REGISTERED NUMBER: 05759399 (ENGLAND AND WALES)

SUNKAR RESOURCES LIMITED

REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

SUNKAR RESOURCES LIMITED

CONTENTS

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the Group for the period under review was the construction of sub grade for railway construction and highways and the mining of phosphate rock.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company has a 100% interest in Temir Service LLP ("Temir"), which holds the Subsoil Use Contract for the Chilisai Deposit ("SUC"). The Chilisai Deposit is one of the most significant phosphorite deposits in the Commonwealth of Independent States, with a resource of approximately 1.1 billion tonnes of ore at 10 percent. P_2O_5.

The Group commenced mining operations at the Chilisai Deposit in 2008 and, in February 2013, Sunkar published the results of a detailed feasibility study ("DFS"), conducted by SNC-Lavalin, one of the leading engineering and construction groups in the world. Further updates were commissioned and completed during 2015.

The DFS concluded that a large scale mono-ammonium phosphate ("MAP"), di-ammonium phosphate ("DAP") chemical processing plant would require approximately $1.94 billion (+/- 15 percent.) to fund construction and working capital. The DFS includes, *inter alia*, the economic model for the plant and a comprehensive marketing study for future sales of the MAP, DAP and phosphoric acid products.

The location of the Chilisai Deposit has certain key advantages in the opinion of the Board, including access to a relatively low cost source of sulphur, one of the key raw materials required for phosphate fertilizer production, and well developed existing transport and power infrastructure facilities.

In order to sustain going concern for the Group, Company performs earth moving, using its equipment, which is otherwise idle. In addition to the earth moving contracts, the Group has continued to produce Direct Application Rock ("DAR") from mined ore, and to market it to the local agricultural sector, although this represents a relatively small amount of total revenue.

Sun Avenue Partners Corporation ("SAPC"), the sole shareholder of the Company, continues to provide funds for working capital purposes.

Current trading and prospects
Due to significant reduction of oil exports revenue of Kazakhstan in 2014 – 2018, since August 2015 the Kazakh Tenge was devalued, in effect, by more than 50 percent. The move to free float the national currency has led to financial uncertainty within the domestic economy of Kazakhstan. Overall a country-wide economic downturn which took place after drop in crude oil price, has impaired the Group's ability to collect revenue from domestic sales but improves its chances to secure investment for the chemical processing plant.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Earth moving contracts associated with the Kazakh government's infrastructure development programmes have been a significant part of the Group's revenues and the Company has been largely relying on the cash generated by these projects for its ongoing working capital needs.

Construction contracts

In 2017 Temir won and successfully concluded the third earth moving contract of the total value of approximately USD12.5 million. The actual contract operations have commenced in QIV of 2017 in the form of preparatory work and contract related project documents conclusion. The earthworks under this contract have been performed at full scale in 2018. Temir has completed earth moving works and laid foundation for an access road on the route of trunk gas pipeline for the total distance of 226 km in 2018.

In the course of 2018 Temir had completed more than 45% of total contracted earth moving contract volume. The expected deadline for the works completion has not been met due to difficulties with transportation of pavement aggregates. In addition, the aggregate supply quarries in the part of the access road route, which is not in vicinity of rail stations, have been found not functional. So Temir had to commit exploration to find new quarries and to obtain permits for aggregate extraction from these quarries. Shipments of pavement aggregates are representing almost half of contract volume.
Temir has obtained permission from its customer to continue performance of earth moving contract throughout 2019. Transportation of pavement aggregate is taking longer than planned in 2019 due to limited availability of dump trucks for hire for the transportation of the aggregate in the vast semi-desert area with no other roads around. Temir has to build temporary roads for hauling the pavement material, incurring significant cost increase and experiencing periodic cash deficit.

DAR sales
Revenue from DAR sales was $375,000 during the year (2017: $593,000). The total volume of DAR sold in 2018 was 6,100 tonnes (2017: 8,300 tonnes).

INCOME STATEMENT

The Group made a loss after tax of $1.1 million for the year ended 31 December 2018 compared with a loss of $2.4 million for the year ended 31 December 2017 as follows:

	2018	2017
Income Statement	**$,000**	$,000
Revenue	5,004	725
Cost of sales	(3,377)	(566)
UK administrative expenses	(419)	(407)
Kazakhstan administrative expenses	(829)	(986)
Other operating costs	(289)	(370)
Finance costs	(1,185)	(817)
Loss after tax	(1,095)	(2,421)

Revenue and cost of sales have increased due to work under a contract for the construction of an access road. Management and administrative costs have remained in line with 2018. Finance costs include $205,000 in respect of the convertible loan notes.

BALANCE SHEET

The net assets of the Group are summarised as follows:

Balance Sheet	**2018**	2017
	$,000	$,000
Tangible fixed assets	5,388	6,454
Intangible fixed assets	32,479	36,113
Long-term inventories	3,260	3,769
Other long term receivables	203	1,733
Current assets	1,189	1,756
Total assets	42,519	49,825
Long-term liabilities	(4,551)	(5,261)
Current liabilities	(16,468)	(18,245)
Net assets	21,500	26,319

Net assets reduced by $4.8 million to $21.5 million as a result of trading and exchange losses during the year.

Other long term receivables comprise amounts recoverable on contracts.

Inventory balances of $3.3 million have been included as non-current to reflect the expected usage profile, with a further $0.6 million included within current assets.

Current liabilities reduced by $2.8 million mainly as a result of the weakening of the Kazakhstan Tenge against the US Dollar.

Long-term liabilities relate to deferred tax.

CASH FLOW

Net Cash Flow	**2018**	2017
	$,000	$,000
Operating activities	(1,351)	1,451
Investing activities	(13)	(194)
Financing activities	1,490	(1,236)
Effect of exchange rate fluctuations on cash held	1	-
Net cash decrease	127	21
Opening cash	40	19
Closing cash	167	40

The Group utilised cash of $1.4 million from operating activities mainly from advances received from its earth moving contract.

Cash generated from financing activities reflects $1.5 million transferred from a long term bank deposit account.

GOING CONCERN

As at 31 December 2018, the Group's current liabilities exceeded current assets by $15.2 million and the accumulated losses were $60.3 million, loss for the year ended 31 December 2018 was $1.1 million, cash outflow from operating activities was $1.4 million.

The start of construction of a chemical complex for the production of complex mineral fertilisers has been postponed for indefinite period due to the lack of funding at times of ongoing decline in the mineral fertiliser market. As a result, the Group does not meet the commitments concerning mining volumes of phosphorite rock and financial obligations in accordance with the Subsoil Use Contract. In May 2017, the Group filed an application to the Ministry of Investment and Development of the Republic of Kazakhstan on postponing the terms of these obligations stipulated by the current work program for 2014-2017, which was under review by the authorities at the date of approval of the combined financial statements.

Due to further postponement of Chemical Complex construction commencement and limited cash, the Group has further postponed its mining activities. In 2019 the Group received a notification from regulator urging the elimination of the current breach of Subsoil Use Contract in terms of minimal mining volumes and related social payments. The Group is negotiating an extension of postponement of its mining obligations, however its ability to sustain the SUC cannot be confirmed at the date of this report.

The work under the contract for the construction of an access road, which accounted for 91% of revenue in 2018, will be continued through 2019.

These conditions indicate that there is significant uncertainty on the Group's ability to continue as a going concern.

