



Altyn plc  
Annual Report 2016  
(formerly GoldBridges Global Resources Plc)

# WELCOME TO ALTYN PLC

**"The Company's focus remains on the development of the underground mine, and the processing of high grade ore."**

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

To read more about Altyn Plc please visit our website [www.altyn.uk](http://www.altyn.uk)

## At a glance

On 16 December 2016 the Company changed its name from Goldbridges Global Resources Plc to Altyn Plc. Altyn has the meaning of gold in the Kazakh Language, and was seen as a positive step in consolidating the relationships in Kazakhstan.

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

The Company is in the process of developing the underground mine. Once the underground mine is operating at full capacity, the Company expects annual gold production to increase from the current levels being achieved to 100,000oz by 2019.

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

In addition to Sekisovskoye, in May 2016 the Company was awarded the subsoil exploration contract for the Karasuyskoye ore field for a 6 year term with the right to extend for another 12 years if there is a commercial discovery of resources. The site encompasses an area of approximately 198km<sup>2</sup>, and geological data purchased by the Company indicates that there are several mineralised zones, each with the potential to contain significant gold resources.

Throughout 2014, the Company worked on a Competent Persons Report (CPR) in relation to the Sekisovskoye mine site and the results of the findings were announced in November 2014. The significant highlights are summarised in the mineral resources statement on page 12.

The Company's principal shareholders, the Assaubayev family (through their investment vehicle African Resources Limited), have provided strong financial support and commitment to the current development of the Company. The family's shareholding currently stands at 61.69%, in addition in the current year the principal shareholders have provided US\$10m convertible loan and US\$1.66m unsecured loan as further discussed in the note 22.

## Our focus

The focus in the current year has been on continuing development of the underground mine, involving development of the second decline and access portal, in addition to drilling and preparing the ore bodies for production. Similar to 2015 this has adversely affected the current year results however the production flow in Q1 2017 is encouraging, with underground ore mined increasing to 28,400t per month.

The key highlights are documented below:

### Underground development

- ▲ During the year the first transport decline was taken from 250masl (metres above sea level) to 200masl. The decline will now stop at this level.
- ▲ Second transport decline was taken from the 250masl and is currently being developed to the 225masl.
- ▲ Completion of works on the second decline from 250masl to the bottom of the open pit at 320masl.
- ▲ Access portal, for the second transport decline was completed during H2 2016.
- ▲ Ventilation shafts and ancillary services for the mine works were completed.
- ▲ Tailings dam 4 was completed in January 2017. It covers an area of 198,000sqm<sup>2</sup> and has the capacity to absorb 1m tons of tailings, and will have an operational capacity of 2-3 years on the basis of the planned production increases.
- ▲ Capital investment of US\$5.6m (2015: US\$9.6m) which included 30 tonne haulage trucks and new load-haul-dumper (LHD), used to fill the underground trucks with ore. The principal operational fleet is to be further enhanced with an additional 30 tonne haulage truck and an additional LHD, to be purchased in 2017.

### Financial highlights

- ▲ Debt raising of US\$12m through the issue of convertible bonds and US\$1.66m through the unsecured loan.
- ▲ Turnover decreased in the year to US\$15.9m (2015: US\$24m).
- ▲ 12,602oz of gold sold (2015: 20,890oz), a reduction of 8,288oz.
- ▲ Average gold price achieved (including silver as a by-product), US\$1,259/oz, (2015: US\$1,173/oz).
- ▲ Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation excluding impairment) of US\$260,000 (2015: negative US\$2.3m).

### Operational highlights

- ▲ Gold poured 10,970oz, (2015: 15,534oz) a 29.4% decrease year-on-year, due to the continuing development of the second transport decline that resulted in a lower production in the year.
- ▲ Underground gold grade 2.70g/t, (2015: 2.55g/t).
- ▲ Operating cash cost US\$846/oz, (2015: US\$837/oz).
- ▲ Gold recovery rate 80.20% (2015: 76.04%) the improvement is in line with the expectations as the higher grade ore is processed.



To read more about Altyn plc please visit our website [www.altyn.uk](http://www.altyn.uk)

# CONTENTS

## Areas of exploration



### 1 Sekisovskoye

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

The mineral rights at Sekisovskoye are held by a 100% owned subsidiary of the Company, DTOO GRP Baurgold (Formerly TOO Gornorudnoe Predpriatie Sekisovskoye), and the processing plant is held by the 100% owned subsidiary of the Company TOO GMK Altyn MM (formerly TOO Altai Ken-Bayitu).

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

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

The extraction of the gold reserves is now being undertaken solely from the underground pit whilst the open pit operations ceased during the year. The Company is in the process of enhancing the production from the underground mine gradually increasing production to 1,000,000t in 2019.

### 2 Karasuyskoye Ore Fields

In May 2016, the Company was awarded the subsoil exploration contract to conduct further testing at the site Karasuyskoye ore field for the 6 year term with the right to extend for another 12 years in case of commercial discovery of resources.

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

On completion of the CPR, the Company envisages progressing towards mining from the Karasuyskoye Ore Fields, primarily using cash generated from existing operations.

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# CHAIRMAN'S STATEMENT

"In 2017 we will start to see the results of the investments made in the underground mine."

## Dear shareholders,

The focus in 2016 as in the prior year has been on moving the underground project forward as efficiently as possible but aiming to maintain our working capital requirements, and ensure our loan commitments are met.

In relation to the latter the Company currently has a bank loan with EBRD, the capital amount outstanding as at the date of this report is US\$1.79m. During the year the Company raised US\$12m through the issue of convertible bonds with a coupon rate of 10%. The proceeds include US\$2m from institutional investors and US\$10m from its major shareholder. Additionally a total of US\$1.7m were raised in the form of 13% unsecured loans from the major shareholder. The funds raised were used to finance working capital commitments, repay the loan commitments as noted above, in addition to acquiring the capital assets in the year.

In order to continue with the underground development plans and move towards the targeted production levels the Company needs to raise further funds for capital investment. As part of the process of engaging with potential investors the Company has instructed brokers and external consultants to actively market the Company. We will keep shareholders updated as the financing progresses.

The Company has made significant progress utilising the funding so far, and the transition to the underground mine is progressing well, albeit with a delay from the original anticipated schedule of approximately 9 months. The underground ore mined in H1 2016 was 28,824t and in H2 71,939t. The Company has now moved to a monthly run rate of 29,000t in 2017, with the anticipation to increasing this toward the target of 40-45,000t during 2017.

## Underground development

# 225masl

Second transport decline now progressing to 225masl.

## Funding raised

# US\$13.7m

During 2016 US\$12m in convertible bonds were issued and US\$1.7m in unsecured loans.

The gold price is still favourable and stable and has been trading in the range of US\$1200/oz – US\$1,300oz, as interest rates rise it is expected that the current price may be put under downward pressure. However, based on the Company's revenue and cost assumptions the profits going forward are still very favourable.

In summary we have now developed the platform to move forward. The forthcoming years, will see the fortunes of the Company change as production increases and we move towards our target of 100,000oz of gold a year.

Finally, may I once again thank all our employees and our Management team for their hard work and also thank our shareholders for their continued support, as we look forward to a challenging and exciting year ahead for Altyn.

**Kanat Assaubayev**  
Chairman

28 April 2017

# CHIEF EXECUTIVE OFFICER'S REVIEW

"Significant progress was achieved in developing the second transport decline and infrastructure, and preparing the ore bodies for production during the year."

## Overview

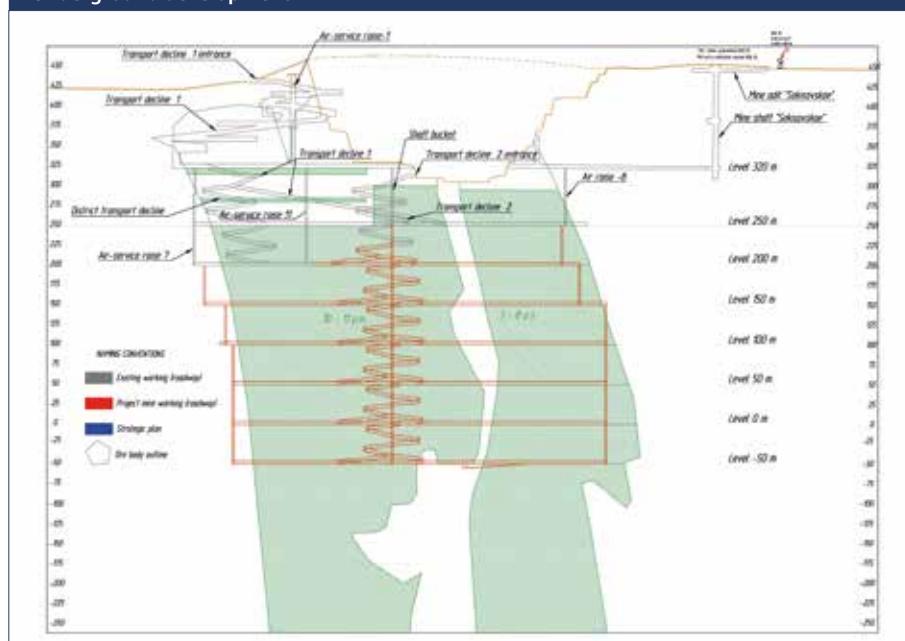
The management team have had a successful year in advancing the development of the underground mine. The exercise was time consuming and technically difficult in a number of areas leading to a delay from the planned time table, essentially pushing the development back by approximately 9 months from that initially envisaged.

## Current developments

To summarise the following progress was achieved in the development of the underground mine in the year, building a solid platform for production growth going forward:

- ▲ Development of the first decline which was taken from the 250masl down to 200masl, this gave access to ore body 11. The first decline will now be terminated at this level and the second decline will be used in the future to access the ore bodies. Development of the second decline has significantly reduced the haulage distance to the underground tracks. The decline was taken from the 250masl up to the 320masl to give access to the bottom of the open pit, and a transport portal was constructed. It is also currently in the process of being further developed to the 225masl giving access to a number of ore bodies at this level.
- ▲ Ore bodies were prepared for production including ore body 10 and also ore body 5, the latter was originally expected to be producing ore in H2 2016, however the delay pushed this back to Q1 2017.
- ▲ The current production in Q1 2017 is being taken from ore body 5 it typically has ore grades on average of 3.5g/t. Although the actual grade achieved in the Q1 was 2.56 g/t this is mainly a dilution issue that is expected to be settled in the 2<sup>nd</sup> half of the year achieving the targeted average gold grade for the year.
- ▲ The extraction from the sides of the open pit has revealed veins of ore with very high grades of gold in excess of 6g/t, as well as free gold.
- ▲ Completion of tailings dam 4 allows for approximately 1mt of tailings to be absorbed. Tailings dam 4 will have a life of approximately 2-3 years, taking into account our plan to raise production. It is expected that after this period the paste plant will be constructed, thereafter allowing the tailings to be backfilled into the underground mine.
- ▲ Sourcing, purchasing and commissioning of plant and equipment during the year. Key items were the load-haul dumper CAT R1300 and the 3 Sandvik UG trucks TH430 which can carry 30t each. These are replacing the existing 15 tonne trucks which have been retained for possible deployment in Karasuyskoye. Another 30 tonne UG truck is to be ordered in the near term. Also in addition to the above a low haul dumper was delivered in late March 2017 and is now being used in the operations.

## Underground development



# CHIEF EXECUTIVE OFFICER'S REVIEW continued

## Looking forward

- ▲ The second decline is to be continued to be developed to 225masl as noted above, and this is expected to be completed by June 2017, giving access to the ore bodies at this level which will then be prepared for production. Ore body 11 contains on average higher grade ore up to 4.5g/t, and will be mined in H2 2017.
- ▲ Further drilling and preparatory works will be undertaken at ore bodies 2-10 at the 250masl in order to prepare them for ore production.
- ▲ The extraction of the very high grade ore that is being mined from the sides of the open pit is being further refined by applying higher concentrations of cyanide, in three smaller intensive leaching tanks which have been set up. The recovery rates will be further enhanced in the future by the purchase of gravitational circuits, as cash flow permits.

## Capital requirements

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

Of the total amount shown above the external funding requirement is in the region of US\$20m– US\$30m. The Company is currently in discussion with a number of interested parties, in order to raise the necessary funding.

## Sekisovskoye operational update

In the year to December 2016, the mine has been operating at a very low capacity and the current year low level of production has to be seen as a necessary step in order to achieve the Company's long term goal. During H1 2016 this dropped to 3,694oz of gold produced but since then production has been rising as the underground mine is developed.

The key performance statistics show that the underground grades are improving as direct access is gained to the ore bodies and recovery rates are now moving to the target goal of above 80%. Indeed, in Q1 2017 the recoveries have increased, albeit the grades have remained at 2.5-2.6g. The grades are expected to improve as the higher grade ore bodies are accessed and there is less developmental ore delivered to the processing plant.

The operational performance of the Company's Sekisovskoye gold mine during 2016 against the prior year is shown in the tables to the right.

