

Kemin Resources Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2021

Kemin Resources Limited

Contents

| | |
|---|----------|
| Areas of Exploration | 1 |
| Strategic Report | 2 to 3 |
| Directors' Report | 4 to 5 |
| Statement of Directors' Responsibilities | 6 |
| Income Statement and Other Comprehensive Income | 7 |
| Statement of Financial Position | 8 |
| Statement of Changes in Equity | 9 |
| Statement of Cash Flows | 10 |
| Notes to the Unaudited Financial Statements | 11 to 20 |

Kemin Resources Limited

Areas of Exploration

Kemin Resources Ltd (“Kemin” or the “Company”), is an exploration Company.

Kemin's principal assets are located in Northern Kazakhstan and held by its subsidiary companies. 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. Kemin is currently awaiting renewal of the licences for these two sites.

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 center, Denisovka. The small settlement of Okrainka lies some 4km from the deposit.

The deposit area covers approximately 6.6km². In addition to the molybdenum and tungsten content, the deposit also contains significant quantities of lithium., which has been identified in recent drilling results.

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.

Smirnovskoye

The Smirnovskoye 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 13.7km².

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.

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.

Subsequently, additional drilling was undertaken on both sites and the updated February 2013 GKZ resource estimate is presented below.

| Drozhilovskoye | Ore reserve/ resource | Molybdenum metal | Molybdenum grade | Tungsten metal | Tungsten grade |
|---------------------------------|--------------------------|---------------------|---------------------|-------------------|-------------------|
| Reserve/resource classification | mt | kt | % | kt | % |
| C1 | 139.8 | 262.9 | 0.19 | 64.3 | 0.005 |
| C2 | 130.5 | 77.5 | 0.06 | 88.3 | 0.03 |
| P | 300 | 150 | 0.05 | 150 | 0.05 |

| Smirnovskoye | Ore reserve/ resource | Molybdenum metal | Molybdenum grade | Tungsten metal | Tungsten grade |
|---------------------------------|--------------------------|---------------------|---------------------|-------------------|-------------------|
| Reserve/resource classification | mt | kt | % | kt | % |
| 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 |

Kemin Resources Limited

Strategic Report for the Year Ended 30 June 2021

The directors present their strategic report for the year ended 30 June 2021.

The Company continued to manage the affairs of its subsidiary in Kazakhstan. Qaz Mining Company LLP (QMC) is the owner of the licences 1605 Smirnovskoye and 1606 Drozhilovskoye as detailed below.

Licences

The Company is currently awaiting renewal of the following licences:

Smirnovskoye

The original licence for contract 1605 in relation to the Smirnovskoye field was extended for a two year period which expired in September 2019. Since this period the Company has been liaising with the Kazakh authorities in order to renew the exploration licence. The application was approved by Expert Committee of the Competent Body, which passed it the working group to finalise. This process has been ongoing and the authorities had to consider non performance of licence obligations in the previous mining licence awarded and the mitigation offered by the Company. This process is still ongoing and there is no certainty that the addendum to the original licence will be awarded for another 2 years of exploration, however if awarded the licence will take effect from the signing and registration once the process is complete.

Drozhilovskoye

On 27 June 2018 QMC signed an additional agreement denoted as addendum 3 to contract 1606 for a period of three years to 27 June 2021. During this period the Company finalised its geological and exploration work. It has presented its results of its reserves and resources estimation to the relevant Kazakh mining authorities. The Company has an automatic right once this is approved by the Competent authority to continue to exploit the resource. It is currently awaiting the decision if a licence will be granted.

Development plans update

Due to a lack of funding the Company was unable to progress its plans to develop the licences as anticipated. The directors are continuing to look at alternative avenues to extract value for the shareholders, one of the possibilities being explored is to sell the rights to the licences to generate cash for the Company.

Financial performance review

The Company loss attributable to Kemin shareholders in the 12 months ended 30 June 2021 was £197,791 (2020: £1,060,100).

