Limited is shown in the table of substantial shareholdings below.

Substantial interests

The following have advised that they have an interest in 3 per cent or more of the issued share capital of the Company as at 27 April 2018.

Shareholder	No of shares	% owned
African Resources Limited	1,791,140,005	69.8
Goldman Sachs International	84,481,471	3.29
State Street Nominees Limited	78,045,857	3.04

Kanat, Aidar and Sanzhar Assaubayev are Directors and shareholders of African Resources Limited.

Auditor

All Directors that are in office at the date of this report being approved have confirmed that they are aware that there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed they have taken all reasonable steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

BDO LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed in the forthcoming Annual General Meeting.

Corporate governance

Details of the Companys diversity policy are contained within the corporate responsibility statement on page 10.

The Board acknowledges the importance of the guidelines set out in the Quoted Companies Alliance (QCA) published Corporate Governance Code for Small and Mid-size Quoted Companies 2013 and complies with these as far as is appropriate having regard to the size and nature of the Company. The paragraphs below set out how the Company has applied this guidance during the year.

Principles of corporate governance

The Company's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management, but also as a positive contribution to business prosperity. The Board endeavors to apply corporate governance principles in a sensible and pragmatic fashion having regard to the circumstances of the Group's business.

The Anti-Bribery and Corruption Policy and

The Anti-Bribery and Corruption Policy and Procedure ("the Anti-Bribery Policy") forms part of our Ethics Policy and represents a commitment to doing what is right.

The Group expects its employees to demonstrate honesty, integrity and fairness in all aspects of their business dealings and exercise appropriate standards of professionalism and ethical conduct in all their activities.

The Group expects the same approach to doing business from its business partners and suppliers. Pursuant to this, the Group will not tolerate bribery1 or corruption2 in any form and has a 'zero tolerance' approach to any breach of this policy.

Application This means that the Group and its employees will never seek, accept or give a bribe, facilitation payment, kickback or other improper payment.

It will ensure that it operates with appropriate transparency in our business dealings.

The Company will take appropriate steps to ensure that:

- directly or indirectly, offer, promise, give, accept or demand a bribe or other undue advantage (including excessive gifts and hospitality) in order to obtain or retain business, or gain any other improper advantage.
- not offer, nor give in to demands, to make illicit or illegal payments to agents, public officials (at whatever level), or the employees of business partners or anybody else that we do business with.
- engage and remunerate agents and other third parties only for legitimate services and adopt appropriate transparency in our approach.
- promote employee awareness of, and compliance with, company policies against bribery and corruption through appropriate dissemination of our own procedures (including disciplinary procedures) policies and training programmes on induction and subsequently.
- adopt management control systems that discourage bribery and corruption, and adopt financial and tax accounting and auditing practices that prevent the establishment of "off the books" secret accounts or the creation of documents which do not properly and fairly record the transactions to which they relate.
- make illegal or inappropriate contributions to candidates for public office or to political parties or to other political organisations.
- raise awareness of the need to combat bribery and corruption with our business partners by publication of this Policy and (where appropriate) relevant contractual provisions and support initiatives designed to reduce the risk of bribery and corruption.

1 Definition: The receiving/offering/giving/providing/requesting/accepting of a financial or other advantage, in order to seek to induce a person or to induce a person to give improper assistance in breach of their duty, or to otherwise influence someone with the underlying purpose of obtaining/retaining business, or an advantage in the course of business. "Bribery" for this purpose includes so-called "facilitation" or "grease" payments, defined as non-discretionary payments made to government or public officials to speed up routine administrative processes, even if such payments are nominal in amount.

2 Definition: The misuse of entrusted power/breach of duty for personal gain.

Board structure

The Board is comprised of the Executive Chairman, the CEO an Executive Director and three Non-Executive Directors.

During the year Alain Balian resigned from the Board and Vladimir Shkolnik was appointed as a Non-Executive Director.

DIRECTORS' REPORT continued

Their details appear on pages 14 to 15. The Board is responsible to shareholders for the proper management of the Company. The statement of Directors' responsibilities in respect of the accounts is set out on page 20. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Company. The Board has a formal schedule of matters reserved to it, and meets on a regular basis.

The Board is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

Audit Committee

The Audit Committee is currently comprised of, Ashar Qureshi and Neil Herbert, Alain Balian resigned in December 2017.

Audit Committee's prime tasks are to review the scope of the external audit, to receive regular reports from the Company's auditor and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The Committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems and processes.

The Audit Committee also undertakes a formal assessment of the auditors' independence each year which includes:

- a review of non-audit services provided to the Company and related fees;
- discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 10 on page 45 of the financial statements.

Remuneration Committee

The Remuneration Committee currently comprises of two Directors – Ashar Qureshi and Neil Herbert, Alain Balian resigned in December 2017. The Committee, which meets as required, is responsible for determining the contract terms, remuneration and other benefits of the Executive Directors. The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the articles of association. None of the Committee members has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-Directorships, or any day-to-day involvement in running the business. The Committee has access to professional advice from inside and outside the Company at the Company's expense. There were no Remuneration Committee meetings held during the year, there were no changes in the remuneration of the Executive Directors from the prior year.

Board and Board committee meetings

The number of meetings during 2017 and attendance at regular Board meetings and Board committees was as follows:

		Meetings held	Meetings attended
Kanat Assaubayev	Board	6	6
Aidar Assaubayev	Board	6	6
Sanzhar Assaubayev	Board	6	6
Neil Herbert	Board	6	6
	Audit committee	2	2
Ashar Qureshi	Board	6	4
	Audit committee	2	2
Alain Balian*	Board	6	3
	Audit committee	2	2

*Alain Balian resigned on 29 December 2017

Internal control

The Directors are responsible for the Group's system of internal control and review of its effectiveness annually. The Board has designed the Group's system of internal control in order to provide the Directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority;
- There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;
- UK Financial reporting is closely monitored by members of the Board to enable them to assess risk and address the adequacy of measures in place for its monitoring and control. The Kazakh operations are closely supervised by the Board reviewing monthly, half yearly and annual financial reports from the

Directors and senior officers in Kazakhstan. This is supplemented by regular visits of the UK based finance officer to Kazakh operations which include checking the integrity of financial information supplied to the UK. The financial officer is ultimately responsible for the preparation of the consolidated financial statements that are then reviewed by the Directors.

During the period, the Audit Committee has reviewed the effectiveness of internal controls as described above.

There are no significant issues disclosed in the Annual Report for the year ended 31 December 2017 (and up to the date of approval of the report) concerning material internal control issues. The Directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.

Communications with shareholders
Communications with shareholders are considered important by the Directors. The Directors regularly speak to investors and analysts during the year. Press releases have been issued throughout the year; the Company's website www.altyn.uk is regularly updated and contains a wide range of information about the Company. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are dealt with informatively and promptly. The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate social responsibility
The Corporate Social Responsibility performance of the Company is detailed on pages 10 to 11.

Takeover directive
The Company has one class of share capital, which are ordinary shares. Each ordinary share carries one vote. All the ordinary shares rank pari passu. There are no securities issued in the Company which carry special rights with regard to control of the Company. The identity of all substantial direct or indirect holders of securities in the Company and the size and nature of their holdings is shown under the "Substantial interests" section of this report above.

A relationship agreement (the "Relationship Agreement") was entered into between the Company and African Resources Limited in regard to the arrangements between them whilst African Resources Limited is a controlling shareholder of the Company.

There are no restrictions on voting rights or on the transfer of ordinary shares in the Company. The rules governing the appointment and replacement of Directors, alteration of the articles of association of the Company and the powers of the Company's Directors accord with usual English company law provisions. The Directors are re-elected on a rotational basis each year. The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Greenhouse emissions
Information on greenhouse emissions is shown on page 11.

Annual General Meeting
The Annual General Meeting of the Company will be held at the offices of BDO LLP at 55 Baker Street, London, W1U 7EU, United Kingdom on Friday 29 June 2018 at 11.00am.

The details of the resolutions are given on page 59. The Directors consider that all of the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The Board recommends that shareholders vote in favour of all resolutions.

Donations
The Company has made no charitable or political donations during the year (2016: Nil).

Future development and availability of project finance/going concern
To progress the mine to the full projected capacity the Company requires further funding, which the Company has made good progress in putting in place. It is currently in the advanced stages of finalising funding for new equipment from two parties. It is seeking bond finance from one party and direct equipment purchasing from another party, in order to secure the necessary investment.

The Company is continuing to develop its underground mine, production is continuing at a steady pace with gold sold in the current year of 16,747 oz. From the operating cash flows generated the Company paid the balance of the EBRD loan, which with interest amounted to US$3.5m. In order to preserve cash flow, savings have been made in overhead costs at both head office and subsidiary level. In January 2018, African Resources Limited converted US$9.7m of the US$10m convertible loan debt into new ordinary shares. No interest was paid in relation to this loan in the year and it is expected that the balance of the bond to include accrued interest will be converted into new ordinary shares in Q3 2018.

The Directors have reviewed the cash flows for 15 months from the date of approval of the financial statements based on the projected trading. The Directors are confident that should the fund raising not be successful to provide the funds in the expected timeframe the Company will be able to adapt its operational plans such that it continues to operate.

Furthermore the major shareholder has confirmed their intention to provide further funding to enable the Company to continue its planned operations for at least twelve months from the date of approval of the financial statements.

On this basis the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Subsequent events
Details of events after the end of the financial year are set out in note 28 on page 58 of the financial statements.

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Website publication
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4
The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.

- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Aidar Assaubayev
30 April 2018

AUDIT COMMITTEE REPORT

The Committee's terms of reference have been approved by the Board and follow published guidelines, which are available from the Company Secretary. The Audit Committee comprises the Non-Executive Directors, Ashar Qureshi and Neil Herbert. Alain Balian resigned in December 2017.

The Audit Committee's prime tasks are to:

- review the scope of external audit, to receive regular reports from the auditor and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation;
- monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;
- assess key risks and to act as a forum for discussion of risk issues and contribute to the Board's review of the effectiveness of the Group's risk management control and processes;
- act as a forum for discussion of internal control issues and contribute to the Board's review of the effectiveness of the Group's internal control and risk management systems and processes;
- consider each year the need for an internal audit function;
- advise the Board on the appointment of external auditors and rotation of the audit partner every five years, and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;
- participate in the selection of a new external audit partner and agree the appointment when required;
- undertake a formal assessment of the auditors' independence each year which includes:
  - a review of non-audit services provided to the Group and related fees;
  - discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
  - a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
  - obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

Meetings

The Committee meets prior to the annual audit with the external auditors to discuss the audit plan and again prior to the publication of the annual results. These meetings are attended by the external audit partner and Company Secretary. Prior to bi-monthly Board meetings the members of the Committee meet on an informal basis to discuss any relevant matters which may have arisen. Additional formal meetings are held as necessary.

During the past year the Committee:

- met with the external auditors, and discussed their report to the Audit Committee;
- approved the publication of annual and half-year financial results;
- considered and approved the annual review of internal controls;
- decided that due to the size and nature of operation there was not a current need for an internal audit function;
- agreed the independence of the auditors and approved their fees for both audit and not-audit services as set out in note 10 on page 45 of the financial statements.

External auditors

BDO LLP held office throughout the year, and are assisted by a local office in Kazakhstan.

Ashar Qureshi
Chairman – Audit Committee
30 April 2018

STATEMENT OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Remuneration Committee presents its report for the year ended 31 December 2017 which is presented in two parts.

The first part, is the annual remuneration report which details remuneration awarded to Directors and Non-Executive Directors during the year. The shareholders will be asked to approve the annual remuneration report as an ordinary resolution (as in previous years) at the Annual General Meeting in June 2018. At the last AGM 100% of the votes cast confirmed the remuneration report and remuneration policy of the Company.

The second part, is the remuneration policy report which details the remuneration policy for Directors.

The policy is very much in line with the previous policy. The Remuneration Committee reviewed the existing policy and deemed no changes necessary to the current arrangements, the policy will be confirmed at the AGM in 2018.

Both of the above reports have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Company's auditors, BDO LLP are required by law to audit certain disclosures and where disclosures have been audited they are indicated as such.

Ashar Qureshi
Chairman – Remuneration Committee
30 April 2018

ANNUAL REMUNERATION REPORT

Remuneration Committee

The Remuneration Committee currently comprises of two Directors – Ashar Qureshi and Neil Herbert. Alain Balian resigned in December 2017. The Committee, which meets as required, is responsible for determining the contract terms, remuneration and other benefits of the Executive Directors. The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the articles of association. None of the Committee members has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-Directorships, or any day-to-day involvement in running the business. The Committee has access to professional advice from inside and outside the Company at the Company's expense. There were no Remuneration Committee meetings held during the year.