Total gold production for 2016 was only 10,970oz, and was lower than that initially budgeted. The result reflects the winding down and closure of the open pit mine at Sekisovskoye, as the Company's efforts were focussed on increasing its underground development.

## Projected capital expenditures underground operations

	Total US\$m	2017 US\$m	2018 US\$m	2019 US\$m	2020 US\$m
Prospect drilling	4.0	0.9	0.1	1.5	1.5
Underground development	3.5	1.4	0.4	0.8	0.9
Infrastructure	1.2	1.2	–	–	–
Ore handling facilities	16.8	10.2	4.6	2.0	–
Process plant & paste plant	12.0	–	12.0	–	–
Contingency	3.3	0.6	2.3	0.3	0.1
<b>Total</b>	<b>40.8</b>	<b>14.3</b>	<b>19.4</b>	<b>4.6</b>	<b>2.5</b>

## Mining – open pit

		2016	2015
Ore mined	T	107,586	339,111
Gold grade	g/t	0.91	1.06
Silver grade	g/t	1.60	2.03
Contained gold	oz	3,065	11,595
Contained silver	oz	5,361	22,139

## Mining – underground

		2016	2015
Ore mined	T	100,763	79,276
Gold grade	g/t	2.70	2.55
Silver grade	g/t	3.76	3.7
Contained gold	oz	8,757	6,492
Contained silver	oz	12,182	9,441

## Mining – processing

		2016	2015
Crushing	T	258,206	570,949
Milling	T	262,546	566,664
Gold grade	g/t	1.66	1.12
Silver grade	g/t	2.88	2.25
Gold recovery	%	80.20	76.04
Silver recovery	%	73.45	64.91
Contained gold	oz	13,679	20,428
Contained silver	oz	22,491	40,994
Gold poured	oz	10,970	15,534
Silver poured	oz	16,519	26,608

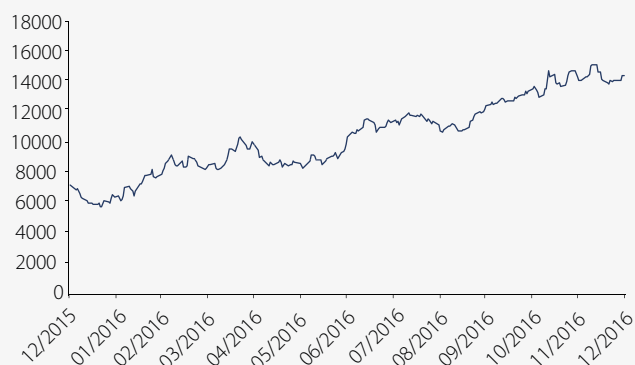
Of this amount 3,694oz were produced in H1 and 7,276oz in H2, the increase in production is encouraging. The production is expected to build in 2017 such that it is expected to achieve a run rate of 40,000oz of gold per annum in the latter part of the year.

As expected the gold recoveries have increased and are now in excess of 80% as production is switched to the higher grade ore. The increase is expected to continue as the composition of the ore processed is not expected to be so variable in grade. In addition to this the operational upgrades made in the prior year in the processing plant have

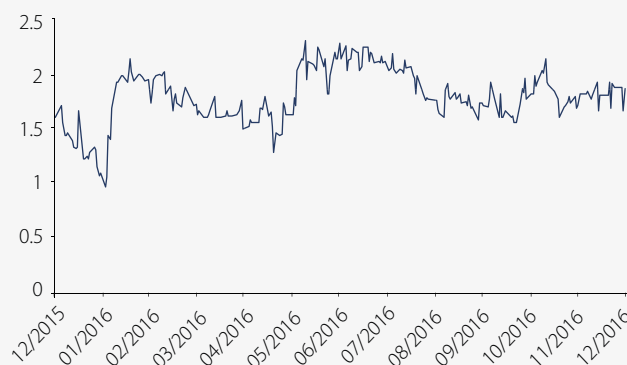
also made a difference in uplifting the recoveries achieved. In the current year the processed ore was a mixture of lower grade ore from the open pit and the developmental ore from the higher grade underground ore bodies. The open pit ore grade was 0.91 at a very low level and was only used in order to keep the plant operational. In the current year the low grade stockpiles have been fully impaired as they are no longer considered to be economically viable to process.

# MARKET REVIEW AND SHARE PRICE PERFORMANCE

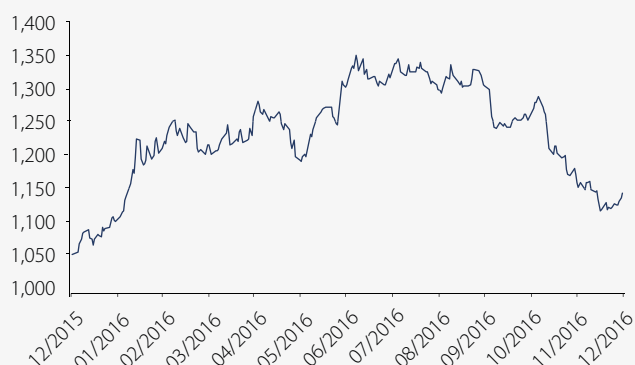
FTSE 350 Mining Index



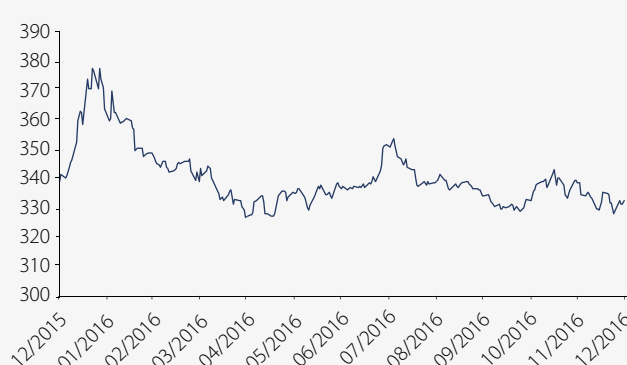
GBGR p per share



Gold price US\$/oz



KZT/USD



During 2016 the commodity prices have improved from the falls in earlier years.

The FTSE 350 Mining Index has moved from its low point in 2015 of 6,780 to above 15,000 and is currently in the region of 15,700, a strong rise of 132%. The price of gold specifically has been relatively stable and is currently trading in the region of US\$1,250/oz, and the consensus view is that it will trade at this level for the following year, rising in the longer term into the range of US\$1,300-US\$1,350/oz.

The demand for gold from China and India which are the major buyers of gold is still strong, albeit the growth of these economies has slowed, demand remains strong. This upward pressure is being dampened by a possible rise in US interest rates as the economy continues to grow. However it's expected that any rate rises will be incremental and will take place over a number of months.

## Share price performance

Given the background of rising markets and stable gold prices the share price of Altyn plc has not been reflective of this and is currently trading in the region of 1.5-2.0p. The Directors feel that this is not a true reflection of the value of the Company and expect the share price to improve significantly as production improves and the potential of the Company is realised.

The Company has a professional management team and is focused on delivering the underground plan in relation to Sekisovskoye and develop the resources at Karasuyskoye. The outstanding debt to EBRD is now at a low level and the Company, with increasing production from its high grade underground resources and no new debt repayments scheduled before February 2021 has a solid foundation to build the value of the Company and the share price for its shareholders. We thank our shareholders for remaining patient, and we are hopeful of a steady rise in the share price in the future.



# OUR STRATEGY AND BUSINESS MODEL

Our strategy is to deliver transformational growth by continuing to develop our high grade underground mine at Sekisovskoye, targeting annual gold production of 100,000oz by 2019.

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

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



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

In order to ensure long-term success in this regard, we plan to continue developing the high grade underground mine to replace the low grade open pit operation where reserves have been depleted. This should result in gold production increasing to 100,000oz annually from 2019 onwards at highly competitive industry relative costs.

The acquisition of the adjacent Karasuyskoye Ore Fields geological data and imminent conclusion expected of subsoil user rights should ensure gold production growth into the future. The Company is continually looking to complement existing operations with other targeted acquisitions.

We have four pillars to our business:



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

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

**Exploration** – In May 2016 the Company received a contract to conduct exploratory drilling on the Karasuyskoye licence site. Geologically, we see potential for this area to contain multiple mineralised zones that could potentially host future mines. We believe our efforts are well focussed in this highly prospective land package that has obvious synergies with our current production facilities.

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

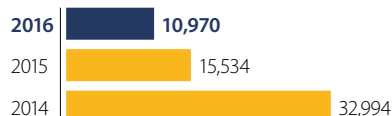


# FINANCIAL PERFORMANCE

## Key performance indicators (KPIs)

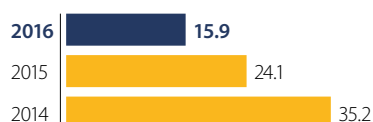
### Annual gold poured (oz)

**10,970oz**



### Revenue (US\$m)

**US\$15.9m**



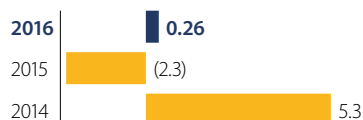
### Cash production cost (US\$/oz)

**US\$832oz**



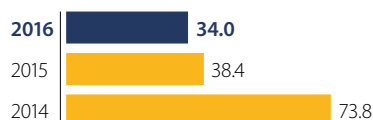
### Adjusted EBITDA (US\$m)

**US\$0.26m**



### Net assets (US\$m)

**US\$34.0m**



In terms of production and revenue generation this is anticipated to be the low point of the Company's performance. The production performance was a direct result of the continuing underground mine development which led to delays and interruptions to production. In addition the use of low grade ore from that remaining in the open pit led to the low levels of grade and recovery rates, and was principally used to maintain the operation of the processing plant.

As anticipated the grades and recovery are improving and all the main elements are in place to increase production in the forthcoming year. The second decline is now moving towards the 200masl and a number of ore bodies are accessible and are being prepared for production. As noted previously further investment will be required in order to advance the second decline to the minus 50masl which is the current development plan, and to conduct further exploratory drilling.

The current KPIs are to a large extent not a valid comparable to prior years, as production was being maintained at the processing plant to keep it operational during developmental works. In particular the production cash cost is very high given the low level of production and will decrease incrementally as the production rises with the targeted average cash cost of US\$540.

The current cash position and anticipated trading is sufficient for the budgeted capex (with no expansion), and budgeted production for the next year, but to further develop the mine additional investment is required. In the prior year one of the principal factors affecting the results for the year was the devaluation of the Kazakh Tenge against the US Dollar. The US Dollar has stabilised against the Kazakh Tenge and is in the range of US\$1,200-1,300. Both are expected to be in similar ranges in the forthcoming year.

The Company has reported a net loss of US\$6.4m (2015: US\$10.2m), with a gross profit of US\$2.3m (2015: US\$4.3m) and an operating loss of US\$4.1m (2015: US\$4.8m).

During 2016, Sekisovskoye poured 10,970oz of gold (2015: 15,534oz). A total of 12,602oz (2015: 20,890oz) were sold in 2016 at an average price of US\$1,259/oz (2015: US\$1,151/oz). Revenue totalled US\$15.9m (2015: US\$24.1m) and was lower than 2015 as the Company focused its efforts on developing the underground development. The principal purchaser of the gold dore was Kazakh state refinery as in the prior year.

The total cash cost of production, which includes administrative costs but excludes depreciation and provisions, amounted to US\$1,238/oz, (2015: US\$1,263/oz). The operating cash cost amounts to US\$832/oz (2015: US\$837/oz). This is based on the cost of sales excluding depreciation and

administrative expenses, and impairments. The earnings before interest, tax and depreciation, excluding impairments (Adjusted EBITDA), amounted to a positive US\$260,000, (2015: negative (US\$2.3m)).

Depreciation of US\$3.1m (2015: US\$4.2m) the lower level of depreciation is a reflection of the decreased charge for mining properties reflecting the lower production in the year. In 2016, amortisation charge of US\$553,000 (2015: US\$852,000) relates to the geological data asset for Karasuyskoye ore field purchased in 2013. As the Company has been awarded a subsoil contract in May 2016 US\$322,000 of the amortisation charge has been capitalised to the exploration and evaluation asset in line with the Group's accounting policy.

The Group has reported Net cash outflow from operating activities of US\$2.9m (2015: net inflow of US\$8.2m). The effect of lower production was partially offset by a higher average gold price.

Purchase of property, plant and equipment of US\$4.9m (2015: US\$9.6m). The Company has been conserving cash where possible in order to preserve working capital until such point as the funding is in place to further develop the mine.

Cash at year-end was US\$2.2m (2015: US\$1.1m). During the year, the Company raised US\$12m via convertible bonds and US\$1.7m in the form of unsecured loans. The Company is currently in negotiations to raise further funds, and will update shareholders as matters progress, however available cash resources are sufficient to meet the current working capital requirements.

The Company's principal debts are that owed to The European Bank for Reconstruction (EBRD), and the convertible loan notes issued in the year. The EBRD loan is set to be paid over the remaining two equal quarterly instalments of US\$833,000. In relation to the convertible bonds they are not expected to impact the cash flow, (other than the interest payments), until maturity in 2021, at which point they may be converted into shares. African Resources Limited have agreed to delay the payment of the outstanding interest payable on their loans in order to aid the cash flow of the Company.

