KEMIN RESOURCES PLC

Innovation through Exploration

Annual Report
2016

WELCOME TO KEMIN RESOURCES PLC ANNUAL REPORT

Kemin Resources Plc (AIM:KEM) is an exploration and development company; its principal mining assets are located in Northern Kazakhstan.

At a glance

Kemin Resources Plc (AIM:KEM) ("Kemin" or the "Company"), is an exploration and development Company; its principal mining assets are located in Northern Kazakhstan. The Company is focused on exploring and advancing its two exploration sites for the extraction of Molybdenum, Tungsten, Lithium and Copper deposits at Drozhilovskoye and Smirnovskoye.

Highlights

- Positive progress in the process of extension of existing licenses for both Drozhilovskoye and Smirnovskoye;
- The value of the Drozhilovskoye and Smirnovskoye expected to be enhanced by the inclusion of Copper and Lithium resources;
- Continued financing support for the Company from Amrita Investments Limited, a vehicle owned by the Company's majority shareholders;
- Attributable loss of £432,000 (2015: £1,101,000) in the year.

To read more about Kemin Resources Plc
please visit our website **www.keminresources.com**

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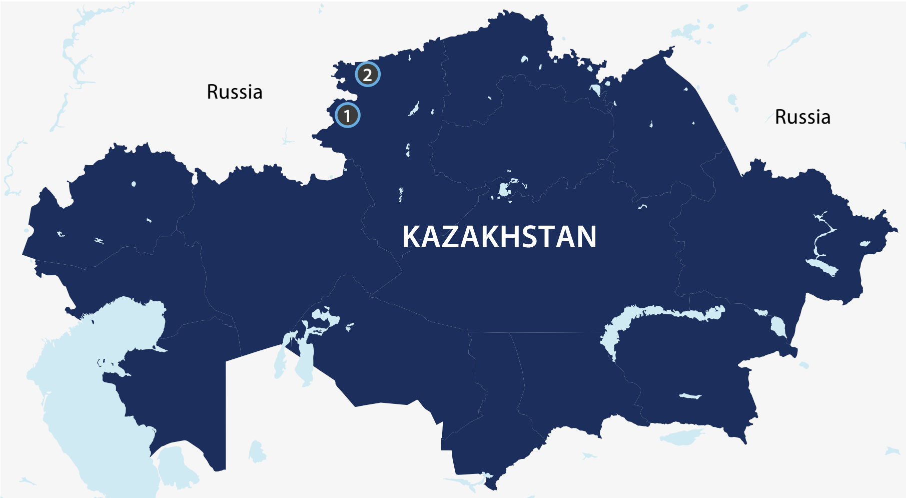
Areas of exploration



1 Drozhilovskoye

The Drozhilovskoye Molybdenum-Tungsten deposit is located in the Denisovski rayon of the Kostanayskaya oblast, 55km north east of Zhitigara and 31km North West of the rayon centre, Denisovka. The small settlement of Okrainka lies some 4km from the deposit.

The deposit area covers approximately 6.6km^2. In addition to the Molybdenum and Tungsten content, the deposit is also thought to contain quantities of bismuth, beryl, Lithium, rubidium, caesium, Copper, gold and silver.

Since the deposit was discovered in 1964, considerable exploration work has taken place culminating in the most recent resource statement undertaken in 2005 (using the former Soviet Union resource and reserve classification system common in Central Asia), which estimated a GKZ approved Category C1 and C2 resource estimate for the northern stockwork of 37.2Mt at 0.107% Molybdenum and 0.086% Tungsten trioxide.

This assumed a 0.05% Molybdenum equivalent cut-off grade. Importantly, the first resource estimate undertaken in 1974 defined a GKZ approved estimate for the whole deposit at a C2 category of approximately 140Mt at 0.188% Molybdenum. Subsequently additional drilling has been completed and the updated February 2013 GKZ resource estimate is presented in the Chief Executive Officer's report.

2 Smirnovskoye

The Smirnovskoye Molybdenum-Tungsten Copper deposit is located in the Karabalyksky rayon, 120km north west of the Kostanay oblast and some 41km north of Karabalyk, the district centre in northern Kazakhstan. The village of Smirnovka is in the immediate vicinity of the deposit. The deposit area covers approximately 13.7km^2.

The deposit has been divided into a larger northern and a smaller southern zone. Within both zones, the principal ore mineral is molybdenite which is associated with chalcopyrite and pyrite. Other minerals are rare.

The deposit has been studied in less detail than Drozhilovskoye, although a 1996, GKZ approved, resource estimate produced a combined Category C1 and C2 resource for both the larger northern and smaller southern zones of approximately 109Mt at a grade of 0.1378% Molybdenum using a 0.05% Molybdenum equivalent cut-off grade.

A further estimate was undertaken in 2007 which gave an estimate of 108Mt at a grade of 0.1056% Molybdenum using the same cut-off grade. Subsequently, additional drilling has been undertaken and the updated February 2013 GKZ resource estimate is presented in the Chief Executive Officer's report.

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CHAIRMAN'S STATEMENT

"Based on information gathered during the initial exploration period, revised development plans were submitted to the relevant ministry which incorporated the extraction of new minerals."

As noted last year as a result of the prevailing low prices for Tungsten and Molybdenum, the Company took steps to improve its understanding of the deposits. This entailed looking for potential high grade zones as well as extracting samples to ascertain if other commercially viable minerals were exploitable on the project sites. It was felt time and consideration should be given to this aspect as it would form the future basis for any production plans to be agreed with the government ministry.

Based on information gathered during the initial exploration period, revised development plans were submitted as part of the on-going process of the licence applications to the relevant ministry which incorporated the extraction of Copper and Lithium.

The process of license renewals and the agreement of the work programs has been more time consuming than anticipated. The agreement of license renewals and work programs is a factor unfortunately out of our control. Delays have arisen due to changes made in a number of the government departments that deal with the license renewals and agreement of the associated work programs. Albeit we do not consider there to be any issue with an agreement to the extension of the licenses – formal approval of the licence extensions is not expected until Q3 2017, once all administrative procedures have been completed.

Licence renewals

The process of licence renewals have been detailed and time consuming, but the efforts we believe will build a solid platform for future developments.

The projects are not so dependent on the pricings of Tungsten or Molybdenum. The price for Molybdenum has stabilised around the US$17,500 mark while that of Tungsten is in the region of US$12,200. With the added benefit of Lithium which is currently in high demand it is felt this will result in enhanced overall project returns. Both Drozhilovskoye and Smirnovskoye are very attractive projects for future development by Kemin, and a very good investment opportunity.

As in the past the Company will continue to benefit from the backing of its major shareholder, which has once again indicated its support for the current strategy and will provide finance as and when required. The Board are grateful for the understanding of its shareholders and anticipate that shareholder value will grow in the future as the projects continue to develop.

Kanat Assaubayev
Chairman
8 June 2017

CHIEF EXECUTIVE OFFICER'S REPORT

"Given the new profile of development to include new mineral resources the financial and geological models are being revised and will be finalised once further testing and exploration is undertaken."

As reported in the Chairman's statement the program of development has been pushed back as we await finalisation of the license renewals. The future work programs are expected to be rolled out in Q3 2017 once both work programs are agreed.

Each stage of the licence renewal, requires a period of 30 days for the relevant authority to consider the application. At each stage if recommendations/changes are required by the Ministry, revised drafts and further information is required to be submitted. Another 30 day period will then commence in that particular stage, once passed it will move to the next stage of approval for the process of license extension to continue. In total, there are approximately 5 stages to agreeing the exploration extension and agreement work programs.

In relation to license 1605 for Smirnovskoye, albeit the initial license renewal request was granted as previously reported to August 2018. The work program that was initially submitted, was amended in order to include revised plans for exploitation of minerals in addition to Tungsten and Molybdenum. Inevitably this resulted in delays from the initial plan, however the application is at final stage 5, and it is expected that the agreement of the revised work program will be granted in early Q3 2017. The revised license once granted will commence from the date of agreement and will run for 2 years.

With regards to license 1606 for Drozhilovskoye, the license was resubmitted, based on the revised future production plans, incorporating new mineral finds. As this is at stage 4, the license renewal and agreement is expected to be signed off during Q3 2017.

The license renewals for both sites are to allow for 2 years exploration and evaluation works. These now incorporate the exploration and evaluation of new mineral deposits which will be incorporated into the revised production plans. In particular, initial exploration results in the prior period indicate that Lithium has been found in a number of sites and needs to be assessed as to its commercially exploitable quantities at Drozhilovskoe. In relation to Smirnovskoya, significant quantities of Copper have been located and testing of these is incorporated into the current work programs being agreed by the Kazakh authorities.