The ability of the Group to continue its operations as a going concern depends on its ability to obtain additional financing necessary for the implementation of capital investment programs, including contractual obligations, the ability to renew and maintain access to borrowed funds, manage risks associated with adverse changes in the prices of finished goods, possible devaluation of Kazakhstan Tenge, and its ability to generate positive cash flows from operating activities. These combined financial statements do not reflect adjustments to the carrying amounts of assets and liabilities that may be required if the Group is unable to realise its assets and pay off its liabilities in the ordinary course of business. Such adjustments may be material.

RISKS, UNCERTAINTIES AND PERFORMANCE INDICATORS

Risk assessment and evaluation is an essential part of the Group's planning and an important part of the Group's internal control procedures. The key risks the Group faces have been addressed as part of the DFS and are set out below.

General and economic risks

Continued financial and economic uncertainty in the world's major economies and a protracted period of recovery. The Group's response has been to conserve cash through efficient use of resources and seeking to generate early cash flow through sales of DAR and phosphate rock and utilisation of spare capacity performing an earth moving contract.

Currency exchange fluctuations, particularly, in respect of the relative prices of the US Dollar, Kazakhstan Tenge and GB Pound. Foreign currency risk is managed by holding cash resources in USD and purchasing currencies only when requirements can be forecast with some degree of certainty.

RISKS, UNCERTAINTIES AND PERFORMANCE INDICATORS (CONTINUED)

Technical risk

The DFS, completed in February 2013, concluded that the Chilisai chemical complex would be able to convert phosphate rock mined from the Chilisai Deposit into high analysis fertilizers – DAP and MAP – using traditional phosphoric acid and ammoniation/granulation technology. Two options had been analysed in terms of quality of final products.

The first and core option was to manufacture fertilizers from phosphoric acid as is, without its purification to remove minor elements, such as alumina, iron, and magnesia oxides. The resulting products – DAP and MAP will then be of limited quality in terms of their water solubility. The independent market study, prepared by CRU Strategies in 2012, the well-known fertilizer market observer, for the purposes of the DFS, has estimated that products of such limited quality may have been priced approximately at discount to FOB Black Sea market.

The second option is to manufacture full quality, internationally accepted, DAP and MAP product. Sunkar's consultant, SNC-Lavalin, has taken into consideration results of pilot plant tests of phosphoric acid purification technologies to be used in the manufacturing process. The technologies of acid purification have been successfully tested by world leading phosphoric acid/fertilizers technology firms, including Prayon, KEMWorks, and Wengfu Group. Well known Chinese phosphate fertilizers technology leader, Wengfu Group, has run a series of pilot scale tests further optimizing phosphoric acid purification technology, and confirmed that full quality DAP and MAP may be produced without wasting part of phosphoric acid.

Market risk

The pricing of agricultural minerals in Kazakhstan and Russia, including DAR and phosphate rock, and finished products is not transparent and customers usually do not buy from a terminal market on the basis of common publicly disclosed prices. Transactions are usually negotiated with multiple suppliers, each with differing product availability and specifications, logistics, price and credit terms.

There is a risk of DAR, phosphate rock and fertilizer demand varying significantly from that predicted including that attributable to weather-related factors. The Group's focus on its target markets may negatively impact the Group's results in the event of a slowdown in demand. There can be no assurance that the current growth in the economies of the Group's target markets will continue at the same pace. An overall slowdown in these markets, as a result of either political or economic forces, could bring about a decrease in demand for the Group's products. Some of the target markets are expanding their own production of phosphates and this could also bring about a decrease in demand for the Group's products.

This is mitigated due to the Project's low cost base which is essential if it is to trade profitably.

The high analysis final product's markets, such as Black and Baltic sea ports, are quite well defined and observed by well-established information agencies. Therefore, from the beginning of Chilisai project's development, the Company has been targeting high analysis products, which represent the majority of P2O5 nutrient traded cross-border and/or overseas – DAP and MAP. The detailed feasibility study accounts for past prices analysis and future prices forecasts, it has precision of +/- 15% and therefore enables the Company to conduct project finance discussions.

RISKS, UNCERTAINTIES AND PERFORMANCE INDICATORS (CONTINUED)

Funding risk

The risk is that the Group may not be able to raise, either by debt or further equity, sufficient funds to enable completion of its planned fertilizer manufacturing project. Historically the Group raised funds as and when required to achieve the next stage of the Project's progress. The capital expenditure estimated to build Stage I of the Group's fertilizer project is considerable and raising funds has proved a significant challenge. The Group also faces shorter-term funding risks as discussed in the Going Concern section of this report.

Regulatory Risk

The Group's production activities are subject to various laws and regulations governing prospecting, mining, development, royalties, permitting and licensing requirements, production, taxes, labour standards and occupational health, mine safety, protection of the environment, toxic substances, land use, water use, land claims from local people and other matters. Although the Group's development activities are currently carried out in compliance with all applicable rules and regulations subject to the comments under key performance indicators below, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, development or production.

Development of the Project will be dependent on the successful renegotiation of the Subsoil Use Contract Work Programme and the ability to obtain financing. Further details are provided in the note 14.
The Government has previously shown support for the Group's development plans. The Group's projects to establish a phosphate rock business and to develop a world scale phosphate fertilizer complex have both been included in the Government of the Kazakhstan's Industrial Development Program.

During 2018, due to financial uncertainty and lack of sufficient funds, the Group was not able to meet its commitment to mine a minimum ore quantity of 5,000,000 tonnes. The Group found itself in breach of the Work Programme under the SUC and submitted to the Ministry of Investments and Development of Kazakhstan ("Competent Body") an application to postpone its mining obligations under the Work Programme to subsequent years. The Competent Body has given a permit to negotiate a new Work Programme. Negotiations are currently underway.

By order of the Board

Serik Utegen
DIRECTOR
05 June 2020

SUNKAR RESOURCES LIMITED

DIRECTORS' REPORT

The directors present their report with the audited financial statements for the year ended 31 December 2018.

DIRECTORS

The directors during the year under review and subsequently were:

S Utegen
R Abdrakhmanov

DIVIDENDS

The directors do not recommend the payment of a dividend (2017: $nil).

FINANCIAL RISK MANAGEMENT

Details regarding the risks associated with the Group's use of financial instruments are discussed in note 24 to the financial statements.

STRATEGIC REPORT

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information which would otherwise be required to be contained in the report of the directors within the Strategic report on pages 3 to 8:

Review of business and future development; and
Principal risks and uncertainties.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's Auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

A resolution will be proposed at the Annual General Meeting for reappointment of DSK Partners LLP in accordance with Section 489 of the Companies Act 2006.

By order of the Board

Serik Utegen
DIRECTOR
05 June 2020

SUNKAR RESOURCES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein."

Serik Utegen
DIRECTOR
05 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNKAR RESOURCES LIMITED

Qualified Opinion

We have audited the financial statements of Sunkar Resources Limited ("the Parent company") and its subsidiaries ("the group") for the year ended 31 December 2018 which comprise the Group and Parent Company balance sheet, the Group income statement and statement of comprehensive income, the Group and the Parent Company statements of cash flows, the Group and Parent Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

In our opinion except for the possible effects of matters described in the basis for qualified opinion paragraph, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;

- the Groups financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

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

1 Our involvement in the work of component auditors

The auditors of the financial significant subsidiaries were instructed by the company before we were able to be involved in the component auditor's risk assessment in order to identify significant risks of material misstatement in the group financial statements. We were unable to review the audit planning documentation of significant components to inform the required discussions.

Consequently, we were unable to determine whether any changes to the audit of the subsidiaries were necessary.

