“Semizbay-U” Limited Liability Partnership

International Financial Reporting Standards Financial Statements and Independent Auditor’s Report

31 December 2017

Translated from the Russian original

Contents

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income 1
Statement of Financial Position 2
Statement of Cash Flows 3
Statement of Changes in Equity 4

Notes to the Financial Statements

1. The Company and its Operations 5
2. The Company's Operating Environment 5
3. Summary of Significant Accounting Policies 5
4. Critical Accounting Estimates and Judgements in Applying Accounting Policies 14
5. Adoption of New or Revised Standards and Interpretations 17
6. New Accounting Pronouncements 17
7. Balances and Transactions with Related Parties 19
8. Revenue 20
9. Cost of Sales 20
10. Distribution Expenses 21
11. General and Administrative Expenses 21
12. Other Operating Income 21
13. Other Operating Expenses 22
14. Finance Income and Costs 22
15. Income Tax Expense 22
16. Property, Plant and Equipment 24
17. Mine Development Assets 25
18. Mineral Rights 26
19. Trade and Other Receivables 26
20. Inventories 27
21. Advances Given and Other Assets 27
22. Cash and Cash Equivalents 28
23. Charter Capital 28
24. Loans and Borrowings 28
25. Liability for Historical Costs 30
26. Site Restoration Provision and Other Provisions 30
27. Employee Benefits 31
28. Other Liabilities 33
29. Trade and Other Payables 33
30. Other Taxes and Obligatory Payments 34
31. Contingencies and Commitments 34
32. Financial Risk Management 36
33. Fair Value of Financial Instruments 40
34. Financial Instruments by Measurement Category 40
35. Events after Reporting Period 40

Independent auditor's report

To the Participants and Management of "Semizbay-U" LLP

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of "Semizbay-U" LLP (the – "Company") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

ТОО «ПрайсуотерхаусКуперс»
Пр. Аль Фараби 34, Здание А, 4 этаж, 050059 Алматы, Казахстан
Т: +7 (727) 330 3200, Ф: +7 (727) 244 6868, www.pwc.com/kz

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

27 February 2018
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Irina Taskayeva
Auditor in charge
(Qualified Auditor's Certificate №00000465 dated 14 November 1998)

Signed by:

Azamat Konratbaev
Audit Partner
(The Association of Chartered Certified Accountants Certificate №00770863 dated 8 May 2003)

In thousands of US Dollars	Note	2017	2016
Revenue	8	63,770	71,277
Cost of sales	9	(52,143)	(50,012)
Gross profit		**11,627**	**21,265**
Other operating income	12	139	165
Distribution expenses	10	(218)	(224)
General and administrative expenses	11	(3,245)	(3,082)
Other operating expenses	13	(1,627)	(754)
Impairment losses	4	(10,661)	-
Operating (loss)/profit		**(3,985)**	**17,370**
Finance income	14	329	1,821
Finance costs	14	(2,646)	(3,353)
(Loss)/profit before tax		**(6,302)**	**15,838**
Income tax benefit/(expense)	15	1,012	(3,812)
(LOSS)/PROFIT FOR THE YEAR		**(5,290)**	**12,026**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	27	84	23
Exchange differences on translation to presentation currency		259	879
Other comprehensive income for the year		343	902
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(4,947)**	**12,928**

These financial statements were approved by management on 27 February 2018:

Batiyev R.A.
General Director

Sydygaliyeva N. Y.
Chief accountant

In thousands of US Dollars	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets		25	47
Property, plant and equipment	16	20,722	33,941
Mine development assets	17	19,852	22,356
Mineral rights	18	1,200	1,326
Trade and other receivables	19	574	645
VAT recoverable		343	1,789
Restricted cash	26	2,734	2,316
Total non-current assets		**45,450**	**62,420**
Current assets			
Inventories	20	13,919	13,018
Trade and other receivables	19	18,772	17,050
VAT recoverable and other tax prepayments		1,384	1,847
Other financial assets		4	4
Advances given and other assets	21	617	1,034
Prepaid income tax		641	1,508
Cash and cash equivalents	22	534	1,076
Total current assets		**35,871**	**35,537**
TOTAL ASSETS		**81,321**	**97,957**
EQUITY			
Charter capital	23	71,537	71,537
Currency translation reserve		(47,086)	(47,345)
Retained earnings		11,823	18,922
TOTAL EQUITY		**36,274**	**43,114**
LIABILITIES			
Non-current liabilities			
Liability for historical costs	25	141	774
Site restoration provision	26	8,130	6,192
Trade and other payables	29	224	193
Employee benefits	27	180	285
Deferred tax liability	15	-	1,156
Total non-current liabilities		**8,675**	**8,600**
Current liabilities			
Loans and borrowings	24	28,578	36,656
Other provisions	26	391	559
Trade and other payables	29	3,733	4,556
Other taxes and obligatory payments	30	2,911	3,362
Employee benefits	27	14	(1)
Current income tax liabilities		-	354
Liability for historical costs	25	682	699
Other liabilities	28	63	58
Total current liabilities		**36,372**	**46,243**
TOTAL LIABILITIES		**45,047**	**54,843**
TOTAL EQUITY AND LIABILITIES		**81,321**	**97,957**

These financial statements were approved by management on 27 February 2018:

Batiyev R.A. General Director	Sydygaliyeva N. Y. Chief accountant

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

In thousands of US Dollars	2017	2016
OPERATING ACTIVITIES		
Cash receipts from customers	65,778	65,731
VAT refund from budget	1,869	2,971
Interest received	140	102
Other receipts	349	1,406
Payments to suppliers	(29,942)	(27,847)
Other taxes and payments to budget	(10,214)	(12,050)
Payments to employees	(6,215)	(5,447)
Other payments	(2,004)	(2,236)
Cash flows from operating activities	**19,761**	**22,630**
Income tax paid	(1,223)	(4,312)
Interest paid	(1,695)	(2,505)
Net cash from operating activities	**16,843**	**15,813**
INVESTING ACTIVITIES		
Purchase of mine development assets	(4,615)	(6,118)
Purchase of construction in progress	(681)	(1,558)
Purchase of property, plant and equipment	(1,266)	(880)
Placement of restricted cash	(418)	(392)
Net cash used in investing activities	**(6,980)**	**(8,948)**
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	82,702	104,975
Repayments of loans and borrowings	(90,952)	(104,838)
Dividends paid	(1,800)	(7,341)
Net cash used in financing activities	**(10,050)**	**(7,204)**
Net decrease in cash and cash equivalents	**(187)**	**(339)**
Cash and cash equivalents at the beginning of the year	1,076	1,676
Effect of exchange rate fluctuations on cash and cash equivalents	(355)	(261)
Cash and cash equivalents at the end of the year	**534**	**1,076**

These financial statements were approved by management on 27 February 2018:

Batiyev R.A.
General Director

Sydygaliyeva N. Y.
Chief accountant

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

In thousands of US Dollars	Charter capital	Currency translation reserve	Retained earnings	Total equity
At 1 January 2016	**71,537**	**(48,224)**	**6,873**	**30,186**
Profit for the year	-	-	12,026	12,026
Other comprehensive income	-	879	23	902
Total comprehensive income for the year	-	879	12,049	12,928
At 31 December 2016	**71,537**	**(47,345)**	**18,922**	**43,114**
Loss for the year	-	-	(5,290)	(5,290)
Other comprehensive income	-	259	84	343
Total comprehensive loss for the year	-	259	(5,206)	(4,947)
Dividends paid	-	-	(1,893)	(1,893)
At 31 December 2017	**71,537**	**(47,086)**	**11,823**	**36,274**

These financial statements were approved by management on 27 February 2018:

Batiyev R.A.
General Director

Sydygaliyeva N. Y.
Chief accountant

1. The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS") for the year ended 31 December 2017 for "Semizbay-U" LLP (the "Company").

On 2 June 2006 the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (hereinafter – the "Ministry of Industry and New Technologies of the Republic of Kazakhstan) (the "Competent Body") and Joint Stock Company National Atomic Company "Kazatomprom" (the "NAC KAP") signed the subsoil use contract for Semizbay field.

The Company was established on 12 December 2006 as 100% subsidiary of NAC KAP (Registration certificate № 75-1902-25-TOO).

On 5 July 2007 the subsoil use right for Semizbay field was transferred to the Company. During 2008 the share of NAC KAP in the Company reduced from 100% to 11%. Initial reduction of the share by 40% occurred due to contribution by NAC KAP subsidiary, Mining Company LLP, to the Company's charter capital in the form of transfer of subsoil use right for the Irkol field. Further reduction was due to sale of 49% share in the Company to «BeijingSino – Kaz Uranium Resources Investment Company Limited». As of 31 December 2017 the Company's participants were NAC KAP and "BeijingSino – Kaz Uranium Resources Investment Company Limited" with 51% and 49% shares held respectively.