The consolidated net assets of the Company are US\$34.0m (2015: US\$38.4m).

In summary the Company has progressed well on a developmental level on its limited funding, and managed to continue the mine development as well as maintain production albeit at low levels. 2017 is looking encouraging and mining and production is moving towards the targeted production levels set for the high grade underground mine.

# PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Mitigation
Fiscal changes in Kazakhstan	<p>Given that Altyn operates solely in Kazakhstan, the Company is naturally at risk of adverse changes to the fiscal regime in the country. Kazakhstan is a relatively young country and there have been fiscal changes in recent years, in some cases related to the mining industry. However, the country is outward looking and committed to attracting direct foreign investment. Kazakhstan is hosting an Expo in 2017 with the theme of future energy, and is positively encouraging investment. We therefore believe that the Kazakh government is aligned with potential foreign investors and would be very cautious in implementing any fiscal changes which could deter investment. Recent tax audits of the subsidiary companies have not revealed any material discrepancies, the Company has consulted with the tax authorities and provided all necessary information as and when required, and will seek expert tax advice as and when necessary.</p>
No access to capital – funding Sekisovskoye	<p>In order to continue with the underground development at Sekisovskoye, the Company must incur additional capital expenditure. Currently, the Company does not have the funds available to complete the capital work programme. The Company is therefore dependent on cash from external sources and therefore its future is at risk if funds from these external sources are unavailable. While the required level of funding has not been secured, the Assaubayev family, which owns 61.69% of the Altyn shares through its vehicle, African Resources, has invested in and lent to the Company in the past and is keen to see the Company succeed. However, without further external funding to complete the underground mine, production would proceed at a much slower pace than that currently planned. The Company is currently in the process of seeking further investment, and has engaged brokers other consultants to market the Company to potential investors.</p>
Commodity price risk	<p>The Company generates its revenue from the sale of gold and silver that it has produced. While the Company has no control over commodity prices, it is in a fortunate position to have a very robust mine and development project in Sekisovskoye that can withstand prolonged weak precious metals prices. Given the higher grades expected to be processed and the low cash cost of production the Company has a significant buffer and will remain profitable at lower gold prices.</p>
Currency risk	<p>The US Dollar has remained stable during 2016 against the Kazakh Tenge. As at 31 December 2016, 1 US Dollar equated to approximately 330 Kazakh Tenge and is expected to remain in this range in the foreseeable future. As the revenue is generated in US Dollars any strengthening of the US Dollar against the Kazakh Tenge will favour the Company, in addition as the Company has a relatively low cost of production, local price inflation is not expected to have a significant impact.</p>
Reliance on operating in one country	<p>Currently all of the Company's mining assets are in Kazakhstan. The Company believes that Kazakhstan has significant future mineral potential, hence the choice of jurisdiction. The Company makes it its business to be well informed of any in-country changes which may adversely affect the business. While the Company knows and understands Kazakhstan well and hence has a strong position in-country, it has stated that it would look at other opportunities in the future within the Central Asia region and this may mitigate risk.</p>

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

# CORPORATE SOCIAL RESPONSIBILITY

"We are committed to high ethical and environmental standards."



## Human resources

The Company has a strong commitment to equality of opportunity in all our employment policies, practices and procedures. We take a proactive approach throughout our recruitment and selection process to ensure that the Company attracts, hires and retains a diverse workforce and this is kept under close and regular scrutiny. No existing or potential employee will receive less favourable treatment due to their race, creed, nationality, colour, ethnic origin, age, religion or similar belief, sexual orientation, gender, gender reassignment, marital status, or any other classification as prescribed by law.

The accompanying table shows their current employees and gender.

## Human rights

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

## Employment of disabled persons

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues the employment of disabled people wherever suitable opportunities arises and the continued employment and retaining of employees who become disabled whilst at the Company. The Company currently employs one disabled person.

## Employee involvement

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

## Gender diversity

	Male	Female	Total
2016	828	127	658
2015	564	128	692

The table above shows the staff employment by gender. The Company places a great deal of emphasis on gender equality and diversity. At present there are 23 women in senior management positions (2015: 21), male senior managers in 2016 were 41 (2015: 42, including Directors).

## Environment

### Environmental and Social Impact Report (ESIA)

During 2016 and the period to the date of this report the operation has not reported any significant (reportable) environmental incidents. A review of the historic environmental monitoring has indicated that all environmental discharges have been in compliance within the Kazakh specified limits, and the mine reports these to the authorities on a quarterly basis.

## Our approach to the environment

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

## Greenhouse gas reporting

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

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

### Scope 1 emissions

Direct emissions controlled by the Company arising from plant.

### Scope 2 emissions

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

### Scope 3 emissions

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

### Health and safety

Altyn is pleased to report that during 2016, there were no accidents at the Sekisovskoye mine. The Company maintains its first aid rooms to the highest standards and ensures that rescue contracts are in place for employees in the event of an emergency.

### Our community

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

## The Company's emissions by scope

The Company's emissions by scope				
Scope		Source	Tonnes CO <sub>2</sub> 2016	Tonnes CO <sub>2</sub> 2015
Scope 1		Plant	3,382	7,368
Scope 2		Electricity	2,195	3,118
Scope 3		Other equipment	390	137
Total			5,967	10,623
			2016	2015
Intensity 1	Tonnes CO <sub>2</sub> e produced	per Dollar of revenue	0.000376065	0.004387720
Intensity 2	Tonnes CO <sub>2</sub> e produced	per oz of gold produced	0.543938	0.683919





# MINERAL RESOURCES STATEMENT

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

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

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

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

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

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

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

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

Altyn has not updated its mineral resources since 2014.

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

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



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

The risks for underground production are reduced by the following:

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

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

**Aidar Assaubayev**  
Chief Executive Officer  
28 April 2017

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

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

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

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





# BOARD OF DIRECTORS

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

## Chairman



### Kanat Assaubayev

#### Appointment

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

#### Experience

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

## Chief Executive Officer



### Aidar Assaubayev

#### Appointment

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

#### Experience

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

## Executive Director



### Sanzhar Assaubayev

#### Appointment

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

#### Experience

Sanzhar Assaubayev was formerly Director of International Affairs of JSC MMC Kazakhaltyn and an Executive Director of KazakhGold Group Limited, the gold mining corporation. He is also a member of the board of directors of Altyn Group 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.

**Executive Director**



**Neil Herbert**

**Appointment**

Neil Herbert was appointed to the Board as Non-Executive Director on 29 February 2016. On 1 February 2017 he was subsequently appointed as Executive Deputy Chairman.

**Experience**

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

**Non-Executive Director**



**Ashar Qureshi**

**Appointment**

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

**Experience**

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

**Non-Executive Director**



**Alain Balian**

**Appointment**

Alain Balian was appointed to the Board as Non-Executive Director on 23 October 2013.

**Experience**

Alain Balian is a former Deputy Governor of the Central Bank of Lebanon where he was also a member of the governing board. Besides monetary policy and regulations of the financial sector in Lebanon, his managerial responsibilities included the bank's financial reporting and the national financial system clearing operations. His earlier experiences include working at Kleinwort Wasserstein, ABN Amro Corporate Finance and Lebanon Invest in Mergers & Acquisitions, Corporate Finance and Private Equity covers several industries in North America, Europe and the Middle East. The total value of transactions on which Alain has worked exceeds US\$80bn.



[Go to page 61 to view our Company details](#)

# DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements on pages 28 to 54.

## Principal activities and business review

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

A review of the activities of the business throughout the year and up to 28 April 2017 is set out in the Strategic report on pages 1 to 13 which includes information on the Company's risks, uncertainties and performance indicators. The Company accounts are prepared on a going concern basis. However, reference should be made to factors affecting the ability of the Company to continue trading as noted on page 35 (note 2).

## Results and dividends

The Company's loss for the year after taxation amounts to US\$6.4m (2015 loss: US\$10.2m). The results of the year are set out on page 28 in the consolidated statement of profit or loss.

The Directors do not recommend the payment of a dividend for the year (2015: nil).

## Financial instruments

The Company issued convertible bonds in the period amounting to US\$12m. Of this amount US\$10m was issued to the principal shareholder African Resources Limited (a company controlled by the Assaubayev family) at a conversion price of 3p, redeemable in May 2021, and US\$2m to institutional investors at a redemption price of 2.1p redeemable in February 2021. The convertible bonds have a coupon rate of 10% with interest payable bi-annually.

Loans at an average interest rate of 13%, totalling US\$1,660,000 were received from Amrita Investments Limited and were used to provide additional working capital. Of this amount US\$101,000 was repaid in the year. The total outstanding including interest accruals of US\$180,000 amounts to US\$1,739,000. US\$700,000 of this is repayable in 2018, and included in borrowings greater than one year (see note 22). The balance of US\$1,039,000 including interest repayment has been deferred until further funding has been raised and is included within current borrowings (see note 22).

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, foreign exchange risk and interest rate risk. Further details are provided in note 26 on pages 50 to 53 of the Company's financial statements.

Share capital Details of the Company's issued share capital, together with the movements for the years ended 31 December 2016 and 2015 are set out in note 24.

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

Certain Directors have an interest in the ordinary shares in the Company and these are disclosed in the related party note 20 on page 47. Share options were awarded to one Director in February 2017. As part of his remuneration package he was issued with options over 46,686,843 shares at an exercise price of 2.125p per share.

## Qualifying indemnity provision

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

## Directors

The following Directors served during the year and up to 31 December 2016:

Kanat Assaubayev	Chairman
Neil Herbert*	Executive Deputy Chairman
Aidar Assaubayev	Chief Executive Officer
Sanzhar Assaubayev	Executive Director (appointed on 29 February 2016)
Ken Crichton	Chief Technical Officer (resigned on 29 February 2016)
Ashar Qureshi	Non-Executive Director
William Trew	Non-Executive Director (resigned 13 July 2016)
Alain Balian	Non-Executive Director

\*Neil Herbert was appointed Executive Deputy Chairman on 2 February 2017.

## Directors' shareholdings

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

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

In addition to the above Neil Herbert was awarded 46,686,843 share options as part of his remuneration package in February 2017.

The interest of the Assaubayev family who own their interest in the shares of the Company via their shareholding of African Resources Limited is shown in the table of substantial shareholdings on page 17.

## Substantial interests

The following have advised that they have an interest in 3% or more of the issued share capital of the Company as at 26 April 2017.

Shareholder	No of shares	% owned
African Resources Limited	1,440,076,040	61.69
DWS Investment	160,045,857	6.85
Blackwill Trade Limited	117,730,632	5.04

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

## Auditor

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

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

## Corporate governance

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

### Principles of corporate governance

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

### Board structure

The Board initially comprised of the Executive Chairman, the CEO and Chief Technical Officer and three Non-Executive Directors. During the year Ken Crichton resigned from the Board and two new Directors were appointed, Sanzhar Assaubayev as an Executive Director and Neil Herbert as a Non-Executive Director. Subsequent to the year-end Neil Herbert was appointed Executive Deputy Chairman. William Trew resigned as a Non-Executive Director in July 2016. The Board now comprises of an Executive Chairman, two Non-Executive Directors and three Executive Directors.

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

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

### Audit Committee

The Audit Committee comprises, Ashar Qureshi and Alain Balian. Neil Herbert stepped down in February 2017.

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

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

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

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 10 on page 42 of the financial statements.

# DIRECTORS' REPORT continued

## Remuneration Committee

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

## Board and Board committee meetings

The number of meetings during 2016 and attendance at regular Board meetings and Board committees was as follows:

		Meetings held	Meetings attended
Kanat Assaubayev	Board	8	8
Aidar Assaubayev	Board	8	8
Sanzhar Assaubayev	Board	8	8
Neil Herbert	Board	8	8
	Audit committee	2	2
Ashar Qureshi	Board	8	4
	Audit committee	2	2
Alain Balian	Board	8	4
	Audit committee	2	2
Ken Chrichton	Board	8	0
William Trew	Board	8	2

## Internal control

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

The key elements of the control system in operation are:

- ▲ The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority;
- ▲ There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;
- ▲ UK Financial reporting is closely monitored by members of the Board to enable them to assess risk and address the adequacy of measures in place for its monitoring and control. The Kazakh operations are closely supervised by the Board reviewing monthly, half yearly and annual financial reports from the Directors and senior officers in Kazakhstan. This is supplemented by regular visits of the UK based finance officer to Kazakh operations which include checking the integrity of financial information supplied to the UK. The financial officer is ultimately responsible for the preparation of the consolidated financial statements that are then reviewed by the Directors.

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

There are no significant issues disclosed in the Annual Report for the year ended 31 December 2016 (and up to the date of approval of the report) concerning material internal control issues. The Directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.

## Communications with shareholders

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

## Corporate Social Responsibility

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

## Takeover directive

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

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

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

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

## Greenhouse emissions

Information on greenhouse emissions is shown on page 10.

## Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of BDO LLP at 55 Baker Street, London, W1U 7EU, United Kingdom on Wednesday 28 June at 11.00am.