2 Non-recognition of contractual obligations

In accordance with the Agreement for the production of phosphorites at the Chilisai deposit, the Group has contractual obligations to finance the socio-economic development of the region and its infrastructure, as well as scientific-research, scientific- technological and development activities, for which estimated liabilities and related assets were not reflected in these combined financial statements as required by IAS 37. If they were recognised properly, the result would be an increase in estimated liabilities as at 31 December 2018 by $5,797,000 (2017:$5,656,000), intangible assets by $3,384,000 (2017:$3,538,9,000) the accumulated losses by $2,413,000 (2017: $2,117,000) and an increase in financing costs for 2018 by $296,000 (2017:$320,000). In previous years, the Group did not recognise such liabilities, except for provisions for social expenditures created in 2008.

3 Non-recognition of borrowings at fair value in previous years

As at 31 December 2016, borrowings and finance lease receivables to related party in the amount of $46,273,000 and $6,796,000 respectively, were not recognised at fair value as required by IFRS 9. The effect of this deviation from IFRSs as at 31 December 2016 and the cumulative effect as at 31 December 2017 on financing costs, additional paid-in capital and accumulated loss has not been determined. In previous years, the Group did not apply a policy to recognise borrowings at fair value on initial recognition in accordance with IFRS 9.

4 Limitation on the scope of the audit of tax liabilities

We could not reconcile the balance of tax liabilities on the Group's accounts with the data of the tax authority, as we were not provided with consistent statements of personal accounts of the taxpayer for the previous periods. In the absence of such a detailed reconciliation, we had limitation on the scope of our audit procedures in assessing the adequacy of accrued interest for late payment of tax liabilities. Accordingly, the effect of this deviation from IFRSs as at and for the year ended 31 December 2018 on general administrative expenses, and the cumulative effect as at 31 December 2018 on prepayments of other taxes, income tax payable, other taxes payable, and accumulated loss have not been determined (2017: effect not determined).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNKAR RESOURCES LIMITED (CONTINUED)

Material uncertainties related to going concern

1 Financial support

We have considered the adequacy of the disclosures made in note 3(A) to the financial statements concerning the Company's ability to continue as a going concern. The Company requires additional funds to meet its mining commitments and operating costs. The Company has obtained a letter of support from its Parent Company, Sun Avenue Partners Corporation ("SAPC") that they will provide sufficient working capital for the Group and the Company to meet its liabilities as and when they fall due. However, there are uncertainties associated with the availability of this ongoing support.

2 Concentration of sales

One buyer represents 91% of the Group's revenues. The potential loss of such a major customer may cast significant doubt about the going concern assumption

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

Material uncertainty related to the carrying value of intangible assets

In forming our opinion on the financial statement, we have considered the adequacy of the disclosure made in the note 13 and 14 to the financial statements concerning the carrying value of intangible assets, property, plant and equipment and inventory in the consolidated balance sheet and the Company's investments and intercompany receivables in the Company balance sheet. The Group is currently in breach of its commitments under the Subsoil Use Contract and the carrying value of the above amounts is ultimately dependent on successful renegotiation of the Subsoil Use Contract Work Programme. The Group is confident that the Subsoil Use Contract Work Programme can be renegotiated successfully allowing the Group to explore financing options for the development however the ultimate outcome of the negotiations cannot presently be determined.

We draw attention to note 14 of the consolidated financial statements, where it is noted that in assessing the recoverable amount of long-term assets, management has taken into account the cash flows expected from the increased economic benefits associated with the construction of the chemical complex, as the chemical complex is an integral part of the Group. This approach is a deviation from the IAS 36.44 and without taking into account the economic benefits of construction of chemical complex, long-term assets were subject to impairment in the amount $ 4,302,000.

Our opinion is not modified in this respect.

Material uncertainty related to the carrying value of loans to subsidiaries

In the financial statements of the company are loans due from subsidiaries of $51,815,000 (2017: $54,080,000). Recoverability of these loans is subject to the ability of the subsidiaries to generate sufficient profits to repay these loans. The Group is confident that the subsidiaries will be able to repay these loans, but this cannot presently be confirmed. We are unable to satisfy ourselves concerning the recoverability of these amounts and therefore are unable to determine whether any adjustment to this amount was necessary.

Our opinion is not modified in this respect.

Other information

The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNKAR RESOURCES LIMITED (CONTINUED)

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Our 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Dhirajlal Shah (Senior Statutory Auditor)
For and on behalf of DSK & Partners LLP
Chartered Accountants
& Statutory Auditors
D S House
306 High Street
Croydon
Surrey
CR0 1NG

Date: 05 June 2020

SUNKAR RESOURCES LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $'000	2017 $'000
Continuing operations			
Revenue	6	5,004	725
Cost of sales		(3,377)	(566)
Gross profit		1,627	159
Other operating costs		(289)	(370)
Administrative expenses		(1,248)	(1,393)
Operating loss before financing costs	8	90	(1,604)
Finance costs	11	(1,185)	(817)
Loss before tax		(1,095)	(2,421)
Income tax credit	12	-	-
Loss for the year		(1,095)	(2,421)
Attributable to:			
Equity holders of the parent		(1,095)	(2,421)
		(1,095)	(2,421)

SUNKAR RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	$'000	$'000
Loss for the year	(1,095)	(2,421)
Items that may be reclassified into profit or loss		
Exchange differences on translation of foreign operations	(3,525)	17
Other comprehensive income/(loss) for the year	(3,525)	17
Total comprehensive loss for year	(4,620)	(2,404)
Attributable to:		
Equity holders of the parent	(4,620)	(2,404)
	(4,620)	(2,404)

SUNKAR RESOURCES LIMITED

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2018

	Notes	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Assets					
Property, plant and equipment	*13*	5,388	-	6,454	-
Intangible assets	*14*	32,479	8,932	36,113	8,932
Investments	*15*	-	22,452	-	22,452
Loans and finance lease receivables	*16*	-	63,807	-	62,729
Inventories	*17*	3,260	-	3,769	-
Other receivables		203	-	1,733	-
Total non-current assets		41,330	95,191	48,069	94,113
Inventories	*17*	650	-	795	-
Trade and other receivables	*18*	372	1	921	44
Cash and cash equivalents	*19*	167	51	40	30
Total current assets		1,189	52	1,756	74
Total assets		42,519	95,243	49,825	94,187
Equity					
Issued capital	*20*	582	582	582	582
Share premium	*20*	127,041	127,041	127,041	127,041
Translation reserve	*20*	(45,807)	-	(42,282)	-
Accumulated losses		(60,316)	(44,883)	(59,021)	(44,771)
Total equity		21,500	82,740	26,320	82,852
Liabilities					
Deferred tax liabilities	*22*	4,551	-	5,261	-
Total long-term liabilities		4,551	-	5,261	-
Interest bearing loans and borrowings	*21*	12,096	10,930	11,206	9,999
Trade and other payables	*23*	4,372	1,573	7,038	1,336
Total current liabilities		16,468	12,503	18,244	11,335
Total liabilities		21,019	12,503	23,505	11,335
Total equity and liabilities		42,519	95,243	49,825	94,187

ON BEHALF OF THE BOARD:

Serik Utegen
DIRECTOR
Approved and authorised for issue by the Board on 05 June 2020