The administrative costs of the Company were in line with expectations.

Support is still being obtained from the principal shareholder via Amrita Investments Ltd. At present the Amrita loan facility if required, provides sufficient funds for the company to continue to meet its current obligations.

Principal risks and uncertainties

The principal risks exposed to the Company and on a Group basis are:

- availability of future funding outside of the Amrita facility;
- political and economic environment;
- fluctuation in commodity prices;
- financial risk;
- the resource differing in grade and quantity to that predicted by feasibility studies; and
- fluctuations in exchange rates resulting from changes in the value of the Kazakh Tenge.

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 Company is aware of these factors and tries to mitigate them as far as possible. Given the current economic climate of raising funds for an exploration Company such as Kemin, the directors are considering alternative avenues to obtain shareholder value from the assets remaining in Kemin.

The Company cannot control the political and economic environment of the country in which the resources are based. However, to minimise the risk, Kemin maintains close relationships with the Kazakhstan authorities in order to minimise bureaucratic delays and problems.

Kemin Resources Limited

Strategic Report for the Year Ended 30 June 2021 (continued)

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 these relate to the trading subsidiary. In relation to the Company the principal KPI is cash balance and loss incurred.

| | 30 June 2021 | 30 June 2020 |
|--|--------------|--------------|
| 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) - Company | 3 | 4 |
| Exploration expenditure (cumulative – KZT000's) - Subsidiary | - | - |
| Net loss (£000's) - (Company) | 198 | 1,060 |

The key statistic is the level of resources which has been measured under the GKZ classification.

Approved by the Board on 25 April 2022 and signed on its behalf by:

.....
Askhat Tlekmetyov
Director

Kemin Resources Limited

Directors' Report for the Year Ended 30 June 2021

The directors present their report and the unaudited financial statements for the year ended 30 June 2021.

Directors' of the company

The directors, who held office during the year, were as follows:

Arman Yergali

Askhat Tlekmetov

Principal activity and business review

The principal activity of the Company is that of an exploration and mine development company.

Results and dividends

The results of the Company for the period ended 30 June 2021 are set out in the income statement and other comprehensive income on page 7 and a commentary on the results is included in the Strategic report. The Company incurred losses in the period of £197,791 (2020: £1,060,100), in the course of managing its principal mining assets in Kazakhstan. The Directors do not recommend the payment of a dividend (2020: £Nil).

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, as the Company has been in the process of re-establishing the licences, and there has been relatively little activity there has been limited updates on the website (www.keminresources.com).

Going concern

The Company has made a loss of £198k (2020: £1,060k) and has net current liabilities of £40k (2020: £34k). The Company and its subsidiaries are pre-revenue. The parent Company has predominantly been funded in recent years through an agreement with Amrita Investment Limited, a company incorporated in the British Virgin Islands and ultimately controlled by the Assaubayev family.

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. The Company is currently renewing the licenses and reviewing the options for the business going forward.

The initial £7m facility was entered into on 4 February 2013 and was repayable on the earlier of the fifth anniversary of the agreement or when an equity fund raising 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. At the year end, £3.5m of the facility has been drawn.

The repayment date of the facility has been extended previously and post year end, was extended to 31 December 2022 although the facility was reduced such that £250k was available for its working capital needs. Based on the existing level of commitments and recurring spend, the Directors anticipate that it has access to sufficient funds for its immediate needs, and have therefore prepared these financial statements on a going concern basis.

Corporate structure

Kemin Resources Limited is a private 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 |
|--|--------------------------|-------------------|-----------------------------------|
| Qaz Mining Company (QMC) Limited Liability Partnership | Kazakhstan | Mining activities | 90% by Lothar Enterprises Limited |
| Lothar Enterprises Limited | England | Dormant | 100% by Kemin Resources Limited |

Kemin Resources Limited

Directors' Report for the Year Ended 30 June 2021 (continued)

Likely future developments

Details of likely future developments are set out in the Strategic Report.