The Company's registered address is 34, Birzhan Saly street, Stepnyak, Enbekshily district, Akmola region, Republic of Kazakhstan.

The principal activities of the Company are extraction, preliminary processing and sale of uranium oxide on Semizbay and Irkol fields. Semizbay field is located in Akmola and North-Kazakhstan regions. The commercial production of uranium from Semizbay is carried out from December 2009. The commercial production of uranium from Irkol field, located in Kyzylorda region, is carried out from October 2007.

Total number of employees is 551 (2016: 563).

2. The Company's Operating Environment

The economy of the Republic of Kazakhstan displays certain characteristics of an emerging market. It is particularly sensitive to prices for mineral resources, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. The tax, currency customs legislations of the Republic of Kazakhstan continue to develop and are subject to varying interpretations (Note 31).

The maintaining uncertainty and volatility of the financial markets, especially in Europe and Russian Federation, and other risks may have a negative impact on Kazakhstan financial and corporate sector. Management performed the assessment of a probable impairment of the Company's non-current assets based on the existing economic situation and its prospects (Note 4). The future economic and regulatory situation may differ from management's current expectations.

3. Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5).

Foreign currency translation

(i) Functional and presentation currency

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The Company's functional currency is the national currency of the Republic of Kazakhstan, the Kazakhstani Tenge. All amounts in these financial statements are presented in thousands of US Dollars, unless otherwise stated. These financial statements were issued in addition to the statutory financial statements of the Company (presented in Tenge) for presentation to shareholders.

3. Summary of Significant Accounting Policies (Continued)

The results and financial position of the Company are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- components of equity are translated at the historic rate; and
- all resulting exchange differences are recognised in other comprehensive income.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation at year-end does not apply to non-monetary items that are carried at historic cost.

At 31 December 2017, the principal rate of exchange used for translating foreign currency balances was 1 US Dollar = Tenge 332.33 (2016: 1 US Dollar = Tenge 332.29). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. At present, Tenge is not freely convertible currency in most countries outside of the Republic of Kazakhstan.

Financial Instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Company: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities are substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

3. Summary of Significant Accounting Policies (Continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus or minus accrued interest, and for financial assets less any write-down for incurred impairment losses (direct or through the use of reserve). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon income and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates.

Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Financial assets of the Company are presented by "loans and trade receivables" and comprise financial assets within trade and other receivables (Note 19), financial assets as part of advances given and other assets (Note 21), restricted cash (Note 26), cash and cash equivalents (Note 22) and other financial assets.

Loans and trade receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term.

(iii) Classification of financial liabilities

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Financial liabilities of the Company are presented by "other financial liabilities" and comprise loans and borrowings (Note 24), financial liabilities within trade and other payables (Note 29), liability for historical costs (Note 25) and other financial liabilities (Note 28).

(iv) Initial recognition of financial instruments

All financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

For the purposes of identification of fair value of loans given that are not circularised on active market the Company uses such valuation methods as discounted cash flow. The differences may appear between fair value recognised at origination that is considered the transaction cost and recalculated amount. Such differences are amortised during the whole period of loans given.

3. Summary of Significant Accounting Policies (Continued)

(v) Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Property, plant and equipment

(i) Recognition and measurement of property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the use of the item will flow to the Company and the cost of the item can be measured reliably. Specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year are recognised as an item of property, plant and equipment. Other spare parts and servicing-related equipment are recognised as inventories and accounted for in profit and loss for the year as used.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is used.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

(ii) Depreciation

Land is not depreciated. Depreciation of property, plant and equipment used in extraction of uranium and its preliminary processing is charged based on production method in respect of items for which this basis best reflects the pattern of consumption. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and constructions	5 – 25
Machinery and equipment	1 – 20
Vehicles	4 – 7
Other	1 –10

Each item's estimated useful life depends on its own useful life limitations and/or term of a subsurface use contract and the present assessment of economically recoverable reserves of the mine property at which the item is located.

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3. Summary of Significant Accounting Policies (Continued)

Mine development assets

Capitalised mine development assets are stated at cost, less accumulated depreciation and provision for impairment, where required.

Mine development assets comprise the capitalised costs of pump-in and pump-out well drilling, main external binding of the well with surface communications and measurement instrumentation equipment, cost of ion-exchange resin, estimated cost of site restoration and other development costs. Mine development assets are amortised at the mine or block level using the unit-of-production method. Unit-of-production rates are based on proved reserves estimated to be recovered from mines (blocks) using existing facilities and operating methods. The estimate of proved reserves is based on reserve reports which are integral part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the government and detail the total proven reserves and estimated scheduled extraction by year.

Intangible assets

(i) Recognition and measurement of intangible assets

The Company's intangible assets have definite useful lives and primarily include acquired computer software. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring them to use.

(ii) Amortisation of intangible assets

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Software	3 – 25

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Mineral rights

Mineral rights are stated at cost, less accumulated depreciation and provision for impairment, where required. The capitalised cost of acquisition of mineral rights comprises subscription bonus, the cost of subsurface use rights and capitalised historical costs. The Company is obliged to reimburse historical costs incurred by the government in respect of licensing areas prior to license being issued.

These historical costs are recognised as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the license period.

Mineral rights are amortised using production method based upon proved reserves commencing when uranium first starts to be extracted.

The estimate of proved reserves is based on reserve reports which are integral part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the authority and detail the total proven reserves and estimated scheduled extraction by year.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell (the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and its value in use (being the net present value of expected future cash flows of the relevant cash generating unit). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets or asset that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

3. Summary of Significant Accounting Policies (Continued)

The estimates used for impairment reviews are based on detailed mine layouts and operating budgets, modified as appropriate to meet the requirements of IAS 36 "Impairment of Assets". Future cash flows are based on:

- estimates of the volumes of the reserves for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the Company's assessment of the long term average price, generally over a period of three to five years); and
- future costs of production and other operating and capital expenditures.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss for the year so as to reduce the carrying amount in the statement of financial position to its recoverable amount. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. The amount of this reversal is limited to the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior years.

Operating leases

Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Income taxes

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that there is sufficient future taxable profit available against which the deductions can be utilised.

Uncertain tax positions

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method.

3. Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Impairment of financial assets recognised at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- overdue of any installment, where the late payment is not explained by a delay in the settlement systems;
- the counterparty experiences significant financial difficulties that are supported by the financial information held by the Company;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Impairment losses are always recognised through a provision in such amount to bring the asset's carrying value to the present value of expected cash flow (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (for example, an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to fully or partially recover are completed and the final amount of the loss is determined. Subsequent recoveries of amounts previously written-off are credited to the impairment loss account within the profit or loss for the year.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the "Events after reporting period" note.

3. Summary of Significant Accounting Policies (Continued)

Value added tax

Value added tax (VAT) related to sales is payable to the tax authorities when goods are shipped or services are rendered. Purchase VAT can be offset against sales VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the separate balance sheet date is stated on a net basis for each tax payer. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period.

Loans and borrowings

Loans and borrowings are carried at amortised cost using the effective interest method.

Trade payables

Trade payables are accrued when the counterparty performs its obligations under the contract are accounted for at amortised cost using the effective interest method.

Site restoration provision

Assets retirement obligations are recognised when it is probable that the costs would be incurred and those costs can be measured reliably. Asset retirement obligations include the costs of rehabilitation and costs of liquidation (demolition of buildings, constructions and infrastructure, dismantling of machinery and equipment, transportation of the residual materials, environmental clean-up, monitoring of wastes and land restoration). Provision for the estimated costs of liquidation, rehabilitation and restoration are established and charged to the cost of property, plant and equipment in the reporting period when an obligation arises from the respective land disturbance in the course of mine development or environment pollution, based on the discounted value of estimated future costs. Movements in the provision for assets retirement obligations, resulting from updated cost estimates, changes to the estimated term of operations and revisions to discount rates are capitalised within property, plant and equipment in the current period. These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets.

Movements in the provision for asset retirement obligations that relate to disturbance caused by the production phase are charged to profit or loss for the year.

Provision for asset retirement obligations do not include any additional obligations which are expected to arise from future disturbances. The costs are estimated on the basis of a closure and restoration plan. The cost estimates are calculated annually during the course of the operations to reflect known developments, e.g. updated cost estimates and revised term estimated lives of operations, and are subject to formal reviews on a regular basis. Although the final cost to be incurred is uncertain, the Company estimates its costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration and retirement works.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit or loss in each reporting period. The amortisation of the discount is disclosed as finance costs.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. Summary of Significant Accounting Policies (Continued)

Revenue recognition

Revenue from sale of goods is recognised when risks and rewards associated with the ownership are transferred, usually when goods are shipped. If the Company takes responsibility to deliver the goods to certain delivery point the revenue is recognised in the moment of transfer of goods to the buyer at the destination.