The details of the resolutions are given on page 55. The Directors consider that all of the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The Board recommends that shareholders vote in favour of all resolutions.

## Donations

The Company has made no charitable or political donations during the year (2015: Nil).

## Future development and availability of project finance/going concern

The Group has made good progress in the year in moving forward the development of the underground mine, but the anticipated progress was delayed by 9 months from the planned timetable. To progress the mine to the full projected capacity the Group does require further funding, which the Group is actively seeking to raise.

However based on the current level of capital investment made it is expected that the mine will increase gold production significantly in the current year. This will enable the Group to meet its continuing obligations as they fall due. In particular, the Group's obligations under its loan agreements to EBRD and its bond holders. The EBRD loan outstanding amounts to US\$1.79m as at the date of this report and is payable by quarterly instalments of US\$833,000. In order to aid the cash flow African Resources Limited who account for US\$10m of the convertible loan debt with a coupon rate of 10%, have agreed to defer the interest due until such time as cash flow permits payment. It should also be noted that during the year the Assuabayev family made available a loan of US\$1.67m in order to provide working capital during the transition phase.

The Group has reviewed the cash flows for 12 months from the date of approval of the financial statements based on the projected trading. Based on the information available the Directors are confident that the Group will be able to continue to trade in the unlikely event that the loan is requested for repayment earlier than scheduled.

As noted above the Directors anticipate that, whilst the Group may seek to raise further finance in the future, it now has access to sufficient funding for its immediate needs. The Group expects to have sufficient cash flow from its forecast production to finance its ongoing operational requirements and to, at least in part, fund the minimum future capital requirements of the Group. Should the funding be delayed or additional funding is required to cover any unforeseen production shortfalls and additional working capital requirements arising from the move to the underground operations or in the event that the EBRD loan is requested for repayment earlier than scheduled, the major shareholder has confirmed their intention to provide further funding to enable the Group to continue its planned operations for at least twelve months from the date of approval of the financial statements.

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

## Subsequent events

Details of events after the end of the financial year are set out in note 28 on page 54 of the financial statements.

# STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

## Website publication

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

## Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- ▲ the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- ▲ the annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

**Aidar Assaubayev**

Chief Executive Officer

28 April 2017



# AUDIT COMMITTEE REPORT

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

The Audit Committee's prime tasks are to:

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

## Meetings

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

During the past year the Committee:

- ▲ met with the external auditors, and discussed their report to the Audit Committee;
- ▲ approved the publication of annual and half-year financial results;
- ▲ considered and approved the annual review of internal controls;
- ▲ decided that due to the size and nature of operation there was not a current need for an internal audit function;
- ▲ agreed the independence of the auditors and approved their fees for both audit and not-audit services as set out in note 10 on page 42 of the financial statements.

## External auditors

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

## Ashar Qureshi

Chairman – Audit Committee

28 April 2017

# STATEMENT OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Remuneration Committee presents its report for the year ended 31 December 2016 which is presented in two parts.

The first part, is the annual remuneration report which details remuneration awarded to Directors and Non-Executive Directors during the year. The shareholders will be asked to approve the annual remuneration report as an ordinary resolution (as in previous years) at the Annual General Meeting in June 2017.

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

The policy is very much in line with the previous policy. The Remuneration Committee reviewed the existing policy and deemed no changes necessary to the current arrangements.

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

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

**Ashar Qureshi**

Chairman – Remuneration Committee

28 April 2017

# ANNUAL REMUNERATION REPORT

## Remuneration Committee

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

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

## Approach to recruitment remuneration

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

## Service contracts

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

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

## Policy on payment for loss of office

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

## Consideration of employment conditions elsewhere in the Group

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

## Consideration of shareholder views

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

## Remuneration

The following information has been audited.

	2016 US\$	2015 US\$
<b>Executive Directors</b>		
Kanat Assaubayev	–	–
Aidar Assaubayev	215,592	174,840
Sanzhar Assaubayev	–	–
Ken Chrichton	3,110	223,881
<b>Non-Executive Directors</b>		
Ashar Qureshi	37,314	41,121
Willaim Trew	20,092	41,121
Neil Herbert	37,314	–
Alain Balian	37,314	41,121
<b>Total</b>	<b>350,736</b>	<b>522,084</b>

The total amount remaining unpaid with respect to Directors' remuneration amounted to US\$79,444 (2015: US\$ 140,000). The total Directors' remuneration for 2016 and 2015 includes only salaries and fees.

The change in the year was due to the resignation of Ken Chrichton in the early part of the year, Neil Herbert was initially appointed as a Non-Executive Director but was subsequently appointed as an Executive Director after year end. It is expected with the increase in salary to Neil Herbert in 2017 the remuneration levels will be in the range of US\$500,000 in the forthcoming year.

## Performance targets

There are no performance measures targets associated with the Directors remuneration. In February 2017 Neil Herbert was awarded 46,686,843 share options at an exercise price of 2.125p per share.

# ANNUAL REMUNERATION REPORT continued

## Summary of Directors' terms

	Date of contract	Unexpired term	Notice period months
<b>Executive Directors</b>			
Kanat Assaubayev	23 October 2016	Continuing	3
Aidar Assaubayev	20 February 2013	Continuing	3
Sanzhar Assaubayev	29 February 2016	Continuing	3
Neil Herbert	29 February 2016	Continuing	3
<b>Non-Executive Directors</b>			
Ashar Qureshi	7 December 2015	Continuing	3
Alain Balian	23 October 2016	Continuing	3

## Pension schemes and incentives

The Company does not operate a pension scheme.

## Share option schemes

Neil Herbert was appointed an Executive Director in February 2017 as part of his salary package, he has been issued share options over 46,686,843 Altyn plc ordinary shares at an exercise price of 2.125p per share.

## Payments to past Directors

No payments were made to past Directors in the year ended 31 December 2016.

## Payments for loss of office

No payments for loss of office were made in the year ended 31 December 2016.

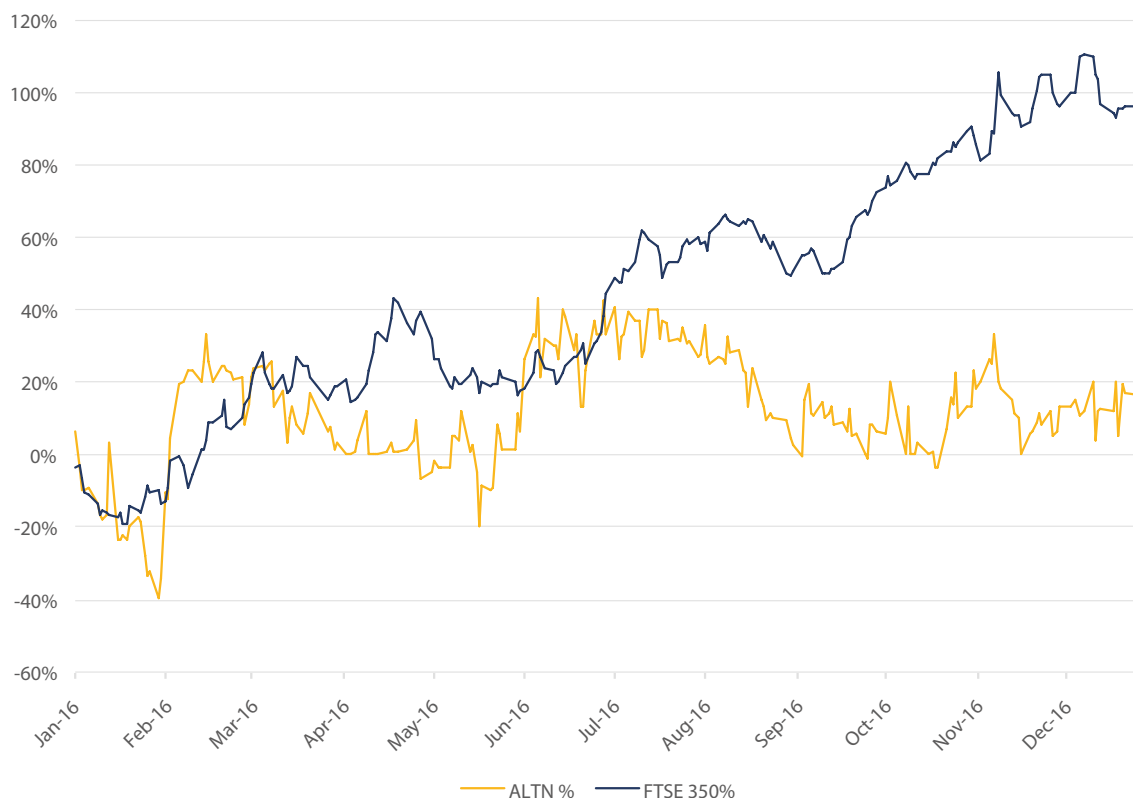
## Statement of Directors' shareholding and share interest

The interests of the Directors in the shares of the Company, including family and trustee holdings are disclosed on page 16 and 17 of the Accounts.

## Performance graph

The following information is unaudited.

## ALTN against FTSE 350 Mining Index



### Remuneration of the Chief Executive Officer over the last 10 years

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

The table below demonstrates the remuneration of the CEO for the last 10 years.

Year	Chief Executive Officer	Total remuneration US\$
2016	Aidar Assaubayev	215
2015	Aidar Assaubayev	175
2014	Aidar Assaubayev	82
2013	Timothy Daffern	626
2012	Timothy Daffern	282
2011	Timothy Daffern	271
2010	Nicholas Bridgen	535
2009	Nicholas Bridgen	227
2008	Nicholas Bridgen	240
2007	Nicholas Bridgen	222

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

There has been no increase in the base salary of the Chief Executive Officer during the year whose salary remains at £156,000, (US\$210,000) as agreed in May 2016. The actual increase from the prior year of US\$175,000 is 36% (ignoring exchange the effect of exchange) and represents a full years charge at this rate compared to the prior year. In relation to UK based staff in the period there were no pay increases but the leavers accounted for the significant part of the decrease in salary costs.

	Chief Executive Officer			UK based employees		
	2016 US\$000	2015 US\$000	% change	2016 US\$000	2015 US\$000	% change
Base salary	215	175	23	274	469	(41)

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

### Relative importance of spend on pay

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

Remuneration	2016 US\$000	2015 US\$000
Directors emoluments	351	522
Employee salaries	3,160	5,415
Employer social tax and national insurance	350	666
Total	3,841	6,603

### Statement of implementation of remuneration policy in the following year

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

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

### Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee considered the Executive Directors' remuneration and the Board considered the Non-Executive Directors' remuneration in the year ended 31 December 2016. No increases were awarded and no external advice was taken in reaching this decision.

### Shareholder voting

At the Annual General Meeting in June 2017, there will be a vote on the resolution to approve the remuneration report.

### Members of the Remuneration Committee

The following Directors are members of the Remuneration Committee:

Ashar Qureshi and Alain Balian

# REMUNERATION POLICY REPORT

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

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

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

# INDEPENDENT AUDITOR'S REPORT

to the members of Altyn Plc

We have audited the financial statements of Altyn Plc for the year ended 31 December 2016 which comprise the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the 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 flows and the related notes. The financial reporting framework that has been applied in their preparation 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](http://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, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

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

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

- ▲ the information given in the strategic report and directors' report for the financial year ended 31 December 2016 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.