Given the new profile of development to include new mineral resources the financial and geological models are being revised and will be finalised once further testing and exploration is undertaken.

The intention is to move to test production plant, during the two year license period in order to provide tangible evidence of the economics of the project. With the data available the project will be actively marketed to future investors/partners in order to take the project to the next stage of full scale development.

As can be seen from the map on page 1, both sites are with-in a commercially viable distance to be operated from one processing plant, reducing future costs.

As stated previously, the current pricing of both Tungsten and Molybdenum would at this stage make less economic sense to move to the production phase with just these two commodities. However, given the new exploitable minerals, in particular Lithium, the projects have an increased economic value.

The costs of the work programs for both sites total approximately £2.6m for the two year licence period. As stated these are to be agreed with the relevant authorities. This principally represents costs for drilling and testing, particularly for the new minerals identified. Office and administration costs are budgeted to be in the region of £0.7m.

The Company has sufficient cash resources available under its current facility arrangements with Amrita (£4.5m of which is still available for drawdown) to perform the work programmes as currently specified. However dependent on future plans and in particular the setting up and operation of a test plant, further funds would be raised through equity/debt finance.

During this non-productive phase the Company will maintain a tight control of costs in order to maintain cash resources.

Work has been taking place in the background while the licenses have been renewed to ensure that there is a quick and smooth transition into the next work phase once the licenses are granted. We will keep shareholders updated as the licenses are agreed with the Kazakh authorities.

CHIEF EXECUTIVE OFFICER'S REPORT continued

Mineral resource statement as at February 2013

The tables below demonstrate the most recent reserves/resources for the two deposits at a cut-off grade of 0.05% based on GKZ classifications as follows:

Drozhilovskoye

Reserve resource classification	Ore reserve/ resource (Mt)	Molybdenum metal (kt)	Molybdenum grade (%)	Tungsten metal (kt)	Tungsten grade (%)
C1	139.8	262.9	0.19	64.3	0.05
C2	130.5	77.5	0.06	88.3	0.03
p	300	150	0.05	150	0.05

Smirnovskoye

Reserve resource classification	Ore reserve/ resource (Mt)	Molybdenum metal (kt)	Molybdenum grade (%)	Tungsten metal (kt)	Tungsten grade (%)
C1	170.5	221.7	0.13	17.1	0.01
C2	108.1	114.2	0.11	13.2	0.12
p	673	417	0.06	165	0.03

Cost control

Administrative expenses reduced from £309,000 last year to £158,000 in the current year, due to cuts at Head Office in the support functions of investor relations and consultancy; they are set to reduce again in the forthcoming year.

Financial performance review

The consolidated loss attributable to Kemin shareholders in the twelve months ended 31 December 2016 was £432,000 (FY 2015: £1,101,000). The overall loss including that attributable to minority shareholders was £445,000 (2015: £1,261,000), a decrease of £816,000 in the loss. This was due principally to an appreciation of the Kazakh Tenge against the US Dollar, resulting in a foreign exchange gain of £18,000 (2015: loss of £575,000).

The interest charges accrued relate to the borrowings from Amrita, which are in line with the prior year. Administrative expenses reduced from £309,000 last year to £158,000 in the current year, due to cuts at Head Office in the support functions of investor relations and consultancy as noted last year.

As in the prior year the cash spend is kept to a minimum at present with a limited capital expenditure programme, as the Company awaits for formal approval of the work programs.

The current cash balances and availability of further draw downs (£4.5m left to drawdown) on the Amrita loan facility if required, provides sufficient funds for the company to continue to meet its current obligations, and finance the exploration and evaluation programs.

Principal risks and uncertainties

The principal risks exposed to the Company are:

- availability of future funding outside of the Amrita facility;
- political, economic environment and licence extension;
- fluctuation in commodity prices;
- financial risk;
- the resource differing in grade and quantity to that predicted by feasibility studies; and
- fluctuations in exchange rates.

Mitigation of risks and uncertainties

The Company's management has analysed the risks and uncertainties and monitors the risks as far as it is practical do so given the early development of the Company.

Certain factors are beyond the control of the Company such as the fluctuations in the price of the commodities. However the Group is aware of these factors and tries to mitigate them as far as possible. In relation to the commodity prices, we plan to preserve the value of our projects until such time as commodity prices recover in the future. The current plan is to continue exploration of the sites in order to maximise the value from exploitation of the resource at a later stage.

The Company cannot control the political and economic environment of the country or whether the licences will be extended. However, to minimise the risk, Kemin maintains close relationships with the Kazakhstan authorities in order to minimise bureaucratic delays and problems.

In order to manage foreign currency risk the Company will try to match as far as possible the holding of foreign currency with the expected expenditures.

The Company has no current plans to raise further finance at present. However in the future it is the Company's aim to fix interest rates, where possible, with the preferred option being to raise funds via equity. As stated the Company has sufficient working capital facilities at present to meet its current cash flow requirements.

The Company has used independent consultants experienced in resource reports, of the type required by the Group, to mitigate as far as possible any material changes in the resource estimates.

Key performance indicators

Given the stage of development of the Company, the key performance indicators used by the management for monitoring progress and strategic objectives for the business are set out below:

Key performance indicators

	31 December 2016	31 December 2015
Molybdenum resources (metal equivalent) – C1 (Kt)	**484.6**	484.6
Tungsten resources (metal equivalent) – C1 (Kt)	**81.4**	81.4
Molybdenum resources – inferred grade (%)	**0.156**	0.156
Tungsten resources – inferred grade (%)	**0.026**	0.026
Cash balance (£000's)	**59**	307
Exploration expenditure (cumulative – £000's)	**2,539**	2,070
Net loss (£000's)	**445**	1,261

The change in the value of the exploration expenditure is due to the effect of the change in valuation of the Kazakh Tenge against British Pound.

The key statistic is the level of resources which has been measured under the GKZ classification, and will be updated under JORC (2012) by an independent consultancy once the additional exploration and evaluation work is completed.

The Company is monitoring expenditure carefully to maintain cash resources. The movement in the year relates principally to administrative costs and loan repayments made in the year.

The Strategic report was approved and authorised by the Board and signed on its behalf by:

Sanzhar Assaubayev
Chief Executive Officer
8 June 2017

BOARD OF DIRECTORS

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

Non-Executive 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. He was the first Kazakh to receive 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.

Non-Executive Vice Chairman

Ashar Qureshi

Appointment

Ashar Qureshi was appointed to the Board as Vice Chairman on 7 December 2012.

Experience

Ashar Qureshi is a London based US qualified lawyer who is currently a member partner of Freshfields Bruckhaus Deringer LLP, a Director of Hanson Asset Management Limited and a partner of Naya Capital Management LLP. 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. He holds a Juris Doctorate and is a graduate of Harvard Law School and Harvard College.

Chief Executive Officer

Sanzhar Assaubayev

Appointment

Sanzhar Assuabayev was appointed to the Board as Chief Executive Director on 17 April 2013.

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

Aidar Assaubayev

Appointment

Aidar Assaubayev was appointed to the Board as Non-Executive Director on 25 February 2013.

Experience

Aidar Assaubayev is an Executive Director of Altyn Group 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. He 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. Aidar 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 17 December 2013.

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.

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DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2016.

Principal activity and business review

The principal activity of the Company is that of an exploration and mine development company with an operating subsidiary in Kazakhstan. A review of the business and future prospects is contained in the Strategic report, which includes information on the Company's principal risks and uncertainties and performance indicators to the extent they are relevant at this stage of the Company's development. Although the financial statements are prepared on a going concern basis, reference should be made to the ability of the Company to continue trading as noted below.

Going concern and the availability of project finance

The Group's principal assets are the Molybdenum and Tungsten deposits at Drozhilovskoye and Smirnovskoye in Kazakhstan. The exploration and evaluation work conducted so far indicate substantial economic exploitable reserves. The value of deposits will be dependent on the price for the commodities, however even at the current low levels the indicative NPV is positive. The models are currently being changed to incorporate the new minerals Copper and Lithium which are expected to further enhance the returns to be generated from the sites.

Once a decision is made to proceed to commercial production the Company will assess the requirements for future funding and implement a strategy to raise the project finance required for the long-term development needs of the Company.

As at 31 December 2016, the Group had cash on hand of £59,000 (2015: £307,000) and at the reporting date the Group's liabilities exceeded its assets by £2,473,000 (2015: £2,246,000).