Sales are shown net of VAT and discounts. Revenue is measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Terms of delivery of uranium products are determined by specific sale contracts with buyers, usually in accordance with the Incoterms classification. Delivery of uranium products occurs: at the date of actual physical delivery of goods according to Incoterms, or at the date of book-transfer to the account of converter specified by customer. Book-transfer operation represents a transaction whereby uranium account balance of the transferor is decreased with simultaneous allocation of uranium to the transferee's uranium account with the same specialised conversion/reconversion entity.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(i) Long-term employee benefits

The Company provides long-term employee benefits to its employees in accordance with the provisions of the collective agreement. The agreement provides for financial aid for employees' disability, retirement benefit, funeral aid and other payments to the Company's employees. The entitlement to some benefits is usually conditional on the employee remaining employed until the retirement age and the completion of a minimum service period.

The Company does not have any funded post-employment plans. Liability recognised at each reporting date represents the present value of the plan liabilities. Actuarial gains and losses arising in the year are taken to the profit or loss for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Actuarial gains and losses on other post-employment obligations such as experience adjustments and the effects of changes in actuarial assumptions recognised in other comprehensive income in the period occurred. Other movements in the present value of the plan liabilities are also recognised in the profit or loss for the year, including current service cost.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate, staff turnover and the mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to profit or loss for the year as finance cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits, including financial aid for employees' disability to the Company's employees and other payments are considered as other long-term employee benefits. The entitlement to these benefits is usually conditional on the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. These obligations are valued annually by independent qualified actuaries.

(ii) Payroll expenses and related charges

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. In accordance with the legal requirements of the Republic of Kazakhstan, the Company withholds pension contributions from employees' salary and transfers them into the united pension fund. Upon retirement of employees, all pension payments are administered by the united pension fund.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Uranium reserves

Uranium reserves are a critical component of the Company's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense.

Prior to 2017 reserves estimation was performed based on results of detailed mine exploration and was evaluated and approved by State Reserves Commission (the "GKZ") of the Republic of Kazakhstan Geology Committee. Reserves approved by GKZ are added to State balance and can be reassessed by GKZ on the basis of additional exploration. Need for additional exploration on the mine allotment appears (i) upon finding of new ore bodies during development activities; (ii) when detailed exploration evidences presence of uranium reserves on mine allotment that due to various reasons have not been assigned as commercial grade reserves and have not been added to State balance; or (iii) reserves write off upon non-confirmation report. Reserves non-confirmation occurs usually due to violations of phasing and methodology of exploration activities, unsubstantiated selection of exploration grid density, or incorrect linkage of ore intersections. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by GKZ. Subsurface user reports to the government reserves for the mine as a whole. Instances when balance reserves are systematically not confirmed for the mine as a whole are rare. Subsurface user cannot unilaterally change reserves by grades. Expert conclusion of GKZ is an integral part of a subsurface use contract and serves as a basis for development of mine (lot) production project and working programme of the subsurface use contract. Share of approved by GKZ reserves in the amount of actual production and approved planned losses is written off annually from entity's balance. Volume of uranium planned for production must coincide with the working programme of the subsurface use contract and approved production project. Changes to planned production are prohibited unless production project and working programme of the subsurface use contract are revised and appropriately approved. If actual production volumes deviate from approved for less than 20% no changes are required.

In 2017 the Company decided to use the method for estimating reserves based on the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserve dated December 2012 (the "JORC Code"), which requires the use of substantiated assumptions, including:

- estimation of future production, including proved and estimated reserves, estimation of reserves and liabilities for expansion;
- expected future commodity prices based on the current market price, forward prices, and the Company's estimate of the long-term average price; and
- future cash expenses for production, capital expenditures and liabilities for restoration.

This change in the estimation method did not have a significant effect on these financial statements and was applied prospectively beginning from 1 January 2017. Effect on depreciation of production assets recognised in 2017 was US Dollars 521 thousand.

Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication of impairment of non-financial assets. If any such indication exists, the recoverable amount of assets is estimated and compared to their carrying amount. Any excess of carrying amount over recoverable amount is recognised as impairment.

The recoverable amount of an asset or cash generating unit represents the higher of the value in use of this asset or cash generating unit and its fair value less costs to sell. The estimation of value in use requires the Company to make estimates regarding the Company's future cash flows from using assets (generating unit). The estimation of future cash flows involves significant judgments relating to future market prices, sales volumes, discount rates, inflation, operating expenses and other factors. The impairment review and estimates are based on assumptions that are consistent with the Company's business plans. Due to the subjective nature, these assumptions could differ from actual results of operations and cash flows; and such differences may result in impairment in future periods and decrease of the carrying value of respective assets.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Assets related to uranium production

For the purpose of impairment test assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The Company identified each mine (contract territory) as a separate cash-generating unit.

As of 31 December 2017 management has determined the decrease of uranium reserves due to use of the new estimation method as an indication of impairment of assets (cash-generating units) related to uranium production on Company fields. In addition, the management took into account high production costs on the Semizbay field and the results of the impairment test on this field as of December 31, 2016, which resulted in the slight headroom between recoverable amount of the cash-generating unit and its carrying amount at higher uranium reserves. Company's management identified two generating units (Semizbay and Irkol) and tested each field individually for impairment. According to test results, no impairment has been identified on Irkol field, as the recoverable cost of related assets in the amount of US Dollars 26,689 thousand exceeded their carrying amount of US Dollars 24,488 thousand. For Semizbay field, impairment was US dollars 10,661 thousand, as the carrying amount of these assets of US Dollars 31,058 thousand exceeded their recoverable amount of US Dollars 20,600 thousand.

For Semizbay and Irkol fields, the recoverable cost has been determined based on calculation of value in use. In these calculations, the forecasts of cash flows for the whole validity period of subsurface use contract until 2025 and 2030 respectively were used.

Below are principal assumptions used by management in calculation of value in use for Semizbay field to which it is most sensitive to:

In thousands of US dollars	2017
*Average price per 1 pound**	23.45-45.67 US Dollar
Discount rate	12.11%
Inflation rate	4-7%

Presented below is the sensitivity analysis disclosing effect of changes in principal assumptions (with all other parameters held constant) on impairment:

In thousands of US dollars	Changes in assumptions	2017
*Average price per 1 pound**	Increased by 6%	750
Discount rate	Decreased by 4%	2,775
Inflation rate	Decreased by 1%	1,458

Below are principal assumptions used by management in calculation of value in use for Irkol field to which it is most sensitive to:

In thousands of US dollars	2017
*Average price per 1 pound**	23.45-45.67 US Dollar
Discount rate	12.11%
Inflation rate	4-7%

Presented below is the sensitivity analysis disclosing possible impairment losses at reasonably possible changes of principal assumptions (with all other parameters held constant):

in thousands of US dollars	Changes in assumptions	2017
*Average price per 1 pound**	Decreased by 2%	(1,176)
Discount rate	Increased by 2%	(116)
Inflation rate	Increased by 1%	(5,104)

** Middle value of baseline scenario of the forecast prices changes for natural uranium concentrate (Mid Price Midpoint) published by Ux Consulting LLC for the fourth quarter of 2017 in "Uranium Market Outlook" was used for calculation.*

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Recognition of deferred tax asset

The recognised deferred tax asset (Note 15) represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred tax asset is recognised to the extent that realisation of the related tax benefit is highly probable. Future tax profits and amounts of tax deductions that are probable to be offset in future are based on medium-term business models prepared by management and the result of its extrapolation to the future. Business models are based on management expectations that are considered reasonable under the current circumstances.

Site restoration provision

In accordance with the environmental legislation and the contracts on subsurface use, the Company has a legal obligation to remediate damage caused to the environment from its operations and to decommission its mining assets and waste polygons and restore a landfill site after its closure. Provision is made, based on the net present values, for site restoration and retirement costs as soon as the obligation arises from past mining activities.

The provision for mining assets and waste polygons retirement obligation is estimated based on the Company's interpretation of current environmental legislation in the Republic of Kazakhstan and the Company's related program for liquidation of subsurface use consequences on the contracted territory and other operations supported by the feasibility study and engineering researches in accordance with the existing restoration and retirement standards and techniques.

Provision for retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Liability to decommission its mining assets and waste polygons retirement obligations are recognised when there is a certainty of incurring such liabilities and when it is possible to measure the amounts reliably.

Significant judgments used in such estimations include the estimate of discount rate and timing of cash flows. Discount rate is applied to the nominal costs the management expects to spend on mining assets retirement and waste polygons restoration in the future. Accordingly, management's estimates based on current prices are inflated using the expected long-term inflation rate (2017: 5.4%; 2016: 5.13%), and subsequently discounted using discount rate. The discount rate reflects the current market estimates of the time value of money and those risks specific to the liability not reflected in the best estimate of the costs. The discount rate used by the Company for calculation of provision as at 31 December 2017 was 9.06% (2016: 7.08%).