Details of the remuneration paid in the year are shown below.

Approach to recruitment remuneration

All appointments to the Board are made on merit. The components of a new Director's remuneration package (who is recruited within the life of the approved remuneration policy) would comprise at present a base salary. As outlined above the approach to such appointments are detailed within the future policy table below. The Company will pay such levels of remuneration to new Directors that would enable the Company to attract appropriately skilled and experienced individuals that is not in the opinion of the Remuneration Committee excessive.

Service contracts

All Executive Directors have full-time contracts of employment with the Company. Non-Executive Directors have contracts of service. No Director has a contract of employment or contract of service with the Company, its joint venture or associated companies with a fixed term which exceeds three years. Directors' notice periods (see page 24 of the financial statements) are set in line with market practice and of a length considered sufficient to ensure an effective handover of duties should a Director leave the Company.

All Directors' contracts as amended from time to time, have run from the date of appointment. Service contracts are kept at the registered office.

Policy on payment for loss of office

There are no contractual provisions agreed that could impact on a termination payment. Termination payments will be calculated in accordance with the existing contract of employment or service contract. It is the policy of the Remuneration Committee to issue employment contracts to Executive Directors with normal commercial terms and without extended terms of notice which could give rise to extraordinary termination payments.

Consideration of employment conditions elsewhere in the Group

In setting this policy for Directors' remuneration the Remuneration Committee has been mindful of the Company's objective to reward all employees fairly according to their role, performance and market forces. In setting the policy for Directors' remuneration the Remuneration Committee has considered the pay and employment conditions of the other employees within the Group. No formal consultation has been undertaken with employees in drawing up the policy. The Remuneration Committee has not used formal comparison measures.

Consideration of shareholder views

Shareholder views have been taken into account when formulating this policy, and was approved at the Annual General Meeting in 2015, and will be reconfirmed this year at the Annual General Meeting.

Remuneration

The following information has been audited.

	2017 US$	2016 US$
Executive Directors		
Kanat Assaubayev	**–**	–
Aidar Assaubayev	**201,240**	215,592
Sanzhar Assaubayev	**–**	–
Ken Crichton	**–**	3,110
Non-Executive Directors		
Ashar Qureshi	**34,830**	37,314
William Trew	**–**	20,092
Neil Herbert	**100,598**	37,314
Vladimir Shkolnik	**–**	–
Alain Balian (resigned 29 December 2017)	**34,830**	37,314
Total	**371,498**	350,736

The total amount remaining unpaid with respect to Directors' remuneration amounted to US$127,000 (2016: US$79,444). The total directors' remuneration for 2017 and 2016 includes only salaries and fees.

The change in the year was due to, Neil Herbert being appointed as an Executive Director in February 2017, a position he subsequently stood down from in November 2017. As it was an Executive position it was at a higher remuneration level, the share options previously issued under the term of his role as Executive Director in February 2017 were forfeited.

The remuneration levels will be in the range of US$400,000 in the forthcoming year.

ANNUAL REMUNERATION REPORT continued

Performance targets
There are no performance measures targets associated with the Directors Remuneration.

Summary of Directors' terms

	Date of contract	Unexpired term	Notice period months
Executive Directors			
Kanat Assaubayev	23 October 2016	Continuing	3
Aidar Assaubayev	20 February 2013	Continuing	3
Sanzhar Assaubayev	29 February 2016	Continuing	3
Non-Executive Directors			
Ashar Qureshi	7 December 2015	Continuing	3
Neil Herbert	29 February 2016	Continuing	3
Vladimir Shkolnik	21 November 2017	Continuing	3

Pension schemes and incentives
The Company does not operate a pension scheme.

Share option schemes
There are no share option schemes currently in the company.

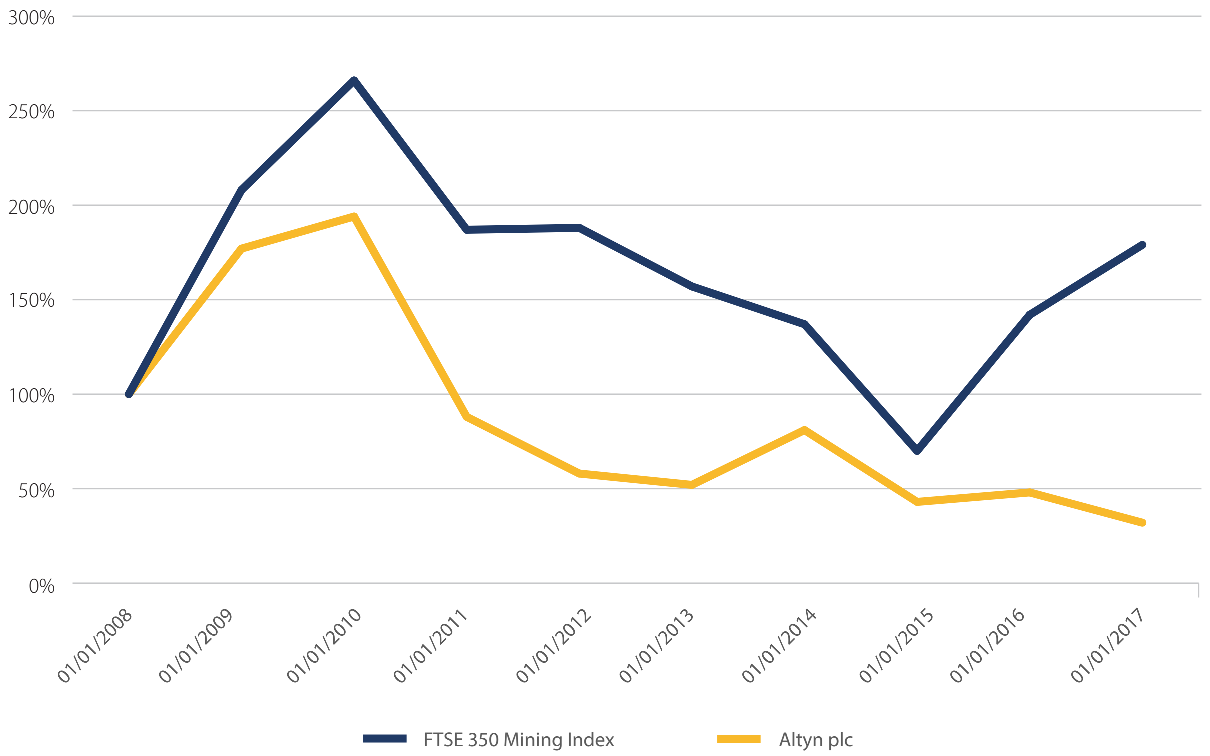
Payments to past Directors
No payments were made to past Directors in the year ended 31 December 2017.

Payments for loss of office
No payments for loss of office were made in the year ended 31 December 2017.

Statement of Directors' shareholding and share interest
The interests of the Directors in the shares of the Company, including family and trustee holdings are disclosed on page 17 of the Accounts.

Performance graph
The following information is unaudited.

ALTYN against FTSE 350 Mining Index



Remuneration of the Chief Executive Officer over the last ten years

Aidar Assaubayev was appointed on 20 February 2013, replacing Timothy Daffern who was appointed on 5 November 2010, replacing Nicholas Bridgen who resigned on that date. Included in the remuneration of Timothy Daffern for the year 2013 is an amount of US$307,432 relating to a payment in respect of a change of control of the Company.

The table below demonstrates the remuneration of the CEO for the last ten years.

Year	Chief Executive Officer	Total remuneration US$000
2017	Aidar Assaubayev	201
2016	Aidar Assaubayev	215
2015	Aidar Assaubayev	175
2014	Aidar Assaubayev	82
2013	Timothy Daffern	626
2012	Timothy Daffern	282
2011	Timothy Daffern	271
2010	Nicholas Bridgen	535
2009	Nicholas Bridgen	227
2008	Nicholas Bridgen	240

Percentage change in remuneration of Director undertaking the role of Chief Executive Officer

There has been no increase in the base salary of the Chief Executive Officer during the year whose salary remains at £156,000, (US$201,000) as agreed in May 2016. The change from the prior year of US$215,000 is the effect of foreign exchange . In relation to UK based staff in the period there were no pay increases but the leavers accounted for the significant part of the decrease in salary costs.

	Chief Executive Officer			UK based employees		
	2017 US$000	2016 US$000	% change	**2017 US$000**	2016 US$000	% change
Base salary	**201**	215	(.07)	**240**	274	(12)

The comparison used is that of all UK based employees, as the remuneration committee believe this provides the most accurate comparison of underlying increases.

Relative importance of spend on pay

The total expenditure of the Company on remuneration to all employees in shown in note 7 to the financial statements and in the table below.

Remuneration	**2017 US$000**	2016 US$000
Directors emoluments	**371**	351
Employee salaries	**3,603**	3,160
Employer social tax and national insurance	**544**	350
Total	**4,518**	3,841

Statement of implementation of remuneration policy in the following year

The policy was approved at the Annual General Meeting in June 2015, and is subject to approval by shareholders in the Annual General Meeting to be held in 2018.

The vote on the remuneration policy is binding in nature. The Company may not then make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a Director of the Company unless that payment is consistent with the approved remuneration policy, or has otherwise been approved by a resolution of members.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee considered the Executive Directors' remuneration and the Board considered the Non-Executive Directors' remuneration in the year ended 31 December 2017. No increases were awarded and no external advice was taken in reaching this decision.

Shareholder voting

At the Annual General Meeting in June 2018, there will be a vote on the resolution to approve the remuneration report.

Members of the Remuneration Committee

The following Directors are members of the Remuneration Committee:
Ashar Qureshi and Neil Herbert

REMUNERATION POLICY REPORT

The remuneration policy of the Company was approved by a binding vote at the 2015 Annual General Meeting, and will be reaffirmed at the 2018 Annual General Meeting. At present the only remuneration payable to the Directors' is that of a base salary, in setting the policy the Remuneration Committee has taken the following into account:

- the need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the Company;
- the Company's general aim of seeking to reward all employees fairly according to the nature of their role and their performance;
- remuneration packages offered by similar companies in the same sector;
- the need to align the interests of the shareholders with the long term growth and interests of the Company;
- the need to be flexible and adjust with operational changes throughout the term of the policy.

The remuneration of the Non-Executives Directors is determined by the Board, and takes into account additional remuneration for services outside the scope of the ordinary duties of the Non-Executive Directors.

INDEPENDENT AUDITOR'S REPORT

to the members of Altyn Plc

Opinion

We have audited the financial statements of Altyn Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the parent company statement of financial position, the consolidated statement of changes in equity, the parent company statement of changes in equity, the consolidated statement of cash flows, the parent company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT continued

to the members of Altyn Plc

Matter	**Carrying value of intangible assets** As detailed in note 13, the Group's intangible assets represent historical geological data of \$8.6m and exploration & evaluation costs of \$3.3m pertaining to the Karasuyskoye ore fields, adjacent to the Group's current mining licence area production facilities at Sekisovskoye, which are significant assets and total \$11.9m at 31 December 2017. For the year ended 31 December 2017 management was required to assess whether there was any indication that this asset may be impaired in accordance with accounting standards. Management have carried out an assessment of impairment indicators during the year and concluded that no adjustment is required for impairment. There are a large number of estimates and judgements used by the management in assessing the indicators of impairment including non-financial and financial data. Therefore given the subjectivity involved in determining whether an impairment provision is required and quantifying this, the carrying value of the intangible assets is considered to be a key audit matter.
Our Response	We reviewed management's assessment of the impairment indicators in accordance with accounting standards. We read the correspondence, contracts and other documents regarding the license to confirm that the Group has a contractual right for exploration in the Karasuyskoye area. We obtained the exploration results to date and discussed with management who confirmed that the area remains prospective; We reviewed management's plans and budgets which show that the Group is committed to the progressing the project; and We assessed the Group's amortisation policy and useful life assessment against the length of legal title to the project area.