The parent Company has an agreement with Amrita Investment Limited, a company incorporated in the British Virgin Islands and ultimately controlled by the Assaubayev family, for the provision of an unsecured £7,000,000 loan facility to be applied towards working capital requirements. At present there is still a facility of approximately £4.5m available under this facility.

The loan entered into on 4 February 2013 was initially repayable on the earlier of the fifth anniversary of the agreement or when an equity fundraising is undertaken that raises at least £5,000,000 (before expenses) at which point the Lender may choose to convert the loan into the ordinary shares of the Company at the conversion rates stipulated by the agreement. The loan was subsequently extended in May 2017 to extend the facilities to 4 February 2019, under the same terms and conditions of the original loan.

Based on the review of the Group's budgets and cash flow plans, and the availability of £4.5m loan, the Board considers there is sufficient cash to maintain the Group as a going concern for a period of at least twelve months from the date of signing the annual report and accounts.

Corporate structure

Kemin Resources Plc is a public company limited by shares that is incorporated in England and Wales. The subsidiaries of the Company are listed below:

Name of company	Country of incorporation	Nature of trade	Shareholding
GMA (MALTA) Ltd	Malta	Dormant	owned 100% by Kemin Resources Plc
Joint Venture Kazakh-Russian Mining Company LLP (KRMC)	Kazakhstan	Mining activities	owned 90% by Lother Enterprises Limited
Lother Enterprises Limited	England	Dormant	owned 100% by Kemin Resources Plc

Results and dividends

The results of the Company for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income and a commentary on the results is included in the Strategic report. The Group incurred losses in the year of £445,000 (2015: £1,261,000), in the course of developing its principal mining assets in Kazakhstan. The Directors do not recommend the payment of a dividend (2015: £Nil).

Directors

The Directors holding office during the year and up to the date of this report are set out below:

Kanat Assaubayev	Non-Executive Chairman
Ashar Qureshi	Non-Executive Vice Chairman
Sanzhar Assaubayev	Chief Executive Officer
Aidar Assaubayev	Non-Executive Director
Ken Crichton	Non-Executive Director (resigned 4 May 2016)
William James Trew	Non-Executive Director (resigned 13 July 2016)
Neil Herbert	Non-Executive Director

Directors' insurance

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

Substantial shareholdings

The following entities had disclosable interests of 3% or more of the nominal value of the Company's ordinary shares as at the date of this report.

Shareholder	Shareholding ordinary shares	% owned
Bergfolk Corporation	133,117,846	76.14
Morgan Stanley Client Securities Nominees Limited	8,970,000	5.1
The Bank of New York (Nominees) Limited	8,248,381	4.7
Vidacos Nominees Limited	5,950,000	3.4

Financial risk management
Information relating to the Group's financial risk management is set out in note 14 of the financial statements.

Employees
The Group has a policy of providing opportunities for training, career development and promotion to all employees in accordance with their skills and abilities. The Group supports the recruitment of disabled persons where possible. Priority is given to those who become disabled during their employment.

The Group endeavours to keep all employees informed on matters affecting them and takes into account the views of employees wherever possible.

Charitable and political contributions
There were no charitable or political contributions made in the year ended 31 December 2016 (2015: £Nil).

Directors' emoluments
Details of Directors' emoluments for the Group for the year are as follows:

	2016 Fee £'000	2015 Fee £'000
Kanat Assaubayev	**–**	–
Ashar Qureshi	**–**	–
Sanzhar Assaubayev	**–**	–
Aidar Assaubayev	**–**	–
Ken Crichton	**2**	27
William James Trew	**–**	–
Neil Herbert	**27**	27
Total	**29**	54

Service contracts
The Non-Executive Directors have contracts with a rolling one-month notice period which may be given by either party.

The Company's policy on Executive Director Remuneration is to attract and retain high quality executives by paying competitive remuneration packages relevant to each Director's role and experience and the external market.

The key management personnel comprises the Directors.

Annual General Meeting
The Annual General Meeting of the Company will be held at 28 Eccleston Square, London, SW1V 1NZ on Friday 30 June at 10:00am.

The details of the resolutions are given on page 33. 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.

At the meeting the "serious loss of capital", where the net assets of the company are half or less than the called up share capital, will be discussed.

It should be noted that the statutory provision under the Companies 2006 Act relating to "serious loss of capital" imposes no immediate consequent risk given the current solvency of the company's balance sheet and cash flow. No specific proposals or agenda are being proposed at the General Meeting, but the matter will be open for discussion and questions from Shareholders in accordance with the Companies 2006 Act. There are no additional requirements under the Companies 2006 Act other than raising the matter at a general meeting. As stated above, the Company is currently renewing the licenses which the Directors believe will add significant value to the Company.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic report, the Directors' 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 have elected to prepare the Group 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 loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM .

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union or United Kingdom Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

DIRECTORS' REPORT continued

Statement of Directors' responsibilities continued

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. 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.

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.

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, a website www.keminresources.com is regularly updated and contains a wide range of information about the Company.

Corporate governance

The Directors are aware of the UK Corporate Governance Code ("the Code") as published by the Financial Reporting Council which is applicable to all premium listed companies on the London Stock Exchange. Given its listing on AIM, the Company is not required to comply with the Code, so this report does not describe the compliance with or departure from the Code. However, the Directors have a responsibility for the overall corporate governance and recognise the highest standards of behaviour and accountability so they have put in place appropriate governance structures and provide information which would be expected for companies listed on AIM having regard to the size of the Group.

Board composition and committees

The Board has a wide range of experience directly relevant to the Group and its activities and its structure ensures that no one individual or group dominates the decision making.

At each Annual General Meeting, one third of the Directors must retire by rotation, whereupon they can offer themselves for re-election if eligible.

The Company has established an Audit Committee which is responsible for ensuring that the financial performance of the Group is properly reported and monitored, considering and setting adequate and appropriate accounting policies and reviewing the Auditor's report. The Audit Committee comprises two Directors Non-Executive Vice Chairman Ashar Qureshi who is the Chairman of the Audit Committee, (who has the casting vote in a deadlock situation), and Non-Executive Director Neil Herbert.

Internal controls

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and for reviewing its effectiveness.

The procedures which include, inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors do not believe an internal audit function is practicable for a company of this size.

Likely future developments

Details of likely future developments are set out in the Chief Executive Officer's Report.

Subsequent events

Details of events after the end of the financial year are set out in note 20 on page 32 of the financial statements.

Auditors

All of the current Directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of this information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

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.

The Directors' report has been approved by the Board and signed on its behalf by:

Sanzhar Assaubayev
Chief Executive Officer
8 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEMIN RESOURCES PLC

We have audited the financial statements of Kemin Resources Plc for the year ended 31 December 2016 which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated statement of cash flows, the Company statement of cash flow and the related notes. The financial reporting framework that has been applied in the preparation of the group 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.

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2016 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 IFRSs 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.

Opinion on other matters prescribed by 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 where 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.

Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor London
United Kingdom 8 June 2017

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 2016

	Notes	**Year ended 31 December 2016 £'000**	Year ended 31 December 2015 £'000
Administrative expenses		**(158)**	(309)
Operating loss	3	**(158)**	(309)
Finance expense	5	**(287)**	(952)
Loss before income tax		**(445)**	(1,261)
Income tax expense	6	**–**	–
Loss for the year		**(445)**	(1,261)
Loss for the year attributable to:			
Equity shareholders of the parent		**(432)**	(1,101)
Non-controlling interest	8	**(13)**	(160)
		(445)	(1,261)
Loss per ordinary share – basic and diluted			
Attributable to the equity shareholders of the parent	7	**(0.25p)**	(0.62)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

year ended 31 December 2016

	2016 £'000	2015 £'000
Loss for the year	**(445)**	(1,261)
Items which may be re-classified to statement of profit or loss		
Currency translation differences arising on translations of foreign operations that may be reclassified to the profit or loss	**(58)**	(8)
Total comprehensive loss	**(503)**	(1,269)
Total comprehensive loss attributable to:		
Owners of the parent	**(481)**	(1,210)
Non-controlling interest	**(22)**	(59)
	(503)	(1,269)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

year ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Assets			
Non-current			
Intangible assets	9	**2,539**	2,070
Property, plant and equipment	10	**15**	14
Other non-current assets	11	**169**	145
Restricted cash		**5**	3
Non-current assets		**2,728**	2,232
Current			
Other receivable		**10**	15
Cash and equivalents		**59**	307
		69	322
Total assets		**2,797**	2,554
Liabilities			
Non-current			
Borrowings	13	**2,990**	2,873
Other liabilities		**–**	–
Non-current liabilities		**2,990**	2,873
Current			
Trade and other payables	12	**1,590**	1,376
Borrowings	13	**690**	551
Current liabilities		**2,280**	1,927
Total liabilities		**5,270**	4,800
Net liabilities		**(2,473)**	(2,246)
Equity			
Equity attributable to owners of the parent			
Ordinary share capital	15	**1,748**	1,748
Deferred share capital	15	**6,168**	6,168
Share premium account		**37,414**	37,414
Merger reserve		**(41,682)**	(41,682)
Share based payment reserve		**1,105**	1,105
Other reserve		**1,188**	912
Retained earnings		**(8,224)**	(7,792)
Currency translation reserve		**3**	52
		(2,280)	(2,075)
Non-controlling interest		**(193)**	(171)
Total equity		**(2,473)**	(2,246)