As of 31 December 2017 the total the carrying value of site restoration provision was US Dollars 8,130 thousand (2016: US Dollars 6,192 thousand) (Note 26).

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Most fixed assets are amortised under straight-line method over their estimated useful lives. Management reviews the compliance of the useful lives of assets, at least on an annual basis; any changes could affect prospective depreciation rates and asset carrying values.

Estimated useful life of uranium mining assets

Property, plant and equipment related to uranium production, mining assets and mineral rights are depreciated over the respective life of the mine using the unit-of-production method based on mineral reserves. When determining mineral reserves, assumptions that were valid at the time of estimation may change when new information becomes available. Any changes could affect the prospective depreciation rates and asset carrying values.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The calculation of the unit-of-production rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production, which would generally arise as a result of significant changes in any of the factors or assumptions used in estimating mineral reserves. These factors could include:

- changes in mineral reserves;
- the grade of mineral reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation of mineral reserves;
- unforeseen operational issues at mine sites; and
- changes in capital and operating mining, processing and reclamation costs, discount rates and foreign exchange rates possibly adversely affecting the economic viability of mineral reserves.

Estimates of ore reserves can differ from period to period. This can affect the Company's financial results. Such changes in reserves can affect the depreciation charge, carrying amount of assets and site restoration provision.

Related party transactions

In the normal course of business the Company enters into transactions with its related parties. In considering each possible related party relationship, management's attention is directed to the substance of the relationship, not merely the legal form. The Company's related party transactions result in recognition of financial instruments. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 7.

Tax and transfer pricing legislation

Kazakhstani tax and transfer pricing legislation is subject to varying interpretations (Note 31). Regarding the long-term VAT recoverable, the Company believes that this VAT can be offset against VAT payable which arises from sale of uranium products to NAC KAP during 2018-2019.

5. Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Company from 1 January 2017. Acceptance of the new standards and interpretations did not affect significantly the Company's financial statements:

- *Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2017).*
- *Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).*

6. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods of the Company beginning on or after 1 January 2018 or later, and which the Company has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at fair value, changes indicated at fair value through profit and loss (for example, derivative financial instruments). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

6. New Accounting Pronouncements (Continued)

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the Company is expecting an insignificant impact on its financial statements from the adoption of the new standard on 1 January 2018.

The following table reconciles the carrying amounts of financial assets, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on 1 January 2018:

(in thousands of US dollars)	Measurement category		Carrying value per IAS 39 (closing balance at 31 December 2017)	Effect				Carrying value per IFRS 9 (opening balance at 1 January 2018)
				Remeasurement		Reclassification		
	(IAS) 39	(IFRS) 9		Expected credit losses	Other	Mandatory	Voluntary	
Cash and cash equivalents	Loans and receivables	Amortised cost	534	-	-	-	-	534
Trade receivables	Loans and receivables	Amortised cost	18,772	-	-	-	-	18,772

No significant changes are expected to impact the measurement of financial liabilities.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Annual Improvements to IFRSs 2014-2016 (issued on 8 December 2016 and effective from 1 January 2018 in terms of application of improvements to IFRSs).

IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Based on the analysis of the NAC KAP revenue streams for the year ended 31 December 2017, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, in view of full retrospective method application, the management of the Company is expecting an insignificant impact on its financial statements from the adoption of the new standard on 1 January 2018.

6. New Accounting Pronouncements (Continued)

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. Currently, the Company is assessing the impact of the amendment on its financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019 or in application of IFRS 15). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The amendments to IFRS 4 contain additional instructions on application of IFRS 9 (effective for annual periods beginning on 1 January 2018).

The new standards and interpretations are not expected to affect significantly the Company's financial statements.

7. Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2017 the outstanding balances with related parties were as follows:

In thousands of US Dollars	**Trade receivables**	**Advances given**	**Trade payables**
Company's participants	7,465	10	14
Subsidiaries and associates of participants	11,305	68	2,271
Other related parties	-	21	118
Total	**18,770**	**99**	**2,403**

Income and expense items with related parties for the year ended 31 December 2017 were as follows:

In thousands of US Dollars	**Sale of goods and services**	**Purchase of goods and services**
Subsidiaries and associates of participants	33,217	41
Company's participants	30,553	17,665
Other related parties	-	1,068
Total	**63,770**	**18,774**

7. Balances and Transactions with Related Parties (Continued)

At 31 December 2016 the outstanding balances with related parties were as follows:

In thousands of US Dollars	Trade receivables	Advances given	Trade payables
Company's participants	16,779	19	-
Subsidiaries and associates of participants	183	19	3,240
Other related parties	-	3	20
Total	**16,962**	**41**	**3,260**

Income and expense items with related parties for the year ended 31 December 2016 were as follows:

In thousands of US Dollars	Sale of goods and services	Purchase of goods and services
Company's participants	35,294	778
Subsidiaries and associates of participants	35,984	23,092
Other related parties	-	136
Total	**71,278**	**24,006**

The table below shows the remuneration of key management personnel:

	2017		2016	
In thousands of US Dollars	Expenses	Liability	Expenses	Liability
Short-term payments				
Salaries and bonuses	222	16	190	8
Total	**222**	**16**	**190**	**8**

8. Revenue

In thousands of US Dollars	2017	2016
Sale of produced uranium products	63,770	71,277
Total revenue	**63,770**	**71,277**

9. Cost of Sales

In thousands of US Dollars	2017	2016
Depreciation and amortisation	13,957	11,152
Materials and supplies	12,317	14,360
Mineral extraction tax	8,393	8,847
Payroll and related expenses	6,599	6,070
Third party services on production and processing	5,343	5,106
Repairs and maintenance	1,335	656
Cost of mine services	578	554
Other taxes	534	504
Transportation costs	382	472
Use of provision for impairment of inventories	(160)	-
Other	2,865	2,291
Total cost of sales	**52,143**	**50,012**

10. Distribution Expenses

In thousands of US Dollars	2017	2016
Payroll and related expenses	94	82
Expeditor services	35	50
Business trip expenses	35	32
Rent expenses	22	7
Loading and transportation expenses	18	42
Insurance	3	3
Other	11	8
Total distribution expenses	**218**	**224**

11. General and Administrative Expenses

In thousands of US Dollars	2017	2016
Payroll and related expenses	1,699	1,498
Audit and professional services	314	152
Fines and penalties	274	12
Training expenses	185	207
Rent expenses	174	151
Entertainment expenses	162	73
Provision for/(recovery of) doubtful debts	87	(10)
Business trip expenses	72	44
Communication services	46	24
Materials and supplies	43	42
Repairs and maintenance	36	53
Depreciation and amortisation	22	33
Office supplies	14	13
Bank services	8	19
Tax expenses	1	30
Security services	1	25
Provision for fines and penalties as a result of tax inspection	-	538
Material aid to employees	-	53
Other expenses	107	125
Total general and administrative expenses	**3,245**	**3,082**

12. Other Operating Income

In thousands of US Dollars	2017	2016
Income on fines and penalties	82	50
Income from sale of other goods and services	31	25
Write off of doubtful liabilities	16	18
Other income	10	72
Total other operating income	**139**	**165**

13. Other Operating Expenses

In thousands of US Dollars	**2017**	**2016**
Payments made to "Park of Innovative Technologies"	614	-
Provision for inventory impairment	424	356
Loss on disposal of property, plant and equipment	193	102
Social expenses	164	253
Provision for impairment of other non-current assets	76	-
Loss on disposal of other non-current assets	22	27
Other expense	134	16
Total other operating expenses	**1,627**	**754**

14. Finance Income and Costs

In thousands of US Dollars	**Note**	**2017**	**2016**
Finance income			
Interest income on restricted cash		133	93
Foreign exchange gain		122	1,680
Other income		74	48
Total finance income		**329**	**1,821**
Finance costs			
Interest expense on loans and borrowings		1,627	2,609
Unwinding of discount on site restoration provision	26	574	414
Foreign exchange loss		371	249
Unwinding of discount on historical costs	25	49	69
Other costs		25	12
Total finance costs		**2,646**	**3,353**

15. Income Tax Expense

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of US Dollars	**2017**	**2016**
Current income tax	169	3,324
Deferred income tax	(1,181)	488
Total income tax (benefit)/expense	**(1,012)**	**3,812**

15. Income Tax Expense (Continued)

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The current income tax rate applicable to the Company's income in 2017 and 2016 is 20%. A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of US Dollars	2017	2016
(Loss)/profit before tax	**(6,302)**	**15,838**
Theoretical income tax (benefit)/charge at statutory tax rate of 20% (2016: 20%):	(1,261)	3,168
Tax accrual for previous periods	(1,579)	392
Unrecognised deferred tax asset for the period	1,169	-
Other expenses	659	252
Total income tax (benefit)/expense	**(1,012)**	**3,812**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in the Republic of Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below at 20% (2016: 20%).