SUNKAR RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Retained Losses	Total Equity
	$,000	$,000	$,000	$,000	$,000
Balance at 1 January 2017	582	127,041	(42,299)	(56,600)	28,724
Loss for the year	-	-	-	(2,421)	(2,421)
Other comprehensive gain	-	-	17	-	17
Total comprehensive loss for the year	-	-	17	(2,421)	(2,404)
Balance at 31 December 2017	582	127,041	(42,282)	(59,021)	26,320
Change in accounting policy, net of income tax	-	-	-	(200)	(200)
Balance at 1 January 2018, restated	582	127,041	(42,282)	(59,221)	26,120
Loss for the year	-	-	-	(1,095)	(1,095)
Other comprehensive loss	-	-	(3,525)	-	(3,525)
Total comprehensive loss for the year	-	-	(3,525)	(1,095)	(4,620)
Balance at 31 December 2018	582	127,041	(45,807)	(60,316)	21,500

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital $,000	Share premium $,000	Retained losses $,000	Total $,000
Balance at 1 January 2017	582	127,041	(47,457)	80,166
Profit for the year	-	-	2,686	2,786
Total comprehensive income for the year	-	-	2,686	2,786
Balance at 31 December 2017	582	127,041	(44,771)	82,852
Balance at 1 January 2018	582	127,041	(44,771)	82,852
Loss for the year	-	-	(112)	(112)
Total comprehensive loss for the year	-	-	(112)	(112)
Balance at 31 December 2018	582	127,041	(44,883)	82,740

SUNKAR RESOURCES LIMITED

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Cash flows from operating activities					
Operating profit/(loss) before financing costs		90	(419)	(1,604)	(407)
Depreciation and amortisation		517	-	363	-
Loss on disposal of property, plant and equipment		-	-	-	-
Provision for impairment		-	-	-	-
Exchange rate differences		76	1	(116)	(7)
Decrease in inventories		42	-	(283)	-
Decrease/(increase) in receivables		548	43	(252)	(19)
Increase in contract asset		(200)	-	-	-
(Decrease)/increase in payables		(2,165)	209	3,389	215
Cash utilised in operations		(1.092)	(166)	1,497	(218)
Interest paid		(259)	-	(46)	-
Net cash utilised in operating activities		(1,351)	(166)	1,451	(218)
Cash flows from investing activities					
Loan advances received from subsidiary		-	191	-	232
Interest received		35	-	4	-
Acquisition of property plant and equipment		(30)	-	(161)	-
Acquisition of intangible fixed assets		(18)	-	(37)	(2)
Net cash utilised in investing activities		(13)	191	(194)	230
Cash flows from financing activities					
Bank deposit		1,531	-	(1,733)	-
Loans from parent undertaking		-	-	573	-
Loan repaid to director		(41)	-	(76)	-
Net cash from financing activities		1,490	-	(1,236)	-
Net increase in cash and cash equivalents		126	25	21	12
Cash and cash equivalents at beginning of year		40	30	19	19
Effect of exchange rate fluctuations on cash held		1	(4)	-	(1)
Cash and cash equivalents at end of year	*18*	167	51	40	30

1. GENERAL INFORMATION

Sunkar Resources Limited (the "Company") is a Company registered in England and Wales. The consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries Temir Service LLP and Chilisai Chemicals LLP (together referred to as the "Group").

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3. At 31 December 2018, the closing rate of exchange of US Dollars to one GB Pound was 1.27 (31 December 2017: 1.35), and the average rate of exchange of US Dollars to one GB Pound for the year was 1.33 (2017: 1.28). At 31 December 2018, the closing rate of exchange of Kazakhstan Tenge to one US Dollar was 384.20 (2017: 332.33) and the average rate was 344.71 (2017: 325.53).

2. ADOPTION OF NEW AND REVISED STANDARDS

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for accounting periods beginning 1 January 2018.

In preparing the combined financial statements, the Group has applied the following standards effective from 1 January 2018:

- IFRS 9 "Financial Instruments". The new standard has been applied retrospectively but did not impact the Group's accounting policies for the recognition and measurement of financial assets and liabilities. The standard outlines a new expected credit loss model, used to estimate the risk to the Group's financial assets. The impact of this model was evaluated and the adjustments arising from the new impairment rules recognised in the opening balance sheet on 1 January 2018 (see note 5).
- IFRS 15 "Revenue from Contracts with Customers". In applying the transition requirements and provisions of the new standard, the Group reviewed its contracts and assessed the nature of its performance obligations. The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to not completed contracts as at 1 January 2018. The Group disclosed additional qualitative information on revenues (see note 5).

The Group has not early adopted any standards, interpretations or amendments that were issued but are not yet effective.

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

The Directors do not anticipate that the adoption of the other standards and interpretations not listed above will have a material impact on the accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts

3. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations as issued by the International Accounting Standards Board ("IASB"), adopted by the European Union. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared for the year ended 31 December 2018.

The financial statements have been prepared on the historical cost basis. The accounting policies set out below have been applied consistently by Group entities to the periods presented in these consolidated financial statements.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position, its cash flows and liquidity position are set out in the Strategic Report on pages 3 to 8. In addition, note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Company requires additional funds to meet its mining commitments and operational costs whilst also finding a strategic partner to secure finance for the construction of the fertilizer manufacturing complex. The Group's strategy was to achieve this through an increase in the level of phosphate rock sales, generation of positive cash flows from earth moving contracts and continued management of its cost base.

The Company is wholly owned by SAPC which has offered financial support to the extent that the Group cannot meet its liabilities as and when they fall due. There is a risk that SAPC may not support the Group should a strategic partner not be found and funding of the SUC Work Programme becomes uneconomic. Management is confident that such support will not be withdrawn within twelve months from the approval of these financial statements and accordingly, the financial statements have been prepared on a going concern basis.

However, the above factors represent a material uncertainty which may cast significant doubt on the ability of the Group and the Company to remain a going concern. The financial statements do not include the adjustments that would be necessary should the Group and the Company not remain a going concern.

(B) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for each calendar year to 31 December. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) FOREIGN CURRENCIES

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting exchange differences are recorded in the Income Statement.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(E) INTANGIBLE ASSETS

Mining licences in the exploration and evaluation phases arising from a business combination are recognised as an intangible asset and initially measured at estimated fair value, generally based on the excess of the cost of the business combination over the Group's interest in the net fair value of the other identifiable assets, liabilities and contingent liabilities recognised, unless a more reliable indicator of fair value is available.

Expenditure on the acquisition of the licence and subsequent exploration and evaluation expenditure are carried as intangible assets until such a time as it is determined that there are commercially exploitable reserves, at which time such costs are transferred to mineral properties to be amortised over the expected productive life of the asset.

Exploration and evaluation assets are carried forward during the exploration and evaluation stage and are assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 'Exploration for and Evaluation of Mineral Resources'. In circumstances where a property is abandoned or otherwise determined not to be commercial, the cumulative capitalised costs relating to the property are written off in the period. Overburden costs incurred, relating to the removal of materials required to access the ore body are initially capitalised and subsequently amortised in full when the related rehabilitation activity takes place. No other amortisation is charged prior to the commencement of production.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) PROPERTY, PLANT AND EQUIPMENT
On initial recognition, land, property, plant and equipment are valued at cost, being the purchase price and the directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by the Group.

DEPRECIATION
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• motor vehicles	4-5 years
• fixtures and fittings	2-7 years
• plant and equipment	4-7 years
• land and buildings	10-20 years

The residual value, if not insignificant, is reassessed annually.

(G) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(H) INVESTMENTS
Investments are stated at cost less any provision for permanent diminution in value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) INVENTORIES

Stockpiled ore, phosphate concentrate and milled concentrate are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished product.

Materials and supplies are valued at the lower of cost and net realisable value. Cost is determined by the FIFO method. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

(J) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(K) TRADE AND OTHER RECEIVABLES

Accounts receivable are normally recognised at their nominal value less any expected credit loss and do not generally carry any interest.