Under the Companies Act 2006 we are required 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 and the part of the Directors' remuneration report to be audited 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

28 April 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	2016 US\$000	2015 US\$000
<b>Revenue</b>	5	<b>15,867</b>	24,054
Cost of sales		<b>(13,554)</b>	(19,763)
<b>Gross profit</b>		<b>2,313</b>	4,291
Administrative expenses		<b>(5,352)</b>	(9,762)
Impairments – other	8	<b>(1,107)</b>	–
Impairment reversed	8	–	674
<b>Operating loss</b>		<b>(4,146)</b>	(4,797)
Foreign exchange	9	<b>283</b>	(5,718)
Finance expense	9	<b>(2,215)</b>	(1,235)
<b>Loss before taxation</b>	10	<b>(6,078)</b>	(11,750)
Taxation (charge)/credit	11	<b>(278)</b>	1,532
<b>Loss attributable to equity holders of the parent</b>		<b>(6,356)</b>	(10,218)
<b>Loss per ordinary share</b>			
Basic & diluted	12	<b>(0.3c)</b>	(0.4c)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

year ended 31 December 2016

	2016 US\$000	2015 US\$000
Loss for the year	<b>(6,356)</b>	(10,218)
Currency translation differences arising on translations of foreign operations items that may be reclassified to profit or loss	<b>747</b>	(34,577)
Currency translation differences arising on translations of foreign operations relating to taxation	<b>866</b>	4,574
<b>Total comprehensive loss attributable to equity holders of the parent</b>	<b>(4,743)</b>	(40,221)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

year ended 31 December 2016

Company number 5048549	Notes	2016 US\$000	2015 US\$000
<b>Non-current assets</b>			
Intangible assets	13	10,264	9,887
Property, plant and equipment	14	37,316	35,134
Inventory	16	–	604
Trade and other receivables	17	1,100	1,337
Deferred tax asset	23	5,855	5,145
Restricted cash	21	139	137
		<b>54,674</b>	52,244
<b>Current assets</b>			
Inventories	16	1,366	3,223
Trade and other receivables	17	3,096	2,649
Cash and cash equivalents		2,236	1,084
		<b>6,698</b>	6,956
<b>Total assets</b>		<b>61,372</b>	59,200
<b>Current liabilities</b>			
Trade and other payables	18	(5,877)	(9,298)
Other financial liabilities	19	(461)	(297)
Current tax payable		(11)	(191)
Provisions	21	(190)	(247)
Borrowings	22	(4,439)	(6,676)
		<b>(10,978)</b>	(16,709)
<b>Net current assets/liabilities</b>		<b>(4,280)</b>	(9,753)
<b>Non-current liabilities</b>			
Other financial liabilities	19	(254)	(537)
Other payables		(190)	–
Provisions	21	(3,978)	(3,553)
Convertible bonds	22	(11,281)	–
Borrowings	22	(700)	–
		<b>(16,403)</b>	(4,090)
<b>Total liabilities</b>		<b>(27,381)</b>	(20,799)
<b>Net assets</b>		<b>33,991</b>	38,401
<b>Equity</b>			
Called-up share capital	24	3,886	3,886
Share premium		141,918	141,918
Merger reserve		(282)	(282)
Other reserve	22	333	–
Currency translation reserve		(45,804)	(47,417)
Accumulated losses		(66,060)	(59,704)
<b>Total equity</b>		<b>33,991</b>	38,401

The financial statements were approved by the Board of Directors on 28 April 2017 and signed on its behalf by

**Aidar Assaubayev**  
Chief Executive

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

# COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2016

Company number 5048549	Notes	2016 US\$000	2015 US\$000
<b>Non-current assets</b>			
Property, plant & equipment	14	290	369
Investments	15	225	225
Loans to subsidiaries	15	91,738	81,091
		<b>92,253</b>	81,685
<b>Current assets</b>			
Other receivables	17	165	76
Cash and cash equivalents		1,725	728
		<b>1,890</b>	804
<b>Total assets</b>		<b>94,143</b>	82,489
<b>Current liabilities</b>			
Trade and other payables	18	(1,193)	(1,021)
<b>Net current assets/(liabilities)</b>		<b>697</b>	(217)
<b>Non-current liabilities</b>			
Convertible bonds	22	(11,281)	–
		<b>(11,281)</b>	–
<b>Total liabilities</b>		<b>(12,474)</b>	(1,021)
<b>Net assets</b>		<b>81,669</b>	81,468
<b>Equity</b>			
Called up share capital	24	3,886	3,886
Share premium		141,918	141,918
Currency translation reserve		(16,338)	(16,338)
Other reserve	22	333	–
Accumulated losses		(48,130)	(47,998)
<b>Total equity</b>		<b>81,669</b>	81,468

The Company incurred a net loss of US\$132,000 in the year (2015: US\$4,117,000).

The financial statements were approved by the Board of Directors on 28 April 2017 and signed on its behalf by

**Aidar Assaubayev**  
Chief Executive

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 December 2016

	Note	Share capital US\$000	Share premium US\$000	Merger reserve US\$000	Currency translation reserve US\$000	Other reserve US\$000	Accumulated losses US\$000	Total US\$000
<b>1 January 2015</b>		3,702	137,234	(282)	(17,414)	–	(49,486)	73,754
Loss for the year		–	–	–	–	–	(10,218)	(10,218)
Other comprehensive loss		–	–	–	(30,003)	–	–	(30,003)
<b>Total comprehensive profit</b>		–	–	–	(30,003)	–	(10,218)	(40,221)
Shares issued on conversion of loan notes		184	4,968	–	–	–	–	5,152
Issue costs		–	(284)	–	–	–	–	(284)
<b>31 December 2015</b>		3,886	141,918	(282)	(47,417)	–	(59,704)	38,401
Loss for the year		–	–	–	–	–	(6,356)	(6,356)
Other comprehensive income		–	–	–	1,613	–	–	1,613
<b>Total comprehensive loss</b>		–	–	–	1,613	–	(6,356)	(4,743)
Equity component of loans received		–	–	–	–	333	–	333
<b>31 December 2016</b>		<b>3,886</b>	<b>141,918</b>	<b>(282)</b>	<b>(45,804)</b>	<b>333</b>	<b>(66,060)</b>	<b>33,991</b>

## Reserve

Share capital  
Share premium  
Merger reserve  
Currency translation reserve  
Other reserve  
Accumulated losses

## Description

Amount of the contributions made by shareholders in return for the issue of shares.  
Amount subscribed for share capital in excess of nominal value.  
Reserve created on application of merger accounting under a previous GAAP.  
Gains/losses arising on re-translating the net assets of overseas operations into US Dollars.  
Amount of proceeds on issue of convertible debt relating to the equity component.  
Cumulative net gains and losses recognised in the consolidated statement of financial position.

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

# COMPANY STATEMENT OF CHANGES IN EQUITY

year ended 31 December 2016

Notes	Share capital US\$000	Share premium US\$000	Currency translation reserve US\$000	Other reserve US\$000	Accumulated losses US\$000	Total US\$000
<b>1 January 2015</b>	3,702	137,234	(12,600)	–	(52,115)	76,221
Profit for the year	–	–	–	–	4,117	4,117
Other comprehensive loss	–	–	(3,738)	–	–	(3,738)
<b>Total comprehensive loss</b>	–	–	(3,738)	–	4,117	379
Shares issued on conversion of loan notes	184	4,968	–	–	–	5,152
Issue costs	–	(284)	–	–	–	(284)
<b>31 December 2015</b>	3,886	141,918	(16,338)	–	(47,998)	81,468
Loss for the year	–	–	–	–	(132)	(132)
<b>Total comprehensive loss</b>	–	–	–	–	(132)	(132)
Equity component of loans received	–	–	–	333	–	333
<b>31 December 2016</b>	<b>3,886</b>	<b>141,918</b>	<b>(16,338)</b>	<b>333</b>	<b>(48,130)</b>	<b>81,669</b>

## Reserve

Share capital  
Share premium  
Currency translation reserve  
Other reserve  
Accumulated losses

## Description

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

year ended 31 December 2016

	Notes	2016 US\$000	2015 US\$000
<b>Net cash (outflow)/inflow from operating activities</b>	25	<b>(2,918)</b>	8,183
<b>Investing activities</b>			
Purchase of property, plant and equipment		(4,898)	(9,639)
Exploration costs		(396)	–
<b>Net cash used in investing activities</b>		<b>(5,294)</b>	(9,639)
<b>Financing activities</b>			
Proceeds on issue of shares		–	5,152
Issue costs		–	(284)
Loans received		13,661	–
Borrowings and interest paid		(4,193)	(3,990)
<b>Net cash inflow from financing activities</b>		<b>9,468</b>	878
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>1,256</b>	(578)
<b>Foreign currency translation</b>		<b>(104)</b>	(22)
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,084</b>	1,684
<b>Cash and cash equivalents at end of the year</b>		<b>2,236</b>	1,084

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

# COMPANY STATEMENT OF CASH FLOWS

year ended 31 December 2016

	Notes	2016 US\$000	2015 US\$000
<b>Net cash outflow from operating activities</b>	25	<b>(3,075)</b>	(667)
<b>Investing activities</b>			
Loans to subsidiaries		(7,856)	(4,921)
<b>Net cash used in investing activities</b>		<b>(7,856)</b>	<b>(4,921)</b>
<b>Financing activities</b>			
Borrowings		12,000	–
Finance expenses paid		(72)	–
Proceeds on issue of shares		–	5,152
Expenses on issue of shares		–	(284)
<b>Net cash inflow from financing activities</b>		<b>11,928</b>	4,868
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>997</b>	(720)
<b>Cash and cash equivalents at beginning of the year</b>		<b>728</b>	1,448
<b>Cash and cash equivalents at the end of the year</b>		<b>1,725</b>	728

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



# NOTES TO THE FINANCIAL STATEMENTS

year ended 31 December 2016

## 1 General information

Altyn Plc (the "Company") is a Company incorporated in England and Wales under the Companies Act 2006. The address of its registered office, and place of business of the Company and its subsidiaries is set out within the Company information on page 61 of this annual report. The principal activities of the Company and subsidiaries are set out on page 45 and, the strategic review within this annual report.

During the year the Company changed its name from Goldbridges Global Resources Plc to Altyn Plc, and those of its subsidiaries from TOO Altai Ken-Bayitu to TOO GMK Altyn MM, and TOO Gornorudnoe Predpriatie Sekisovskoye to DTOO Gornorudnoe Predpriatie Baurgold.

## 2 Basis of preparation

The annual report is for the year ended 31 December 2016 and includes the consolidated and parent company's financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements have been prepared using accounting policies set out in note 4 which are consistent with all applicable IFRSs and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. For these purposes, IFRSs comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that have been endorsed by the European Union. The financial statements have been prepared under the historical cost convention and on a going concern basis.

## Going concern

The Group has made good progress in the year in moving forward the development of the underground mine, but the anticipated progress was delayed by 9 months from the planned timetable. To progress the mine to the full projected capacity the Group does require further funding, which the Group is actively seeking to raise.

However based on the current level of capital investment made it is expected that the mine will increase gold production significantly in the current year. This will enable the Group to meet its continuing obligations as they fall due. In particular, the Group's obligations under its loan agreements to EBRD and its bond holders. The EBRD loan outstanding amounts to US\$1.79m as at the date of this report and is payable by quarterly instalments of US\$833,000. In order to aid the cash flow African Resources Limited who account for US\$10m of the convertible loan debt with a coupon rate of 10%, have agreed to defer the interest due until such time as cash flow permits payment. It should also be noted that during the year the Assuabayev family made available a loan of US\$1.67m in order to provide working capital during the transition phase.

The Group has reviewed the cash flows for 12 months from the date of approval of the financial statements based on the projected trading. Based on the information available the Directors are confident that the Group will be able to continue to trade in the unlikely event that the loan is requested for repayment earlier than scheduled.

As noted above the Directors anticipate that, whilst the Group may seek to raise further finance in the future, it now has access to sufficient funding for its immediate needs. The Group expects to have sufficient cash flow from its forecast production to finance its ongoing operational requirements and to, at least in part, fund the minimum future capital requirements of the Group. Should the funding be delayed or additional funding is required to cover any unforeseen production shortfalls and additional working capital requirements arising from the move to the underground operations or in the event that the EBRD loan is requested for repayment earlier than scheduled, the major shareholder has confirmed their intention to provide further funding to enable the Group to continue its planned operations for at least twelve months from the date of approval of the financial statements.

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

## 3 Adoption of new and revised standards

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 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014. It is effective for accounting periods beginning on or after 1 January 2018. The new standard will replace existing accounting standards, and provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the company expects to be entitled to receive. The standard also updates revenue disclosure requirements. The standard was endorsed by the EU on 22 September 2016. The Management is continuing to assess the impact of IFRS 15 on the results of the Group and the impact of adopting this standard cannot be reliably estimated until this work is substantially complete.

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.

# NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

## 3 Adoption of new and revised standards continued

IFRS 16 'Leases' – was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lease accounting model. The standard has yet to be endorsed by the EU. The Standard Provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The Directors are currently evaluating the financial and operational impact of this standard. The review of the impact of IFRS 16 will require an assessment of all leases and the impact of adopting this standard cannot be reliably estimated until this work is substantially complete.

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.

We are 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. We continue to remain committed to a robust financial policy.

## 4 Accounting policies

### Basis of consolidation

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

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

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

### Revenue recognition

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

The Company's revenue is generated entirely from the sale of the gold and silver ("Precious Metal") content of gold doré. Gold doré was delivered to a precious metal refiner, based in Kazakhstan during 2016 and 2015, which also purchased all gold that was refined. Title of the Precious Metal passes upon acceptance of the delivery from the Company to the refiner. Sales of Precious Metal are only recognised when the delivery has been accepted and title for the Precious Metal has accordingly been passed to the refiner.

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

### Foreign currencies

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

At the start of the year a decision was made to review the functional currency of the parent company. The number and level of transactions including the revenue stream that were denominated and payable in US Dollars, this combined with the fact that the principal debt is measured and payable in US Dollars led the management to conclude that the functional currency should be changed to that of US Dollar from that of Pound Sterling.

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

	2016		2015	
	Closing	Average	Closing	Average
US\$ = £	1.23	1.35	1.48	1.523
US\$ = KZT	333.29	342.16	339.47	221.73

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

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

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

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

#### 4 Accounting policies continued

##### Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their expected economic life. In the Directors' opinion this is estimated to be over the expected useful life of the data being 20 years.

##### Exploration and evaluation costs

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

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

##### Property, plant and equipment: mining properties and leases

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

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

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

##### Depreciation

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

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

Assets under construction are not depreciated.

##### Impairment of non-current assets

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

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

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

A reversal of impairment loss is recognised as profit or loss immediately.