In thousands of US Dollars	1 January 2017	Credited/ (charged) to profit or loss	Currency translation differences	31 December 2017
Tax effect of deductible/(taxable) temporary differences				
Property, plant and equipment and intangible assets	(2,604)	1,972	(46)	(678)
Mine development assets	(1,023)	591	(14)	(446)
Site restoration provision	777	309	(4)	1,082
Taxes payable	653	(98)	4	559
Tax losses carried forward	521	(311)	8	218
Liability for historical costs	295	(134)	4	165
Provision for inventory impairment	73	53	(1)	125
Other accruals	152	(32)	2	122
Minus: Unrecognised deferred tax asset	-	(1,169)	22	(1,147)
Recognised deferred tax liability	**(1,156)**	**1,181**	**(25)**	**-**

The tax effect of the movements in the temporary differences for the year ended 31 December 2016 is:

In thousands of US Dollars	1 January 2016	Credited/ (charged) to profit or loss	Currency translation differences	31 December 2016
Tax effect of deductible/(taxable) temporary differences				
Property, plant and equipment and intangible assets	(2,575)	17	(46)	(2,604)
Mine development assets	(1,120)	113	(16)	(1,023)
Tax losses carried forward	1,146	(629)	4	521
Site restoration provision	806	(42)	13	777
Taxes payable	514	126	13	653
Liability for historical costs	421	(130)	4	295
Provision for inventory impairment	-	71	2	73
Other accruals	166	(14)	-	152
Recognised deferred tax liability	**(642)**	**(488)**	**(26)**	**(1,156)**

16. Property, Plant and Equipment

Movements in carrying value of property, plant and equipment are presented below:

In thousands of US Dollars	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost							
At 1 January 2016	1	29,347	16,277	2,234	606	957	49,422
Additions	-	6	649	212	75	2,124	3,066
Transfers	-	-	2	-	(2)	-	-
Reclassification to mine development assets	-	-	-	-	-	(1,018)	(1,018)
Disposals	-	-	(549)	(140)	(24)	(27)	(740)
Effect of translation to presentation currency	-	544	305	42	13	47	951
At 31 December 2016	**1**	**29,897**	**16,684**	**2,348**	**668**	**2,083**	**51,681**
Additions	-	-	771	221	275	838	2,105
Transfers	-	-	-	160	(160)	-	-
Transfer to mine development assets	-	(2,757)	(2,306)	-	-	(1,316)	(6,379)
Disposals	-	-	(456)	(222)	(14)	(22)	(714)
Effect of translation to presentation currency	-	139	87	4	-	16	246
At 31 December 2017	**1**	**27,279**	**14,780**	**2,511**	**769**	**1,599**	**46,939**
Accumulated depreciation							
At 1 January 2016	-	(5,980)	(7,107)	(1,485)	(488)	-	(15,060)
Depreciation charge	-	(1,394)	(1,266)	(211)	(55)	-	(2,926)
Disposals	-	-	469	95	23	-	587
Effect of translation to presentation currency	-	(148)	(153)	(30)	(10)	-	(341)
At 31 December 2016	**-**	**(7,522)**	**(8,057)**	**(1,631)**	**(530)**	**-**	**(17,740)**
Depreciation charge	-	(1,820)	(1,315)	(218)	(58)	-	(3,411)
Disposals	-	-	274	212	13	-	499
Impairment losses	-	(4,695)	(1,593)	(219)	(50)	(291)	(6,848)
Transfers	-	-	-	(6)	6	-	-
Transfer to mine development assets	-	562	612	-	-	-	1,174
Effect of translation to presentation currency	-	91	15	(1)	-	4	(109)
At 31 December 2017	**-**	**(13,384)**	**(10,064)**	**(1,863)**	**(619)**	**(287)**	**(26,217)**
Net carrying amount at 31 December 2016	**1**	**22,375**	**8,627**	**717**	**138**	**2,083**	**33,941**
Net carrying amount at 31 December 2017	**1**	**13,895**	**4,716**	**648**	**150**	**1,312**	**20,722**

Depreciation expenses in the amount of US Dollars 3,392 thousand (2016: US Dollars 2,912 thousand) were charged to cost of sales and US Dollars 19 thousand (2016: US Dollars 13 thousand) to general and administrative expenses.

16. Property, Plant and Equipment (Continued)

Construction-in-progress includes construction of the yellow cake production building, motor bridge on technological motor road, backup process chart, assets of digital mine at Irkol and Semizbay field (technical upgrade).

In 2017 the Company's management made a decision to transfer part of the assets of the Semizbay deposit in the amount of US Dollars 4,876 thousand and part of the assets of the Irkol field in the amount of US dollars 90 thousand from property, plant and equipment to the mine development assets (Note 17). The transfer was due to the results of the tax audit for 2010-2013 (Note 31). The classification of these assets is the management's judgment, accordingly, in order to bring the financial accounting and tax accounting in compliance, the management has found it acceptable to transfer these assets from property, plant and equipment to the mine development assets. As a result, depreciation of these assets was recalculated based on the units of production method, and the difference was recognised as part of cost of sales in 2017 in the amount of US Dollars 3,073 thousand.

17. Mine Development Assets

In thousands of US Dollars	**Field preparation**	**Site restoration asset**	**Ion-exchange resin**	**Total**
Cost				
At 1 January 2016	56,278	4,772	3,141	64,191
Additions	7,625	(234)	334	7,725
Effect of translation to presentation currency	1,246	82	67	1,395
At 31 December 2016	65,149	4,620	3,542	73,311
Additions	3,962	1,384	124	5,470
Transfers from PPE (Note 16)	6,379	-	-	6,379
Effect of translation to presentation currency	(8)	(13)	7	(14)
At 31 December 2017	**75,482**	**5,991**	**3,673**	**85,146**
Accumulated amortisation				
At 1 January 2016	(40,287)	(509)	(726)	(41,522)
Amortisation charge	(8,080)	(243)	(116)	(8,439)
Effect of translation to presentation currency	(962)	(16)	(16)	(994)
At 31 December 2016	(49,329)	(768)	(858)	(50,955)
Amortisation charge	(8,946)	(327)	(137)	(9,410)
Impairment losses	(2,640)	(804)	(440)	(3,884)
Transfers from PPE (Note 16)	(1,174)	-	-	(1,174)
Effect of translation to presentation currency	100	20	9	129
At 31 December 2017	**(61,989)**	**(1,879)**	**(1,426)**	**(65,294)**
Net carrying amount				
At 31 December 2016	**15,820**	**3,852**	**2,684**	**22,356**
At 31 December 2017	**13,493**	**4,112**	**2,247**	**19,852**

The site restoration asset represents capitalised costs related to the Company's site restoration provision. The carrying amount of provision and related asset is re-evaluated each reporting period.

18. Mineral Rights

In thousands of US Dollars	Historical costs	Other	Total
Cost			
At 1 January 2016	1,876	88	1,964
Additions	-	-	-
Effect of translation to presentation currency	35	2	37
At 31 December 2016	1,911	90	2,001
Additions	-	-	-
Effect of translation to presentation currency	5	1	6
At 31 December 2017	**1,916**	**91**	**2,007**
Accumulated amortisation			
At 1 January 2016	(546)	(22)	(568)
Amortisation charge	(89)	(4)	(93)
Effect of translation to presentation currency	(14)	-	(14)
At 31 December 2016	(649)	(26)	(675)
Amortisation charge	(128)	(5)	(133)
Effect of translation to presentation currency	1	-	1
At 31 December 2017	**(776)**	**(31)**	**(807)**
Net carrying amount			
At 31 December 2016	**1,262**	**64**	**1,326**
At 31 December 2017	**1,140**	**60**	**1,200**

19. Trade and Other Receivables

In thousands of US Dollars	2017	2016
Current		
Trade receivables from related parties	18,770	16,962
Trade receivables from third parties	2	88
Total current trade receivables	**18,772**	**17,050**
Non-current		
Loans given to employees	279	446
Total financial assets within non-current trade and other receivables	**279**	**446**
Advances given for non-current assets	295	199
Total non-current trade and other receivables	**574**	**645**

19. Trade and Other Receivables (Continued)

As of 31 December 2017 and 31 December 2016 trade and other receivables are denominated in the following currencies:

In thousands of US Dollars	2017	2016
Current		
US Dollars	11,306	183
Tenge	7,466	16,867
Total	**18,772**	**17,050**
Non-current		
Tenge	279	446
Total	**279**	**446**

20. Inventories

In thousands of US Dollars	2017	2016
Finished goods and goods for resale	6,032	6,681
Work in process	5,579	4,047
Raw materials	299	275
Spare parts	240	335
Fuel	219	120
Other materials	2,176	1,926
Less provision for inventory impairment	(626)	(366)
Total inventories	**13,919**	**13,018**