Matter	**Carrying value of property, plant and equipment** As detailed in note 14, the Group's property, plant and equipment represent its most significant assets and total \$35.2m at 31 December 2017. For the year ended 31 December 2017 management was required to assess whether there was any indication that an asset may be impaired in accordance with accounting standards. Management have carried out an assessment of impairment indicators during the year and concluded that no adjustment is required for impairment. Management's assessment of the impairment indicators contain a number of key assumptions that require significant estimation and judgements, including gold prices, gold reserves and production level, gold grade, exchange rates, cost assumptions and discount rates. Given the subjectivity involved, the carrying value of property, plant and equipment is considered to represent a key audit matter.
Our Response	We reviewed in detail the key assumptions and judgements exercised in management's assessment of the indicators of impairment, challenged the management's judgements by reference to the results from the operations and those that would be expected given the stage of development. We compared the actual performance with the economic model provided previously and investigated any material deviations and considered whether these represent an indicator of impairment. The main deviations were noted in gold grade and levels of production. We visited the Sekisovskoye mine, observed and discussed the operations, operational results and mining processes with the mine management and the chief geologist. During the visit to the Sekisovskoye mine we discussed the mine plan with the chief geologist and confirmed the main reason of underperformance in 2017 was lack of funds available for investments in mining equipment, which affected the volume and grade mined. We assessed the reasonableness of factors explained above and confirmed that in the ore bodies where there was a sufficient targeting and drilling equipment in place, the operational results met the expectations and supported the model in place. Additionally, we considered if the operational results in the period would invalidate the latest independent technical report issued by Venmyn Deloitte and noted that, despite the operational difficulties mentioned above, the assumption regarding mineable reserves continued to be valid. Our work did not indicate that management's assessment that there are no indicators of impairment in respect of the carrying value of property, plant and equipment was unreasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

	Group	Parent company
Group	$800,000 (2016: $850,000)	$600,000 (2016: $600,000)
Basis for determining materiality	1.3% of total assets (2016: 1.5% of total assets)	1.3% of total assets (2016: 1.5% of total assets, capped at 75% of group materiality (2016: 1.5% of total assets, capped at 75% of group materiality)
Rationale for the benchmark applied	We have determined an assets based measure is appropriate as the Group is currently developing an underground mining project that requires significant capital expenditure. It is consistent with our approach adopted in previous years.	

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at $480,000 for the Group and at $360,000 for the parent company (2016: $500,000 for the Group and $360,000 for the parent company) which represents 60% (2016 60%) of the above materiality levels.

Whilst materiality for the financial statements as a whole was $800,000, each significant component of the Group was audited to a lower level of materiality ranging from $400,000 to $600,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $40,000 (2016: $40,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

There were no misstatements identified during the course of our audit that individually, or in aggregate, were considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group, its environment and assessing the risks of material misstatement at the Group level.

Our group audit scope focused on the Group's principal operating locations being the Sekisovskoye and Karasuyskoye exploration project held in DTOO Gornorudnoe Predpriatie Baurgold and revenue recognised in TOO GMK Altyn MM, which were subject to a full scope audit with the audit work performed by overseas component auditors under our direction and supervision. Together with the parent company and its group consolidation, which was also subject to a full scope audit, these represent the significant components of the Group.

These locations represent the principal business units and account for 100% of the Group's revenue (2016:100%) and 100% of the Group's total assets (2016:100%).

The remaining component of the Group, Hambledon Mining Company Limited, was considered non-significant and we completed analytical procedures for this intermediate holding company on an entity only basis to confirm there are no significant risks of material misstatements within this entity.

The audits of each of the components were principally performed in Kazakhstan and the United Kingdom. All of the audits were conducted by BDO LLP and BDO member firms.

As part of our audit strategy, the audit partner and a senior member of the audit team visited each of the principal operating locations in the year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT continued

to the members of Altyn Plc

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company'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 the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of directors on 26 March 2013 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. This is the 6th year of our engagement as auditor.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company and the Group in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Scott McNaughton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London,
United Kingdom

30 April 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

year ended 31 December 2017

	Notes	2017 US$000	2016 US$000
Revenue	5	**21,649**	15,867
Cost of sales		**(17,470)**	(13,554)
Gross profit		**4,179**	2,313
Administrative expenses		**(5,037)**	(5,352)
Impairments – reversed/(Impairment)	8	**374**	(1,107)
Operating loss		**(484)**	(4,146)
Foreign exchange	9	**(52)**	283
Finance expense	9	**(1,381)**	(2,215)
Loss before taxation	10	**(1,917)**	(6,078)
Taxation (charge)/credit	11	**(12)**	(278)
Loss attributable to equity holders of the parent		**(1,929)**	(6,356)
Loss per ordinary share			
Basic & diluted	12	**(0.08c)**	(0.3c)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

year ended 31 December 2017

	2017 US$000	2016 US$000
Loss for the year	**(1,929)**	(6,356)
Currency translation differences arising on translations of foreign operations items that may be reclassified to profit or loss	**98**	747
Currency translation differences arising on translations of foreign operations relating to taxation	**1,088**	866
Total comprehensive loss attributable to equity holders of the parent	**(743)**	(4,743)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

year ended 31 December 2017

Company number 5048549	Notes	2017 US$000	2016 US$000
Non-current assets			
Intangible assets	13	**11,881**	10,264
Property, plant and equipment	14	**35,163**	37,316
Trade and other receivables	17	**1,476**	1,100
Deferred tax asset	23	**6,928**	5,855
Restricted cash	21	**14**	139
		55,462	54,674
Current assets			
Inventories	16	**1,713**	1,366
Trade and other receivables	17	**2,531**	3,096
Cash and cash equivalents		**704**	2,236
		4,948	6,698
Total assets		**60,410**	61,372
Current liabilities			
Trade and other payables	18	**(7,822)**	(5,877)
Other financial liabilities	19	**(399)**	(461)
Current tax payable		**–**	(11)
Provisions	21	**(112)**	(190)
Borrowings	22	**(724)**	(4,439)
		(9,057)	(10,978)
Net current liabilities		**(4,109)**	(4,280)
Non-current liabilities			
Other financial liabilities	19	**–**	(254)
Other payables		**(160)**	(190)
Provisions	21	**(4,512)**	(3,978)
Convertible bonds	22	**(12,496)**	(11,281)
Borrowings	22	**(937)**	(700)
		(18,105)	(16,403)
Total liabilities		**(27,162)**	(27,381)
Net assets		**33,248**	33,991
Equity			
Called-up share capital	24	**3,886**	3,886
Share premium		**141,918**	141,918
Merger reserve		**(282)**	(282)
Other reserve	22	**333**	333
Currency translation reserve		**(44,618)**	(45,804)
Accumulated losses		**(67,989)**	(66,060)
Total equity		**33,248**	33,991

The financial statements were approved by the Board of Directors on 30 April 2018 and signed on its behalf by

Aidar Assaubayev
Chief Executive

The accompanying notes are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2017

Company number 5048549	Notes	2017 US$000	Restated 2016 US$000
Non-current assets			
Property, plant & equipment	14	**207**	290
Investments	15	**9,430**	9,430
Loans to subsidiaries	15	**90,425**	85,401
		100,062	95,121
Current assets			
Other receivables	17	**68**	165
Cash and cash equivalents		**264**	1,725
		332	1,890
Total assets		**100,394**	97,011
Current liabilities			
Trade and other payables	18	**(555)**	(1,193)
Net current (liabilities)/assets		**(223)**	697
Non-current liabilities			
Convertible bonds	22	**(12,496)**	(11,281)
		(12,496)	(11,281)
Total liabilities		**(13,051)**	(12,474)
Net assets		**87,343**	84,537
Equity			
Called up share capital	24	**3,886**	3,886
Share premium		**141,918**	141,918
Currency translation reserve		**(16,338)**	(16,338)
Other reserve	22	**333**	333
Accumulated losses		**(42,456)**	(45,262)
Total equity		**87,343**	84,537

The Company made a profit of US$2.8m in the year (2016: restated US$1.45m).

The financial statements were approved by the Board of Directors on 30 April 2018 and signed on its behalf by

Aidar Assaubayev
Chief Executive

The accompanying notes are an integral part of these company financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 December 2017

	Note	Share capital US$000	Share premium US$000	Merger reserve US$000	Currency translation reserve US$000	Other reserve US$000	Accumulated losses US$000	Total US$000
1 January 2016		3,886	141,918	(282)	(47,417)	–	(59,704)	38,401
Loss for the year							(6,356)	(6,356)
Other comprehensive loss		–	–	–	1,613	–		1,613
Total comprehensive profit		–	–	–	1,613	–	(6,356)	(4,743)
Equity component of loans received		–	–	–	–	333	–	333
31 December 2016		3,886	141,918	(282)	(45,804)	333	(66,060)	33,991
Loss for the year							(1,929)	(1,929)
Other comprehensive income		–	–	–	1,186	–	–	1,186
Total comprehensive loss		–	–	–	1,186	–	(1,929)	(743)
31 December 2017		**3,886**	**141,918**	**(282)**	**(44,618)**	**333**	**(67,989)**	**33,248**

Group Reserves	Description
Share capital	Amount of the contributions made by shareholders in return for the issue of shares.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Reserve created on application of merger accounting under a previous GAAP.
Currency translation reserve	Gains/losses arising on re-translating the net assets of overseas operations into US Dollars
Other reserve	Amount of proceeds on issue of convertible debt relating to the equity component.

The accompanying notes are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

year ended 31 December 2017

	Share capital US$000	Share premium US$000	Currency translation reserve US$000	Other reserve US$000	Accumulated losses US$000	Total US$000
1 January 2016 (as previously reported)	3,886	141,918	(16,338)	–	(47,998)	81,468
Restatement (note 15)	–	–	–	–	1,287	1,287
1 January 2016 – restated	3,886	141,918	(16,338)	–	(46,711)	82,755
Profit for the year – restated	–	–	–	–	1,449	1,449
Total comprehensive profit – restated	–	–	–	–	1,449	1,449
Equity component of loans received	–	–	–	333	–	333
31 December 2016 – restated	3,886	141,918	(16,338)	333	(45,262)	84,537
Profit for the year	–	–	–	–	2,806	2,806
Total comprehensive profit	–	–	–	–	2,806	2,806
31 December 2017	**3,886**	**141,918**	**(16,338)**	**333**	**(42,456)**	**87,343**

Company Reserves	**Description**
Share capital	Amount of the contributions made by shareholders in return for the issue of shares.
Share premium	Amount subscribed for share capital in excess of nominal value.
Currency translation reserve	Gains/losses arising on re-translating the net assets of overseas operations into US Dollars.
Other reserve	Amount of proceeds on issue of convertible debt relating to the equity component.
Accumulated losses	Cumulative net gains and losses recognised in the Company statement of financial position.

The accompanying notes are an integral part of these company financial statements.

The Company has taken advantage of S408 of the Companies Act 2006 and not presented the individual Company profit and loss account.

CONSOLIDATED STATEMENT OF CASHFLOWS

year ended 31 December 2017

	Notes	2017 US$000	2016 US$000
Net cash inflow/(outflow) from operating activities	25	**5,107**	(2,918)
Investing activities			
Purchase of property, plant and equipment	14	**(2,252)**	(4,898)
Exploration costs	13	**(439)**	(396)
Net cash used in investing activities		**(2,691)**	(5,294)
Financing activities			
Loans received	25	**724**	13,661
Borrowings repaid	25	**(4,331)**	(3,434)
Interest repaid	25	**(341)**	(759)
Net cash (outflow)/inflow from financing activities		**(3,948)**	9,468
(Decrease)/increase in cash and cash equivalents		**(1,532)**	1,256
Foreign currency translation		**–**	(104)
Cash and cash equivalents at beginning of the year		**2,236**	1,084
Cash and cash equivalents at end of the year		**704**	2,236

The accompanying notes are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASHFLOWS

year ended 31 December 2017

	Notes	2017 US$000	2016 US$000
Net cash outflow from operating activities	25	**(1,169)**	(3,075)
Investing activities			
Loans to subsidiaries		**(132)**	(7,856)
Net cash used in investing activities		**(132)**	(7,856)
Financing activities			
Borrowings		**–**	12,000
Finance expenses paid	25	**(160)**	(72)
Net cash (outflow)/inflow from financing activities		**(160)**	11,928
(Decrease)/increase in cash and cash equivalents		**(1,461)**	997
Cash and cash equivalents at beginning of the year		**1,725**	728
Cash and cash equivalents at the end of the year		**264**	1,725

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

year ended 31 December 2017

1 General information

Altyn Plc (the "Company") is a Company incorporated in England and Wales under the Companies Act 2006. The address of its registered office, and place of business of the Company and its subsidiaries is set out within the Company information on page 65 of this annual report. The principal activities of the Company and subsidiaries are set out on page 16 and, the strategic review within this annual report.