Charitable and political contributions

There were no charitable or political contributions made in the period ended 30 June 2021 (2020: £Nil).

Directors' emoluments

No director received any remuneration in the period £Nil (2020: £Nil).

Service contracts

The 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 Company is in transition and salaries will be reviewed as the Company develops to the next stage. The key management personnel comprises the Directors.

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 | 76.1 |
| Goldman Sachs Securities (nominees) Limited | 8,970,000 | 5.1 |
| Euroclear Nominees Limited | 7,513,427 | 4.3 |
| Vidacos Nominees Limited | 6,020,362 | 3.4 |

Small companies provision statement

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

Approved by the Board on 25 April 2022 and signed on its behalf by:

.....
Askhat Tlekmotov
Director

Kemin Resources Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards and 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 financial statements in accordance with UK adopted international accounting standards. 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international 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.

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

Kemin Resources Limited

Income Statement and Other Comprehensive Income for the Year Ended 30 June 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|--------------------------------|------|---------------------|-----------------------|
| Revenue | 4 | 44 | 44 |
| Administrative expenses | | (13) | (7) |
| Impairment of financial assets | | <u>(44)</u> | <u>(996)</u> |
| Operating loss | | <u>(13)</u> | <u>(959)</u> |
| Finance income | 6 | - | 44 |
| Finance costs | 6 | <u>(185)</u> | <u>(145)</u> |
| Net finance cost | 6 | <u>(185)</u> | <u>(101)</u> |
| Loss before tax | | (198) | (1,060) |
| Income tax | 7 | <u>-</u> | <u>-</u> |
| Loss for the year | | <u><u>(198)</u></u> | <u><u>(1,060)</u></u> |

There are no items to include in the statement of comprehensive income other than the loss for the period.

The above results were derived from continuing operations.

Kemin Resources Limited

(Registration number: 04674237)

Statement of Financial Position as at 30 June 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|-------------------------------------|------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Amount due by subsidiary company | 8 | - | - |
| Current assets | | | |
| Other receivables | 9 | - | - |
| Cash and cash equivalents | 10 | 3 | 4 |
| | | <u>3</u> | <u>4</u> |
| Total assets | | <u>3</u> | <u>4</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Ordinary share capital | 11 | (1,748) | (1,748) |
| Deferred share capital | | (6,168) | (6,168) |
| Share premium | | (37,414) | (37,414) |
| Merger reserve | | (52,654) | (52,654) |
| Other reserves | | (396) | (396) |
| Accumulated losses | | <u>101,966</u> | <u>101,768</u> |
| Total equity | | <u>3,586</u> | <u>3,388</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 12 | (3,549) | (3,358) |
| Current liabilities | | | |
| Trade and other payables | 13 | <u>(40)</u> | <u>(34)</u> |
| Total liabilities | | <u>(3,589)</u> | <u>(3,392)</u> |
| Total equity and liabilities | | <u><u>(3)</u></u> | <u><u>(4)</u></u> |

For the financial year ending 30 June 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the Board on 25 April 2022 and signed on its behalf by:

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Askhat Tlekmetov

Director

The notes on pages 11 to 20 form an integral part of these financial statements.

Kemin Resources Limited

Statement of Changes in Equity for the Year Ended 30 June 2021

| | Ordinary share capital £ 000 | Deferred share capital £ 000 | Share premium £ 000 | Merger reserve £ 000 | Other reserve £ 000 | Retained earnings £ 000 | Total £ 000 |
|--------------------------|---|---|------------------------------------|-------------------------------------|------------------------------------|--|------------------------|
| At 1 July 2020 | 1,748 | 6,168 | 37,414 | 52,654 | 396 | (101,768) | (3,388) |
| Loss for the year | - | - | - | - | - | (198) | (198) |
| Total comprehensive loss | - | - | - | - | - | (198) | (198) |
| At 30 June 2021 | <u>1,748</u> | <u>6,168</u> | <u>37,414</u> | <u>52,654</u> | <u>396</u> | <u>(101,966)</u> | <u>(3,586)</u> |