Movements in provision for inventory impairment are presented below:

In thousands of US Dollars	2017	2016
Balance at 1 January	366	-
Provision for impairment for the year	424	356
Use of provision over the year	(160)	-
Effect of translation to presentation currency	(4)	10
Balance at 31 December	**626**	**366**

21. Advances Given and Other Assets

In thousands of US Dollars	2017	2016
Loans given to employees	106	137
Total financial assets within advances given and other assets	**106**	**137**
Advances given for goods and services	561	817
Prepaid expenses	31	74
Receivable from employees	9	10
Less provision for doubtful debts	(90)	(4)
Total advances given and other assets	**617**	**1,034**

22. Cash and Cash Equivalents

In thousands of US Dollars	2017	2016
Cash on current bank accounts	533	1,072
Cash on card accounts	1	2
Cash on hand	-	2
Total cash and cash equivalents	**534**	**1,076**

As at 31 December 2017 and 31 December 2016, cash was denominated in the following currencies:

In thousands of US Dollars	2017	2016
Tenge	63	26
US Dollar	471	1,050
Total cash and cash equivalents	**534**	**1,076**

The credit quality of cash and cash equivalents can be assessed referring to external credit ratings (if any) and is summarised below:

In thousands of US Dollars	Rating agency	Rating	2017	2016
Cash and cash equivalents				
Bank CenterCredit JSC	S&P	B	508	1,065
Citibank Kazakhstan JSC	S&P	A-2	22	1
Halyk Bank JSC	S&P	B	3	-
Kazkommertsbank JSC	S&P	C	1	2
Nurbank JSC	S&P	B-	-	6
Total			**534**	**1,074**

23. Charter Capital

In thousands of US Dollars	Ownership interest	2017	2016
NAC KAP	51%	47,543	47,543
BeijingSinoKaz - Uranium Resources Investment Company Limited	49%	23,994	23,994
Total charter capital	**100%**	**71,537**	**71,537**

24. Loans and Borrowings

In thousands of US Dollars	2017	2016
Unsecured bank borrowings	28,578	36,656
Total loans and borrowings	**28,578**	**36,656**

24. Loans and Borrowings (Continued)

The information about Company's borrowings is presented below:

In thousands of US Dollars	Currency	Maturity date (year)	2017	2016
Bank CenterCredit JSC	USD	2018	28,578	36,656
Total loans and borrowings			**28,578**	**36,656**

The maturity analysis of loans and borrowings of the Company at amortised cost is as follows:

In thousands of US Dollars	2017	2016
Loans and borrowings with maturity		
Less than 1 year	28,578	36,656
Total loans and borrowings	**28,578**	**36,656**

The analysis of the carrying and fair value of these loans is as follows:

	31 December 2017		31 December 2016	
In thousands of US Dollars	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Bank CenterCredit JSC	28,578	28,578	36,656	36,656
Total loans and borrowings	**28,578**	**28,578**	**36,656**	**36,656**

Net debt reconciliation

The table below sets out an analysis of net debt and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

In thousands of US Dollars	Bank CenterCredit JSC	NAC KAP	CGNM Uk Limited	Total
Net debt at 1 January 2016	**29,916**	**7,134**	**-**	**37,050**
Proceeds from loans and borrowings	104,975	-	-	104,975
Repayments of loans and borrowings	(97,761)	(7,077)	-	(104,838)
Payment of remuneration	(1,865)	(340)	-	(2,205)
Accrual of remuneration	1,926	351	23	2,300
Foreign exchange adjustments	(1,224)	-	-	(1,224)
Other non-cash movements	(27)	(11)	(23)	(61)
Effect of translation to presentation currency	716	(57)	-	659
Net debt at 31 December 2016	**36,656**	**-**	**-**	**36,656**
Proceeds from loans and borrowings	82,702	-	-	82,702
Repayments of loans and borrowings	(90,952)	-	-	(90,952)
Payment of remuneration	(1,695)	-	-	(1,695)
Accrual of remuneration	1,627	-	-	(1,627)
Foreign exchange adjustments	(10)	-	-	(10)
Other movements	(15)	-	-	(15)
Effect of translation to presentation currency	265	-	-	265
Net debt at 31 December 2017	**28,578**	**-**	**-**	**28,578**

25. Liability for Historical Costs

In thousands of US Dollars	Note	2017	2016
At 1 January		1,473	2,103
Unwinding of discount	14	49	69
Repayment		(715)	(695)
Foreign exchange difference		(1)	(26)
Effect of translation to presentation currency		17	22
At 31 December		**823**	**1,473**
Non-current liability		141	774
Current liability		682	699

In accordance with the terms of the subsoil use contracts the Company is required to reimburse the historical costs incurred by the government. Expected cash flows were discounted using interest rate of 3.3%. Historical costs are repaid by equal instalments within 10 years from the commencement of commercial extraction.

26. Site Restoration Provision and Other Provisions

Site restoration provision

In thousands of US Dollars	Note	2017	2016
At 1 January		6,192	5,898
Change in estimate		1,384	(234)
Unwinding of discount	14	574	414
Effect of translation to presentation currency		(20)	114
Total site restoration provision		**8,130**	**6,192**

The valuation of obligation to retire and restore assets as of 31 December 2017 was carried out by an independent international consulting company. As at 31 December 2017 the undiscounted estimated cost of reclamation activities is US Dollars 12,672 thousand (2016: US Dollars 8,009 thousand). The amount of site restoration provision was calculated using current prices (the prices effective at the reporting date) for expenditures to be incurred and then inflated using the forecast inflation rate effective for the period until the settlement of obligations (5.4% for 2017-2030). The present value at 31 December 2017 has been estimated using a discount rate of 9.06% p.a. (2016: 7.08% p.a.), which is a risk free nominal rate as the future cash outflows reflect risk specific to the liability. In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses. The increase in the amount of the liability in 2017 is mainly due to the use of prices used in the international market, the cost of eliminating a well site, the dismantling of technological facilities and waste management. A significant part of environmental expenditures will be spent in 2030.

When determining the amount of the provision, the management of the Company used assumptions and estimates based on the experience of decommissioning and carrying out similar-type clearing operations. Estimated assumptions and estimates were provided by the Company's engineers, as well as professional consultants based on the best interpretation of the current environmental legislation.

As at 31 December 2017 the balance of the site restoration deposit was US Dollars 2,734 thousand (2016: US Dollars 2,316 thousand) with the interest rate of 7% p.a. Cash is denominated in Tenge.

The credit quality of restricted cash can be assessed with the reference on external credit rating (if any) and is summarised below:

In thousands of US Dollars	Rating agency	Rating	31 December 2017	31 December 2016
Restricted cash				
Qazaq Banki JSC	S&P	CCC+	2,734	-
Nurbank JSC	S&P	B-	-	2,316
Total restricted cash			**2,734**	**2,316**

26. Site Restoration Provision and Other Provisions (Continued)

The management of the Company believes that restricted funds placed in JSC "Qazaq Banki" will be fully reimbursed at the expiry of the deposit term.

Other provisions

In thousands of US Dollars	2017	2016
Provision for unused vacations	391	559
Total other provisions	**391**	**559**

27. Employee Benefits

Employee benefits obligation is recorded in these financial statements based on the terms and provisions set forth in the collective labour agreement dated 23 December 2016.

	2017			2016		
In thousands of US Dollars	Current	Non-current	Total	Current	Non-current	Total
Post-employment benefits	6	100	106	-	163	163
Other non-current employee benefits	8	80	88	(1)	122	121
Total employee benefits	**14**	**180**	**194**	**(1)**	**285**	**284**

Movements in employee benefits obligation are as follows:

In thousands of US Dollars	Post-employment benefits	Other non-current employee benefits	Total
Present value of employee benefits obligation at 31 December 2016	**163**	**121**	**284**
Current service cost	16	11	27
Unwinding of discount	16	11	27
Payments made	(7)	(18)	(25)
Remeasurements	(84)	(38)	(122)
Effect of translation to presentation currency	1	2	3
Present value of employee benefits obligation at 31 December 2017	**105**	**89**	**194**

27. Employee Benefits (Continued)

Amounts recorded in the statement of financial position and in the statement of profit or loss and other comprehensive income are presented below:

In thousands of US Dollars	2017	2016
Present value of liability at year end	194	284
Net amount of liability	**194**	**284**
Unwinding of discount	27	10
Current service cost	27	41
Remeasurements of employee benefits obligation	(38)	78
Total recorded within profit or loss for the year	**16**	**129**
Remeasurements of post-employment benefits	(84)	(23)
Total recorded within other comprehensive income	**(84)**	**(23)**

The remeasurement of obligation and current service cost charged to profit or loss and other comprehensive income are as follows:

In thousands of US Dollars	2017	2016
General and administrative expenses	56	30
Finance costs	27	10
Cost of sales	(67)	89
Recognised within other comprehensive income	(84)	(23)
Effect of translation to presentation currency	3	7
Total remeasurement and current service cost	**(65)**	**113**

In thousands of US Dollars	2017	2016
Cumulative amount of employee benefits obligation remeasurement recognised in the statement of profit or loss	227	211
Cumulative amount of employee benefits obligation remeasurement recognised within other comprehensive income	47	131

Key actuarial assumptions at the end of reporting period included the following:

In percentage points	2017	2016
Discount rate	8.87%	10.06%
Future salary increase	8.0%	7.0 %
Average turnover – administrative staff	20.0%	8.77%
Average turnover – production staff	11.86%	4.31%

The mortality rates used to project employee benefits at 31 December 2017 are based on official data of the Kazakhstani actuarial centre.