2 Basis of preparation

The annual report is for the year ended 31 December 2017 and includes the consolidated and parent company's financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements have been prepared using accounting policies set out in note 4 which are consistent with all applicable IFRSs and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. For these purposes, IFRSs comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that have been endorsed by the European Union. The financial statements have been prepared under the historical cost convention, except for the adjustment in relation to the fair value of the derivative element included in the US$10m bond raised with African Resources, and on a going concern basis.

Going concern

To progress the mine to the full projected capacity the Company requires further funding, which the Company has made good progress in putting in place. It is currently in the advanced stages of finalising funding for new equipment from two parties. It is seeking bond finance from one party and direct equipment purchasing from another party, in order to secure the necessary investment.

The Company is continuing to develop its underground mine, production is continuing at a steady pace with gold sold in the current year of 16,747 oz. From the operating cash flows generated the Company paid the balance of the EBRD loan, which with interest amounted to US$3.5m. In order to preserve cash flow, savings have been made in overhead costs at both head office and subsidiary level. In January 2018, African Resources Limited converted US$9.7m of the US$10m convertible loan debt into new ordinary shares. No interest was paid in relation to this loan in the year and it is expected that the balance of the bond to include accrued interest will be converted into new ordinary shares in Q3 2018.

The Directors have reviewed the cash flows for 15 months from the date of approval of the financial statements based on the projected trading. The Directors are confident that should the fund raising not be successful to provide the funds in the expected timeframe the Company will be able to adapt its operational plans such that it continues to operate.

Furthermore the major shareholder has confirmed their intention to provide further funding to enable the Company to continue its planned operations for at least twelve months from the date of approval of the financial statements.

On this basis the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

3 Accounting standards issued but not adopted

At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and some of which were pending endorsement by the EU):

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts

IFRS 16 Leases

The only standard that is anticipated to be significant or relevant to the Group is IFRS 9 "Financial Instruments". The new standard will replace existing accounting standards. It is applicable to financial assets and liabilities and will introduce changes to existing accounting concerning classification, measurement and impairment (introducing an expected loss method).

IFRS 15 'Revenue from Contracts with Customers' is not expected to have a material impact on the Group at this stage of the Group's operations. The revenue contracts held by the Group usually contain a single performance criteria that is satisfied at a point in time. The Group will adopt the above standards at the time stipulated by that standard. The Group does not at this time anticipate voluntary early adoption of any of the standards.

IFRS 16 will require the recognition of an asset and liability with respect to the material operating lease commitments that the group have. Management are currently considering the impact that this will have on the financial statements.

4 Accounting policies

Basis of consolidation

Where a company has control over an investee, the investee is classified as a subsidiary. A company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods provided in the normal course of business, net of VAT and any other sales related taxes.

The Company's revenue is generated entirely from the sale of the gold and silver ("Precious Metal") content of gold doré. Gold doré was delivered to a precious metal refiner, based in Kazakhstan during 2017 and 2016, which also purchased all precious metal that was refined. Title of the Precious Metal passes upon acceptance of the delivery from the Company to the refiner. Sales of Precious Metal are only recognised when the delivery has been accepted and title for the Precious Metal has accordingly been passed to the refiner.

The Company does not hedge or otherwise enter into any derivatives in respect of its sales of gold doré. Sales are recorded at the actual selling price of the gold doré which is based on current market prices.

Foreign currencies

The Company has prepared its financial statements in United States Dollars (US$). The functional currency of the companies in Kazakhstan is the Kazakhstan Tenge (KZT). The functional currency of the Company and Hambledon Mining Company Limited is the United States Dollars (US$).

The rates used to convert Pound Sterling and Kazakhstan Tenge into United States Dollar in these financial statements are as follows:

	2017		2016	
	Closing	**Average**	Closing	Average
US$ = £	**1.35**	**1.29**	1.23	1.35
US$ = KZT	**332.33**	**326.00**	333.29	342.16

The year end and average rates used for the Kazakh Tenge have been obtained from the National Bank of Kazakhstan.

Transactions denominated in currencies other than the functional currency of each respective entity are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities are translated into the relevant functional currency at the closing rates of exchange at the reporting date. Exchange differences arising from the restatement of monetary assets and liabilities at the closing rate of exchange at the reporting date or from the settlement of monetary transactions at a rate different from that at which the asset or liability was recorded are dealt with through the statement of profit or loss.

On consolidation, the results of overseas operations are translated into US dollars, the presentation currency, at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at the opening rate and the results of overseas operations at the actual rate are recognised directly in the consolidated statement of other comprehensive income.

The intercompany loans form a part of the Company's investment in a foreign operation. The exchange difference arising on the intercompany loans is recognised in other comprehensive income and accumulated in a separate component of equity until disposal of the foreign operation.

Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their expected economic life. In the Directors' opinion this was initially estimated to be over the expected useful life of the data being 20 years, this has been revised down to 10 years from 10 May 2016 being the minimum period over which the exploration licenses have been awarded.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

4 Accounting policies continued

Exploration and evaluation costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. All costs associated with mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses. If an exploration project is successful and the project is determined to be commercially viable, the related costs will be transferred to mining assets and amortised over the estimated life of the mineral reserves on a unit of production basis. Where a project is relinquished, abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off. Impairment reviews performed under IFRS 6 'Exploration for and evaluation of mineral resources' are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

- sufficient data exists that render the resource uneconomic and unlikely to be developed
- title to the asset is compromised
- budgeted or planned expenditure is not expected in the foreseeable future
- insufficient discovery of commercially viable resources leading to the discontinuation of activities.

Property, plant and equipment: mining properties and leases

Mining properties comprise previously capitalised exploration, evaluation and development expenditure incurred during the exploration and development stages of the Company's mining projects.

Other items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost include directly attributable costs and estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Assets under construction represent assets under development that are not at the stage that can be used commercially to generate revenues, no depreciation is applied to these assets.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight line or units of production basis, as appropriate. Assets are fully depreciated over their economic lives, or over the remaining life of the mine if shorter.

Buildings	8-10 per cent. per annum
Equipment, fixtures and Fittings	10-40 per cent. per annum
Plant machinery and vehicles	7-30 per cent. per annum
Mining properties and leases	Unit of production based on the proven reserves

Assets under construction are not depreciated.

Impairment of non-current assets

Property, plant and equipment and intangible assets are assessed for impairment at each reporting date when events or a change in circumstances suggest that the carrying amount of an asset may exceed the recoverable amount.

Where there has been an indication of a possible impairment, management assesses the recoverability of the carrying value of the asset by comparing it with the estimated discounted future net cash flows generated by the asset based on management's expectation of future production and selling prices. Any identified impairment is charged to the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss is recognised in the profit or loss immediately.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Spare parts and consumables	– Purchase costs on a first in, first out basis
Ore stockpiles, work in progress and finished gold	– Dependent on the current stage in the production cycle, the cost will reflect cost of direct materials, power, labour and a proportion of overhead, to bring the product to its current state

4 Accounting policies continued

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for by using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged to other comprehensive income or credited directly to equity, in which case the deferred tax is also dealt within equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Indirect tax balances are not discounted.

Financial instruments

Financial assets

The Company classifies its financial assets only as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary assets (other receivables). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised costs using effective interest rate method, less provision for impairment.

Financial assets are assessed for indicators of impairment at reach reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments with original maturities of less than three months and which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value; for the purposes of statement of cash flows, cash and cash equivalents also include bank overdrafts.

Investments and loans to subsidiaries

Investment in subsidiaries are included at cost less amounts written off. Loans to subsidiaries are initially recognised at fair value and subsequently measured at amortised costs.

Financial liabilities

The Group classifies its financial liabilities into one of two categories discussed blow, depending on the purpose for which the liability was acquired.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise only the conversion option related to $10m loan note classified as derivative financial liability. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated income statement. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities comprise borrowings, trade payables and other short-term monetary liabilities. These are initially measured at fair value and subsequently recognised at amortised cost using effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled, or they expire.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

4 Accounting policies continued

Financial liabilities continued

Fair value measurement hierarchy

The Group classifies its financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (note x). The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3);
- the level in the fair value hierarchy within the financial asset or financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

Compound instruments

The component parts of compound instruments (convertible notes and loans with detachable warrants) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non convertible instruments. This amount is subsequently recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option or detachable warrant classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the fair value of the debt and equity components. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the compound instruments using the effective interest method.

Share capital

Financial instruments used by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments and are recorded at proceeds received, net of direct issue costs.

US$10m Convertible bond

As further discussed in the note 20 the Group entered into a $10m loan arrangement with African Resources PLC. The loan can be converted into ordinary shares of the Company at a price of 3p per share any time prior to maturity. The conversion feature has been classified as derivative given there is an obligation to issue a variable number of shares as the amount of liability to be settled depends on the foreign exchange rate at the date of settlement. The Company engaged Global View Limited as a third party expert to update the value of the embedded derivative liability.

Their fair value of derivative liability on the grant date and the reporting date was determined using a Monte-Carlo simulation. For each iteration of the simulation, the simulated share price was analysed to determine the value. The fair value was based on the following assumptions:

- share price at the 31 December 2017 £0.0124 (2016 : £0.0185);
- GBP/USD exchange rate at 31 December 2017 – £0.7407 (2016: £0.8109);
- volatility of share price at 31 December 2017 – 55.3% (2016: 63.8%);
- volatility of the forex rate at 31 December 2017 – 7.0% (2016: 13.5%); and
- time period at 31 December 2017 3.2 years (2016: 4.2 years).

4 Accounting policies continued

Level 3 fair value measurements

The derivative liability has been deemed to be Level 3 liability under the fair value hierarchy as fair value measures of these liabilities are not based on observable market data.

The movement in their fair values is shown in the table below:

	US$000
As at 1 January 2016	–
Value at the date of the issue of the issue of the convertible	2,266
Fair value movements recognised through profit or loss	(143)
Foreign exchange movements	(243)
As at 31 December 2016 and 1 January 2017	**1,880**
Fair value movements recognised through profit or loss	(1,453)
Foreign exchange movements	112
As at 31 December 2017	**539**

The amount of derivative as at 31 December 2017 has been included in the value of Convertible bond in Note 22.

Provision for commitments and contingencies

Provisions are recognised when the Company has a present obligation at the reporting date, which occurred as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount of the obligation can be reliably estimated.

Possible obligations that are less than probable, and commitments to make purchases and incur expenditure in future periods, are not recognised as provisions but are disclosed as commitments and contingencies.

Provision for site rehabilitation and decommissioning costs and the associated asset is recorded at the present value of the expected expenditure required to settle the Company's future obligations. Actual outcomes may vary. Details regarding the provision for site rehabilitation and decommissioning costs are set out in note 21 to the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors have made judgments and estimates that may have a significant effect on the amount recognised in the financial statements. These include:

- carrying value of property, plant and equipment, including estimates made in respect of reserves and resources, discount rate and future gold prices (note 14);
- recoverability of inventories (note 16);
- carrying value of provisions (note 21);
- recognition of deferred taxation assets (note 23);
- carrying value of intangible assets (note 13);
- recognition of derivatives (note 22); and
- carrying value of indirect taxes – the Directors consider that it is appropriate to carry these balances without the need for provision based on the legal right and the mechanism for recovery. The balances are not discounted in accordance with the accounting policy.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

5 Revenue

An analysis of the Company's revenue is as follows:

	2017 US$000	2016 US$000
Sale of gold and silver	**21,649**	15,867

Included in revenues from sale of gold and silver are revenues of US$21,294,000 (2016: US$15,862,000) which arose from sales of precious metals to one customer based in Kazakhstan. Other sales amounted to US$355,000 (2016 US$5,000), and related to sale of surplus materials and consumables.

6 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decision, has been identified as the Board of Directors.

The Board of Directors consider there to be only one operating segment, the exploration and development of mineral resources, and only one geographical segment, being Kazakhstan. The majority of sales were made in Kazakhstan and, therefore, no additional segmental information is presented.

7 Staff number and costs of the Group

The average monthly number of employees (including Executive Directors) was:

	2017	2016
Production	**523**	523
Administration	**106**	107
	629	630

Their aggregate remuneration comprised:

	2017 US$000	2016 US$000
Directors' emoluments	**371**	351
Employee wages and salaries	**3,603**	3,051
Employer social tax and national insurance	**544**	439
	4,518	3,841

Staff number and costs of the Company

The average monthly number of employees (including Executive Directors) was:

	2017	2016
Administration	**7**	7

Their aggregate remuneration comprised:

	2017 US$000	2016 US$000
Directors' emoluments	**371**	351
Employee wages and salaries	**70**	138
Employer social tax and national insurance	**34**	48
	475	537

8 Impairments

	2017 US$000	2016 US$000
Impairments (reversed)/provided – low grade ore	(374)	946
Impairments – other	–	161
	(374)	1,107

The reversal of impairment for low grade ore in 2017 relates to ore that is less than 1g/t, and is being used in processing for operational reasons and was previously provided.