At the end of each reporting period the Group assesses whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (hereinafter – "loss event") and that loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected credit losses) discounted at the financial asset's effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(L) CASH AND CASH EQUIVALENTS

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

(M) PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation and, if the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) TRADE AND OTHER PAYABLES
Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

(O) CONVERTIBLE LOAN
The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the liability component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and recognised in the "Convertible loan note reserve" within shareholders' equity and is not remeasured. Issue costs are apportioned between the liability and equity components based on their relative carrying value at the date of issue. The portion relating to the equity component is charged directly against equity. The interest expense on the liability component is calculated by applying the prevailing market rate referred to above to the liability component.

(P) OPERATING LEASE PAYMENTS
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(Q) INCOME TAX
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) FINANCE LEASE PAYMENTS

It is the Company's policy to lease certain plant and equipment to its subsidiaries under finance leases. The average lease term is five years. Interest rates are calculated on average yearly LIBOR plus two percent. For the year ended 31 December 2018, the average effective borrowing rate was 2.5% (2017: 2.5%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The lease obligations are denominated in US Dollars and Euro. The fair value of the Companies' finance lease assets approximates to their carrying amount.

(S) BORROWING: FINANCE COSTS

Borrowing costs are recognised in the income statement where they do not meet the criteria for capitalisation. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

(T) REVENUE RECOGNITION

At contract inception, the Group assesses the goods or services (assets) promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either an asset that is distinct or series of distinct assets that are substantially the same and that have the same pattern of transfer to the customer.

Sale of goods

Sale of goods is recognised when control of the products has transferred. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the extent of progress toward completion.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the equipment is delivered, the legal title has passed and the customer has accepted the equipment.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

IMPAIRMENT OF INTANGIBLE ASSETS

The assessment of intangible assets (see note 13) for any indication of impairment involves judgement. If an indication of impairment, as defined in IFRS 6, Exploration for and Evaluation of Mineral Resources, exists a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. The calculation of recoverable amount requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. 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 estimates of future cash flows have not been adjusted.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

INVENTORIES

Inventories of ore and beneficiated rock are valued at the lower of cost and net realisable value. In determining the net realisable value the Group has made its own estimates of regional selling prices of phosphate rock adjusted for P_2O_5 grade, budgeted costs of milling and selling DAR and considered that the value of the ore will be recovered by building the DAP/MAP plant. Should the plant not be built the ore could be processed into concentrate and subsequently sold. However based on historical sales volumes this would result in only a limited level of sales per annum made at a loss based on current market prices. As a result an impairment loss would arise.

SUBSOIL USE CONTRACT ("SUC")

At each balance sheet date an assessment is made as to whether the carrying amount of the SUC asset is recoverable. The review will take into consideration whether the title to the SUC is compromised, DAP prices render the project uneconomic or other significant adverse conditions exist. In undertaking the review a detailed project economic model requiring forecasts for capital and operational costs, operational variables and product prices is prepared. Future net cash flows are discounted and compared with the carrying amount. If the recoverable amount is less than the carrying amount an impairment charge is made. See note 13 for a summary of the considerations made at 31 December 2018.

5. CHANGE IN ACCOUNTING POLICY

As explained in note 2, the Group has adopted IFRS 9 and IFRS 15 without restating comparative information. The adjustments arising from the adoption of the standards are not included in the combined statement of financial position as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

	At 31 December 2017 $,000	IFRS 9 $,000	IFRS 15 $,000	At 1 January 2018 (restated) $,000
Contract asset	-	(1)	66	65
Trade and other receivables	434	(199)	-	231
Accumulated losses	(59,021)	(200)	-	(59,221)
Payments received in advance	3,571	-	66	3,637

6. RESULT OF THE COMPANY

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented as part of these financial statements. The Company made a loss of $112,000 (2017: profit: $2,786,000) during the year.

7. REVENUE

	DAR and rock sales 2018 $'000	Construction services 2018 $'000	Other services 2018 $'000	Total 2018 $'000	DAR and rock sales 2017 $'000	Earth moving 2017 $'000	Other services 2017 $'000	Total 2017 $'000
Revenue	375	4,532	97	5,004	593	96	36	725

Timing of revenue recognition

	2018 $'000	2017 $'000
Over time	4,565	96
At a point in time	439	629
Total	5,004	725

Contract asset

As at 31 December 2018, the Group recognised income over a period of time based on the degree of fulfilment of the obligation in the amount of $246,000 (2017: $94,000) recognising the expected compensation as an asset under the agreement in the amount of $171,000 which the Group can calculate the exact cost of the work done at the reporting date. However, the work performed before the reporting date was partially accepted in the subsequent period, and therefore is not recognised in the trade receivables. The asset under the contract is as follows:

7. REVENUE (Continued)

	2018 $,000	2017 $,000
Contract asset	171	-
Allowance for expected credit losses	(1)	-
	170	-

The change in the allowance for expected credit losses is as follows:

	2018 $,000	2017 $,000
At 1 January	-	-
Change in accounting policy	1	-
Accrued	1	-
At 31 December	2	-

8. OPERATING LOSS

The operating loss is stated after charging:

	2018 $,000	2017 $,000
Depreciation of property, plant and equipment	517	333
Amortisation	1	1
Loss on disposal of property, plant and equipment	-	29
Write down of inventory	-	370
Directors' emoluments (see note 10)	250	250
Operating lease rentals	54	-

9. AUDITOR'S REMUNERATION

The analysis of Auditor's remuneration is as follows:

	2018 $,000	2017 $,000
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	29	19
Total Fees	29	19

10. STAFF COSTS

	2018 $,000	2017 $,000
Wages and salaries	884	821
Compulsory social security contributions	125	114
	1,009	935

The Group does not provide pension arrangements for its employees.

10. STAFF COSTS (Continued)

The average number of employees (including executive directors) during the year was as follows:

	2018 No.	2017 No.
Directors	2	2
Management and administration	35	35
Production	75	72
	112	109

Directors' remuneration

	Fees $,000	Salary $,000	2018 $,000	2017 $,000
S Utegen	-	250	250	250
R Abdrakhmanov	-	-	-	-
	-	250	250	250

11. FINANCE COSTS

	2018 $,000	2017 $,000
Bank and other loan interest	1,015	601
Convertible loan interest	205	205
Unwinding of discount on historic cost liability payable under SUC	-	11
	1,220	817

12. INCOME TAX

	2018 $,000	2017 $,000
Current tax	-	-
Deferred tax (Note 22)	-	-
Total income tax expense in income statement	-	-

UK corporation tax is calculated at 19% (2017: 20%) of the estimated taxable loss for the year. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the loss per the income statement as follows:

	2018 $,000	2017 $,000
Loss before tax	(1,095)	(2,421)
Income tax using the UK domestic corporation tax rate of 19% (2018: 19%)	(208)	(460)
Items permanently disallowed for tax purposes	109	-
Effect of tax losses not recognised	99	460
	-	-

12. INCOME TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2018 $,000	2017 $,000
UK tax losses	4,382	7,230
Overseas tax losses	10,021	9,953
	14,403	17,183

