AMUR MINERALS CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

AMUR MINERALS CORPORATION

CORPORATE DIRECTORY

Directors	Mr R Schafer Mr R Young Mr B Savage Mr P Gazzard Mr L Naumovski
Registered office	Kingston Chambers P.O. Box 173 Road Town Tortola British Virgin Islands
Auditors	BDO LLP 55 Baker Street London United Kingdom W1U 7EU
Nominated adviser and broker	S. P. Angel Corporate Finance LLP Prince Fredrick House 35 – 39 Maddox Street London United Kingdom W1S 2PP
Legal advisers	Maples and Calder PO Box 173 Sea Meadow House Road Town Tortola British Virgin Islands Norton Rose Fulbright (Central Europe) LLP White Square Office Centre Butyrsky Val St. 10, Bldg. A Moscow 125047 Russian Federation
Solicitors	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London United Kingdom EC4R 3TT

AMUR MINERALS CORPORATION

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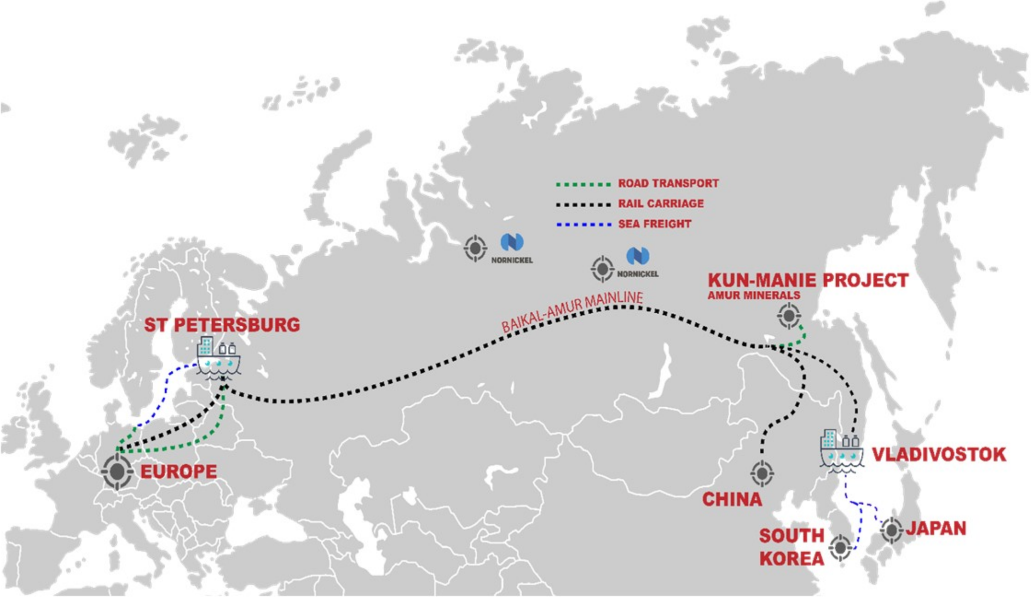
AMUR MINERALS CORPORATION

AT A GLANCE

Kun-Manie

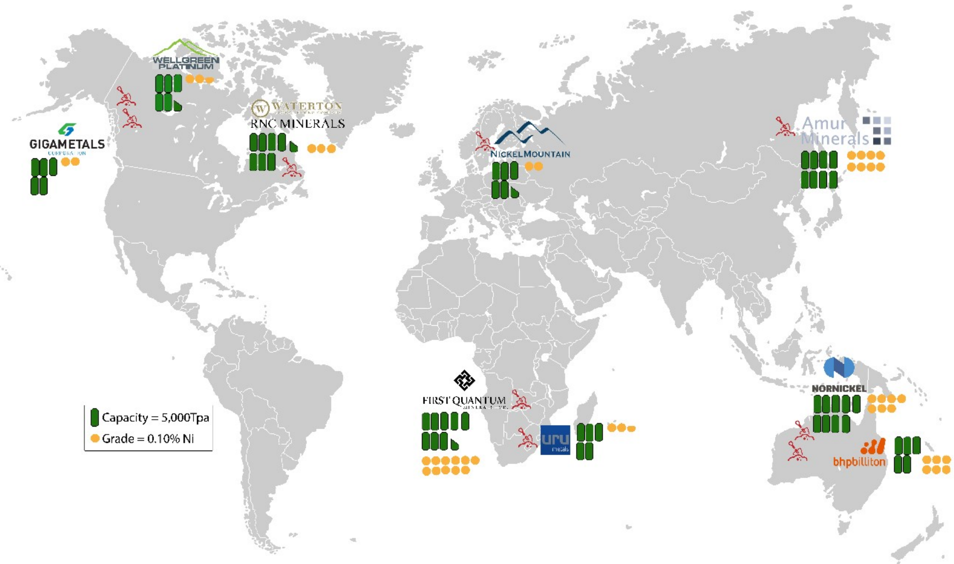
"…the right place, at the right time with the right commodity"