The discounting rate used in calculating employee benefits at 31 December 2017 is based on the interest rate on securities issued by the Ministry of Finance of the Republic of Kazakhstan.

27. Employee Benefits (Continued)

The sensitivity analysis for the employee benefits obligation for changes in key assumptions is presented below:

In thousands of US Dollars	2017	2016
Discount rate		
Increase by 20%	178	261
Decrease by 20%	212	311
Future salary increase		
Increase by 20%	208	305
Decrease by 20%	179	263
Average staff turnover		
Increase by 20%	170	249
Decrease by 20%	222	326

28. Other Liabilities

In thousands of US Dollars	2017	2016
Current liabilities		
Other liabilities	63	58
Total current liabilities	**63**	**58**

29. Trade and Other Payables

In thousands of US Dollars	2017	2016
Non-current		
Trade payables to third parties	224	193
Total non-current trade and other payables	**224**	**193**
Current		
Trade payables to related parties	2,403	3,180
Trade payables to third parties	931	811
Total financial liabilities within current trade and other payables	**3,334**	**3,991**
Salary payables	185	379
Other trade payables	214	186
Total current trade and other payables	**3,733**	**4,556**

Carrying value of financial liabilities of the Company is denominated in the following currencies:

In thousands of US Dollars	2017	2016
Tenge	3,558	4,184
Total financial liabilities within trade and other payables	**3,558**	**4,184**

30. Other Taxes and Obligatory Payments

In thousands of US Dollars	2017	2016
Mineral extraction tax	2,492	2,849
Other taxes	419	513
Total other taxes and obligatory payments	**2,911**	**3,362**

31. Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Tax legislation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Particularly, the current subsurface contracts do not have tax stability from 1 January 2009, and tax liabilities are assessed in accordance with the standard procedure, which may result in adverse changes in tax positions of the subsurface users, including position of the Company. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Company. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax position will be sustained. Management believes that the Company will not have any significant losses in regard to the current or potential tax claims in excess of provision that have been made in these financial statements.

(a) Transfer pricing legislation

Under law on transfer pricing international transactions are subject to state control. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in international transactions, including existence of the documentation supporting the prices and differentials. Additionally, differentials could not be applied to the international transactions with companies registered in off-shore countries. In case of deviation of transaction price from market price the tax authorities have the right to adjust taxable items and to impose additional taxes, fines and interest penalties.

Regardless of the inherent risks that the tax authorities may question transfer pricing policy of the Company, the management of the Company believes that it will be able to sustain its position and provide all necessary documentation supporting the export prices calculation in case if transfer pricing policy of the Company will be challenged by the tax authorities. Therefore, no additional tax obligations were recorded by the Company in these financial statements.

(b) Complex tax inspections

In accordance with order of Akmola Region tax department dated 4 May 2014, the Company was subject to complex tax inspection covering tax liabilities for all taxes and other mandatory payments for 2010-2013. Based on the results of tax inspection (Act No. 153 of 16 February 2015), the Company was issued a notice of additional assessments for total amount of US Dollars 19,820 thousand (including corporate income tax for US Dollars 7,154 thousand, mineral extraction tax for US Dollars 3,224 thousand, excess profit tax for US Dollars 2,845 thousand, property tax for US Dollars 1,972 thousand, other taxes for US Dollars 1 thousand), including penalties for US Dollars 4,624 thousand.

On 31 December 2014 the management of the Company assessed that in respect of property tax and mineral extraction tax the probability of payment of the assessed amounts in future was high and recognised a provision for the assessed amount of taxes in the financial statements for 2014 for the total amount of US Dollars 4,118 thousand (including property tax for US Dollars 1,801 thousand, mineral extraction tax for US Dollars 488 thousand, as well as fines and penalties for the total amount of US Dollars 1,829 thousand.

31. Contingencies and Commitments (Continued)

In 2015, the Company appealed this notice of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (the "SRC MF RK") due to the amendments made to the Tax Code of the Republic of Kazakhstan dated 3 December 2015. Also in 2015, the Company repaid the whole amount of accrued property tax and mineral extraction tax according to the act in the amount of US Dollars 2,542 thousand (including US Dollars 2,289 thousand using the provision accrued before and US Dollars 253 thousand using the property tax prepayment), except for fines and penalties of US Dollars 426 thousand.

On 3 February 2016 the Company received a notification in response to its claim with revised amounts of additionally assessed taxes. In accordance with the notification, the total amount of additionally assessed taxes is US Dollars 1,925 thousand (including corporate income tax for US Dollars 349 thousand, mineral extraction tax for US Dollars 305 thousand, property tax for US Dollars 1,059 thousand, excess profit tax for US Dollars 212 thousand), the total amount of penalties is US Dollars 574 thousand, expected amount of fines is 50% of total assessed additional tax that is US Dollars 955 thousand (including corporate income tax for US Dollars 173 thousand, mineral extraction tax for US Dollars 151 thousand, property tax for US Dollars 526 thousand, excess profit tax for US Dollars 105 thousand). In accordance with this notification, the Company recognised additional provision for additionally assessed corporate income tax and excess profit tax in full in the amount of US Dollars 561 thousand and recorded this charge within corporate income tax for 2015, as well as additional penalties on these additionally assessed taxes in the amount of US Dollars 161 thousand. In 2016, the Company recognised additional assessment of penalties within administrative expenses of US Dollars 345 thousand, and fine of US Dollars 193 thousand.

The Company appealed to the court against the notification received. On 13 January 2017 the Company received the decision of the Supreme Court to recognize the Company's right for retrospective application of the regulation of Clause 1, Article 111-1 of the Tax Code of the Republic of Kazakhstan and necessity to submit additional tax returns. Guided by this decision and provisions of the Tax Code, in April 2017 the Company transfers property, plant and equipment to the mine development assets.

The Company believes that their interpretations of tax legislation are appropriate and tax position of the Company will be sustained.

The Company's management believes that the Company will not incur any significant losses on current and potential tax claims over provisions formed in these financial statements.

(c) Deductions of interest expense on dividends

Interest expense on dividends in the amount of US Dollars 1,353 thousand and US Dollars 309 thousand respectively, was deducted for current income tax calculation in 2015 and 2016. In 2017 the Company did not incur interest expense on dividends. Despite the risk that tax authorities may challenge such position the Company's management is confident that these expenses are deductible in accordance with requirements of tax legislation.

Insurance

The Kazakhstani insurance industry is in development, and many forms of insurance protection common in other countries are not yet available. The Company does not have full insurance coverage for its manufacturing plants, including for damages caused by the stoppage of production or obligations incurred to third parties in connection with damages caused to the property or the environment resulting from accidents or operations. Unless the Company has adequate insurance coverage, a risk exists that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and its financial position.

Compliance with covenants

The Company is subject to certain covenants related primarily to its loans and borrowings. Non-compliance with such covenants may result in negative consequences for the Company. The Company was in compliance with covenants at 31 December 2017 and 31 December 2016, included in borrowings agreements.

Compliance with the subsurface use contract requirements

The Company is obliged to comply with the subsurface use contract requirements. Non-compliance with such requirements may result in negative consequences for the Company, including termination of contracts. The management believes, the Company complied with all requirements of the subsurface use contract as of 31 December 2017.

Capital commitments on purchase of property, plant and equipment

As of 31 December 2017 the Company has contractual obligations to purchase property, plant and equipment for the total amount of US Dollars 422 thousand (31 December 2016: US Dollars 398 thousand).

31. Contingencies and Commitments (Continued)

Dispute with customer

In December 2015 in accordance with the sales contract signed with CGNM UK Limited the Company made shipment of uranium products in the total volume of 143.75 тU. According to the contract terms, sale is recognised at the moment of delivery, however, the parties signed the acceptance act at the date later than physical delivery. Uranium price decreased between the delivery date and the date of the acceptance act. As a result, the Company recognised revenue from uranium sales at the lesser amount. The amount in dispute was Tenge 229,628 thousand (equivalent to US Dollars 887 thousand). In the course of negotiations in 2016, the Company according to recommendations of the Supervisory Board decided to approve early delivery date and cancel dispute amount claim. Due to long disagreement process, the counterparty did not make payments. In accordance with contract terms, the Company is entitled to accrue fine of 0.5% per each day of payment delay that amounted to Tenge 95,463 thousand (equivalent to US Dollars 279 thousand). In response to claim, the CGNM UK Limited offered a compensation in the amount of Tenge 12,152 thousand (equivalent to US Dollars 36 thousand). The dispute settlement agreement was considered by the Supervisory Board and signed by both parties. In 2017 the amount of Tenge 11,907 thousand (equivalent to US Dollars 36 thousand) was credited to the settlement account of the Company.

32. Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises credit risk, liquidity risk, and market risk (including currency risk, interest rate risk and other price risk). The risk management policy of the Company was developed for the purposes of identification and analysis of risks the Company is exposed to, establishment of risk limits and related control mechanisms, and to monitor the risks and to ensure that exposure to risks stays within these limits. Risk management policies and systems are regularly analysed for the need of revision due to changes in market conditions and the Company operations. The Company sets standards and training and management procedures to create streamlined and effective system of controls where all employees understand their roles and responsibilities. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

This note presents information about the Company's exposure to each of the above financial risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's policy for management of capital. Further quantitative disclosures are included throughout these financial statements.

The Supervisory Board has overall responsibility for the establishment of the Company's goals and approval of risk management policy. Management Board is responsible for implementation of risk management policy and organisation of effective risk management system.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets. Financial assets, which potentially expose the Company to credit risk, consist mainly of trade and other receivables, cash and cash equivalents, restricted cash, loans given to employees and other financial assets.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets. The maximum exposure to credit risk as of the reporting date was as follows:

In thousands of US Dollars	Note	2017	2016
Trade receivables	19	18,772	17,050
Restricted cash	26	2,734	2,316
Cash and cash equivalents	22	534	583
Loans given to employees (non-current and current)	19, 21	385	1,074
Other financial assets		4	4
Total financial assets		**22,429**	**21,027**

32. Financial Risk Management (Continued)

The Company's exposure to credit risk in respect of trade receivables is influenced mainly by individual characteristics of each customer. The Company is exposed to concentrations of credit risk. 100% of the Company's sales of uranium products in 2017 (2016: 100% of sales of uranium products) is attributable to sales transactions with two main customers. The Company determines counteragents with similar characteristics, when they are related parties. As at 31 December 2017, the trade receivables from these customers amounted to US Dollars 18,770 thousand (31 December 2016: US Dollars 16,961 thousand).

The Company does not require insurance collateral in respect of outstanding trade and other receivables.

The Company does not have a policy to apply internal ratings and determine credit limits to counterparties. The analysis of cash and cash equivalents and restricted cash by credit ratings are in Notes 22 and 26.

The Company applies a credit policy according to which the creditworthiness of each new counterparty is separately analysed before the Company's standard conditions and terms of payments and delivery are applied. Average credit period is 30 days.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by the treasury of the Company. Management monitors monthly rolling forecasts of the Company's cash flows.

The Company seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expense. However, the potential impact of financial obligations that could occur in the extreme circumstances that cannot reasonably be predicted, such as natural disasters is excluded.

Below is a summary of the Company's outstanding loans and temporarily available cash including cash on short-term deposits, which are the important instruments in managing the liquidity risk:

In thousands of US Dollars	Note	2017	2016
Cash on bank accounts	22	534	1,074
Total		**534**	**1,074**

The table below shows liabilities at the reporting date by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The following are the contractual maturities of financial liabilities at 31 December 2017:

In thousands of US Dollars	Carrying amount	Contractual cash flows	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Loans and borrowings	28,578	30,471	80	2,175	28,216	-	-
Trade payables	3,558	3,558	1,920	507	907	224	-
Liability for historical costs	823	855	-	175	524	156	-
Total	**32,959**	**34,884**	**2,000**	**2,857**	**29,647**	**380**	**-**

32. Financial Risk Management (Continued)

The following are the contractual maturities of financial liabilities at 31 December 2016:

In thousands of US Dollars	Carrying amount	Contractual cash flows	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Loans and borrowings	36,656	37,188	5,203	11,227	20,708	-	-
Trade payables	4,184	4,184	458	3,116	417	193	-
Liability for historical costs	1,473	1,554	-	175	524	855	-
Total	**42,313**	**42,876**	**5,661**	**14,518**	**21,649**	**1,048**	**-**

Market risk

The Company takes on exposure to market risks. Market risk is the risk that changes in market prices will have a negative impact on the Company's income or the value of its financial instrument holdings. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimising the return on investments. Management sets limits on the value of risk that may be accepted, which is regularly monitored. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the functional currency.

The Company is mainly exposed to the risk of US Dollar currency fluctuations. The Company's exposure to currency risk was as follows:

In thousands of US Dollars	Note	2017	2016
Denominated in US Dollars			
Trade and other receivables	19	11,306	183
Cash and cash equivalents	22	471	1,050
Total financial assets		**11,777**	**1,233**
Loans and borrowings	24	(28,578)	(36,656)
Total financial liabilities		**(28,578)**	**(36,656)**
Net exposure to currency risk		**(16,801)**	**(35,423)**

The following exchange rates were applied during the year:

	2017		2016	
In Tenge	Average rate	Spot rate at reporting date	Average rate	Spot rate at reporting date
US Dollar	326.00	332.33	342.16	333.29

32. Financial Risk Management (Continued)

A 30% weakening and 10% strengthening of Tenge against US Dollar as at 31 December 2017 (2016: 30% and 10%) would decrease/(increase) equity and profit or loss for the period by the amounts shown below.

In thousands of US Dollars	2017	2016
US Dollar strengthening by +30% / +30%	5,040	10,627
US Dollar weakening by -10% / - 10%	(1,680)	(3,542)

Uranium products price risk

The Company is exposed to the effect of fluctuations in the price of uranium, which is quoted in US Dollars on the international markets. The Company prepares an annual budget based on future uranium prices.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Company's control, including, but not limited to, demand for uranium used as fuel by nuclear power stations, depletion of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium industry.

At the end of the reporting period there was no significant impact of commodity price risk on the Company's financial assets and liabilities.

Interest rate risk

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (floating rate debt). At the time of acquisition of new loans and borrowings management uses its judgment to decide whether it believes that a fixed or a floating rate would be more favourable to the Company over the expected period until maturity.

As at 31 December 2017 all (2016: all) of the Company's borrowings had fixed interest rates.

At the reporting date the interest rate profile of the Company's financial instruments grouped by interest rate was as follows:

In thousands of US Dollars	Note	2017	2016
Fixed rate instruments			
Financial assets	26	2,734	2,316
Financial liabilities	24	(28,578)	(36,656)
Net position		**(25,844)**	**(34,340)**

Fair value in comparison to carrying value

Carrying value of financial assets and liabilities recognised in the financial statements approximates their fair value due to their short-term nature.

Capital management

The Company's policy is to maintain a strong capital base so as to safeguard the Company's ability to continue as a going concern, to maintain investor, creditor and market confidence, to provide returns for shareholder, to maintain an optimal capital structure to reduce the cost of capital, and to sustain future development of the business. Capital includes all capital and retained earnings of the Company. The Company may adjust the amount of dividends paid to owners as well as to sell assets to reduce debt in order to maintain or adjust the capital structure. Currently, the Company has no formal criteria and procedures for managing capital.

33. Fair Value of Financial Instruments

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty. The carrying value of the Company's financial assets carried at amortised cost approximates their fair value.

Liabilities carried at amortised cost

Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("liabilities payable on demand") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The carrying value of the Company's financial liabilities approximates their fair value.

34. Financial Instruments by Measurement Category

For the purposes of assessment, according to IAS 39 – Financial instrument: Recognition and Measurement the Company classifies financial assets into the following categories: a) loans and receivables, b) available-for-sale financial assets, and c) financial assets held to maturity. The Company classifies financial liabilities into the following categories: a) liabilities carried at amortised cost, and b) liabilities carried at fair value.

The following table provides a reconciliation of financial assets and financial liabilities with these measurement categories:

In thousands of US Dollars	Note	31 December 2017	31 December 2016
Financial assets			
Loans and receivables			
Trade and other receivables	19, 21	19,157	17,633
Restricted cash	26	2,734	2,316
Cash and cash equivalents	22	534	1,076
Other financial assets		4	4
Total financial assets		**22,429**	**21,029**
Financial liabilities			
Liabilities at amortised cost			
Loans and borrowings	24	28,578	36,656
Trade payables	29	3,558	4,184
Liability for historical costs	25	823	1,473
Total financial liabilities		**32,959**	**42,313**

35. Events after Reporting Period

In January-February 2018 the Company received several short-term borrowings denominated in US Dollars from Bank CenterCredit JSC for the total amount of US Dollars 11,000 thousand for a period of six months.