The financial statements were approved by the Board of Directors on 8 June 2017 and were signed on its behalf by:

Sanzhar Assaubayev
Chief Executive Officer

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

COMPANY STATEMENT OF FINANCIAL POSITION

year ended 31 December 2016

Company number 04674237	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Assets			
Non-current			
Amount due by subsidiary company	8	**2,613**	1,990
Non-current assets		**2,613**	1,990
Current			
Other receivables		**5**	14
Cash and equivalents		**51**	293
		56	307
Total assets		**2,669**	2,297
Liabilities			
Non-current			
Loans and borrowings	13	**(2,427)**	(2,206)
Non-current liabilities		**(2,427)**	(2,206)
Current			
Trade and other payables	12	**(91)**	(85)
Current liabilities		**(91)**	(85)
Total liabilities		**(2,518)**	(2,291)
Net assets/(liabilities)		**151**	6
Equity			
Equity attributable to owners of the parent			
Ordinary share capital	15	**1,748**	1,748
Deferred share capital	15	**6,168**	6,168
Share premium account		**37,414**	37,414
Merger reserve		**52,654**	52,654
Other reserve		**396**	396
Retained earnings		**(98,229)**	(98,374)
Total equity		**151**	6

The financial statements were approved by the Board of Directors on 8 June 2017 and were signed on its behalf by:

The parent company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and has not presented its statement or loss in these Financial Statements. The Parent Company's profit for the year ended 31 December 2016 is £145,000 (2015: £223,000).

Sanzhar Assaubayev
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 December 2016

	Ordinary share capital £'000	Deferred share capital £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Other reserve £'000	Accu-mulated losses £'000	Translation reserve £'000	Attributed to owners of the parent £'000	Non-controlling interest £'000	Total £'000
At 1 January 2015	1,748	6,168	37,414	(41,682)	1,105	921	(6,691)	161	(856)	(112)	(968)
Loss for the year	–	–	–	–	–	–	(1,101)	–	(1,101)	(160)	(1,261)
Currency translation differences arising on translation of foreign operations	–	–	–	–	–	–	–	(109)	(109)	101	(8)
Total comprehensive loss	–	–	–	–	–	–	(1,101)	(109)	(1,210)	(59)	(1,269)
Contribution to related party	–	–	–	–	–	(9)	–	–	(9)	–	(9)
At 31 December 2015 & 1 January 2016	1,748	6,168	37,414	(41,682)	1,105	912	(7,792)	52	(2,075)	(171)	(2,246)
Loss for the year	–	–	–	–	–	–	(432)	–	(432)	(13)	(445)
Currency translation differences arising on translation of foreign operations	–	–	–	–	–	–	–	(49)	(49)	(9)	(58)
Total comprehensive loss	–	–	–	–	–	–	(432)	(49)	(481)	(22)	(503)
Contribution from related party	–	–	–	–	–	276	–	–	276	–	276
At 31 December 2016	**1,748**	**6,168**	**37,414**	**(41,682)**	**1,105**	**1,188**	**(8,224)**	**3**	**(2,280)**	**(193)**	**(2,473)**

Ordinary share capital: Amount subscribed for share capital at nominal value.
Deferred shares: The shares carry no right to receive income distributions or entitle the shareholders to attend or vote at company meetings.
Share premium: Amount subscribed for share capital in excess of nominal value.
Merger reserve: Represents the amount arising on the acquisition of KRMC.
Share based payment reserve: This relates to an adjustment required under IFRS 2 to account for the reverse takeover.
Other reserve: The premium between the effective interest rate and coupon rate on the loan issued by a related party. This is credited to equity and subsequently released to the profit or loss over the remaining life of the financial liability.
Accumulated losses: Cumulative losses recognised in the consolidated statement of comprehensive income.
Translation reserve: Gains/losses arising on retranslating the net assets of overseas operations into British Pound.

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

COMPANY STATEMENT OF CHANGES IN EQUITY

year ended 31 December 2016

	Ordinary share capital £'000	Deferred share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2015	1,748	6,168	37,414	52,654	405	(98,151)	238
Loss for the period	–	–	–	–	–	(223)	(223)
Total comprehensive loss	–	–	–	–	–	(223)	(223)
Contribution from related party	–	–	–	–	(9)	–	(9)
At 31 December 2015 & 1 January 2016	1,748	6,168	37,414	52,654	396	(98,374)	6
Profit for the period	–	–	–	–	–	145	145
Total comprehensive profit	–	–	–	–	–	145	145
At 31 December 2016	**1,748**	**6,168**	**37,414**	**52,654**	**396**	**(98,229)**	**151**

Ordinary share capital: Amount subscribed for share capital at nominal value.
Deferred shares: The shares carry no right to receive income distributions or entitle the shareholders to attend or vote at company meetings.
Share premium: Amount subscribed for share capital in excess of nominal value.
Merger reserve: Amount related to the acquisition of KMRC.
Other reserve: The premium between the effective interest rate and coupon rate on the loan issued by a related party. This is credited to equity and subsequently released to the profit or loss over the remaining life of the financial liability.
Accumulated losses: Cumulative losses recognised in the consolidated statement of comprehensive income.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
year ended 31 December 2016

	Notes	**Year ended 31 December 2016 £'000**	Year ended 31 December 2015 £'000
Net cash outflow from operating activities	17	**(247)**	(339)
Financing activities			
Repayment of borrowings		**(1)**	(58)
Net cash inflow from financing activities		**(1)**	(58)
Decrease in cash and cash equivalents		**(248)**	(397)
Cash and cash equivalents at the beginning of period		**307**	704
Cash and cash equivalents at the end of period		**59**	307

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

COMPANY STATEMENT OF CASH FLOWS

year ended 31 December 2016

	Notes	**Year ended 31 December 2016 £'000**	Year ended 31 December 2015 £'000
Net cash outflow from operating activities	17	**(166)**	(259)
Financing activities			
Repayment of borrowings		**–**	(58)
Net loans to subsidiary		**(76)**	(66)
Net cash outflow from financing activities		**(76)**	(124)
Decrease in cash and cash equivalents		**(242)**	(383)
Cash and cash equivalents at the beginning of period		**293**	676
Cash and cash equivalents at the end of period		**51**	293

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

NOTES TO THE FINANCIAL STATEMENTS

year ended 31 December 2016

1. Accounting policies

Nature of operations and general information

The Group's principal activity is that of mining, exploration and mine development. The parent company principal activity is managing the trade and the investment of its subsidiary company. It is incorporated in England and Wales and has its registered office and business address at 28 Eccleston Square, London, SW1V 1NZ. The shares of Kemin Resources Plc are quoted on the AIM market which is operated by the London Stock Exchange.

Basis of preparation

The Group's consolidated financial statements are for the year ended 31 December 2016. They have been prepared in accordance with the accounting policies set out below.

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost basis, except for the treatment of certain financial instruments. They are presented in Pounds British Pound and are rounded to the nearest thousand (£'000) except where otherwise noted.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments are estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Going concern

As at 31 December 2016, the Group had cash on hand of £59,000 and at the reporting date the Group's liabilities exceeded its assets by £2,473,000.

The parent Company has an agreement with Amrita Investment Limited, a company incorporated in the British Virgin Islands and ultimately controlled by the Assaubayev family, for the provision of an unsecured £7,000,000 loan facility to be applied towards working capital requirements. At present there is still a facility of approximately £4.5m available under this facility.

The loan entered into on 4 February 2013 was initially repayable on the earlier of the fifth anniversary of the agreement or when an equity fundraising is undertaken that raises at least £5,000,000 (before expenses) at which point the Lender may choose to convert the loan into the ordinary shares of the Company at the conversion rates stipulated by the agreement. The loan was subsequently extended in May 2017 to extend the facilities to 4 February 2019, under the same terms and conditions of the original loan.