UK tax losses may be carried forward indefinitely and set off against future taxable profits. The overseas tax losses are available to be carried forward as stated above. Deferred tax assets in the amount of $2.8 million (2017: £3.4 million) have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Plant and equipment $,000	Land and buildings $,000	Motor vehicles $,000	Fixtures and fittings $,000	Total $,000
Cost					
Balance at 1 January 2017	10,754	3,587	240	151	14,732
Additions	305	160	-	-	465
Disposals	(30)	-	(53)	-	(83)
Exchange differences	8	8	3	1	20
Balance at 31 December 2017	11,037	3,755	190	152	15,134
Balance at 1 January 2018	11,037	3,755	190	152	15,134
Additions	30	-	-	-	30
Exchange differences	(693)	(507)	(26)	(14)	(1,240)
Balance at 31 December 2018	10,374	3,248	164	138	13,924
Depreciation					
Balance at 1 January 2017	6,676	1,420	221	76	8,393
Depreciation charge for the year	89	227	12	5	333
Disposals	(3)	-	(51)	-	(54)
Exchange differences	7	-	1	-	8
Balance at 31 December 2017	6,769	1,647	183	81	8,680
Balance at 1 January 2018	6,769	1,647	183	81	8,680
Depreciation charge for the year	145	366	3	3	517
Exchange differences	(371)	(260)	(25)	(5)	(661)
Balance at 31 December 2018	6,543	1,753	161	79	8,536
Carrying amounts					
At 1 January 2017	4,078	2,167	19	75	6,339
At 31 December 2017	4,268	2,108	7	71	6,454
At 31 December 2018	3,831	1,495	3	59	5,388

14. INTANGIBLE ASSETS

GROUP	Subsoil Use Contract
Cost	$,000
Balance at 1 January 2017	36,918
Additions	37
Exchange differences	64
Balance at 31 December 2017	37,019
Balance at 1 January 2018	37,019
Additions	39
Exchange differences	(3,795)
Balance at 31 December 2018	33,263
Amortisation	
Balance at 1 January 2017	903
Charge for the year	1
Exchange differences	2
Balance at 31 December 2017	906
Balance at 1 January 2018	906
Charge for the year	1
Exchange differences	(123)
Balance at 31 December 2018	784
Carrying amounts	
At 1 January 2017	36,015
At 31 December 2017	36,113
At 31 December 2018	32,479

14. INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR INTANGIBLE ASSETS AND RELATED ASSETS

The directors have considered whether there is an indication of impairment of the Subsoil Use Contract ("SUC") intangible asset at the balance sheet date, in accordance with IFRS 6: Exploration for and Evaluation of Mineral Resources.

The recoverable amount of long-term assets was determined by taking into account the construction of a chemical complex for the production of complex mineral fertilisers on the basis of the value of its use in such a way that the Group is considered as one cash-generating unit. The following key assumptions were used in the cash flow analysis performed by KPMG Valuation LLC on 29 May 2018:

- The cash flow forecast was prepared on the base of the financial plan from 30 September 2017 to 31 December 2072. The projected cash flow estimate was based on a feasibility study conducted by SNC-Lavalin (Canada based engineering, construction and infrastructure company), which acts as the Group's technical Advisor. According to SNC-Lavalin in March 2011, proven reserves of phosphorite rock were 52 million tonnes, probable reserves of phosphorite rock were 213 million tonnes. The average proportion of P2O5 (pentavalent phosphorus oxide) on proven and probable reserves according to the technical consultant was 10.43%. Updated estimate of phosphorite ore reserves was made by Wardell Armstrong International in May 2013, as a result of which proven reserves were 106 million tonnes and probable reserves were 399 million tonnes, with an average P2O5 share of 9.52%. The actual amount of reserves of mined ore on the basis of Geoproject Aktobe LLP surveying calculations and the act of inventory on 30 July 2018 amounted to 2,966 thousand tonnes, while the density of the ore is determined in the amount of 1.8 tonnes per cubic meter. In the financial model calculations about 54 million tonnes of P2O5 reserves, with a P2O5 content of 10.8% are used.
- In 2009-2010, the Group entered into an agreement with three technology firms – Prayon Technologies (Belgium), Jacobs Engineering (USA) and KEMWorks (USA) to perform independent tests on the conversion of 17% P2O5 rock into phosphoric acid and the subsequent production of fertilisers from this phosphoric acid. All three contractors confirmed that the conversion was technically feasible during the pilot test. In 2016, WENGFU Group performed a pilot test as part of the Due Diligence program of the Chilisai project and confirmed the feasibility of the required quality of DAP/MAP (diammonium phosphate and monoammonium phosphate).
- The Group plans to purchase the following main raw materials and supplies from the CIS:
  - sulfuric acid or sulphur for the production of phosphoric acid. According to data of the Group and the financial model for 2017, the price was just about 2 USD per tonne, then it increased in accordance with the Economist Intelligence Unit's (EIU) consumer price index and was in the range of 2.9-7.6%. The costs associated with the transportation of sulphur from the Tengiz field to Chilisai amounted to 6.6 USD per tonne based on the rates of the national railway operator;
  - ammonia for the conversion of phosphoric acid to DAP and/or MAP. Ammonia is planned to be purchased from Russian and Uzbek ammonia plants, which have significant ammonia production capacities that are not fully used. The ammonia purchase costs were estimated based on BMO Capital Markets' 2020 price forecast. The price was then adjusted for transportation costs. The price range for the analysed period is around 300-760 USD per tonne;
  - natural gas to produce electricity and heat.
- The forecast of sold products prices was made on the basis of Fertecon Phosphate Market Outlook until 2030, then prices were adjusted for inflation in the United States.

14. INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR INTANGIBLE ASSETS AND RELATED ASSETS

- The financial model was based on two scenarios. One of the scenarios takes into account that the Group has the opportunity to consider its project as a priority investment project and will have the following advantages:
  - reimbursement of construction cost – 15%;
  - exemption from corporate income tax for 10 years;
  - exemption from property tax for 8 years.
- Investment subsidies provide financial reimbursement of actual construction and equipment costs up to 30%.
- A discount rate defined as the weighted average cost of capital (WACC) was used to calculate the profitability of return on the investment in the amount of 13.6% in the scenario with potential preferences and 13.4% in the scenario without preferences.
- Transportation cost of the finished goods was estimated based on the site alta.ru. railway transportation. Railway transportation from the Chilisai deposit to the Black sea port and additional loading costs were taken into account. Railway prices across Russia were indexed by 4% until 2020, then prices were indexed according to the Economist Intelligence Unit. Transportation prices across Kazakhstan were also indexed according to the Economist Intelligence Unit.
- According to the model, capital expenditures for the construction of the chemical complex as at 1 January 2015 amounted to USD 1,994 million. A contingency rate of 8% to 15% was applied. Capital expenditure was indexed from 1 January 2015 to the analysis date as follows:
  - machinery and equipment purchased in Europe – by the producer price index Europe;
  - construction and installation work – by the wage index of the Republic of Kazakhstan according to the Economist Intelligence Unit;
  - machinery and equipment purchased in Russian Federation – by the producer price index according to the Economist Intelligence Unit.
- All working capital will be realised in the last forecast period in 2072. The forecast of net working capital was based on the ratio of net working capital to revenue, which is equal to 14%.

The values assigned to each of these key assumptions reflect management's assessment of business prospects and are based on both external and internal data sources of information.

14. INTANGIBLE ASSETS (CONTINUED)

The final market value of net assets taking into account the potential investment preferences amounted to $196 million, according to the scenario without potential investment preferences – $105 million.