| | Ordinary share capital £ 000 | Deferred share capital £ 000 | Share premium £ 000 | Merger reserve £ 000 | Other reserve £ 000 | Retained earnings £ 000 | Total £ 000 |
|--------------------------|---|---|------------------------------------|-------------------------------------|------------------------------------|--|------------------------|
| At 1 July 2019 | 1,748 | 6,168 | 37,414 | 52,654 | 396 | (100,708) | (2,328) |
| Loss for the year | - | - | - | - | - | (1,060) | (1,060) |
| Total comprehensive loss | - | - | - | - | - | (1,060) | (1,060) |
| At 30 June 2020 | <u>1,748</u> | <u>6,168</u> | <u>37,414</u> | <u>52,654</u> | <u>396</u> | <u>(101,768)</u> | <u>(3,388)</u> |

Ordinary share capital: Amount subscribed for share capital at nominal value.

Deferred shares: The shares carry no right to receive income distributions nor do they 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 Qazakh Mining Company LLP (QMC).

Other reserve: The premium between the effective interest rate and coupon rate on the loan issued by a shareholder related party.

Accumulated losses: Cumulative losses recognised in the consolidated statement of comprehensive income.

Kemin Resources Limited

Statement of Cash Flows for the Year Ended 30 June 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|---|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Loss for the year | | (198) | (1,060) |
| Adjustments to cash flows from non-cash items | | | |
| Impairment of financial assets | | 44 | 996 |
| Finance income | 6 | - | (44) |
| Finance costs | 6 | 185 | 145 |
| | | 31 | 37 |
| Working capital adjustments | | | |
| Increase in trade and other receivables | 9 | - | (34) |
| Decrease in trade and other payables | 13 | (38) | (96) |
| | | (7) | (93) |
| Cash flows from financing activities | | | |
| Advances received | | 6 | 87 |
| | | (1) | (6) |
| Net decrease in cash and cash equivalents | | (1) | (6) |
| Cash and cash equivalents at 1 July | | 4 | 11 |
| | | 3 | 5 |
| Cash and cash equivalents at 30 June | | 3 | 5 |

The notes on pages 11 to 20 form an integral part of these financial statements.

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The parent company's principal activity is managing the trade and the investment of its subsidiary company based in Kazakhstan. It is incorporated in England and Wales and has its registered office and business address at 28 Eccleston Square, London, SW1V 1NZ.

2 Accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with UK adopted international financial reporting standards and applicable law and regulations.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Going concern

The Company has made a loss of £198k (2020: £1,060k) and has net current liabilities of £37k (2020: £30k). The Company and its subsidiaries are pre-revenue. The parent Company has predominantly been funded in recent years through an agreement with Amrita Investment Limited, a company incorporated in the British Virgin Islands and ultimately controlled by the Assaubayev family.

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. The Company is currently renewing the licenses and reviewing the options for the business going forward.

The initial £7m facility was entered into on 4 February 2013 and was repayable on the earlier of the fifth anniversary of the agreement or when an equity fund raising 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. At the year end, £3.5m of the facility has been drawn.

The repayment date of the facility has been extended previously and post year end, was extended to 31 December 2022 although the facility was reduced such that £250k was available for its working capital needs. Based on the existing level of commitments and recurring spend, the Directors anticipate that it has access to sufficient funds for its immediate needs, and have therefore prepared these financial statements on a going concern basis.

New accounting standards and amendments

All standards that were effective for the period from 1 July 2020 have been adopted in these financial statements however there have been no items that have had a material impact on the financial statements.