The other impairment relates to a provision made against an advance payment where recovery of the monies/services is uncertain.

9 Finance income and finance expense

	2017 US$000	2016 US$000
Finance expense		
Foreign exchange gain on EBRD loan	–	27
Foreign exchange (loss)/gains other	(52)	256
	(52)	283
Interest paid	(1,510)	(1,883)
Fair value adjustment on convertible loan	1,453	143
Unwinding of discount other financial liabilities	(774)	(22)
Unwinding of discount on provisions	(550)	(453)
	(1,381)	(2,215)

10 Loss before taxation

The loss on ordinary activities before taxation is stated after charging:

	2017 US$000	2016 US$000
Staff costs (note 7)	4,518	3,841
Depreciation of tangible assets	4,508	3,067
Amortisation of intangible (net of amortisation capitalised)	–	231
Cost of inventories recognised as expense	5,949	5,127
Impairment of receivables	–	161
(Reversal of impairment)/impairment of inventory	(374)	946
Fees payable to the Company's auditors for the audit of the Company and Group financial statements	159	146
Fees payable to the auditors of the Company's subsidiaries pursuant to legislation	34	47

11 Taxation

	2017 US$000	2016 US$000
Current year tax charge	–	12
Adjustment in relation to prior years	–	–
Deferred taxation (note 23)	12	266
Total taxation charge	12	278

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

11 Taxation continued

A reconciliation between the accounting profit and the total taxation benefit from continuing operations is as follows:

	2017 US$000	2016 US$000
Loss before taxation	**(1,917)**	(6,078)
Loss for the year multiplied by the standard rate of corporation tax of 19.25% (2016: 20%)	**(369)**	(1,216)
Expenses not deductible for tax purposes	**409**	361
Current year tax losses	**(28)**	577
Adjustments relating to different tax rates of subsidiaries	**(24)**	–
Total charge	**(12)**	(278)

The taxation rate used for taxation on loss on ordinary activities is the standard rate for United Kingdom corporation tax, currently 19.25% (2016: 20%), being the average applicable rate for the Company in 2017. The rate applicable to the Company's subsidiaries in Kazakhstan is 20%.

12 Loss per ordinary share

The calculation of basic and diluted earnings per share from continuing operations is based upon the retained loss from continuing operations for the financial year of US$1.9m (2016: loss of US$6.4m).

The weighted average number of ordinary shares for calculating the basic loss in 2017 and 2016 is shown below. As the Company was loss making in 2017, the impact of the potential ordinary shares outstanding from the conversion of the Convertible loan notes would be anti-dilutive, and as such the basic and diluted earnings per share are the same. The total number of all non-dilutive potential shares related to the issue of the convertible loans is disclosed in Note 22.

	2017	2016
Basic and diluted	**2,334,342,130**	2,334,342,130

13 Intangible assets

	Karasuyskoye geological data	Exploration and evaluation costs	US$000
Cost			
1 January 2016	11,139	–	11,139
Translation difference	206	–	206
Additions	–	396	396
Amortisation capitalized	–	322	322
31 December 2016 & 1 January 2017	11,345	718	12,063
Translation difference	79	–	79
Transfer		157	157
Additions	–	1,430	1,430
Amortisation capitalized	–	1,021	1,021
31 December 2017	**11,424**	**3,326**	**14,750**
Amortisation			
1 January 2016	1,252	–	1,252
Charge for the year	553	–	553
Translation difference	(6)	–	(6)
31 December 2016 & 1 January 2017	1,799	–	1,799
Charge for the year	1,021	–	1,021
Translation difference	49	–	49
31 December 2017	**2,869**	**–**	**2,869**
Net book value			
1 January 2016	9,887	–	9,887
31 December 2016	9,546	718	10,264
31 December 2017	**8,555**	**3,326**	**11,881**

The intangible assets relate to the historic geological information pertaining to the Karasuyskoye ore fields. The ore fields are located in close proximity to the current open pit and underground mining operations of Sekisovskoye. The Company obtained a contract for exploration and evaluation on the site in May 2016 from the Kazakh authorities. The contract is valid for a period of 6 years, which is a right to extend for a minimum period of 4 years.

13 Intangible assets continued

The directors took the view that initially a 20 year write off was appropriate in relation to the absorption of the costs given the current development of the site, this has been revised to write off the geological data over the period the licence expires being with the minimum extension to May 2026 a period of 10 years. The costs amortised are capitalised in line with the Company's accounting policy. The effect is to increase the amortisation charge from US$522,000 to US$1,021,000, there is no effect on the income statement as the amortisation costs are capitalised as part of exploration and evaluation costs. Based on results of further work performed during the year, the Directors do not consider there to be any indicators of impairment and consider the project to remain prospective.

14 Property, plant and equipment – Company

	Motor vehicle US$000	Equipment US$000	Total US$000
Cost			
1 January 2016	70	467	537
31 December 2016 & 2017	**70**	**467**	**537**
Accumulated depreciation			
1 January 2016	58	110	168
Charge for the year	12	67	79
31 December 2016	70	177	247
Charge for the year	–	83	83
31 December 2017	**70**	**260**	**330**
Net book value			
1 January 2016	12	357	369
31 December 2016	–	290	290
31 December 2017	**–**	**207**	**207**

14 Property, plant and equipment – Group

	Mining properties and leases US$000	Freehold, land and buildings US$000	Equipment, fixtures and fittings US$000	Plant, machinery and vehicles US$000	Assets under construction US$000	Total US$000
Cost						
1 January 2016	8,390	9,080	11,101	4,374	19,419	52,364
Additions	–	217	1,056	1,376	2,891	5,540
Disposals	–	–	(663)	–	(1)	(664)
Transfers	–	14,788	505	–	(15,293)	–
Transfers to inventories	2,817	–	–	–	(3,194)	(377)
Currency translation adjustment	144	156	190	75	333	898
31 December 2016 & 1 January 2017	11,351	24,241	12,189	5,825	4,155	57,761
Additions	1,196	38	399	283	686	2,602
Disposals	–	(15)	(257)	(53)	(133)	(458)
Transfer to exploration & evaluation costs	(157)	–	–	–	–	(157)
Transfers	(1,513)	2,465	(829)	2,469	(2,651)	(59)
Currency translation adjustment	(34)	22	44	4	49	85
31 December 2017	**10,843**	**26,751**	**11,546**	**8,528**	**2,106**	**59,774**

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

14 Property, plant and equipment – Group continued

	Mining properties and leases US$000	Freehold, land and buildings US$000	Equipment, fixtures and fittings US$000	Plant, machinery and vehicles US$000	Assets under construction US$000	Total US$000
Accumulated depreciation						
1 January 2016	2,121	3,989	8,058	3,061	–	17,229
Charge for the year	102	1,016	1,573	376	–	3,067
Disposals	–	–	(216)	–	–	(216)
Currency translation adjustment	39	95	169	62	–	365
31 December 2016 & 1 January 2017	2,262	5,100	9,584	3,499	–	20,445
Charge for the year	222	2,498	1,452	336	–	4,508
Disposals	–	(15)	(208)	(40)		(263)
Transfers	(180)	(290)	(1,871)	2,282		(59)
Currency translation adjustment	2	(33)	6	5	–	(20)
31 December 2017	**2,306**	**7,260**	**8,963**	**6,082**	**–**	**24,611**
Net book value						
1 January 2016	6,269	5,091	3,043	1,313	19,419	35,135
31 December 2016	9,089	19,141	2,605	2,326	4,155	37,316
31 December 2017	**8,537**	**19,491**	**2,583**	**2,446**	**2,106**	**35,163**

Capitalised cost of mining property and leases are amortised over the life of the licence from commencement of production on a unit of production basis. This basis uses the ratio of production in the period compared to the mineral reserves at the end of the period. Mineral reserves estimates are based on a number of underlying assumptions, which are inherently uncertain. Mineral reserves estimates take into consideration estimates by independent geological consultants. However, the amount of mineral that will ultimately be recovered cannot be known until the end of the life of the mine.

Any changes in reserve estimates are, for amortisation purposes, treated on a prospective basis. The recovery of the capitalised cost of the Company's property, plant and equipment is dependent on the development of the underground mine.

The Directors are required to consider whether the non-current assets comprising, mineral properties leases, plant and equipment have suffered any impairment. In determining if there any indicators of impairment, the Directors have considered the operational performance in the period and do not consider that there is an indicator of impairment. Should an indicator of impairment have been identified, the recoverable amount would have been determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The directors have concluded that no adjustment is required for impairment.

15 Subsidiaries

Name	Percentage held	Country of registration and operation
Directly held		
Hambledon Mining Company Limited	100	British Virgin Islands
TOO GMK Altyn MM	100	Kazakhstan
Indirectly held		
DTOO Gornorudnoe Predpriatie Baurgold	100	Kazakhstan

The principal activity of all companies relates to gold mining and production with the exception of Hambledon Mining Company Limited which is an investment holding Company and is currently dormant, its registered address is Palm Grove House, P O Box 438,Road Town, Tortola, British Virgin Islands.

Both companies trade from 10 Novostroyevsaya Street, Glubokovskoye district, Sekisovka village East Kazakhstan.

Investments and loans to subsidiaries – Company

	Shares US$000	Contribution for investment adjustment US$000	Subsidiaries loans US$000	Total US$000
1 January 2016 – restated	225	7,631	74,747	82,603
Net cash movements	–	–	7,856	7,856
Contribution	–	1,574	(1,574)	–
Management charges and interest	–	–	4,372	4,372
31 December 2016 – restated	225	9,205	85,401	94,831
Net cash movements	–	–	132	132
Management charges and interest	–	–	4,892	4,892
31 December 2017	**225**	**9,205**	**90,425**	**99,855**

15 Subsidiaries continued

Investments and loans to subsidiaries – Company continued

The investments together with the loans which are denominated in US Dollars represent the investments into the subsidiaries and in the opinion of the directors the aggregate value of the investments in the subsidiaries is not less than the amount shown in these financial statements. The directors review the intercompany borrowings on a regular basis, together with the associated cash flows of each company, and consider that no impairment is required.

The historic loans are shown within fixed assets as quasi-equity investments and represent the initial funding to the subsidiaries. The recent loans to subsidiaries are charged at a fixed interest rate of 5% and are repayable in 2019 or on a three year rolling evergreen facility, repayment to be made three years from the date of any formal request for repayment from Altyn Plc, these are included within fixed assets. The Directors have reassessed the fair value market rate applicable to the loans advanced to the subsidiaries, which has resulted in an adjustment to the interest receivable in the prior periods.

Restatement

The Directors have re-considered the terms of the inter company loans in the context of the requirements of IAS 39 and do not consider that this is representative of the rate of interest that would be applied to such loans from a third party. As such they have discounted the contractual cash flows at a market rate of interest and restated the prior year reported figures. The impact of this has been to:

Company statement of financial position

	As previously reported		Adjustments		As restated	
	31 December 2016 US$000	1 January 2016 US$000	31 December 2016 US$000	1 January 2016 US$000	31 December 2016 US$000	1 January 2016 US$000
Investments	225	225	9,205	7,631	9,430	7,856
Loans to subsidiaries	91,738	81,091	(6,337)	(6,344)	85,401	74,747
Accumulated losses	(48,130)	(47,998)	2,868	1,287	(45,262)	(46,711)

The Company made an adjustment of US$1,581,000 to increase previously reported profit for 2016 of US$132,000 to restated profit of US$1,449,000.

16 Inventories

	2017 US$000	2016 US$000
Current		
Spare parts and consumables	**1,644**	972
Work in progress	**55**	170
Finished goods	**14**	224
	1,713	1,366

The value of inventories above is stated after a reversal of an impairment for low grade ore of US$(374,000). In 2016 a provision was made against and low grade ore and write downs in respect of spare parts of US$1,091,000.

The total cost of inventory recognised as an expense is shown in note 10.

17 Trade and other receivables

Non-current

	Company 2017 US$000	Company 2016 US$000	**Group 2017 US$000**	Group 2016 US$000
Other receivables and prepayments	**–**	–	**1,476**	1,100
	–	–	**1,476**	1,100

Other receivables included within non-current assets for 2017 and 2016 relate to an amount recoverable in relation to Value Added Tax, this is expected to be recovered by offset against VAT payable in future periods.