Location – Positioned to supply China, Korea, Japan and Europe the biggest consumers of nickel



Nickel – An Electric Vehicle ("EV") demand driven market
- EV batteries have significant quantities of nickel and we expect this trend to continue
- The next generation of batteries expected to use more nickel due to its energy density
- Nickel sulphide deposits like Kun-Manie are an attractive source of battery grade nickel

Size – Globally significant deposit
- One of the highest grade, undeveloped nickel sulphide deposits globally
- A 2018 measured, indicated and inferred resource of 155MT @ 1.02% nickel equivalent
- Contained nickel and copper of 1.15MT of nickel and 319Kt of copper
- Mine life of 12 years with potential to grow resource



RPM Ordinary Kriging Mineral Resource Estimates
March 2018 – Total Kun-Manie Resource
0.4% Nickel Cutoff Grade

Resource Classification	Ore Mt	Ni %	Cu %	Co %	Pt g/t	Pd g/t	Eq Ni (%)	Contained Metal (t)					
								Ni (1000's)	Cu (1000's)	Co (1000's)	Pt (t)	Pd (t)	Eq Ni (1000's)
TOTAL													
Measured	11.2	0.71	0.18	0.011	0.23	0.26	0.99	80	20	1.3	2.5	3.0	110.8
Indicated	107.0	0.74	0.20	0.015	0.15	0.15	1.00	787	217	16.2	16.0	16.6	1,075.1
M+I	**118.2**	**0.73**	**0.20**	**0.015**	**0.16**	**0.17**	**1.00**	**867**	**237**	**17.5**	**18.5**	**19.6**	**1,185.9**
Inferred	37.0	0.79	0.22	0.017	0.17	0.18	1.08	290	81	6.0	6.4	6.6	398.2
TOTAL	**155.1**	**0.75**	**0.21**	**0.015**	**0.16**	**0.17**	**1.02**	**1,157**	**319**	**23.5**	**24.9**	**26.0**	**1,581.6**

Nickel Equivalent Calculation Data
March 2018 Metal Pricing

Pricing	Nickel	Copper	Cobalt	Platinum	Palladium
Imperial	**$6.10**	**$3.10**	**$37.77**	**$950.00**	**$970.00**
Metric	**$13,450**	**$6,835**	**$83,250**	**$30,544**	**$31,187**
Measured	$1.08	$0.14	$0.11	$0.08	$0.09
Indicated	$10.59	$1.48	$1.35	$0.49	$0.51
M+I	**$11.66**	**$1.62**	**$1.46**	**$0.57**	**$0.61**
Inferred	$3.90	$0.55	$0.50	$0.20	$0.20
TOTAL	**$15.56**	**$2.17**	**$1.96**	**$0.76**	**$0.81**
2018 % Value Content	**73.2%**	**10.2%**	**9.2%**	**3.6%**	**3.8%**
2017 % Value Content	**73.6%**	**11.7%**	**5.3%**	**5.1%**	**4.2%**

Numbers may not be concise due to rounding.

Dear Shareholder,

It is with pleasure that I take this opportunity to present the shareholders of Amur Minerals Corporation ("Amur" or the "Company") with the 2017 financial and operational results. It has been a highly significant year in which the 2017 field season resulted in a 50% expansion of the Kun-Manie resource base to just over 1.5 million tonnes of nickel equivalent. This makes Kun-Manie one of the largest greenfield nickel projects globally.

We have also greatly improved our knowledge of the global battery market, especially for electric vehicles and large scale power storage. There has been an increasing awareness for some years that the battery market is expected to see considerable growth in the coming decades and with lithium initially, then cobalt and now nickel prices rallying. The future demand for these metals is expected to continue to increase to meet the requirements of battery producers.

2017 Operational Developments

Substantial Field Season and Resource Expansion

The 2017 field season proved to be our best ever resulting in a 50% increase in minable resources – 101 million tonnes to 155 million tonnes. A total of 26,485 metres of drilling in 107 holes was completed at the Ikenskoe / Sobolevsky ("IKEN") and Kubuk ("KUB") deposits, together referred to as ISK deposit. We set out with a plan to expand and infill drill these 2 deposits and complete other works in relation to this approach, but during the early stages of the program we began to see results that supported our belief that the two deposits were connected. As a result, the field season plan was altered to delay the metallurgical drilling program in favour of proving that IKEN and KUB are connected, and we can now state that it is one continuous deposit 3.6 kilometres in length making it longer than the Maly Kurumkon / Flangovy ("MKF") deposit.

We feel strongly that there is much more potential to be derived from the ISK deposit, but the Board and management believe that Kun-Manie has sufficient resource at more than 1 million tonnes of contained nickel to go forward with the next stage of development – namely strategic investment and project financing.

Nickel Equivalent Calculation Data
March 2018 Metal Pricing

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2017 % Value Content	73.6%	11.7%	5.3%	5.1%	4.2%

Numbers may not be concise due to rounding.