##### Inventories

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

## 4 Accounting policies continued

### Taxation

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

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

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

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

### Financial instruments

#### Financial assets

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

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

#### Cash and cash equivalents

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

#### Investments and loans to subsidiaries

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

#### Financial liabilities

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

##### Financial liabilities at fair value through profit or loss

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

##### Other financial liabilities

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

#### 4 Accounting policies continued

##### Financial liabilities continued

##### Derecognition of financial liabilities

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

##### Fair value measurement hierarchy

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

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

##### Compound instruments

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

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

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

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

##### Share capital

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

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

##### US\$10m Convertible bond

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

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

- ▲ starting share price at the inception date – £0.0191 (Year End: £0.0185);
- ▲ starting GBP/USD exchange rate at the inception date – £0.7183 (Year End: £0.8109);
- ▲ volatility of share price at the inception date – 63.3% (Year End: 63.8%);
- ▲ volatility of the forex rate at the inception date – 7.5% (Year End: 13.5%); and
- ▲ time period at the inception date – 5 years (Year End: 4.2 years).

# NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

## 4 Accounting policies continued

### Level 3 fair value measurements

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

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

	US\$000
As at 1 January 2016	–
Value at the date of the issue of the convertible loan	2,266
Fair value movements recognised through profit or loss	(143)
Foreign exchange movements	(243)
<b>As at 31 December 2016</b>	<b>1,880</b>

The amount of derivative as at 31 December 2016 has been included in the value of Convertible bond in Note 22.

### Provision for commitments and contingencies

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

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

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

### Critical accounting judgements and key sources of estimation uncertainty

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

- ▲ carrying value of property, plant and equipment, including estimates made in respect of reserves and resources, discount rate and future gold prices (note 14);
- ▲ recoverability of inventories (note 16);
- ▲ carrying value of provisions (note 21);
- ▲ recognition of deferred taxation assets (note 23);
- ▲ carrying value of intangible assets (note 13); and
- ▲ recognition of derivatives (note 22).

## 5 Revenue

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

	2016 US\$000	2015 US\$000
Sale of gold and silver	15,867	24,054

Included in revenues from sale of gold and silver are revenues of US\$15,862,000 (2015: US\$24,017,000) which arose from sales to the Company's largest customer which is based in Kazakhstan.

## 6 Segmental information

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

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

## 7 Staff number and costs of the Group

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

	2016	2015
Production	468	519
Administration	187	173
	655	692

Their aggregate remuneration comprised:

	2016 US\$000	2015 US\$000
Directors' emoluments	351	522
Employee wages and salaries	3,160	5,415
Employer social tax and national insurance	330	666
	3,841	6,603

## Staff number and costs of the Company

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

	2016	2015
Administration	7	9

Their aggregate remuneration comprised:

	2016 US\$000	2015 US\$000
Directors' emoluments	351	522
Employee wages and salaries	138	122
Employer social tax and national insurance	48	45
	537	689

## 8 Impairments

	2016 US\$000	2015 US\$000
Impairments – low grade ore	946	–
Impairments – other	161	–
Impairments reversed	–	(674)
	1,107	(674)

The impairment for low grade ore relates to ore that is less than 1g/t, and is currently uneconomic to process – refer to Note 16.

The other impairment relates to a provision made against an advance payment where recovery of the monies/services is uncertain. The impairment in the prior year related to a credit of US\$674,000 received in relation to the recovery of VAT in the parent company.

## 9 Finance income and finance expense

	2016 US\$000	2015 US\$000
<b>Finance expense</b>		
Foreign exchange gain/(losses) on EBRD loan	27	(5,718)
Foreign exchange losses other	256	–
	283	(5,718)
Interest paid	(1,883)	(631)
Fair value adjustment on convertible loan	143	–
Unwinding of discount on provisions and other financial liabilities	(475)	(604)
	(2,215)	(1,235)



# NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

## 10 Loss before taxation

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

	2016 US\$000	2015 US\$000
Staff costs (note 7)	3,841	6,603
Depreciation of tangible assets	3,067	4,224
Amortisation of intangible (net of amortisation capitalised)	231	852
Cost of inventories recognised as expense	5,127	9,542
Impairment/(Reversal of receivables impairment)	161	(674)
Impairment of inventory	946	–
Fees payable to the Company's auditors for the audit of the Company and Group financial statements	146	145
Fees payable to the auditors of the Company's subsidiaries pursuant to legislation	47	53

There were fees payable in the year ended 31 December 2016 of US\$Nil (2015: US\$1,170) to the Company's auditors in respect of taxation and review services. The Audit Committee has reviewed the threats to independence relating to taxation advisory services and found safeguards put in place as appropriate.

## 11 Taxation

	2016 US\$000	2015 US\$000
Current year tax charge	12	–
Adjustment in relation to prior years	–	(211)
Deferred taxation (note 23)	266	(1,321)
Total taxation charge/(benefit)	278	(1,532)

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

	2016 US\$000	2015 US\$000
Loss before taxation	(6,078)	(11,750)
Loss for the year multiplied by the standard rate of corporation tax of 20% (2015: 20%)	(1,216)	(2,350)
Expenses not (chargeable)/deductible for tax purposes	361	–
Write back of provisions not taxable	–	(135)
Current year tax losses not recognised	577	1,164
Adjustments relating to prior year	–	(211)
<b>Total (charge)/benefit</b>	<b>(278)</b>	<b>1,532</b>

The taxation rate used for taxation on loss on ordinary activities is the standard rate for United Kingdom corporation tax, currently 20% (2015: 20%), being the average applicable rate for the Company in 2016. The rate applicable to the Company's subsidiaries in Kazakhstan is 20%.

## 12 Loss per ordinary share

The calculation of basic and diluted earnings per share from continuing operations is based upon the retained loss from continuing operations for the financial year of US\$6.4m (2015: loss of US\$10.2m).

The weighted average number of ordinary shares for calculating the basic loss in 2016 and 2015 is shown below. As the Company was loss making in 2016, the impact of the potential ordinary shares outstanding from the conversion of the Convertible loan notes would be anti-dilutive, and as such the basic and diluted earnings per share are the same. The total number of all non-dilutive potential shares related to the issue of the convertible loans is disclosed in Note 22.

	2016	2015
Basic and diluted	2,334,342,130	2,298,284,596

### 13 Intangible assets

	Karasuyskoye geological data	Exploration and evaluation costs	US\$000
<b>Cost</b>			
1 January 2015	20,736	–	20,736
Translation difference	(9,597)	–	(9,597)
31 December 2015 & 1 January 2016	11,139	–	11,139
Translation difference	206	–	206
Additions	–	396	396
Amortisation capitalised	–	322	322
<b>31 December 2016</b>	<b>11,345</b>	<b>718</b>	<b>12,063</b>
<b>Amortisation</b>			
1 January 2015	1,296	–	1,296
Charge for the year	852	–	852
Translation difference	(896)	–	(896)
31 December 2015 & 1 January 2016	1,252	–	1,252
Charge for the year	553	–	553
Translation difference	(6)	–	(6)
<b>31 December 2016</b>	<b>1,799</b>	<b>–</b>	<b>1,799</b>
<b>Net book value</b>			
1 January 2015	19,440	–	19,440
31 December 2015	9,887	–	9,887
<b>31 December 2016</b>	<b>9,546</b>	<b>718</b>	<b>10,264</b>

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

The value of the geological data purchased is in the opinion of the Directors the value that would have been incurred if the drilling had been undertaken by a third party (or internally). They took the view that a 20 year write off is appropriate in relation to the absorption of the costs given the current development of the site.

### 14 Property, plant and equipment – Company

	Motor vehicle US\$000	Equipment US\$000	Total US\$000
<b>Cost</b>			
1 January 2015	74	484	558
Currency translation adjustment	(4)	(17)	(21)
<b>31 December 2015 &amp; 2016</b>	<b>70</b>	<b>467</b>	<b>537</b>
<b>Accumulated depreciation</b>			
1 January 2015	37	41	78
Charge for the year	21	69	90
Currency translation adjustment	–	–	–
31 December 2015	58	110	168
Charge for the year	12	67	79
<b>31 December 2016</b>	<b>70</b>	<b>177</b>	<b>247</b>
<b>Net book value</b>			
1 January 2015	37	443	480
31 December 2015	12	357	369
<b>31 December 2016</b>	<b>–</b>	<b>290</b>	<b>290</b>

NOTES TO THE FINANCIAL STATEMENTS *continued*

year ended 31 December 2016

**14 Property, plant and equipment – Group**

	Mining properties and leases US\$000	Freehold, land and buildings US\$000	Equipment, fixtures and fittings US\$000	Plant, machinery and vehicles US\$000	Assets under construction US\$000	Total US\$000
<b>Cost</b>						
1 January 2015	16,541	15,434	18,852	8,041	29,414	88,282
Additions	104	1,210	1,782	92	6,451	9,639
Disposals	(863)	–	(288)	(8)	(21)	(1,180)
Transfers	–	–	–	–	–	–
Currency translation adjustment	(7,392)	(7,564)	(9,245)	(3,751)	(16,425)	(44,377)
31 December 2015 & 1 January 2016	8,390	9,080	11,101	4,374	19,419	52,364
Additions	–	217	1,056	1,376	2,891	5,540
Disposals	–	–	(663)	–	(1)	(664)
Transfers	–	14,788	505	–	(18,487)	(3,194)
Transfers to inventories	2,817	–	–	–	–	2,817
Currency translation adjustment	144	156	190	75	333	898
<b>31 December 2016</b>	<b>11,351</b>	<b>24,241</b>	<b>12,189</b>	<b>5,825</b>	<b>4,155</b>	<b>57,761</b>
<b>Accumulated depreciation</b>						
1 January 2015	3,432	6,046	12,768	4,798	–	27,044
Charge for the year	425	1,136	1,840	823	–	4,224
Disposals	–	–	–	(81)	–	(81)
Currency translation adjustment	(1,736)	(3,193)	(6,550)	(2,479)	–	(13,958)
31 December 2015 & 1 January 2016	2,121	3,989	8,058	3,061	–	17,229
Charge for the year	102	1,016	1,573	376	–	3,067
Disposals	–	–	(216)	–	–	(216)
Transfers	–	–	–	–	–	–
Currency translation adjustment	39	95	169	62	–	365
<b>31 December 2016</b>	<b>2,262</b>	<b>5,100</b>	<b>9,584</b>	<b>3,499</b>	<b>–</b>	<b>20,445</b>
<b>Net book value</b>						
1 January 2015	13,109	9,388	6,084	3,243	29,414	61,238
31 December 2015	6,269	5,091	3,043	1,312	19,419	35,134
<b>31 December 2016</b>	<b>9,089</b>	<b>19,141</b>	<b>2,605</b>	<b>2,326</b>	<b>4,155</b>	<b>37,316</b>

Capitalised cost of mining property and leases are amortised over the life of the licence from commencement of production on a unit of production basis. This basis uses the ratio of production in the period compared to the mineral reserves at the end of the period plus production in the period. Mineral reserves estimates are based on a number of underlying assumptions which are inherently uncertain. Mineral reserves estimates take into consideration estimates by independent geological consultants. However, the amount of mineral that will ultimately be recovered cannot be known until the end of the life of the mine. Any changes in reserve estimates are, for amortisation purposes, treated on a prospective basis. The recovery of the capitalised cost of the Company's property, plant and equipment is dependent on the development of the underground mine.

Under the terms of the loan agreement with the European Bank for Reconstruction and Development (EBRD), the Company and its subsidiaries should have pledged certain assets as security for the loan that was entered into (see further details in note 22).

The Directors are required to consider whether the non-current assets comprising, mineral properties leases, plant and equipment have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The Directors have concluded that no adjustment is required for impairment.

## 15 Subsidiaries

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

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

During the year the subsidiaries changed their names from TOO Altai Ken-Bayitu to TOO GMK Altyn MM, and DTOO Gornorudnoe Predpriatie Sekisovskoye to DTOO Gornorudnoe Predpriatie Baurgold. Both Companies trade from 10 Novostroyevskaya Street, Glubokovskoye district, Sekisovka village East Kazakhstan.

## Investments and loans to subsidiaries – Company

	Shares US\$000	Subsidiaries loans US\$000	Total US\$000
<b>1 January 2015</b>	236	73,505	73,741
Net cash movements	–	5,010	5,010
Management charges and interest	–	2,576	2,576
Foreign exchange movement	(11)	–	(11)
<b>31 December 2015</b>	225	81,091	81,316
Net cash movements	–	7,856	7,856
Management charges and interest	–	2,791	2,791
<b>31 December 2016</b>	<b>225</b>	<b>91,738</b>	<b>91,963</b>

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

The historic loans are shown within fixed assets as quasi-equity investments and represent the initial funding to the subsidiaries. The recent loans to subsidiaries are charged at a fixed interest rate of 5% and are repayable in 2019 and these are also included within fixed assets. As the functional currency has been changed in the current year to the US Dollar, there is no foreign exchange movements on the investments. In the prior year the US Dollar loans were revalued and an exchange difference calculated on the loans, this was reflected within the income statement of the parent company and was eliminated on consolidation.