Current

	Company 2017 US$000	Company 2016 US$000	**Group 2017 US$000**	Group 2016 US$000
Trade receivables	**–**	–	**536**	153
VAT	**50**	26	**1,493**	2,017
Other receivables – recoverable	**–**	123	**93**	313
– provision	**–**	–	**–**	(34)
Prepayments	**18**	16	**409**	647
	68	165	**2,531**	3,096

The trade receivables are stated at full carrying value and their ageing is less than 30 days old. The Directors consider that the carrying value of trade receivables approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

18 Trade and other payables

Current

	Company 2017 US$000	Company 2016 US$000	Group 2017 US$000	Group 2016 US$000
Trade creditors	**215**	115	**4,645**	2,721
Other payables and accruals	**340**	1,078	**3,177**	3,156
	555	1,193	**7,822**	5,877

Trade creditors and accruals principally comprise amounts outstanding for trade purchases of goods and services. The majority of the trade creditors relate to the Company's trading subsidiaries in Kazakhstan. It is not practical to calculate the average credit period taken in respect of trade purchases for these creditors due to current business practices in the former Soviet Union. For most suppliers, interest is not charged on these trade payables. The Company regularly reviews all outstanding payables to ensure they are paid within the appropriate timeframe.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

19 Other financial liabilities

	2017 US$000	2016 US$000
Liability for historic cost	**399**	715
Current	**399**	461
Non-current	**–**	254
	399	715

The subsoil use contract (the "Contract"), under which TOO Sekisovskoye holds the exploration and mining rights to the Sekisovskoye deposit stipulates that it must pay a total of US$3,312,000 to the Kazakhstan Government for historic costs. From 1 January 2009, the balance of the historical costs is being paid on a quarterly basis and the final payment is due to be paid on 21 December 2018.

The future historic costs have been discounted to their net present value. This discounted value has been capitalised as Property, plant and equipment (note 14) and will be amortised over the productive period. Any changes in estimated costs and discount rate are dealt with prospectively and result in a corresponding adjustment to property plant and equipment.

20 Related party transactions

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 – "Related Party Disclosures". The total amount remaining unpaid with respect to remuneration of key management personnel amounted to US$127,000 in the current year (2016: US$79,000). Further information about the remuneration of the individual directors is set out in the audited section of the report on directors' remuneration on page 23.

	2017 US$	2016 US$
Short term employee benefits	**371,498**	350,736
Social Security costs	**23,005**	33,813
	394,503	384,549

The transactions between the Company and the subsidiaries are disclosed in Note 15.

During the year the following transactions were connected with the companies controlled by the Assaubayev family:

- Purchases, rental payments and other payments amounting to US$Nil (2016:US$330,000) were made to Asia Mining Group (AMG), a company controlled by the Assaubayev family for the supply of equipment and spares. At the year end an amount of US$824,000 (2016 US$824,000) is due to AMG and is included within other trade payables;
- Of the amount due to Amrita Investments Limited of US$1,739,000 from the prior year, an amount of UD$924,000 was repaid in 2017, interest on the balance is accruing at an average interest rate of 7%. The total outstanding at 31 December 2017 amounts to US $937,000 and includes interest accruals of US$303,000. The loans are repayable by 31 December 2019, see note 22;
- In 2016 the Company issued US$10m of convertible bonds to African Resources Limited a company controlled by the Assaubayev family. The Bonds carry a coupon of 10% per annum, payable semi-annually in arrears on 29 July and 28 February each year. In January 2018 the bond holders elected to convert US$9.7m of the bond into ordinary shares of the Company at the conversion price of 3p per share , resulting in the issue of 233,333,333 new ordinary shares being issued to African Resources Limited, (see note 28).

The balance includes accrued interest payable of US$1,347,000 (2016: US$561,000). It is the intention of African Resources Limited to convert the balance of the principal and interest outstanding into ordinary shares of the Company, once the necessary administrative procedures have been completed.

21 Provisions

	Abandonment and restoration US$000	Holiday pay US$000	Total US$000
1 January 2016	3,553	247	3,800
Change in estimate of provision	–	153	153
Unwinding of discount	453	–	453
Paid during the year	(99)	(213)	(312)
Currency translation adjustment	71	3	74
31 December 2016 & 1 January 2017	3,978	190	4,168
Change in estimate of provision	–	234	234
Unwinding of discount	532	18	550
Paid during the year	–	(332)	(332)
Currency translation adjustment	2	2	4
31 December 2017	4,512	112	4,624
31 December 2017			
Current	–	112	112
Non-current	4,512	–	4,512
	4,512	112	4,624
31 December 2016			
Current	–	190	190
Non-current	3,978	–	3,978
	3,978	190	4,168

Abandonment and restoration costs

In accordance with the provisions of the subsoil use contract (the "Contract"), DTOO GRP Baurgold is liable for site restoration costs upon completion of production activities. It is not possible to predict accurately the amount which might ultimately be payable for site restoration as it includes assumptions such as inflation in Kazakhstan over the life of the Contract which are inherently uncertain. An estimate of the future cost of restoration has been discounted and a provision recognised. The discounted amount for cost of restoration has been capitalised as a tangible fixed asset (note 14) and will be amortised using the unit of production method over the life of the mine.

In accordance with the subsoil use agreement, DTOO GRP Baurgold has established a cash fund to pay for the cost of restoration. The cash fund is maintained in a separate bank account in the name of DTOO GRP Baurgold. DTOO GRP Baurgold is required to contribute each year an amount equal to 1% of its operating expenses to this fund. Any transfers from the bank account require the authorisation of the Government of Kazakhstan. This fund will be used to pay for the costs of restoration as and when they become due. If the funds in the account are insufficient to pay for the costs, DTOO GRP Baurgold will be required to pay any deficit. If there are funds surplus to those required for restoration these will be returned to DTOO GRP Baurgold. During 2017 it was agreed with the Kazakh authorities that the amount of US125, 000 that had been accrued in the restricted deposit account would be used to settle outstanding tax liabilities, no contributions were made in the year. It is the intention of the Company to repay this amount in to the restricted cash fund. The Company is corresponding with the relevant authorities in Kazakhstan in relation to the timing and exact amount of funds to be transferred.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

22 Borrowings

Secured borrowings at amortised cost

Group

Current liabilities	2017 US$000	2016 US$000
Due within one year		
Bank loan – EBRD	–	3,400
Related party loans Amrita (see note 20)	–	1,039
Other loans	724	–
	724	4,439

Non-current liabilities	2017 US$000	2016 US$000
Due within one – two years		
Related party loans – Amrita (see note 20)	937	700
Due two – five years		
Convertible bonds:	12,496	11,281
$10m convertible loan (see note 20)	10,713	9,614
$2m convertible loan	1,783	1,667
	12,496	11,281

Company

Non-current liabilities	2017 US$000	2016 US$000
Due two – five years		
Convertible bonds	12,496	11,281
	12,496	11,281

EBRD Bank loan

In 2012, two of the Company's subsidiaries, TOO GMK Altyn MM ("GAM") and DTOO GRP Baurgold entered into a loan agreement with the European Bank for Reconstruction and Development (EBRD). The principal terms of the loan was as follows:

- The loan of US$10m was, on a joint and several basis, and repayable in twelve quarterly instalments commencing on 10 January 2015. The final installment of the loan was repaid on the 10 October 2017, in total an amount including interest of US$3.5m was repaid in the year;
- Interest was charged at a rate of three months London Inter Bank Rate (LIBOR) plus 7% per annum. The effective interest rate on the loan in the period was 7.5% (2016: 7.5%).

Convertible bonds

US$10m convertible bond

In 2016 the Company secured a total of US$10m proceeds from a convertible loan with the major shareholder, African Resources Limited. The loan bears a coupon of 10% per annum, payable semi-annually and was due for repayment in 2021. In January 2018 the bond holders elected to convert US$9.7m of the bond into ordinary shares of the Company at the conversion price of 3p per share , resulting in the issue of 233,333,333 new ordinary shares being issued to African Resources Limited, (see note 28).

As further discussed in the note 4 the total value of the conversion option was determined at fair value as at 31 December 2016 to be US$1.9m, as at 31 December 2017 the fair value of the conversion option has fallen to US$0.5m, and the difference recognised in the profit and loss statement. The residual value was assigned to the debt host liability and accounted for at amortised cost using the effecting interest rate of 17%, the total liability is US$10.7m and includes accrued interest, (2016 US$9.6m).

The balance includes accrued interest payable of US$1,347,000 (2016: US$561,000), net of withholding taxes. It is the intention of African Resources Limited to convert the balance of the principal and interest due into ordinary shares of the Company, once the necessary administrative procedures have been completed.

US$2m convertible bond

In 2016 the Company entered into US$2m convertible loan with institutional investors. The loan bears a coupon of 10% per annum, payable semi-annually and is due for repayment in 2021. The Notes can be converted into Ordinary Shares of the Company at a price of 2.15p per share any time prior to maturity. The exchange rate of US$1.466 for £1 shall be used to determine the number of conversion shares. The potential number of shares to be issued is 136,372,093.

The conversion option meets the fixed-for-fixed criteria and therefore has been classified as equity instrument in the other reserves. On initial recognition Management have assessed the value of the contractual cash flows discounted at the interest rate of 15% being the market interest rate for the similar instruments without a conversion feature. The value of liability component was determined to be US$1.8m (2016 US$1.7m), with the remaining balance of $0.3m allocated to the residual equity component. The balance includes US$27,000 (2016: US$27,000) accrued interest payable.

Other Loans

Other loans comprise amounts that were received from Amrita Investments Limited see details in note 20, and an amount received from a third party amounting to US$724,000, for short term financing requirements, no interest is payable on this amount.

23 Deferred taxation

Deferred taxation asset/(liability)

	Taxation losses US$000	Accelerated taxation depreciation US$000	Other US$000	Total US$000
1 January 2016	4,102	101	942	5,145
Credit to income	–	(289)	23	(266)
Credit to other comprehensive income	866	–	–	866
Currency translation	98	(6)	18	110
31 December 2016 & 1 January 2017	5,066	(194)	983	5,855
Credit to income	507	(198)	(321)	(12)
Credit to other comprehensive income	1,088	–	–	1,088
Currency translation	(15)	3	9	(3)
31 December 2017	**6,646**	**(389)**	**671**	**6,928**

Deferred tax assets and liabilities are offset were they arise within the subsidiaries in Kazakhstan. The Group has recognised the deferred tax asset only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference can be utilised. The future tax profits are expected to derive from the gold mining operations in Kazakhstan.

The tax losses arising in the prior periods will reduce the Company's and its subsidiaries' future tax liabilities. Deferred tax assets are recognised as the Directors believe that sufficient taxable profits will be made against which the carried forward losses can be utilised.

Unutilised taxation losses arising in Kazakhstan of US$56.8m (2016: US$60.2m) are available to carry forward for a maximum of 10 years. It is estimated that the tax losses available to carry forward will be utilised by 2025. Unutilised tax losses arising in the UK amount to US$3m (2016: US$3m).

Unrecognised deferred taxation asset

The unrecognised deferred taxation asset is as follows:

	2017 US$000	Restated 2016 US$000
Temporary differences	**–**	–
Taxation losses	**5,301**	7,589
	5,301	7,589

Included within the unrecognised taxable losses above is an amount of US$0.6m (2016: US$0.7m) in relation to the Company, and US$4.7m (2016: US$6.9m) in relation to the Kazakh subsidiaries. This amount has been carried forward as the Directors do not believe there will be sufficient taxable profits in the foreseeable future to offset the losses incurred.

24 Called-up equity share capital

Issued and fully paid

	Number	US$000
At 31 December 2016 and 31 December 2017 – Ordinary shares of £0.01 each	2,334,342,130	3,886

In January 2018 233,333,333 new ordinary shares were issued at 3 pence a share to African Resources Limited, in connection with the partial conversion of the bond, (see notes 22 and 28).