Additionally, the Directors have reviewed the impact of all new standards issued that are not yet effective. Given the scope of the Company's operations, it is not anticipated that any standards issued that are not yet effective will have a material impact on the financial statements of the next financial year.

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue comprises management fees charged to the subsidiary for services provided throughout the year. They are recognised over time as the subsidiary obtains the benefit from the services. There are no contract assets or contract liabilities recognised in the balance sheet at the period end.

Foreign currency transactions and balances

Transactions entered into by the Company 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 Kemin is the British Pound. 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.

Investments - loans to subsidiary

Investments in subsidiaries represent amounts due from subsidiaries which are measured at amortised cost less amounts recorded for expected credit losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are recognised initially at the transaction price. They are subsequently measured less any provision for impairment in relation to expected credit losses. At each reporting date the Group assesses the expected credit losses and changes in credit risk since initial recognition of the receivable and a provision for impairment is recognised when considered necessary.

Financial liabilities

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Tax

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the England being the country 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 financial statements with their respective tax bases. 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.

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.

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Critical accounting judgements and key sources of estimation uncertainty

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.

Carrying value of loans to subsidiary

The decision over whether loans made to subsidiary companies are recoverable is determined by the Board of Directors. The decision is made by reference to the underlying mineral properties and the economic potential they hold.

4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

| | 2021 £ 000 | 2020 £ 000 |
|---------------------|-----------------------------|-----------------------------|
| Management services | 44 | 44 |

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| 2021 £ 000 | 2020 £ 000 |
|-----------------------------|-----------------------------|
| - | - |

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

| | 2021 No. | 2020 No. |
|----------------------------|---------------------------|---------------------------|
| Administration and support | 2 | 2 |

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

6 Finance income and costs

| | 2021 | 2020 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Finance income | | |
| Other finance income | - | 44 |
| Finance costs | | |
| Unwinding of discount other financial liabilities | - | (11) |
| Interest expense on other financing liabilities | (184) | (176) |
| Foreign exchange (losses)/gains | (1) | 42 |
| | <u>(185)</u> | <u>(145)</u> |
| Total finance costs | <u>(185)</u> | <u>(145)</u> |
| Net finance costs | <u>(185)</u> | <u>(101)</u> |

7 Income tax

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

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

| | 2021 | 2020 |
|--|--------------|----------------|
| | £ 000 | £ 000 |
| Loss before tax | <u>(198)</u> | <u>(1,060)</u> |
| Corporation tax at standard rate | (38) | (201) |
| Increase from effect of expenses not deductible in determining taxable profit (tax loss) | - | 189 |
| Increase from effect of unrelieved tax losses carried forward | 38 | 12 |
| | <u>-</u> | <u>-</u> |
| Total tax charge | <u>-</u> | <u>-</u> |

The parent company has tax losses of £2.2m available to carry forward (2020: £1.92m). The potential deferred tax asset related to tax losses is £418,000 (2020: £365,000), no deferred tax asset has been recognised as the future profitability of the Company is uncertain.

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

8 Investments

Details of the subsidiaries as at 30 June 2021 are as follows:

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held | |
|---------------------------------|--------------------|-------------------|---|------|
| | | | 2021 | 2020 |
| Lother Enterprises Limited* | Dormant | England | 100% | 100% |
| Qazakh Mining Company LLP (QMC) | Mining activities | Kazakhstan | 90% | 90% |

* indicates direct investment of the company

The registered address for the companies are as follows: QMC -188 Satpayev Street, Almaty. 050018. Kazakhstan. Lother Enterprises Limited- 28 Eccleston Square, London. SW1V 1NZ, and are exempt from audit under S479A of the Companies Act 2006.

The loans, which are denominated in US Dollars, represent investments into the subsidiaries. The directors have assessed the Expected Credit Loss for amounts due from subsidiaries which relate to funding provided for the exploration projects. After taking into account the financial position of the subsidiaries and the current funding status of the projects they determined that it is appropriate to make full provision against the loans made to subsidiary companies. The total amount of the loan before provision is £1.7m (2020: 1.7m) and during the year £44k (2020: £966k) was charged to the income statement.