Based on the review of the Group's budgets and cash flow plans, and the availability of £4.5m loan, the Board considers there is sufficient cash to maintain the Group as a going concern for a period of at least twelve months from the date of signing the annual report and accounts.

New accounting standards and amendments

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are relevant to its operations and effective for accounting periods beginning 1 January 2016. The adoption of these new and revised Standards and interpretations had no material effect on the profit or loss or financial position of the Group.

The Group has not adopted any Standards or Interpretations in advance of the required implementation dates.

IFRS 9 was published in July 2014 and will be effective for the group from 1 January 2018. The standard was endorsed by the EU on 22 November 2016. It is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model. The management is continuing to assess the impact on the results of the Group.

The Directors do not anticipate that the adoption of the other standards and interpretations not listed above will have a material impact on the accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts. The Company is committed to improving disclosure and transparency and will continue to work with our different stakeholders to ensure they understand the detail of these accounting changes. The Company remains committed to a robust financial policy.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The 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 the acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained until control ceases.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

1. Accounting policies continued

Capital reorganisation between JV Kazakhstan-Russian Mining Company LLP (KRMC) and Kemin Resources Plc

In 2013 the Company completed the acquisition of 90 per cent of the participatory interests in the charter capital of JV Kazakhstan-Russian Mining Company LLP ('KRMC'), a company registered in the Republic of Kazakhstan, in a share for share exchange.

At the time of the transaction the Company was a non-operating public shell company with nominal net assets and did not meet the definition of a business. This transaction is therefore not a business combination, as defined by IFRS 3, and has been accounted for as a capital transaction resulting in issuance of shares by KRMC for the net monetary assets of the Company accompanied by recapitalisation. Such transactions fall within the scope of IFRS 2 which requires the deemed shares issued by KRMC to be recognised at fair value.

Although not a business combination, the accounting result is similar to that obtained by accounting for the transaction under the reverse accounting method, but it does not result in the recognition of goodwill.

The following accounting treatment has been applied in respect of the above capital reorganisation:

- the assets and liabilities of the legal subsidiary, KRMC, are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts without restatement to fair value;
- the deemed cost of the shares issued by the Company represents the fair value of the shares that KRMC would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of KRMC acquiring 90% of the shares in Kemin;
- the retained deficit and other equity balances recognised in the consolidated financial statements reflect the retained deficit and other equity balances of KRMC immediately before the business combination, and the results of the period from the date of the reorganisation are those of KRMC and Kemin combined;
- the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, Kemin Resources Plc, including the equity interests the legal parent issued to effect the combination.

Segmental reporting

In the opinion of the Directors, who are regarded as the chief operating decision maker, the Company has one business activity, being the exploration for, and development of the Molybdenum, Lithium, Copper and Tungsten deposits in Kazakhstan.

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. Therefore no additional segmental information is presented.

Foreign currency translation

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occurred. The functional currency of KMRC is the Kazakh Tenge which is the currency of KMRC's primary economic environment in which it operates. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Retranslation of dollar denominated loans in the subsidiary are taken to the profit and loss account and shown in finance expenses.

On consolidation, the results of overseas operations are translated into British Pound at rates approximating to those ruling when the transactions took place. The loans to the subsidiary are treated as part of the net investment in the subsidiary and the foreign currency differences are taken to the statement of comprehensive income on consolidation. All assets and liabilities of overseas operations are translated at the rates ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

On disposal of foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Financial instruments

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes party to the contractual provision of the instrument.

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 the 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.

1. **Accounting policies** continued

Investments and loans to subsidiaries

Investments 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 Company classifies its financial liabilities into one of the following categories according to the substance of the contractual arrangements entered into:

- bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is charged at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is not settled;
- liability components of convertible loan notes are measured as described further below;
- trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using an effective interest method; and
- loans from related parties are initially recognised at fair value and subsequently at amortised cost using the effective interest method. Any discount between the proceeds and fair value is credited to other reserve as a capital contribution in the statement of changes in equity.

The Company does not have any financial liabilities measured at fair value through profit or loss and does not have any financial liabilities in qualifying hedging relationships.

Convertible debt

The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion of maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in other reserves within the shareholders' equity, net of income tax effects.

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.

Exploration and evaluation assets

Exploration and evaluation assets comprise of exploration and evaluation expenditure incurred on projects where insufficient work has been performed to confirm whether significant mineralisation exists or whether the project is economically feasible. Costs are capitalised as intangible assets until the decision is made to proceed to development, whereupon the related expenditures are transferred to non-current assets as mining properties unless the projects are determined not to be commercially viable, whereupon the related costs are written off to the statement of comprehensive income. Depreciation on non-current assets used on exploration and evaluation projects is capitalised. Exploration and evaluation assets are not amortised.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount.

In accordance with IFRS 6 the Group firstly considers the following facts and circumstances in their assessment of whether the Group's exploration and evaluation assets may be impaired:

- whether the during the period the licence has expired or will expire in the near future, and is not expected to be renewed;
- whether substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets period for which the Group has the right to explore in a specific area has expired;
- is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted the Group must perform an impairment test in accordance with the provisions of IAS 36, assessing the recoverable amount of the exploration and evaluation assets together with all development and production assets, as a single cash generating unit (CGU). The aggregate carrying value is compared against the expected recoverable amount of the CGU. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Any exploration and evaluation impairment loss would be recognised in the income statement and separately disclosed. Pre-licence costs are recognised as an expense in the statement of comprehensive income as incurred.

Expenditure on research activities are recognised as an expense in the statement of comprehensive income as incurred.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

1. Accounting policies continued

Property, plant and equipment

Property, plant and equipment is recorded at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided to write off the cost of such assets other than land over their useful economic lives on a straight line basis. The periods generally applicable are:

Buildings	5% per annum
Machinery and equipment	Between 5% and 20% per annum

Impairment of assets

The carrying amount of non-current assets is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and the fair value less costs to sell.

In assessing the value in use, the expected future cash flows from the assets is determined by applying a discount rate to the anticipated pre-tax future cash flows. Impairment is recognised in the statement of comprehensive income to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are depreciated/amortised in line with accounting policies.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. The reversal is recognised in the profit and loss and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior reporting years.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units") for the purposes of assessing impairment. The estimates of future discounted cash flows are subject to risks and uncertainties including the future commodity prices. It is therefore reasonably possible that changes could occur which may affect the recoverability of assets.

Income taxes

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Company carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate provided they are enacted or substantively enacted by the reporting date. All changes to current tax liabilities are recognised as a component of tax expense in the profit or loss.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised as finance expense in the statement of comprehensive income as it occurs.

Provisions are made for the estimated rehabilitation/decommissioning costs relating to areas disturbed during the mines' operation up to the reporting date but not yet rehabilitated. Such provisions are been made in accordance with local legislation.

The estimated cost of rehabilitation includes the current cost of re-contouring, top-soiling and re-vegetation in accordance with legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

2. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Carrying values of exploration and evaluation assets and property, plant and equipment

The Company monitors internal and external indicators of impairment relating to its exploration and evaluation assets and property, plant and equipment. Management has considered whether any indicators of impairment have arisen over certain assets relating to the Company's mining operations. In considering the impairments, the management have assessed these based on a discount rate of 10% and the resource estimates as provided in the draft Venmyn Deloitte report. In addition management have considered the likely success of renewing the licences and continuing with the exploration and evaluation of the sites. After considering all relevant factors the management were of the opinion that no impairment was required In relation to the costs capitalised in relation to exploration and evaluation assets.

2. Critical accounting estimates and judgements continued

(ii) Licence extensions

The extension of licenses is uncertain depending on the decision of licensing authorities. Currently Management does not see any indications that licenses would not be awarded. The financial statements have been prepared on the basis that the licences will be renewed, if they are not renewed there would be significant adjustments to the provisions in the financial statements.

(iii) Base of mining operations

The Company's primary base of operations is in Kazakhstan. Kazakhstan's economy continues to display certain characteristics of an emerging market. These characteristics include, in particular, inconvertibility of the national currency in most countries outside of Kazakhstan and relatively high inflation rates. The Kazakh tax, currency and customs legislation is subject to varying interpretations and frequent changes. The financial information has been prepared on the assumption that no significant adverse changes to the economic, regulatory and fiscal environment will arise.

(iv) Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts of quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, could not be realised immediately.