In assessing the recoverable amount of long-term assets, the estimated cash flows expected from the increase in economic benefits associated with the construction of the chemical complex are taken into account. The construction plan for this chemical complex is an integral part of the Group's business, and its construction was originally planned due to the fact that the volumes of production attributed to the subsoil use Contract cannot be realised in the form of phosphorite concentrate in the foreseeable future, therefore, do not allow to recover the invested funds for exploration and production. The construction of a chemical complex for the production of complex mineral fertilisers has been suspended due to lack of funding. This approach deviates from IAS 36.44 and, in the opinion of the Group's management; more accurately reflects the value of long-term assets. If the Group did not consider the economic benefits of construction of chemical complex, long-term assets were subject to impairment in the amount $4.3 million with the following assumption in assessing the recoverable amount:

- the forecast period is adopted until 2028, the terminal cost is determined using the growth index at the level of 4.9%;
- the growth rate in the cost of phosphorite rock for the forecast period – 5.1-6.3% and production costs-5.3-15.4%;
- the USD exchange rate – KZT 390-475;
- annual sales volume – 20 thousand tonnes of phosphorite rock. Management assumes to achieve growth to this level due to exports to neighbouring countries;
- cash flows are discounted at an interest rate of 13.4% per annum.

COMPANY	Subsoil Use Contract $,000
Cost	
Balance at 1 January 2017	8,930
Additions	2
Balance at 31 December 2017	8,932
Balance at 1 January 2018	8,932
Additions	-
Balance at 31 December 2018	8,932
Carrying amounts	
At 1 January 2017	8,930
At 31 December 2017	8,932
At 31 December 2018	8,932

15. INVESTMENTS – COMPANY

	Investment in subsidiaries $,000
Cost	
Balance at 1 January 2017	22,452
Provision for impairment	-
Balance at 31 December 2017	22,452
Balance at 1 January 2018	22,452
Provision for impairment	-
Balance at 31 December 2018	22,452

As discussed in Note 13 to the financial statements in light of the Company's inability to meet the committed production levels mainly due to the fall in demand on the local fertilisers market since 2014 the Directors carried out an impairment review of the project's economic model, assuming a Di-ammonium phosphate price of $376 per tonne and monoammonium phosphate price of $436, an expected economic life of 60 years and a 13.97% discount factor, to determine whether there had been any impairment in the Company's investment in its 100% owned subsidiary Temir Service LLP which holds the licence for the operations. The Directors concluded that an impairment provision of $nil (2017: $nil) was required against the Company's investments.

At 31 December 2018, the Company's investments in subsidiaries comprise 100% of the issued share capital of Temir Service LLP and Chilisai Chemicals LLP (see note 27 for further detail).

16. LOANS AND FINANCE LEASE RECEIVABLES - COMPANY

	Loans	Finance Leases	Total
	$,000	$,000	$,000
Balance at 1 January 2017	51,815	7,269	59,084
Advances	-	1,862	1,862
Repayments	(231)	-	(231)
Exchange difference	-	454	454
Interest	1,366	194	1,560
Balance at 31 December 2017	52,950	9,779	62,729
Balance at 1 January 2018	52,950	9,779	62,729
Repayments	(191)	-	(191)
Exchange difference	(96)	(268)	(364)
Interest	1,417	216	1,633
Balance at 31 December 2018	54,080	9,727	63,807

16. LOANS AND FINANCE LEASE RECEIVABLES – COMPANY (continued)

The Company has provided two loan facilities to Temir Service LLP for $12 million and $35 million. The first loan facility was entered into in 2006 and was interest free for the first 12 months and then subject to interest at LIBOR plus 2%. The second loan is subject to interest at LIBOR plus 2%. The loans are effectively repayable within five years from the date of the agreements (17 April 2008 and 12 December 2008). These loans are not expected to be repaid until Temir Service LLP is profitable and will be rescheduled in due course. An amount of $6.2 million remains undrawn under these loan facilities.

The Company has various finance lease agreements for plant and equipment with Temir Service LLP. The finance leases are interest free for the first 12 months. The payment schedules for lease repayments are to be agreed between the Company and Temir Service LLP not later than 30 days after the subsoil use operations become profitable for Temir Service LLP, and are accordingly considered to fall due between one and five years. At 31 December 2018, the total future payments receivable are $10,330,000 (31 December 2017: $10,820,000) and unearned interest income is $970,000 (31 December 2017: $1,817,000). Residual values in the leases are considered to be $nil and no write-down has been made at 31 December 2018.

17. INVENTORIES

	Group 2018 $,000	Company 2018 $,000	Group 2017 $,000	Company 2017 $,000
Raw materials	351	-	401	-
Stockpiled ore	3,260	-	3,769	-
Phosphate flour	19	-	40	-
Phosphate concentrate	280	-	354	-
	3,910	-	4,564	-
Realisable within one year	650	-	795	-
Realisable after one year	3,260	-	3,769	-
	3,910	-	4,564	-

At 31 December 2018 raw material, ore and flour inventories have been recognised at cost.

18. TRADE AND OTHER RECEIVABLES

	Group 2018 $,000	Company 2018 $,000	Group 2017 $,000	Company 2017 $,000
Trade receivables	190	-	310	-
Contract asset	170	-	-	-
Overseas VAT recoverable	-	-	370	-
Other receivables and prepayments	255	1	311	44
	615	1	991	44
	(243)	-	(70)	-
Total current receivables	372	1	921	44

18. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for expected credit losses	Group 2018 $,000	Company 2018 $,000	Group 2017 $,000	Company 2017 $,000
At 1 January	70	-	70	-
Change in accounting policy	176	-	-	-
Accrued	6	-	-	-
Exchange difference	(9)	-	-	-
At 31 December	243	-	70	-

Long-term receivables	Group 2018 $,000	Company 2018 $,000	Group 2017 $,000	Company 2017 $,000
Debt occurrence	217	-	-	-
Discount recognition	(15)	-	-	-
Unwinding of discount	2	-	-	-
	204	-	-	-
Allowance for expected credit losses	(1)	-	-	-
	203	-	-	-

Long-term receivables represent trade receivables in the amount of 5% of the work performed under the contract for the construction of the service drive, which will be reimbursed within 45 days after the final acceptance of the entire road construction and the provision of a quality assurance guarantee by the Group in the amount of 5% of the contract amount.

The fair value of the debt was calculated using rates in the range of 10.2% -13.2%, with an estimated due date of 15 February 2020. The discount from the initial recognition of receivables is recognised as a decrease in revenue from the construction of the service drive. Amortisation of discount in the amount of $2,000 (2017: nil) is recognised in finance income.

19. CASH AND CASH EQUIVALENTS

	Group 2018 $,000	Company 2018 $,000	Group 2017 $,000	Company 2017 $,000
Cash and cash equivalents	167	51	40	30

20. CAPITAL AND RESERVES – GROUP AND COMPANY

The Company had 341,110,357 ordinary shares of 0.1p each in issue at 31 December 2018 (2017: 341,110,357). All shares are fully paid and authorised. The movements in share capital were as follows:

	Number of shares 2018 No.000	Share capital 2018 $000	Share premium 2018 $000	Number of shares 2017 No. 000	Share capital 2017 $000	Share premium 2017 $000
Balance at beginning of year	341,110	582	127,041	341,110	582	127,041
Balance at end of year	341,110	582	127,041	341,110	582	127,041

Share capital represents the nominal value of equity shares.
Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
Accumulated losses include all current and prior period results as disclosed in the income statement.

TRANSLATION RESERVE – GROUP

The translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

21. INTEREST BEARING LOANS AND BORROWINGS

	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Convertible loan	2,129	2,129	1,924	1,924
Amount due to parent undertaking	9,568	8,535	8,842	7,775
Directors' loans repayable within one year (see note 26)	99	(34)	140	-
Other loans repayable within one year	300	300	300	300
Total loans repayable within one year	12,096	10,930	11,206	9,999

The Convertible loan was issued to the parent undertaking on 7 April 2014 and is repayable on demand. The convertible loan was for $1.28 million consisting of 1,280,000 Convertible Loan Notes of $1 each. The convertible loan notes may be converted into a maximum of 34,065,202 ordinary shares of 0.1p each at a price of approximately $0.03. The conversion option lapsed during 2015 and was not exercised by the loan holders.