Currently the subsidiary companies are engaged in the exploration and evaluation of mineral properties and to date, no decision has been made to progress the projects to the funding and development stage. Due to the uncertainty of extracting value from the underlying projects, full provision has been made against the loans advanced.

9 Trade and other receivables

| | 2021 £ 000 | 2020 £ 000 |
|-------------------|---------------|---------------|
| Other receivables | - | - |

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

10 Cash and cash equivalents

| | 30 June 2021 £ 000 | 30 June 2020 £ 000 |
|--------------|-----------------------------------|-----------------------------------|
| Cash at bank | 3 | 4 |

Reconciliation of financing cash flows

| | 1 January 2020 B/Fwd more than one year | Cash movements - advance of loans | Non-cash movement - profit & loss interest | Non-cash movement - settlement of creditors | 30 June 2021 C/Fwd more than one year |
|---|--|--|---|--|---|
| Reconciliation of financing cash flows | | | | | £000 |
| Borrowings | 3,549 | - | - | - | 3,549 |

11 Share capital

Ordinary shares

| | Number | £000 |
|--|---------------|-------------|
| Issued and fully paid Ordinary shares of 1p each | | |
| 30 June 2021 and 30 June 2020 | 174,833,041 | 1,748 |

Deferred shares

| | Number | £000 |
|--|---------------|-------------|
| Issued and fully paid Ordinary shares of 499p each | | |
| 30 June 2021 and 30 June 2020 | 1,236,006 | 6,168 |

The deferred shares carry no entitlement to income distributions nor do they entitle the shareholder to attend or vote at Company meetings.

12 Loans and borrowings

| | 30 June 2021 £ 000 | 30 June 2020 £ 000 |
|---|-----------------------------------|-----------------------------------|
| Non-current loans and borrowings | | |
| Other borrowings | 3,549 | 3,358 |

The above loan is provided by Amrita Investment Limited, 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 31 December 2021 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.

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

13 Trade and other payables

| | 30 June 2021 £ 000 | 30 June 2020 £ 000 |
|----------------|--------------------------|--------------------------|
| Trade payables | 4 | 1 |
| Other payables | 36 | 33 |
| | 40 | 34 |

14 Financial risk management and impairment of financial assets

The Company's principal financial liabilities comprise an unsecured loan from a related party and trade and other payables which are measured at amortised cost or fair value. The principal financial asset relates to a loan to its subsidiary company.

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.

Market risk

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.

Foreign exchange risk

The below tables illustrate the currency denominations of the entity's monetary assets and liabilities. The only foreign exchange exposure is on the amounts recoverable from subsidiaries which is denominated in USD.

| | British Pound £000 | US Dollar £000 | Total £000 |
|---|-------------------------------|---------------------------|-----------------------|
| 2021 (functional currency British Pound) | | | |
| Financial liabilities held at amortised cost | | | |
| Trade payables | 4 | - | 4 |
| Other creditors and accruals | 36 | - | 36 |
| Loans and borrowings | 3,549 | - | 3,549 |
| | 3,589 | - | 3,589 |
| | | | |
| | British Pound £000 | US Dollar £000 | Total £000 |
| 2021 (functional currency British Pound) | | | |
| Loans and receivables at amortised cost | | | |
| Cash and cash equivalents | 1 | 2 | 3 |
| Amount due from subsidiary | - | - | - |
| Other receivables | - | - | - |
| | 1 | 2 | 3 |