3. Operating loss

This is stated after charging:

	2016 £'000	2015 £'000
Staff costs (note 4)	**30**	59
Fees payable to the Company's auditors for the audit of the company and group financial statements	**35**	33
Fees payable to the auditors of the Company's subsidiary	**3**	5

4. Staff costs

	2016 £'000	2015 £'000
Staff costs (including Directors)		
Wages and salaries	**29**	57
Social security costs	**1**	2
	30	59

Two Directors were paid a total amount of £29,000, (2015: £57,000). During the current and prior year the Directors were the only key management personnel.

5. Finance expense

	2016 £'000	2015 £'000
Finance expense		
Interest expense	**153**	173
Unwinding of discount	**152**	204
Foreign exchange (gain)/loss	**(18)**	575
	287	952

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

6. Income tax expense

There is no tax charge/credit in the year due to losses incurred by the Group, which are not currently being recognised as a deferred tax asset due to uncertainty over the recoverability of such losses in the foreseeable future.

	2016 £'000	2015 £'000
Loss before tax	**(445)**	(1,261)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	**(89)**	(271)
Effect of:		
Income not subject to tax	**–**	–
Different tax rates in overseas territory	**–**	–
Unrecognised tax losses carried forward	**89**	271
Total tax charge for year	**–**	–

The parent company has tax losses of £1,088,000 available to carry forward (2016: £1,231,000). Tax losses arising in the subsidiary in Kazakhstan are only recognised on commencement of commercial production. The potential deferred tax asset related to tax losses is £217,000 (2015: £246,000), no deferred tax asset has been recognised as the future profitability of the Company is uncertain.

7. Loss per share

	2016	2015
Basic and diluted loss per share		
Loss for the year attributable to the equity holders of the parent entity (£'000)	**(432)**	(1,101)
Weighted average number of shares in issue	**174,833,041**	174,833,041
Loss per share attributable to the equity holders of the parent entity	**(0.25p)**	(0.62p)

Where a loss has been incurred the diluted loss per share does not differ from the basic loss per share as the conversion of the convertible loan would have the effect of reducing the loss per share and are therefore not dilutive under the terms of IAS 33.

8. Investments

The Company has the following investments in subsidiary undertakings:

Name of company	Country of incorporation	Nature of trade	Shareholding (voting shares)
GMA (MALTA) Ltd	Malta	Dormant	owned 100% by Kemin Resources Plc
Joint Venture Kazakh-Russian Mining Company LLP (KRMC)	Kazakhstan	Mining activities	owned 90% by Kemin Resources Plc
Lother Enterprises Limited	England	Dormant	owned 100% by Kemin Resources Plc

	Subsidiary loan £'000
1 January 2015	1,639
Loans to subsidiary	178
Foreign exchange movements	173
31 December 2015 and 1 January 2016	1,990
Loans to subsidiary	76
Management and interest charges	118
Foreign exchange movements	429
31 December 2016	**2,613**

The registered address for the companies are as follows: GMA (MALTA) Ltd – Tower Business Centre, Tower Street, Swatar BKR 4013 Malta. KRMC – 188 Satpayev Street, Almaty. 050018. Kazakhstan. Lother Enterprises Limited – 28 Eccleston Square, London. SW1V 1NZ.

The loans, which are denominated in US Dollars, represent 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 recent loans to subsidiaries are charged at a fixed interest rate of 5% and are repayable giving twelve months' notice by the lender, and these are also included within fixed assets. The foreign exchange movement on the loans/investments to subsidiaries is to revalue the amounts which are denominated in US Dollars to the year end exchange rate. The movement is reflected within the income statement of the parent company and is treated as part of the net investment in the subsidiary and on consolidation is taken to the translation reserve.

8. Investments continued

Non controlling interest

KRMC, a 90% owned subsidiary of the Company has material non-controlling interests (NCI).

Summarised financial information in relation to KRMC, before intra-group eliminations, is presented below together with amounts attributable to NCI:

For the period ended 31 December	2016 £'000	2015 £'000
Administrative expenses	**(19)**	(20)
Operating loss	**(19)**	(20)
Finance expenses	**(108)**	(905)
Loss before tax	**(127)**	(925)
Tax expense	**–**	–
Loss after tax	**(127)**	(925)
Loss allocated to NCI	**(13)**	(160)
Other comprehensive income allocated to NCI	**(9)**	101
Total comprehensive loss allocated to NCI	**(22)**	(59)
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**(85)**	(66)
Cash flows from investing activities	**–**	–
Cash flows from financing activities	**77**	66
Foreign exchange translation	**(15)**	(14)
Net cash inflow/(outflows)	**(23)**	(14)

As at 31 December	2016 £'000	2015 £'000
Assets		
Intangible assets	**2,113**	1,724
Property, plant and equipment	**15**	13
Other non-current assets	**159**	132
Trade and other debtors	**18**	16
Cash and cash equivalents	**8**	14
Liabilities		
Trade and other payables	**(1,498)**	(1,291)
Loans and other borrowings	**(2,740)**	(2,318)
Accumulated non-controlling interests at 10%	**(193)**	(171)

9. Intangible assets

Exploration & evaluation assets	Contract No. 1605 £'000	Contract No. 1606 £'000	Total £'000
Cost			
At 1 January 2015	734	2,067	2,801
Additions	291	446	737
Exchange difference	(481)	(987)	(1,468)
At 31 December 2015 & 1 January 2015	544	1,526	2,070
Additions	–	–	–
Exchange difference	123	346	469
At 31 December 2016	**667**	**1,872**	**2,539**

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

9. Intangible assets continued

Exploration and evaluation assets relate to the capitalised licence costs and subsequent exploration expenditure incurred in respect of the Smirnovskoye deposit (licence No. 1605) and the Drozhilovskoye deposit (licence No. 1606) awarded to KRMC in December 2004 for the exploration and production of Tungsten, Molybdenum and Copper at the Smirnovskoye and the Drozhilovskoye deposit respectively.

Licence No. 1605: The exploration subsoil contract was initially approved until 1 August 2018, is currently in the process of being finalised with agreed work programs to include the exploration of Copper. The completion of the process is expected to be in Q3 2017. Once all details of the contracts are confirmed, the license will run from this date for a period of two years.

Licence No. 1606: The exploration subsoil contract expired in May 2016. The Company has applied for the extension of the exploration contract. According to the underlying contract the Company has a legal right to extend the exploration contract for a period not exceeding 2 years, it is awaiting approval from the relevant government authorities, and renewal is expected in Q3 2017.

Both deposits are located in Kostanay region of Kazakhstan.

10. Property, plant and equipment

	Land and buildings £'000	Machinery and equipment £'000	Total £'000
Cost			
At 1 January 2015	4	79	83
Additions			
Exchange difference	–	(36)	(36)
At 31 December 2015 & 1 January 2016	4	43	47
Exchange difference	–	10	10
At 31 December 2016	**4**	**53**	**57**
Depreciation			
At 1 January 2015	(1)	(56)	(57)
Charge for the year	–	(2)	(2)
Exchange difference	–	26	26
At 31 December 2015 & 1 January 2016	(1)	(32)	(33)
Charge for the year	–	–	–
Exchange difference	–	(9)	(9)
At 31 December 2016	**(1)**	**(41)**	**(42)**
Net book values			
At 31 December 2016	**3**	**12**	**15**
At 31 December 2015	3	11	14
At 1 January 2015	3	23	26

11. Other non-current assets

	Company		Group	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Other receivables and prepayments	**–**	–	**169**	145
	–	–	**169**	145

Other receivables of £159,000 (2015: £129,000) included within non-current assets for 2016 and 2015 relate to an amount recoverable in relation to Value Added Tax, which will be recovered upon successful development and operation of the Group's projects.

12. Trade and other payables

Current	Company 2016 £'000	Company 2015 £'000	Group 2016 £'000	Group 2015 £'000
Trade payables	**53**	32	**1,401**	1,163
Other payables and accruals	**38**	53	**189**	213
	91	85	**1,590**	1,376

13. Loan and borrowings

	Interest rate	Maturity	Company 2016 £'000	Company 2015 £'000
Non-current liabilities				
Borrowings – Amrita Investments Limited	LIBOR +5%	2019	**2,427**	2,206
			2,427	2,206

Amrita Investment Limited, is a company incorporated in the British Virgin Islands and ultimately controlled by Assaubayev family, it entered into an agreement for the provision of an unsecured £7,000,000 loan facility to be applied toward the Group's working capital requirements.