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

25 Notes to the cash flow statement

Net cash inflow/(outflow) from operating activities

	Company 2017 US$000	Company 2016 US$000	Group 2017 US$000	Group 2016 US$000
Profit/(loss) before taxation	**2,806**	1,449	**(1,917)**	(6,078)
Adjusted for:				
Finance income	**(4,989)**	(4,282)	**–**	–
Interest payable	**1,200**	800	**1,510**	1,883
Unwinding of discount	**773**	437	**1,324**	475
Fair value adjustment	**(1,453)**	(143)	**(1,453)**	(143)
Depreciation of tangible fixed assets	**83**	79	**4,508**	3,067
Amortisation of intangible asset	**–**	–	**–**	231
Impairment	**–**	–	**(374)**	1,107
Increase in inventories	**–**	–	**20**	1,898
Decrease/(increase) in trade and other receivables	**57**	(179)	**195**	(293)
Decrease in other financial liabilities	**–**	–	**(316)**	(140)
Increase/(decrease) in trade and other payables	**303**	(1,021)	**1,374**	(4,890)
Loss on disposal of property, plant and equipment	**–**	–	**195**	440
Foreign currency translation	**51**	(215)	**52**	(283)
Cash inflow/(outflow) from operations	**(1,169)**	(3,075)	**5,118**	(2,726)
Income taxes payable	**–**	–	**(11)**	(192)
Net cash inflow/(outflow) from operations	**(1,169)**	(3,075)	**5,107**	(2,918)

Reconciliation of financing cash flows

Group

			Cash flows			Non-cash changes						
	1 January 2017 B/Fwd Less than 1 year US$000	1 January 2017 B/Fwd More than 1 year US$000	New loans US$000	Loans repaid US$000	Interest paid US$000	Interest accruals B/Fwd* US$000	Interest Profit and loss US$000	Foreign exchange movement US$000	Fair value changes US$000	Unwinding of discount US$000	31 December 2017 C/Fwd Less than 1 year US$000	31 December 2017 C/Fwd More than 1 year US$000
Loan element of US$10m Convertible bonds	–	7,734	–	–	–	715	1,000	–	–	725	–	10,174
Derivative element of US$10m convertible bond	–	1,880	–	–	–	–	–	112	(1,453)	–	–	539
US$2m Convertible bonds	–	1,667			(160)	27	200	–		49	–	1,783
EBRD loan	3,400	–	–	(3,333)	(181)	–	114	–	–	–	–	–
Related party borrowings	1,039	700	–	(998)	–	–	196	–	–	–		937
Other borrowings	–	–	724		–	–	–	–	–	–	724	–
Total	**4,439**	**11,981**	**724**	**(4,331)**	**(341)**	**742**	**1,510**	**112**	**(1,453)**	**774**	**724**	**13,433**

Company

			Cash flows			Non-cash changes						
	1 January 2017 B/Fwd Less than 1 year US$000	1 January 2017 B/Fwd More than 1 year US$000	New loans US$000	Loans repaid US$000	Interest paid US$000	Interest accruals B/Fwd* US$000	Interest Profit and loss US$000	Foreign exchange movement US$000	Fair value changes US$000	Unwinding of discount US$000	31 December 2017 C/Fwd Less than 1 year US$000	31 December 2017 C/Fwd More than 1 year US$000
Loan element of US$10m Convertible bonds	–	7,734	–	–	–	715	1,000	–	–	725	–	10,174
Derivative element of US$10m convertible bond	–	1,880	–	–	–	–	–	112	(1,453)	–	–	539
US$2m Convertible bonds	–	1,667			(160)	27	200	–		49	–	1,783
Total		**11,281**			**(160)**	**742**	**1,200**	**112**	**(1,453)**	**774**	**–**	**12,496**

*Interest included in accruals in 2016 now shown within net liability as above.

26 Financial instruments

Policy on financial risk management

The Company's principal financial instruments comprise cash and cash equivalents, trade receivables, trade and other payables, provisions, other financial liabilities and borrowings. The Company's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 4 – "accounting policies". The Company does not use financial instruments for speculative purposes. The carrying value of all financial assets and liabilities approximates to their fair value.

Capital risk management

The Company's primary objective when managing risk is to ensure there is sufficient capital available to support the Company's funding requirements, including capital expenditure, in a way that optimises the cost of capital. Maximises shareholders' returns and ensures the Company's ability to continue as a going concern. There were no changes to the Company's capital management approach in the year.

The Company may make adjustments to the capital structure as opportunities arise, as and when borrowings mature or as and when funding is required. This may take the form of raising equity, debt finance, equipment supplier credit or a combination thereof.

The Company monitors capital on the basis of the gearing ratio, which is defined as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. While the Company does not set absolute limits on the ratio, the Company believes that a ratio of 30%-40% was acceptable in the final stages of the construction and the commissioning phase of the Sekisovskoye mine, and that optimally this should reduce to and remain below 25% thereafter. The Company's policy in respect of capital risk management is the same as that of the Group.

	2017 US$000	2016 US$000
Group		
Total borrowings	14,157	16,420
Less cash and cash equivalents	704	2,236
Net debt	13,453	14,184
Total equity	33,248	33,991
Total capital	46,701	48,175
Gearing ratio	28.81%	29.44%
Company		
Total borrowings	12,496	11,281
Less cash and cash equivalents	264	1,725
Net debt	12,232	9,556
Total equity – restated	87,343	84,537
Total capital	99,156	94,093
Gearing ratio	12.33%	10.15%

Derivatives, financial instruments and risk management

The Company does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk management

The Company and its subsidiaries have transactional currency exposures. Such exposures arise from sales or purchases by the Company's two subsidiaries in Kazakhstan, in currencies other than the Company's functional currency. The functional currency of TOO GMK Altyn MM and DTOO Gornorudnoe Predpriatie Baurgold is the Kazakh Tenge. The currency transactions giving rise to this foreign currency risk are primarily USD denominated revenues, USD denominated borrowings and other financial liabilities and certain USD denominated trade payables. The Company and its subsidiaries do not enter into hedging positions in respect of its exposure to foreign currency risk.

The carrying amounts of the Company's and its subsidiaries' foreign currency denominated net monetary assets and monetary liabilities at 31 December, are as follows:

	2017 US$000			2016 US$000		
	Functional currency			Functional currency		
Currency of monetary asset/liability	USD	KZT	Total	USD	KZT	Total
US Dollars	(12,496)	(1,337)	(13,833)	(11,687)	(5,855)	(17,542)
British Pounds	892	–	892	696	–	696
Kazakhstan Tenge	–	(1,928)	(1,928)	–	(281)	(281)
Net monetary position			(14,869)			(17,127)

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

26 Financial instruments continued

Sensitivity analysis

A 20% (2016: 20%) strengthening, or weakening, of any one of the above currencies against the US Dollar which the Directors consider to be a reasonably possible change for the purpose of sensitivity analysis, is shown below:

The table below shows the impact of changes in exchange rates on the result and financial position of the Group:

	2017 US$000	2016 US$000
20% weakening of Kazakh Tenge against the US Dollar	**(412)**	(1,171)

Commodity price risk

The Company is exposed to the effect of fluctuations in the price of gold and silver which are quoted in US Dollars on the international markets. The Company prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of prices of these metals.

The Company's only significant sales during the years ended 31 December 2017 and 2016 were sales of gold doré containing gold and silver. The sales proceeds for gold doré is fixed by reference to the gold and silver prices based on average gold and silver price in the month of sale. The Company does not plan in the future to hedge its exposure to the risk of fluctuations in the price of gold or silver and therefore it held no financial instruments that are sensitive to commodity price changes at either reporting date.

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Company. The Group has adopted a policy of only dealing with creditworthy counter-parties. The Group's exposure and the credit ratings of its counter-parties are monitored by the Board of Directors to ensure that the aggregate value of transactions is spread amongst approved counter-parties.

The Group's principal financial assets are cash and cash equivalents, trade debtors and other accounts receivables. Cash equivalents include amounts held on deposit with financial institutions.

The Group is mainly exposed to credit risk on its cash equivalents and trade and other receivables as per the balance sheet. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet which at the year end amounted to US$1.2m (2016: US$2.4m).

The credit risk on liquid funds held in current accounts and available on demand is limited because the Group's counter-parties are mainly banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables comprise amounts receivable from a refinery in respect of sales of gold doré. On the sale of the gold doré, payment is received on shipment.

It is often impractical in Kazakhstan to carry out a check of creditworthiness of suppliers before making the contracted prepayments. There were no significant balances at 31 December 2017 and 2016 in respect of which suppliers had defaulted on their obligations.

The Company's maximum exposure to credit risk is limited to the carrying amount of loans recorded in the financial statements. There are majority of the loans are on fixed repayment terms for the loans, however they are not considered overdue or impaired.

Liquidity risk

During the year ended 31 December 2017, the Company was financed by internally generated funds, and other borrowings. The Company manages its liquidity risk. The Directors monitor cash flow and cash flow forecasts on a regular basis and ensure that the loan commitments and working capital commitments are adequately funded. The Directors obtain assurances from the major shareholders as required that funds will be made available to fund any shortfall as required.

The following tables detail the Company's and its subsidiaries remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company and its subsidiaries can be required to pay. The table includes both interest and principal cash flows.

Group	Borrowings US$000	Trade and other payables US$000	Provisions US$000	Other financial liabilities US$000	Total US$000
31 December 2017					
From two to five years	**13,565**	**–**	**–**	**–**	**13,565**
For one to two years	**2,137**	**–**	**–**	**–**	**2,137**
Due after more than one year	**15,702**	**–**	**–**	**–**	**15,702**
Due within one year	**1,924**	**7,822**	**112**	**399**	**10,257**
	17,626	**7,822**	**112**	**399**	**25,959**

26 Financial instruments continued

Group (continued)	Borrowings US$000	Trade and other payables US$000	Provisions US$000	Other financial liabilities US$000	Total US$000
31 December 2016					
From two to five years	14,767	–	–	207	14,974
For one to two years	1,991	–	–	254	2,245
Due after more than one year	16,758	–	–	461	17,219
Due within one year	7,093	5,877	190	254	13,414
	23,851	5,877	190	715	30,633
Company					
31 December 2017					
From two to five years	**13,565**	**–**	**–**	**–**	**13,565**
For one to two years	**1,200**	**–**	**–**	**–**	**1,200**
Due after more than one year	**14,765**	**–**	**–**	**–**	**14,765**
Due within one year	**1,200**	**555**	**–**	**–**	**1,755**
	15,965	**555**	**–**	**–**	**16,520**
31 December 2016					
From two to five years	14,767	–	–	–	14,767
For one to two years	1,200	–	–	–	1,200
Due after more than one year	15,967	–	–	–	15,967
Due within one year	2,349	1,193	–	–	3,542
	18,316	1,193	–	–	19,509

Borrowings and interest rate risk

The Company and its subsidiaries entered into a long term borrowing agreement with the European Bank for Reconstruction and Development (EBRD) on 21 February 2012 in order to fund capital commitments. Interest was payable at 7% per annum above Libor.

The bank loan was repaid in October 2017.

There is no exposure to interest rate risk as the current borrowings in the Company and its subsidiaries are at fixed rates. The bonds at a fixed coupon rate of 10%, and the other borrowings at an average interest rate of 7%, see note 22.

27 Commitments and contingencies

General conditions

In recent years, the Republic of Kazakhstan has undergone substantial political and economic change. As an emerging market, the Republic of Kazakhstan does not possess a well-developed business infrastructure such as generally exists in a more mature free market economy. As a result, operations carried out in the Republic of Kazakhstan can involve risks which are not typically associated with those in developed markets. Significant identified risks have been provided for, or disclosed in these financial statements as appropriate.

(a) Contractual liabilities

Subsoil use rights are not provided to the Company on an indefinite basis, and each renewal shall be approved before the current contract or license expires. These rights can be cancelled by the Government of the Republic of Kazakhstan (hereinafter referred to as "the Government") if the Company does not fulfil contractual liabilities.

Deposit development costs

In accordance with the subsoil use contract, the Company has an approved working programme which may be reviewed and reconsidered depending on the economic viability and operational conditions of the deposit. The management of the Company believes it has fulfilled the requirements of the Contract.

Training for Kazakhstani specialists

In accordance with the terms of the contract the Company is liable for the annual costs incurred in respect of the professional training of the Kazakhstani personnel involved in the work. The costs are estimated to be at least 1% of the operational costs during the development and operational process.

As at 31 December 2017 the Company has met the conditions of the Contract.

Development of the social sphere of the region

According to the terms of the contract, the Company is liable for supporting the development and ensuring social support for the activity of the communities near the area of operations of the Company. As at 31 December 2017, the Company has met all the conditions of the Contract.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2017

27 Commitments and contingencies continued

General conditions continued

Liabilities on the restoration of the mine

Within eighty calendar days upon the expiration of the contract the Company is liable for the development of the mine restoration programme and its inspection by the competent authority of the Government of the Republic of Kazakhstan. The Company is liable for implementation of the programme upon its approval.