Amounts due to the parent undertaking are subject to interest at 10% and repayable on demand.

22. DEFERRED TAX LIABILITIES

	Deferred tax $,000
Balance at 1 January 2017	5,246
Exchange differences	15
Balance at 31 December 2017	5,261
Balance at 1 January 2018	5,261
Exchange differences	(710)
Balance at 31 December 2018	4,551

The deferred tax balance reflects the temporary difference on the fair value adjustment to the Subsoil Use Contract made on the acquisition of the subsidiary. As described in note 11, deferred tax assets have not been recognised in respect of UK or overseas tax losses because of the uncertainty of whether future taxable profits will be available against which the Group can utilise the benefits therefrom.

There were no temporary differences in relation to the Company's investment in the subsidiary for which deferred tax liabilities have not been recognised.

23. TRADE AND OTHER PAYABLES

	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Trade payables	2,322	-	5,078	220
Non trade payables	659	182	779	-
Accrued expenses	1,391	1,391	1,182	1,116
	4,372	1,573	7,039	1,336

24. FINANCIAL INSTRUMENTS

The Board determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk, each of which is discussed below. There were no derivative instruments outstanding at 31 December 2018 (2017: $nil).

LIQUIDITY RISK AND CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to increase the value of the entity for the benefit of shareholders.

Given the nature of the Group's current activities the entity will remain dependent on short-term financing support from Sun Avenue Partners Corporation and equity funding in the short to medium term until such time as the Group becomes self-financing from the commercial production of phosphate fertilizers. Management monitors forecasts of the Group's liquidity by projecting rolling 18 month cash flows.

24. FINANCIAL INSTRUMENTS (CONTINUED)

The Group cash position at 31 December 2018 was $167,000 (2017: $40,000).

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates to the Group's cash holdings and the bank loan.

CREDIT RISK

The Board considers that there is minimal credit risk in respect of other receivables as it primarily relates to VAT due from the Kazakhstan government which will be offset against VAT arising on future sales. The Board reviews the credit ratings of the financial institutions used for holding cash balances in order to minimise the credit risk. The maximum credit risk to which the Group was exposed at 31 December 2018 was $596,000 (2017: $961,000).

FOREIGN CURRENCY RISK

The presentational currency of the Group is US Dollars. The functional currency of the Company is US Dollars and the functional currency of its subsidiaries is Kazakhstan Tenge. As indicated in the table on the following page the majority of the balances are denominated in the functional currency of the Company and subsidiaries leaving limited exposure to foreign currency risk.

The Group has a general policy of not hedging against foreign currency risks. The Group manages foreign currency risk by reviewing and matching forecasted foreign currency payments with foreign currency balances.

The primary currency of international fertilizer trading is the US Dollar.

The Group had the following financial instruments in currencies other than the presentational currency of the parent company. The amounts are stated in US Dollar equivalents.

	2018	2017
	$,000	$,000
Cash and cash equivalents	166	10
Trade and other receivables	371	919
Trade and other payables	(4,037)	(2,424)
	(3,500)	(1,495)

Given the immaterial exposure to the foreign exchange risk no sensitivity analysis of exchange rate fluctuations has been presented.

24. FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY RISK (CONTINUED)

FAIR VALUES
In the directors' opinion there is no material difference between the book value and fair value of any of the Group's financial instruments.

The classes of financial instruments are the same as the line items included on the face of the balance sheet and have been analysed in more detail in the notes to the accounts. Financial assets comprise cash and cash equivalents and trade and other receivables (excluding overseas VAT). Financial liabilities comprise loans and borrowings and trade and other payables (excluding the earth moving advance payment). All the Group's financial assets are categorised as loans and receivables and recognised at amortised cost using the effective interest rate method and all financial liabilities are measured at amortised cost.

25. COMMITMENTS

Under the SUC, the Group's current financial obligations are to spend $115 million cumulatively by the end of 2020. It has invested $115 million cumulatively at 31 December 2018.

Obligations under operating leases at 31 December 2018 were $70,768 (2017: $70,768).

26. RELATED PARTIES

IDENTITY OF RELATED PARTIES
The Group has a related party relationship with its parent, subsidiaries, its directors and executive officers and the directors of its subsidiaries.

Sun Avenue Partners Corporation was the 100% parent and ultimate controlling entity of the Group at 31 December 2018.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel comprise the directors of the Company.

The key management personnel compensation is set out below:

Key management personnel

	2018 Directors $'000	**2018 Total $'000**	2017 Directors $,000	2017 Total $'000
Salaries and fees	250	250	250	250
Compulsory social security contributions	70	70	70	70
	320	320	320	320

No share options were granted to directors and key management during the year and there were no unexercised options held by directors and key management at 31 December 2018 (2017: nil).

26. RELATED PARTIES (CONTINUED)

Loans due to Directors and former Directors were as follows:

	2018 $,000	2017 $,000
S Utegen		
• Interest bearing loan repayable within one year	99	140
• Unpaid accrued interest	155	155
• Unpaid salary owing to the director	946	658
N Damitov (resigned 2 October 2014)		
• Interest bearing loan repayable within one year	300	300
• Unpaid accrued interest	217	187
Total	1,717	1,440

S Utegen has advanced the company a loan of $300,000 which is unsecured and carries an annual interest rate of 10 percent. The loan was initially to be repaid by 28 March 2012. A new repayment date has not yet been determined in respect of the loan albeit $201,000 has been repaid during 2017 and 2018. Total unpaid accrued interest on this loan as at 31 December 2018 totals $155,000 (2017: $155,000).

At 31 December 2018, S Utegen had accrued staff costs due to him of $946,000 (2017: $658,000) remains unpaid. This is being treated as an interest free repayable on demand loan from the director to the group.

N Damitov, prior to his resignation as a director of Sunkar Resources Limited, has advanced the company a loan of $300,000 which is unsecured and carries an annual interest rate of 10 percent. The loan was initially to be repaid by 28 March 2012. A new repayment date has not yet been determined in respect of the loan. The interest charge in relation to this loan was $30,000 in the year, and is unpaid. Total unpaid accrued interest on this loan as at 31 December 2018 totals $217,000 (2017: $187,000).

TRANSACTIONS WITH PARENT UNDERTAKING

Details of loans advanced by the parent undertaking are included in note 14.

TRANSACTIONS WITH SUBSIDIARY UNDERTAKINGS

Details of loans advanced to Temir Service LLP, a subsidiary undertaking are included in note 16. Interest income earned under these arrangements during the year was $1.6 million (2017: $1.6 million).

At 31 December 2018 the Company was owed $2,411,000 (2017: $2,697,000) by Chilisai Chemicals LLP, a subsidiary undertaking.

OTHER RELATED PARTY TRANSACTIONS

The Company had no other related party transactions for the year under review.

27. GROUP ENTITIES

PARENT COMPANY

	Country of incorporation	Nature of business
Sun Avenue Partners Corporation	*British Virgin Islands*	Holding company

SIGNIFICANT SUBSIDIARIES

	Country of incorporation	Ownership interest	Nature of business
Temir Service LLP	Kazakhstan	100%	Mining
Chilisai Chemicals LLP	Kazakhstan	100%	Chemicals