The loan from Amrita Investments Limited bears an interest rate of LIBOR +5%. The loan is repayable, by extension to the original agreement on 4 February 2019 or when an equity fundraising is undertaken that raises at least £5,000,000 (before expenses) at which point the Lender may choose to convert the loan into the ordinary shares of the Company at the conversion rates stipulated by the agreement. The loan may also be terminated at an earlier date by mutual agreement between the parties.

Current	Currency	Interest rate	Maturity	Group 2016 £'000	Group 2015 £'000
AlmaSnabResours LLP	KZT	0%	on demand	**88**	72
Lanochkin S.S. (related party – note 18)	KZT	0%	on demand	**39**	32
Storm continental SA	USD	5%	on demand	**342**	273
Central Asia Mining Corp.	USD	10%	on demand	**221**	174
Non-current – (related party – note 18)				**690**	551
Hawkinson Capital INC	USD	20%	2021	**385**	437
Hawkinson Capital INC	KZT	0%	2021	**122**	157
Altyn MunaiGaz LLP	KZT	0%	2021	**56**	73
Amrita Investment Limited	£	LIBOR +5%	2019	**2,427**	2,206
				2,990	2,873

Interest-free loans are initially recognised at fair value, and subsequently accounted at amortised cost using the effective interest rate. The effective interest rates used to measure fair value of the interest-free loans were the interest rates on long-term loans granted in Kazakhstan. The Kazakhstan bank rates were applied at the date of receipt of the next tranche under the interest-free loan, which ranged from 10.0% to 12.0% (2015: from 10.0% to 10.8%).

Loans provided as short-term are past due. As at the reporting date and signing date of the financial statements the Company had not agreed with the lenders on repayment dates of past due financial liabilities, these amounts are currently being negotiated.

All non-current loans as noted above are controlled by the ultimate owners and agreements are currently in place or have been obtained to reschedule repayment of the debts to a period at least one year from the date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

14. Financial risk management objectives and policies

The Company's principal financial liabilities comprise unsecured loans and other payables which are measured at amortised cost or fair value. Its principal financial assets comprise cash deposits in banks and other receivables which are all categorised as loans and receivables. These instruments arise from the Company's investing and borrowing activities.

The Company is exposed to market risk by virtue of holding financial liabilities and assets. The Board reviews and agrees policies for managing the risks arising from the holding of these instruments, such as changes in interest rates and liquidity risks. The Company does not:

- actively engage in trading of financial assets for speculative purposes;
- buy or sell derivative securities or contracts; or
- execute financial instruments or contracts to hedge its exposure to exchange rates or interest rates. The most significant financial risks to which the Group is exposed are described below.

a) Liquidity risk

The Group had £59,000 of net bank balances at the year-end (2015: £307,000). The Directors monitor cash flow on a regular basis as the company is in the development stage the cash flows are predictable on a monthly basis. The Company is currently utilising the working capital facility as provided by Amrita Investment Limited. Given the present level of contractual commitments the funds available are adequate for the Company's requirements.

The table below summarises the maturity profile of the Group's and Company's financial liabilities at 31 December 2016 based on contractual undiscounted payments:

Group	Less than 1 year or on demand £'000	More than 1 year but less than 2 years £'000	More than 2 years but less than 5 years £'000	More than 5 years £'000	Total £'000
2016					
Trade payables	1,401	–	–	–	1,401
Other creditors and accruals	189	–	–	–	189
Borrowings	690	–	3,764	–	4,454
	2,280	–	3,764	–	6,044
2015					
Trade payables	1,163	–	–	–	1,163
Other creditors and accruals	213	–	–	–	213
Borrowings	1,218	–	2,668	–	3,886
	2,594	–	2,668	–	5,262

Company	Less than 1 year or on demand £'000	More than 1 year but less than 2 years £'000	More than 2 years but less than 5 years £'000	More than 5 years £'000	Total £'000
2016					
Trade payables	53	–	–	–	53
Other creditors and accruals	38	–	–	–	38
Borrowings	–	–	2,816	–	2,816
	91	–	2,816	–	2,907
2015					
Trade payables	32	–	–	–	32
Other creditors and accruals	53	–	–	–	53
Borrowings	–	–	2,668	–	2,668
	85	–	2,668	–	2,753

14. Financial risk management objectives and policies continued

b) Interest rate risk

The Group and Company has floating rate obligations. However, the sensitivity of the Group or Company to changes in the base rate is not considered material.

c) Forex risk

The Group forex risk arises from fluctuations in foreign currency exchange rates due to the significant proportion of the KRMC's funding being in Pound British Pound, whilst KRMC's principal operating costs are denominated in Kazakh Tenge which is KMRC's functional currency. There is no forex risk in the Company as the principal costs are incurred in British Pounds with the funding in Pounds. As the operating costs are at low levels at present the forex risk is not material, however it is the intention to minimise the effect of foreign currency fluctuations for the Group and Company by maintaining its cash reserves in sufficient quantum in currencies it expects to incur expenditure. All USD and KZT denominated liabilities are held in the subsidiary KRMC. The amounts due in foreign currencies is noted below:

Group 2016	British Pound £'000	US Dollar £'000	Kazakh Tenge £'000	Total £'000
Loans and receivables at amortised cost				
Cash and cash equivalents	51	–	8	59
Other receivables	5	–	14	19
	56	–	22	78
Financial liabilities held at amortised cost				
Trade payables	91	–	1,310	1,401
Other creditors and accruals	–	–	189	189
Loans and borrowings	2,427	943	310	3,680
	2,518	943	1,809	5,270

Group 2015	British Pound £'000's	US Dollar £'000	Kazakh Tenge £'000	Total £'000
Loans and receivables at amortised cost				
Cash and cash equivalents	293	–	14	307
Other receivables	14	–	1	15
	307	–	15	322
Financial liabilities held at amortised cost				
Trade payables	32	–	1,131	1,163
Other creditors and accruals	52	–	161	213
Loans and borrowings	2,206	884	334	3,424
	2,290	884	1,626	4,800

Company 2016	British Pound £'000	US Dollar £'000	Kazakh Tenge £'000	Total £'000
Loans and receivables at amortised cost				
Cash and cash equivalents	51	–	–	51
Amount due from subsidiary	–	2,613	–	2,613
Other receivables	5	–	–	5
	56	2,613	–	2,669
Financial liabilities held at amortised cost				
Trade payables	53	–	–	53
Other creditors and accruals	38	–	–	38
Loans and borrowings	2,427	–	–	2,427
	2,518	–	–	2,518

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

14. Financial risk management objectives and policies continued

c) Forex risk continued

Company 2015	British Pound £'000	US Dollar £'000	Kazakh Tenge £'000	Total £'000
Loans and receivables at amortised cost				
Cash and cash equivalents	293	–	–	293
Amount due from subsidiary	–	1,990	–	1,990
Other receivables	14	–	–	14
	307	1,990	–	2,297
Financial liabilities held at amortised cost				
Trade payables	32	–	–	32
Other creditors and accruals	53	–	–	53
Loans and borrowings	2,206	–	–	2,206
	2,291	–	–	2,291

The effect of a 20% strengthening/depreciation of the British Pound against the US Dollar or 30% strengthening/depreciation of the Kazakh Tenge against the US Dollar at the reporting date with all other variables remaining constant, result in the following effect on the Group's and Company's losses and net liabilities is shown below:

Group	2016 British Pound £'000	2015 British Pound £'000
Appreciation of KZT against US$ by 30%	**(283)**	(265)
Appreciation of KZT against US$ by 30%	**283**	265

Company	2016 British Pound £'000	2015 British Pound £'000
Appreciation of the US$ against BP£ by 20%	**(523)**	(398)
Appreciation of the US$ against BP£ by 20%	**523**	398

d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management considers as part of its capital, the financial sources of funding from shareholders and third parties with an equity investment in the Group. Currently the Company is dependent upon its principal shareholders for funding via its facility with Amrita as detailed in note 13. The current capital structure is set out below:

	2016 £'000	2015 £'000
Share capital	**7,916**	7,916
Share premium	**37,414**	37,414
Total managed as capital	**45,330**	45,330

e) Credit risk

The Group's significant credit risks relate to cash at bank and receivables. Cash at bank is held principally at an independently 'A' rated bank. No significant cash amounts are held at banks rated less than 'B'. Cash is held either on current account or on short-term deposit at floating rates of interest determined by the relevant prevailing base rate. The fair value of cash and cash equivalents at 31 December 2016 and 2015 did not differ materially from its carrying value.

Due to the low level of cash balances and receivables neither the Group or Company are at present exposed to any credit risk.