## 16 Inventories

	2016 US\$000	2015 US\$000
<b>Non-current</b>		
Work in progress	–	604
<b>Current</b>		
Spare parts and consumables	972	1,328
Work in progress	170	1,196
Finished goods	224	699
	<b>1,366</b>	<b>3,223</b>

The value of inventories above is stated after impairment for obsolescence and write downs to net realisable value in respect of spare parts, consumables and low grade ore of US\$1,091,000 (2015 US\$135,000).

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

year ended 31 December 2016

**17 Trade and other receivables****Non-current**

	<b>Company 2016 US\$000</b>	<b>Company 2015 US\$000</b>	<b>Group 2016 US\$000</b>	<b>Group 2015 US\$000</b>
Other receivables and prepayments	–	–	1,100	1,337
	–	–	1,100	1,337

Other receivables included within non-current assets for 2016 and 2015 relate to an amount recoverable in relation to Value Added Tax, recovery is expected to be made in Q1 2018.

**Current**

	<b>Company 2016 US\$000</b>	<b>Company 2015 US\$000</b>	<b>Group 2016 US\$000</b>	<b>Group 2015 US\$000</b>
Trade receivables	–	–	<b>153</b>	156
VAT	<b>26</b>	42	<b>2,017</b>	1,992
Other receivables – recoverables	<b>123</b>	–	<b>313</b>	148
– provision	–	–	<b>(35)</b>	(34)
Prepayments	<b>16</b>	34	<b>648</b>	387
	<b>165</b>	76	<b>3,096</b>	2,649

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

**18 Trade and other payables****Current**

	<b>Company 2016 US\$000</b>	<b>Company 2015 US\$000</b>	<b>Group 2016 US\$000</b>	<b>Group 2015 US\$000</b>
Trade creditors	<b>115</b>	655	<b>2,721</b>	6,363
Other payables and accruals	<b>1,078</b>	366	<b>3,156</b>	2,935
	<b>1,193</b>	1,021	<b>5,877</b>	9,298

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

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

**19 Other financial liabilities**

	<b>2016 US\$000</b>	<b>2015 US\$000</b>
Liability for historic cost	<b>715</b>	834
Current	<b>254</b>	297
Non-current	<b>461</b>	537
	<b>715</b>	834

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

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

## 20 Related party transactions

### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 – “Related Party Disclosures”. The total amount remaining unpaid with respect to remuneration of key management personnel amounted to US\$79,444 in the current year (2015: US\$140,000). Further information about the remuneration of the individual Directors is set out in the audited section of the report on Directors’ remuneration on page 25.

	2016 US\$	2015 US\$
Short term employee benefits	350,736	522,084
Social Security costs	33,813	30,392
	<b>384,549</b>	<b>552,476</b>

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

During the year the following transactions were connected with the Company’s controlled by the Assaubayev family:

- ▲ purchases, rental payments and other payments totalling US\$330,000 (2015:US\$3.2m) were made to Asia Mining Group (AMG), a company controlled by the Assaubayev family for the supply of equipment and spares. At the year end an amount of US\$824,000 is due to AMG and is included within other trade payables (2015: US\$2.5m);
- ▲ loans at an average interest rate of 13%, totalling US\$1,660,000 were received from Amrita Investments Limited and were used to provide additional working capital. Of this amount US\$101,000 was repaid in the year. The total outstanding including interest accruals of US\$180,000 amounts to US\$1,739,000. US\$700,000 of this is repayable in 2018, and included in borrowings greater than one year (see note 22). The balance of US\$1,039,000 including interest repayment has been deferred until further funding has been raised and is included within current borrowings (see note 22);
- ▲ in February 2016 the Company issued US\$10m of convertible bonds to African Resources Limited a company controlled by the Assaubayev family. The Bonds carry a coupon of 10% per annum, payable semi-annually in arrears on 29 July and 28 February each year. Unless the Bonds are re-purchased and cancelled, redeemed or converted prior to the scheduled maturity date, they will be repaid on 28 February 2021 at their principal amount. The Bonds can be converted into Ordinary Shares of the Company at a price of 3p per share any time prior to maturity upon demand by the Bondholder (subject to the receipt of necessary corporate and governmental approvals). The interest due on the bonds of US\$701,000 has been accrued, and will be payable as funds permit; and
- ▲ during the year an amount of US\$4.7m was repaid to Asia Mining Group, the total amount included an amount of US\$2.3m in connection with the settlement of a debt incurred by TOO GMK Altyn MM to Macsouda Group in relation to the processing of ore.

## 21 Provisions

	Abandonment and restoration US\$000	Holiday pay US\$000	Total US\$000
1 January 2015	7,400	335	7,735
Change in estimate of provision	(863)	249	(614)
Unwinding of discount	355	–	355
Paid during the year	(136)	(147)	(283)
Currency translation adjustment	(3,203)	(190)	(3,393)
31 December 2015 & 1 January 2016	3,553	247	3,800
Change in estimate of provision	–	153	153
Unwinding of discount	453	–	453
Paid during the year	(99)	(213)	(312)
Currency translation adjustment	71	3	74
31 December 2016	3,978	190	4,168
<b>31 December 2016</b>			
Current	–	190	190
Non-current	3,978	–	3,978
	<b>3,978</b>	<b>190</b>	<b>4,168</b>
<b>31 December 2015</b>			
Current	–	247	247
Non-current	3,553	–	3,553
	<b>3,553</b>	<b>247</b>	<b>3,800</b>

# NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

## 21 Provisions continued

### Abandonment and restoration costs

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

In accordance with the subsoil use agreement, DTOO GRP Baurgold has established a cash fund to pay for the cost of restoration. The cash fund is maintained in a separate bank account in the name of DTOO GRP Baurgold. DTOO GRP Baurgold is required to contribute each year an amount equal to 1% of its operating expenses to this fund. Any transfers from the bank account require the authorisation of the Government of Kazakhstan. This fund will be used to pay for the costs of restoration as and when they become due. If the funds in the account are insufficient to pay for the costs, DTOO GRP Baurgold will be required to pay any deficit. If there are funds surplus to those required for restoration these will be returned to DTOO GRP Baurgold. At 31 December 2016 there was US\$139,000 (being 47,401,000 Tenge (2015: US\$137,000 – being 47,401,000 Tenge) on deposit in the bank account maintained for restoration costs.

## 22 Borrowings

### Secured borrowings at amortised cost

Group	2016 US\$000	2015 US\$000
Current liabilities		
<b>Due within one year</b>		
Bank loan – EBRD	3,400	6,676
Related party loans Amrita (see note 20)	1,039	–
	<b>4,439</b>	<b>6,676</b>
Non-current liabilities		
Due within one – two years		
Related party loans – Amrita (see note 20)	700	–
Due two – five years		
Convertible bonds:	11,281	–
\$10m convertible loan (see note 20)	9,614	–
\$2m convertible loan	1,667	–
	<b>11,981</b>	<b>–</b>
Company		
Non-current liabilities		
Due two – five years		
Convertible bonds	11,281	–
	<b>11,281</b>	<b>–</b>

### EBRD Bank loan

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

- ▲ the loan is to GAM and DTOO GRP Baurgold, on a joint and several basis, and repayable in quarterly instalments between 10 January 2015 and 10 October 2017, at the date of this report there are currently three instalments remaining;
- ▲ interest on drawn amounts will be charged at a rate of three months London Inter Bank Rate (LIBOR) plus 7% per annum. The effective interest rate in the period was 7.5% (2014: 7.5%); and
- ▲ the Company and its subsidiaries have to comply with a number of financial and non-financial covenants as part of the loan agreement. The Company has breached a number of financial and non-financial covenants during the year. As the Company has not received a waiver from the bank that it will not enforce the covenant, the total outstanding amount due to EBRD is shown as arising in less than one year. The bank could technically call for the loan to be repaid on demand and as such the total amount of the loan is shown as arising in less than one year.

Interest of US\$67,000 (2015: US\$77,000) has been accrued and is included within borrowings payable.



## 22 Borrowings continued

### Convertible bonds

#### US\$10m convertible bond

In 2016 the Company secured a total of US\$10m proceeds from a convertible loan with the major shareholder, African Resources Limited. The loan bears a coupon of 10% per annum, payable semi-annually and is due for repayment in 2021. The loan can be converted into ordinary shares of the Company at a price of 3p per share any time prior to maturity. As further discussed in the note 4 the total value of the conversion option was determined to be US\$2.3m and the residual value of \$7.7m has been assigned to the debt host liability accounted at amortised cost using the effecting interest rate of 17%. The potential number of shares to be issued is 410,000,000.

The balance includes US\$561,000 interest payable that is overdue as at 31 December 2016. African Resources Limited has agreed to delay the interest repayment until cash flow permits repayments.

#### US\$2m convertible bond

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

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

## 23 Deferred taxation

### Deferred taxation asset/(liability)

	Taxation losses US\$000	Accelerated taxation depreciation US\$000	Other US\$000	Total US\$000
1 January 2015	2,072	253	82	2,407
Credit to income	–	(54)	1,375	1,321
Credit to other comprehensive income	4,574	–	–	4,574
Currency translation	(2,544)	(98)	(515)	(3,157)
<b>31 December 2015 &amp; 1 January 2016</b>	<b>4,102</b>	<b>101</b>	<b>942</b>	<b>5,145</b>
Credit to income	–	(289)	23	(266)
Credit to other comprehensive income	866	–	–	866
Currency translation	98	(6)	18	110
<b>31 December 2016</b>	<b>5,066</b>	<b>(194)</b>	<b>960</b>	<b>5,855</b>

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

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

Unutilised taxation losses arising in Kazakhstan of US\$34.9m (2015: US\$54.1m) are available to carry forward for a maximum of 10 years. The tax losses available to carry forward expire as follows, US\$34.3m in 2025 and US\$0.6m in 2026. Unutilised tax losses arising in the UK amount to US\$5.9m (2015: US\$10.05m).

### Unrecognised deferred taxation asset

The unrecognised deferred taxation asset is as follows:

	2016 US\$000	2015 US\$000
Temporary differences	–	–
Taxation losses	8,162	8,799
	<b>8,162</b>	<b>8,799</b>

Included within the unrecognised taxable losses above is an amount of US\$1.2m (2015: US\$2.01m) in relation to the Company, and US\$6.9m (2015: US\$6.78m) in relation to the Kazakh subsidiaries. This amount has been carried forward as the Directors do not believe there will be sufficient taxable profits in the future to offset the losses incurred.

# NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

## 24 Called-up equity share capital

### Issued and fully paid

	Number	US\$000
1 January 2015	2,211,342,130	3,702
Issued during the year		
Share placements	123,000,000	184
<b>At 31 December 2015 and 31 December 2016</b>	<b>2,334,342,130</b>	<b>3,886</b>

## 25 Notes to the cash flow statement

### Net cash outflow/inflow from operating activities

	Company 2016 US\$000	Company 2015 US\$000	Group 2016 US\$000	Group 2015 US\$000
(Loss)/profit before taxation	(132)	4,117	(6,078)	(11,750)
Adjusted for:				
Finance income	(2,701)	(2,422)	–	–
Finance expense	1,237	–	2,358	1,235
Depreciation of tangible fixed assets	79	90	3,068	4,224
Amortisation of intangible asset	–	–	231	852
Impairment/(reversal of impairment)	–	(674)	1,107	(2,618)
Decrease in inventories	–	–	1,897	5,042
(Increase) in trade and other receivables	(179)	1,567	(293)	5,338
(Decrease) in other financial liabilities	–	–	(140)	(272)
(Decrease)/Increase in trade and other payables	(1,021)	503	(4,890)	363
Loss on disposal of property, plant and equipment	–	–	440	236
Fair value adjustment	(143)	–	(143)	–
Foreign currency translation	215	(3,848)	(283)	5,718
<b>Cash inflow from operations</b>	<b>(3,075)</b>	<b>(667)</b>	<b>(2,726)</b>	<b>8,368</b>
Income taxes receivable/(payable)	–	–	(192)	(185)
	<b>(3,075)</b>	<b>(667)</b>	<b>(2,918)</b>	<b>8,183</b>

## 26 Financial instruments

### Policy on financial risk management

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

## 26 Financial instruments continued

### Capital risk management

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

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

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

	2016 US\$000	2015 US\$000
<b>Group</b>		
Total borrowings	16,420	6,676
Less cash and cash equivalents	2,236	1,084
<b>Net debt</b>	14,184	5,592
Total equity	33,991	38,401
<b>Total capital</b>	48,175	43,993
Gearing ratio	29.44%	12.71%
<b>Company</b>		
Total borrowings	11,281	–
Less cash and cash equivalents	1,725	728
Net debt	9,556	728
Total equity	81,669	81,468
<b>Total capital</b>	91,225	82,196
Gearing ratio	10.48%	0.1%

### Derivatives, financial instruments and risk management

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

### Foreign currency risk management

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

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

Currency of monetary asset/liability	2016 US\$000			2015 US\$000		
	USD	Functional currency KZT	Total	GBP	Functional currency KZT	Total
US Dollars	(11,687)	(5,855)	(17,542)	–	(4,450)	(4,450)
British Pounds	696	–	696	(230)	–	(230)
Kazakhstan Tenge	–	(281)	(281)	–	(7,502)	(7,502)
Net monetary position			(17,127)			(12,182)

# NOTES TO THE FINANCIAL STATEMENTS continued

year ended 31 December 2016

## 26 Financial instruments continued

### Sensitivity analysis

A 20% (2015: 50%) strengthening, or weakening, of any one of the above currencies against the US Dollar which the Directors consider to be a reasonably possible change for the purpose of sensitivity analysis, is shown below:

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

	2016 US\$000	2015 US\$000
20%/50% weakening of Kazakh Tenge against the US Dollar	(1,171)	(3,335)

### Commodity price risk

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

The Company's only significant sales during the years ended 31 December 2016 and 2015 were sales of gold doré containing gold and silver. The sales proceeds for gold doré is fixed by reference to the gold and silver prices on the day of sale. The Company does not plan in the future to hedge its exposure to the risk of fluctuations in the price of gold or silver and therefore it held no financial instruments that are sensitive to commodity price changes at either reporting date.