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

14 Financial risk management and impairment of financial assets (continued)

| | British Pound | US Dollar | Total |
|---|---------------|-----------|-------|
| | £000 | £000 | £000 |
| 2020 (functional currency British Pound) | | | |
| Financial liabilities at amortised cost | | | |
| Trade payables | 1 | - | 1 |
| Other creditors and accruals | 33 | - | 33 |
| Loans and borrowings | 3,358 | - | 3,358 |
| | 3,392 | - | 3,392 |
| <hr/> | | | |
| | British Pound | US Dollar | Total |
| | £000 | £000 | £000 |
| 2020 (functional currency British Pound) | | | |
| Loans and receivables at amortised cost | | | |
| Cash and cash equivalents | 4 | - | 4 |
| Amount due from subsidiary | - | - | - |
| Other receivables | - | - | - |
| | 4 | - | 4 |

The effect of a strengthening or depreciation of the British Pound against the US Dollar at the reporting date on the British Pound denominated payables carried at that date with all other variables remaining constant results in the following effect on the Company's losses and net liabilities. An increase in the loss and liabilities of £Nil (2020: £Nil) if the British Pound strengthens against the US Dollar and an equal and opposite effect if it depreciates.

Interest rate risk

The Group and company's principal liability is at a fixed 5%, subject to adjustment for LIBOR as a result, given the historic movement of LIBOR the sensitivity of the Company to changes in the LIBOR rate is not considered material.

Credit risk

Due to the low level of cash balances and receivables the Company is not at present exposed to any credit risk. The maximum exposure is shown on the balance sheet for these items. The Company has extended inter-company borrowings to its subsidiary. Due to the uncertainty attached to the progression of the projects, a full provision has been made for the expected credit losses.

Liquidity risk

The Company had £3,099 of net bank balances at the year-end (2020: £3,513). The Directors monitor cash flow on a regular basis and as the Company and its subsidiary are pre-revenue, have little committed or recurring expenditure 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 Company's financial liabilities at 30 June 2021 based on contractual undiscounted payments:

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

14 Financial risk management and impairment of financial assets (continued)

| | Less than 1 year or on demand | More than 1 years but less than 2 years | More than 2 years but less than 5 years | Total |
|---|-------------------------------------|---|---|-------|
| 2021 | £000 | £000 | £000 | £000 |
| Trade payables | 4 | - | - | 4 |
| Other creditors and accruals | 36 | - | - | 36 |
| Borrowings - Amrita Investments Limited | - | 3,549 | - | 3,549 |
| | 40 | 3,549 | - | 3,589 |
| | Less than 1 year or on demand | More than 1 years but less than 2 years | More than 2 years but less than 5 years | Total |
| 2020 | £000 | £000 | £000 | £000 |
| Trade payables | 1 | - | - | 1 |
| Other creditors and accruals | 33 | - | - | 33 |
| Borrowings - Amrita Investments Limited | - | 3,358 | - | 3,358 |
| | 34 | 3,358 | - | 3,392 |

Capital risk management

The Company's objectives when managing capital are to safeguard the 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 Company. Currently the Company is dependent upon its principal shareholders for funding via its facility with Amrita as detailed in note 12. The current capital structure is set out below:

| | 2021 | 2020 |
|------------------------------|---------------|---------------|
| | £000 | £000 |
| Share capital | 7,916 | 7,916 |
| Share premium | 37,414 | 37,414 |
| Total managed capital | 45,330 | 45,330 |

15 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 Company 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 30 June 2021 the total amounts credited to equity for the Company £396m (2020:£396m).

The key management remuneration is shown in note 5, there was no key management remuneration in 2021.

Other related party transactions and related balances outstanding at each reporting year are as noted in note 14, being loans made to the Company by a Company controlled by the Assaubayev family. The amounts include the element attributable to the value of loans that have been allocated to equity.

Kemin Resources Limited

Notes to the Unaudited Financial Statements for the Year Ended 30 June 2021 (continued)

16 Parent and ultimate parent undertaking

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 Company. The ultimate controlling party is the Assaubayev family by virtue of the fact that they control the majority shareholder.