(b) Insurance

In accordance with the subsoil use contract the Company is liable for the development of the insurance programme and its submission for approval by the competent authority.

The Company has several contracts of obligatory insurance including insurance of the vehicle owners, the employer's liability and insurance of the subsoil users' liability where the activity of such subsoil users is connected to the damage to third parties.

(c) Court proceedings

The claims on the Company are periodically set out in the courts along with the Company's activities. As at the reporting date, there are no material claims against the Company.

As part of the settlement in relation to the tailings dam restoration programme, the Company has a memorandum signed with the local authorities, whereby the Company is liable for arranging the construction of the paste plant for US$1,800,000 (600m Tenge). It has been agreed that the Company will use its best endeavors to have this completed once all necessary permits are obtained.

Other than the paste plant as at the reporting date the Company has fulfilled all of its obligations in relation to the outstanding works which required in relation to the tailings dam restoration program.

(d) Taxation risks

The tax system of Kazakhstan, being relatively new, is characterised by frequent changes to the legal norms, official interpretations and court decisions, which are often not explicit and can be contradictory. This leads to differing interpretations by the tax authorities. The examination and investigations of the accounts to ensure that the tax payable is accurate are carried out by several regulatory bodies. These bodies have the power to impose heavy fines and penalties. The accuracy of the tax computation can be investigated five calendar years after the end of the accounting period. In certain circumstances this period can be increased.

These circumstances may lead to the taxation risks being much higher in Kazakhstan compared to other countries. The management of the Company, based on their understanding of the tax legislation, regulatory requirements and court decisions, considers the tax liabilities to be fully reflected in the accounts.

Nevertheless, the interpretation of these provisions by the corresponding authorities can be different and in that case should the authorities prove the lawfulness of their position, it may significantly affect these financial accounts.

28 Subsequent events

On the 17 January 2018 African Resources Limited acquired 117,730,632 shares at a consideration price of 3p per share. It subsequently acquired on the 23 January 2018 an additional 233,333,333 shares when US$9.7m of the existing convertible bond of US$10m was converted in ordinary shares at a conversion price of 3p per share. This increased the shareholding of African Resources Limited from 61.69% to 69.8% of the total shares in issue.

The subsidiary DTOO GRP Baurgold has entered into an agreement with JSC Freedom Finance, a subsidiary of Freedom Holding Corp. to assist in raising c. US$15m, through the issue of five-year non-convertible Tenge denominated bonds secured by the assets of the subsidiary Company.

29 Ultimate Controlling Party

The controlling party and parent entity of the Company is African Resources Limited, by virtue of the fact that at the date of this report it owns 69.8% (2016: 61.69%) of the voting rights in the Company. There is no requirement to prepare consolidated accounts for African Resources Limited, which is registered in the British Virgin Islands.

The ultimate controlling party are the Assaubayev family, by virtue of the fact that they are the controlling party of African Resources Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Altyn plc (the "Company") will be held at the offices of BDO LLP 55 Baker Street London, WIU 7EU on 29 June 2018 at 11am in order to consider and, if thought fit, pass resolutions 1 to 8 as ordinary resolutions and resolution 9 as a special resolution:

ORDINARY RESOLUTIONS

1. To receive the audited accounts and the reports of the Directors and auditors for the year ended 31 December 2017.
2. To approve the Directors' remuneration report and the Directors remuneration policy.
3. To confirm the appointment of Vladimir Shkolnik as Director (Non-Executive) of the Company.
4. To re-elect Sanzhar Assaubayev as a Director (Executive) of the Company.
5. To re-elect Kanat Assaubayev as a Director (Non-Executive) of the Company.
6. To reappoint BDO LLP as the Company's auditors to hold office until the conclusion of the next general meeting at which the annual accounts are to be laid before the Company.
7. To authorise the Audit Committee of the Board to determine the auditors' remuneration.
8. That, in accordance with section 551 of the Companies Act 2006 (as amended) (the "Act") the directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this Notice):

    a. comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £1,711,783.64 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 9b. below) in connection with an offer by way of a rights issue:

        i. to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

        ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

        but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    b. in any other case, up to an aggregate nominal amount of £855,891.82 (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph 9a. above in excess of £855,892.82),

    provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 18 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

NOTICE OF ANNUAL GENERAL MEETING continued

SPECIAL RESOLUTION

9. That, conditional on the passing of Resolution 8, the directors be given the general power to allot equity securities (as defined by section 560 of the Companies Act 2006 (as amended) (the "Act") for cash, either pursuant to the authority conferred by resolution 8 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   a. the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under 6a., by way of a rights issue only):

      i. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

      ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

      but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   b. the allotment (otherwise than pursuant to paragraph 9a. above) of equity securities up to an aggregate nominal amount of £256,767.

The power granted by this resolution will expire on the date which is 18 months after the date on which this resolution is passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the Board

Rajinder Basra
Company Secretary

Registered Office:
28 Eccleston Square
London
SW1V INZ

Dated 30 April 2018

Company Number: 05048549

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Relevant Securities means:

- Shares in the Company other than shares allotted pursuant to:
  - an employee share scheme (as defined by section 1166 of the Act);
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.

- Any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

Entitlement to attend and vote

1. Only those shareholders registered in the Company's register of members at:
   - 6.00 pm on Wednesday 27 June 2018; or,
   - if this meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting,

   shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Appointment of proxies

2. If you are a shareholder who is entitled to attend and vote at the meeting, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
4. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, each proxy must be appointed on a separate proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
5. Shareholders can:
   - appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see note 7);
   - register their proxy appointment electronically (see note 8);
   - if a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see note 9).

   Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

Appointment of proxy by post

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   - completed and signed;
   - sent or delivered to Neville Registrars (the "Registrar"), at 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and
   - received by the Registrar no later than 11.00am on 27 June 2018.

   In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

   If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact the Registrar on +44 (0) 121 585 1131.

Appointment of proxies electronically

8. As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically online at sharegateway.co.uk and completing the authentication requirements as set out on the proxy form. For an electronic proxy appointment to be valid, your appointment must be received by the Registrar no later than 11.00am on 27 June 2018.

Appointment of proxies through CREST

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING continued

sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Registrar ID 7RA11 no later than 11.00am on 27 June 2018, or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

10. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

11. Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Registrar on +44 (0) 121 585 1131.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

12. A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by:

- Sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars, at 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Registrar no later than 11.00am on 27 June 2018.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified, your original proxy appointment will remain valid unless you attend the meeting and vote in person.

Corporate representatives

13. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

14. As on 6pm at 27 April 2018, the Company's issued share capital comprised 2,567,675,463 ordinary shares of 0.1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company is 2,567,675,463.

The Company's website, www.altyn.uk will include information on the number of shares and voting rights.

Notification of shareholdings

15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the Annual General Meeting as their proxy will need to ensure that both they, and their proxy, comply with their respective disclosure obligations under the Disclosure Rules and Transparency Rules.

Questions at the meeting

16. Any member attending the meeting has the right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Nominated persons

17. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (**Nominated Person**):

- You may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (**Relevant Shareholder**) to be appointed or to have someone else appointed as a proxy for the meeting.
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights.
- Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

Documents on display

18. Copies of the service contracts of the executive directors and the non-executive directors' contracts for services are available for inspection at the Company's registered office during normal business hours and at the place of the meeting from at least 15 minutes prior to the meeting until the end of the meeting.

Communication

19. Except as provided above, shareholders who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

- Contact the Company by e-mail to info@altyn.uk.

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.

EXPLANATION OF RESOLUTIONS

An explanation of each of the resolutions is set out below.

ORDINARY BUSINESS

Resolutions 1 to 8 will be proposed as ordinary resolutions and will be passed if more than 50% of shareholders' votes cast are in favour.

Resolution 1: To receive the 2017 Report and Accounts

The directors of the Company (the 'Directors') must present their Annual Report and Accounts of the Company for the year ended 31 December 2017 (the 'Annual Report') to shareholders for formal adoption at the Annual General Meeting.

Resolution 2: Directors' remuneration report

The Directors' remuneration report is set out in the Annual Report. In accordance with the provisions of the Act the Directors' remuneration report is the Annual Report contains:

- a statement by the Chairman of the Remuneration Committee;
- the Directors' remuneration policy in relation to future payments to the Directors and former Directors'; and
- the Annual Report on remuneration, which sets out payments made in the financial year ending 31 December 2017.

The statement by the Remuneration Committee Chairman and the Annual Report on remuneration will be put to an annual advisory shareholder vote by ordinary resolution.

Accordingly, Resolution 2 is the ordinary resolution to approve the Directors' remuneration report and Directors remuneration policy. As it is an advisory vote it does not affect the actual remuneration paid to any Director.

Resolutions 3 to 5: To re-elect the Directors

Under the Company's articles of association, one third of the Directors or, if their number is not a multiple of three, then the number nearest to but not less than one-third must retire from office and then stand for re-election.

Biographical details of directors to be re-elected are set out in the Annual Report and are also available for viewing on the Company's website at www.altynplc.com.

Resolutions 6 & 7: To reappoint the auditors and authorise the Audit Committee of the Board to determine their remuneration

The Company is required to appoint auditors at each general meeting at which the annual accounts and report are to be laid before the Company, to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors, BDO LLP, on behalf of the Board which now proposes their reappointment as auditors of the Company. Resolution 7 also authorises the Audit Committee of the Board, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

SPECIAL BUSINESS

As well as the ordinary business of the meeting outlined above, a number of special matters will be dealt with at the Annual General Meeting. Resolution 6 will be proposed as an ordinary resolution and will be passed if more than 50% of shareholders' votes cast are in favour. Resolution 9 will be proposed as a special resolution. For this resolution to be passed, at least 75% of shareholders' votes cast must be in favour.

Resolution 8: Directors' authority to allot shares

At the 2017 Annual General Meeting held on 28 June 2017 the Directors were given authority to allot shares in the Company, and Resolution 8 seeks to renew this authority for a period until the date which is 18 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company.

This resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £778,114.04. This amount represents approximately one-third (33.33%) of the issued ordinary share capital of the Company, as at 27 April 2018, the last practicable date prior to the publication of this document. The Company does not currently hold any shares in treasury. The extent of the authority follows the guidelines issued by institutional investors.

The Directors consider that it is appropriate for this authority and these powers to be granted to preserve maximum flexibility for the future.

Resolution 9: Disapplication of pre-emption rights

Section 561 of the Companies Act 2006 gives all shareholders the right to participate on a pro-rata basis in all issues of equity securities for cash, unless they agree that this right should be disapplied. The effect of this resolution is to empower the Directors, until the date which is 18 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company, to allot equity securities for cash, without first offering them on a pro-rata basis to existing shareholders, but only up to a maximum nominal amount of £233,434.21 representing approximately 10% of the Company's issued ordinary share capital on 26 April 2018 (being the latest practicable date before the date of this document). In addition, the resolution empowers the Directors to deal with fractional entitlements and any practical problems arising in any overseas territory on any offer made on a pro-rata basis. The Directors consider that it is appropriate for this authority and these powers to be granted to preserve maximum flexibility for the future.

COMPANY INFORMATION

Directors

Kanat Assaubayev	Chairman
Aidar Assaubayev	Chief Executive Officer
Sanzhar Assaubayev	Executive Director
Ashar Qureshi	Non-Executive Director
Neil Herbert	Non-Executive Director
Victor Scholnik	Non-Executive Director

Secretary
Rajinder Basra FCA

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EC2M 4RB

LGT Bank
Herengasse 12
FL-9490 Vaduz
Liechtenstein
Telephone: + 423 235 11 22

GLOSSARY OF TERMS

Grade	The tenor or concentration by weight of a metal in a mineral deposit or ore.
masl	Metres above sea level.
Tonne	A metric tonne of 1,000 kilograms.
oz	Troy ounce.
g/t	Grammes per tonne of mineralised rock.
JORC code	Australasian code for the reporting of exploration results, mineral resources and ore reserves (Joint Ore Reserves Committee). See www.jorc.org/main.php
Mineral resource	A concentration or occurrence of solid material of economic interest in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.
Indicated resource	That part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.
Inferred resource	That part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
Ore reserve	The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre- Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.
Probable reserve	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.
Mineral inventory	A term used to describe mineral resources and mineable reserves which are not static as additional resource delineation is not yet complete, and engineering calculations are pending. As such what might be a mineral resource today may be a mineable reserve tomorrow.

Altyn plc

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