### Credit risk

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

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

The Group is mainly exposed to credit risk on its cash equivalents and trade and other receivables as per the balance sheet. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet which at the year end amounted to US\$1.07m (2015: US\$657,000). The Group's credit risk is primarily attributable to its VAT receivables. Although the full scope tax audit which was completed in 2016 shows not material issues, there is always the possibility of fiscal change in the country. Kazakhstan is a relatively young country and there have been a number of fiscal changes in recent years, which in some cases related to the mining industry.

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

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

Other accounts receivable consist mostly of prepayments for goods and services by the Group's subsidiaries in Kazakhstan. It is often impractical in Kazakhstan to carry out a check of creditworthiness of suppliers before making the contracted prepayments. There were no significant balances at 31 December 2016 and 2015 in respect of which suppliers had defaulted on their obligations.

The Company's maximum exposure to credit risk is limited to the carrying amount of loans recorded in the financial statements. There are no fixed repayment terms for the loans, however they are not considered overdue or impaired.

### Liquidity risk

During the year ended 31 December 2016, the Company was financed by internally generated funds, bank and other borrowings. The bank borrowings were US\$3.34m at 31 December 2016 (2015: US\$6.67m).

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

## 26 Financial instruments continued

Group	Borrowings US\$000	Trade and other payables US\$000	Provisions US\$000	Other financial liabilities US\$000	Total US\$000
<b>31 December 2016</b>					
From two to five years	14,767	–	–	207	14,974
For one to two years	1,991	–	–	254	2,245
Due after more than one year	16,758	–	–	461	17,219
Due within one year	7,093	5,877	190	254	13,414
	23,851	5,877	190	715	30,633
<b>31 December 2015</b>					
From two to five years	–	–	–	240	240
For one to two years	–	–	–	297	297
Due after more than one year	–	–	–	537	537
Due within one year	7,200	9,298	247	297	17,042
	7,200	9,298	247	834	17,579
<b>Company</b>					
<b>31 December 2016</b>					
From two to five years	14,767	–	–	–	14,767
For one to two years	1,200	–	–	–	1,200
Due after more than one year	15,967	–	–	–	15,967
Due within one year	2,349	1,193	–	–	3,542
	18,316	1,193	–	–	19,509
<b>31 December 2015</b>					
From two to five years	–	–	–	–	–
For one to two years	–	–	–	–	–
Due after more than one year	–	–	–	–	–
Due within one year	–	1,021	–	–	1,021
	–	1,021	–	–	1,021

### Borrowings and interest rate risk

The Company and its subsidiaries entered into a long term borrowing agreement with the European Bank for Reconstruction and Development (EBRD) on 21 February 2012 in order to fund capital commitments. Interest is payable at 7% per annum above Libor. A 1% increase in the rate of interest would result in an additional, US\$16,000 (2015: US\$66,000) being expensed to the income statement. See note 22 as the Company is in breach of certain covenants the loan is technically due for payment on demand.

During the year the Company issued US\$12m in convertible and US\$1.7m of unsecured loans, there is no exposure to interest rate risk as the bonds were issued at a fixed coupon rate of 10%.

## 27 Commitments and contingencies

### General conditions

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

### (a) Contractual liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS *continued*

year ended 31 December 2016

## 27 Commitments and contingencies *continued*

### General conditions *continued*

#### (a) Contractual liabilities *continued*

##### *Deposit development costs*

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

##### *Training for Kazakhstani specialists*

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

As at 31 December 2016 the Company has met the conditions of the Contract.

##### *Development of the social sphere of the region*

According to the terms of the contract, the Company is liable for supporting the development and ensuring social support for the activity of the communities near the area of operations of the Company. As at 31 December 2016, the Company has met all the conditions of the Contract.

##### *Liabilities on the restoration of the mine*

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

#### (b) Insurance

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

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

#### (c) Court proceedings

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

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

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

#### (d) Taxation risks

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

These circumstances may lead to the taxation risks being much higher in Kazakhstan compared to other countries. The management of the Company, based on their understanding of the tax legislation, regulatory requirements and court decisions, considers the tax liabilities to be fully reflected in the accounts. Nevertheless, the interpretation of these provisions by the corresponding authorities can be different and in that case should the authorities prove the lawfulness of their position, it may significantly affect these financial accounts.

## 28 Subsequent events

In February 2017 Neil Herbert was appointed Executive Deputy Chairman. As part of his remuneration package he was awarded share options over 46,686,843 ordinary shares at an exercise price of 2.125p per share.

## 29 Ultimate Controlling Party

The controlling party and parent entity of the Company is African Resources Limited, by virtue of the fact that it owns 61.69% (2015: 61.69%) of the voting rights in the Company.

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

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Altyn plc (the "Company") will be held at the offices of BDO LLP 55 Baker Street London, W1U 7EU on 28 June 2017 at 11am in order to consider and, if thought fit, pass resolutions 1 to 8 as ordinary resolutions and resolution 9 as a special resolution:

## ORDINARY RESOLUTIONS

1. To receive the audited accounts and the reports of the Directors and auditors for the year ended 31 December 2016.
2. To approve the Directors' remuneration report.
3. To confirm the appointment of Neil Herbert as Executive Deputy Chairman of the Company.
4. To re-elect Aidar Assaubayev as a Director (Executive) of the Company.
5. To re-elect Ashar Qureshi as a Director (Non-Executive) of the Company.
6. To reappoint BDO LLP as the Company's auditors to hold office until the conclusion of the next general meeting at which the annual accounts are to be laid before the Company.
7. To authorise the Audit Committee of the Board to determine the auditors' remuneration.
8. That, in accordance with section 551 of the Companies Act 2006 (as amended) (the "Act") the directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this Notice):
  - a. comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £1,556,228.08 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 9b. below) in connection with an offer by way of a rights issue:
    - i. to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - b. in any other case, up to an aggregate nominal amount of £778,114.04 (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph 9a. above in excess of £778,114.04), provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 18 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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



# NOTICE OF ANNUAL GENERAL MEETING continued

## SPECIAL RESOLUTION

9. That, conditional on the passing of Resolution 8, the directors be given the general power to allot equity securities (as defined by section 560 of the Companies Act 2006 (as amended) (the "Act") for cash, either pursuant to the authority conferred by resolution 9 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- a. the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under 6a., by way of a rights issue only):
    - i. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - ii. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - b. the allotment (otherwise than pursuant to paragraph 9a. above) of equity securities up to an aggregate nominal amount of £233,434.21.

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

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

By order of the Board

**Rajinder Basra**  
Company Secretary

Registered Office:  
28 Eccleston Square  
London  
SW1V 1NZ

Dated 28 April 2017

Company Number: 05048549

# NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

**Relevant Securities** means:

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

## Entitlement to attend and vote

1. Only those shareholders registered in the Company's register of members at:
  - ▲ 6.00 pm on Wednesday 26 June 2017; or,
  - ▲ if this meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

## Appointment of proxies

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

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

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

## Appointment of proxy by post

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

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

- ▲ completed and signed;
- ▲ sent or delivered to Neville Registrars (the "Registrar"), at 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and
- ▲ received by the Registrar no later than 6:00pm on 26 June 2017.

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING continued

## Appointment of proxies electronically

8. As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically online at [sharegateway.co.uk](http://sharegateway.co.uk) and completing the authentication requirements as set out on the proxy form. For an electronic proxy appointment to be valid, your appointment must be received by the Registrar no later than 3:00pm on 26 June 2017.

## Appointment of proxies through CREST

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Registrar ID 7RA11 no later than 3:00pm on 26 June 2017, or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

## Appointment of proxy by joint members

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

## Changing proxy instructions

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

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

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

## Termination of proxy appointments

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

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

In either case, the revocation notice must be received by the Registrar no later than 3:00pm on 24 June 2017.

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

## Corporate representatives

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

### Issued shares and total voting rights

14. As on 6pm at 26 April 2017, the Company's issued share capital comprised 2,334,342,130 ordinary shares of 0.1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company is 2,334,342,130.

The Company's website, [www.goldbridgesplc.com](http://www.goldbridgesplc.com) will include information on the number of shares and voting rights.

### Notification of shareholdings

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

### Questions at the meeting

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

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

### Nominated persons

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

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

### Documents on display

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

### Communication

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

- ▲ Contact the Company by e-mail to [info@altyn.uk](mailto:info@altyn.uk).

You may not use any electronic address provided either:

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

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

# EXPLANATION OF RESOLUTIONS

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

## ORDINARY BUSINESS

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

### Resolution 1: To receive the 2016 Report and Accounts

The directors of the Company (the 'Directors') must present their Annual Report and Accounts of the Company for the year ended 31 December 2016 (the 'Annual Report') to shareholders for formal adoption at the Annual General Meeting.

### Resolution 2: Directors' remuneration report

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

- ▲ a statement by the Chairman of the Remuneration Committee;
- ▲ the Directors' remuneration policy in relation to future payments to the Directors and former Directors; and
- ▲ the Annual Report on remuneration, which sets out payments made in the financial year ending 31 December 2016.

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

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

### Resolutions 3 to 5: To re-elect the Directors

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

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

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

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

## SPECIAL BUSINESS

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

### Resolution 8: Directors' authority to allot shares

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

This resolution would give the Directors authority to allot ordinary shares, and grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £778,114.04. This amount represents approximately one-third (33.33%) of the issued ordinary share capital of the Company, as at 26 April 2017, the last practicable date prior to the publication of this document. The Company does not currently hold any shares in treasury. The extent of the authority follows the guidelines issued by institutional investors.

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

### Resolution 9: Disapplication of pre-emption rights

Section 561 of the Companies Act 2006 gives all shareholders the right to participate on a pro-rata basis in all issues of equity securities for cash, unless they agree that this right should be disapplied. The effect of this resolution is to empower the Directors, until the date which is 18 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company, to allot equity securities for cash, without first offering them on a pro-rata basis to existing shareholders, but only up to a maximum nominal amount of £233,434.21 representing approximately 10% of the Company's issued ordinary share capital on 26 April 2017 (being the latest practicable date before the date of this document). In addition, the resolution empowers the Directors to deal with fractional entitlements and any practical problems arising in any overseas territory on any offer made on a pro-rata basis. The Directors consider that it is appropriate for this authority and these powers to be granted to preserve maximum flexibility for the future.

# COMPANY INFORMATION

## Directors

Kanat Assaubayev	Chairman
Aidar Assaubayev	Chief Executive Officer
Neil Herbert	Executive Director – Deputy Chairman
Sanzhar Assaubayev	Executive Director
Ashar Qureshi	Non-Executive Director
Alain Balian	Non-Executive Director

## Secretary

Rajinder Basra FCA

## Registered office and number

Company number : 5048549

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## Web

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## Kazakhstan office

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Kazakhstan  
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Fax: +7 (0) 72331 27933

## Financial advisers and brokers

### VSA

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Telephone: +44 20 3005 5000

## Auditors to the Group

### BDO LLP

55 Baker Street  
London W1U 7EU  
Telephone: +44 20 7486 5888

## BDO Kazakhstan, LLP

6 Gabdullin St,  
Almaty city, 050013  
Kazakhstan

## Registrars

### Neville Registrars

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## Investor relations

### Blythe Weigh

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## Lawyers

### Wragge Lawrence Graham & Co. LLP

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London Riverside  
London SE1 2AU  
Telephone: +44 (0) 870 903 1000

## Cleary GottliebSteen & Hamilton LLP

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55 Basinghall Street  
London EC2V 5EH  
Telephone: +44 20 7614 2200

## Bankers

### Natwest Bank plc

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London  
EC2M 4RB

## LGT Bank

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FL-9490 Vaduz  
Liechtenstein  
Telephone: + 423 235 11 22

# GLOSSARY OF TERMS

Grade	The tenor or concentration by weight of a metal in a mineral deposit or ore.
masl	Metres above sea level.
Tonne	A metric tonne of 1,000 kilograms.
oz	Troy ounce.
g/t	Grammes per tonne of mineralised rock.
JORC code	Australasian code for the reporting of exploration results, mineral resources and ore reserves (Joint Ore Reserves Committee). See <a href="http://www.jorc.org/main.php">www.jorc.org/main.php</a>
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.





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