15. Share capital

Ordinary shares

Issued and fully paid Ordinary 1p shares:

	Number	£000's
1 January 2016 & 31 December 2016	**174,833,041**	1,748

Deferred shares

Issued and fully paid Ordinary 499p shares:

	Number	£000's
1 January 2016 & 31 December 2016	**616,776,994**	6,168

16. Capital commitments and contingent liabilities

The Group and Company had no capital commitments or contingent liabilities at the reporting date.

17. Notes to the cash flow statement

	Company		Group	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Loss before taxation	**145**	(221)	**(445)**	(1,261)
Adjusted for:				
Finance expenses	**221**	217	**305**	377
Interest income	**(75)**	(56)	**–**	–
Depreciation of tangible assets	**–**	–	**–**	2
(Increase) in trade and other receivables	**(34)**	(36)	**(9)**	(56)
Increase/(decrease) in trade and other payables	**6**	10	**(80)**	24
Foreign currency translation	**(429)**	(173)	**(18)**	575
	(166)	(259)	**(247)**	(339)

NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

18. Related party transactions

For the purposes of this financial information, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form. In the normal course of business the Group enters into transactions with its shareholders, Directors, and other related parties.

In assessing the loans from related parties an assessment is made of the market interest rates payable on the loans and the actual interest rate on the loan. The premium between the effective interest rate and coupon rate on the loan issued by a related party is credited to equity and subsequently released to the profit or loss over the remaining life of the financial liability. As at 2016 the amounts credited to equity for the group amounted to £1,188,000 (2015: £912,000) and for the Company £396,000 (2015: £396,000).

The movement of £276,000 relates to changes in repayment terms of the related party loans, see note 13.

The key management remuneration is shown in note 4.

Other related party transactions and related balances outstanding at each reporting year are as noted in note 13, being loans made to the Group by Companies controlled by the Assaubayev family.

	2016 £'000	2015 £'000
Group		
Shareholder loans to subsidiary		
Altyn MunaiGaz LLP	**56**	92
Hawkinson Capital INC	**507**	690
Lanochkin S.S.	**39**	32
Shareholder loans to parent company		
Amrita Investment Limited	**2,516**	2,384
	3,118	3,198
Company		
Shareholder loans to parent company		
Amrita Investment Limited	**2,516**	2,384
	2,516	2,384

The amounts above include the element attributable to the value of loans that have been allocated to equity, and include accrued interest and penalties.

19. Ultimate controlling party

The controlling party and parent entity of Kemin Resources Plc is Bergfolk Corporation, a company incorporated in the British Virgin Islands, by virtue of the fact that it owns 76.14% of the voting rights of the voting rights of the Company. The ultimate controlling party is the Assaubayev family by virtue of the fact that they control the majority shareholder.

20. Events after the reporting date

In May 2017 the Company extended the loan receivable from Amrita Investments Limited until 4 February 2019, under the same terms and conditions as the original loan.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Kemin Resources Plc (the "Company") will be held at 28 Eccleston Square, London SW1V 1NZ on 30 June 2017 at 10.00am for the following purposes:

In accordance with section 656 of the Companies Act 2006, the meeting will address the issue of a "Serious loss of capital", where the net assets of the Company are half or less than the called up share capital, see note 15.

Ordinary Business

1. To receive and adopt the report of the Directors and the audited financial statements for the year ended 31 December 2016 and the report of the auditors.
2. To re-appoint, as a Director of the Company, Aidar Assaubayev, who retires in accordance with Article 101 of the Company's Articles of Association and offers himself for re-appointment.
3. To re-appoint, as a Director of the Company, Sanzhar Assaubayev who retires in accordance with Article 101 of the Company's Articles of Association and offers himself for re-appointment.
4. To appoint BDO LLP as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at which financial statements are laid and to authorise the Directors of the Company to determine their remuneration.

Special Business

To consider, and if thought fit, to pass the following resolutions, of which Resolution 5 will be proposed as an Ordinary Resolution and Resolution 6 will be proposed as a Special Resolution:

5. THAT the Directors are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act"), in substitution of all previous powers granted to them, to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £582,776.00 and such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

6. THAT, conditional on the passing of Resolution 5 above, the Directors are hereby empowered pursuant to Section 570 of the Act, in substitution of all previous powers granted to them, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 5 above 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 ordinary shares in connection with an issue in favour of shareholders in proportion (or as nearly as may be practicable) to the respective number of ordinary shares in the capital of the Company held by them on the record date for such allotment but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, record dates or legal or practical problems in or under the laws of any territory, or the requirements of any recognised regulatory body or any stock exchange; and

   (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of further equity securities up to an aggregate nominal amount of £349,666, and this power shall, unless previously revoked or varied by special resolution of the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company.

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 are hereby empowered to allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

Rajinder Basra
Company Secretary
8 June 2017

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy you may photocopy the form of proxy. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.

2. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

   If you do not give your proxy an indication of how to vote on any resolution, 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.

3. To be valid, the enclosed form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, or sent by post, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).

4. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members at 6:00pm on 28 June 2017 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of 1p each in the capital of the Company held in their name at that time. Changes to the register after 6:00pm on 28 June 2017 shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the Annual General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is no later than two business days prior to the meeting.

6. To change your proxy instructions either submit a new proxy appointment form or initial any amendments to the original proxy form. Note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   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.

7. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA. In the case of a member 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.

   In either case, the revocation notice must be received by the Company no later than 10a.m. on 28 June 2017.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to note 4, your proxy appointment will remain valid.

8. In the case of joint holders, the vote of the senior joint holder, whether in person or by proxy, will be accepted to the exclusion of the votes of other joint holders. Seniority will be determined by the order in which the joint holders stand in the register of members.

9. As at 7 June 2017 (being the latest practicable date prior to the publication of this document), the Company's issued share capital consists of 174,833,041 ordinary shares of £0.01 each and which each carry one vote. Therefore, the total voting rights in the Company as at 7 June 2017 are 174,833,041.

10. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that, on a poll, if more than one corporate representative purports to exercise powers over the same share as another corporate representative, that power will be treated as not exercised.

11. Except as provided above, members who have general queries about the Meeting should contact rajinder@altyn.uk (no other methods of communication will be accepted).

    You may not use any electronic address provided either:

    - in this Notice of Annual General Meeting; or
    - any related documents (including the proxy form),

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

12. Resolutions 2 and 3 – Article 101 of the Company's Articles of Association requires that one third (or the number nearest to, but not greater than, one third) of the Directors of the Company who are subject to retire by rotation in accordance with Article 102, must retire and, if they are eligible, offer themselves for re-election.

13. Resolution 5 – This resolution, to be proposed as an Ordinary Resolution, relates to the grant to the Directors of the authority to allot ordinary shares and grant rights to subscribe for or convert securities into ordinary shares with such authority expiring at the conclusion of the Annual General Meeting of the Company, unless the authority is renewed or revoked prior to such time. This authority is limited to the issue of a maximum of 58,271,855 ordinary shares representing one third of the Company's entire issued ordinary share capital as at the date of this notice.

14. Resolution 6 – The Act requires that if the Directors decide to allot ordinary shares in the Company the shares proposed to be issued be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company the Directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1) of the Act. Therefore this resolution, to be proposed as a Special Resolution, seeks authority to enable the Directors to allot equity securities for cash free of such pre-emption rights, with such authority expiring at the conclusion of the Annual General Meeting of the Company to be held in 2017. This authority is limited to the allotment of a maximum of 34,966,600 ordinary shares representing 20% of the Company's entire issued ordinary share capital as at the date of this notice.

15. It should be noted that the statutory provision under the 2006 Act relating to "serious loss of capital" imposes no immediate consequent risk given the current solvency of the Company's balance sheet and cash flow. No specific proposals or agenda are being proposed at the General Meeting, but the matter will be open for discussion and questions from Shareholders in accordance with the 2006 Act. There are no additional requirements under the 2006 Act other than raising the matter at a general meeting. As stated above, the Company is currently renewing the licences which the Directors believe will add significant value to the Company.

COMPANY DETAILS

Directors

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

Secretary
Rajinder Basra FCA

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GLOSSARY OF TERMS

Grad	The tenor or concentration by weight of a metal in a mineral deposit.
e	or ore.
masl	Metres above sea level.
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
GKZ	GKZ is a classification system used within CIS states. This system classifies mineralisation estimates into seven categories of three major groups, based on the level of exploration performed into Explored Reserves (A, B, C1), Evaluated Reserves (C2) and Prognostic Resources (P1, P2, P3). These categories are based on the degree of reliability of data and their comparative importance to the national economy.
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.

ckd
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