RPM Ordinary Kriging Mineral Resource Estimates
March 2018
0.4% Nickel Cutoff Grade

Resource Classification	Ore Mt	Ni %	Cu %	Co %	Pt g/t	Pd g/t	Eq Ni (%)	Contained Metal (t)					
								Ni (1000's)	Cu (1000's)	Co (1000's)	Pt (t)	Pd (t)	Eq Ni (1000's)
MKF – Updated February 2017													
Measured													
Indicated	57.5	0.77	0.22	0.015	0.15	0.16	1.06	445	124	8.9	8.8	9.3	606.5
M+I	**57.5**	**0.77**	**0.22**	**0.015**	**0.15**	**0.16**	**1.06**	**445**	**124**	**8.9**	**8.8**	**9.3**	**606.5**
Inferred	3.4	0.80	0.22	0.017	0.16	0.15	1.06	27	7	0.6	0.5	0.5	36.1
MKF TOTAL	**60.9**	**0.78**	**0.22**	**0.015**	**0.15**	**0.16**	**1.06**	**472**	**131**	**9.5**	**9.3**	**9.8**	**643.0**
IKEN – Updated March 2018													
Measured	10.6	0.71	0.18	0.011	0.22	0.26	0.98	75	19	1.1	2.3	2.8	103.2
Indicated	13.6	0.66	0.17	0.012	0.18	0.20	0.91	89	24	1.7	2.4	2.8	123.7
M+I	**24.2**	**0.68**	**0.18**	**0.012**	**0.19**	**0.23**	**0.94**	**164**	**43**	**2.8**	**4.7**	**5.6**	**226.9**
Inferred	27.8	0.80	0.23	0.017	0.19	0.19	1.10	222	63	4.6	5.2	5.3	306.5
IKEN TOTAL	**51.9**	**0.75**	**0.20**	**0.014**	**0.19**	**0.21**	**1.03**	**386**	**106**	**7.5**	**9.9**	**10.8**	**534.0**
KUB – Updated March 2018													
Measured													-
Indicated	32.9	0.69	0.19	0.014	0.13	0.12	0.93	226	63	4.7	4.3	3.9	306.0
M+I	**32.9**	**0.69**	**0.19**	**0.014**	**0.13**	**0.12**	**0.93**	**226**	**63**	**4.7**	**4.3**	**3.9**	**306.0**
Inferred	4.7	0.7	0.19	0.014	0.12	0.12	0.94	33	9	0.7	0.6	0.6	44.5
KUB TOTAL	**37.6**	**0.69**	**0.19**	**0.014**	**0.13**	**0.12**	**0.93**	**259**	**72**	**5.3**	**4.9**	**4.5**	**349.9**
VOD – Updated February 2017													
Measured	0.6	0.74	0.22	0.012	0.29	0.32	1.24	5	1	0.1	0.2	0.2	7.6
Indicated	3.2	0.85	0.21	0.017	0.16	0.16	1.13	27	7	0.5	0.5	0.5	36.0
M+I	**3.8**	**0.85**	**0.21**	**0.016**	**0.20**	**0.19**	**1.15**	**32**	**8**	**0.6**	**0.7**	**0.7**	**43.9**
Inferred	1.0	0.81	0.22	0.016	0.17	0.16	1.06	8	2	0.2	0.2	0.2	11.0
VOD TOTAL	**4.8**	**0.83**	**0.21**	**0.016**	**0.18**	**0.18**	**1.13**	**40**	**10**	**0.8**	**0.9**	**0.9**	**54.6**
TOTAL													
Measured	11.2	0.71	0.18	0.011	0.23	0.26	0.99	80	20	1.3	2.5	3.0	110.8
Indicated	107.0	0.74	0.20	0.015	0.15	0.15	1.00	787	217	16.2	16.0	16.6	1,075.1
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Metallurgical Testing

During the first half of 2017, Gipronickel Institute (“Gipronickel”) conducted bulk sample testing on core from the MKF deposit. The tests were designed to maximise recoveries of metals from MKF ore. The results were very positive and Gipronickel was able to fine-tune the processing to improve recoveries over previous recovery tests. Upon further discussion with Gipronickel the unexpected possibility for generating separate nickel and copper concentrate streams was raised. The ability to produce a separate copper concentrate would have a considerable positive economic impact on the value of Kun-Manie.

Under our current ore processing options and economic model, it is assumed that a single concentrate or low-grade matte will be produced and sent to smelter(s) for refining. However, in doing so, we lose much of the value in the non-nickel metals, which is always part of the terms from a nickel smelter. If a separate copper concentrate can be produced, we then gain a far higher value from the copper and also from a much "cleaner" nickel concentrate (which will contain all other metals) which has a further benefit of a notably higher nickel grade.

Whether a separate copper concentrate stream can be produced economically will be evaluated in 2018.

Improved Operating Costs

In July 2017 RPM Global completed their independent review of operating cost estimates for Kun-Manie resulting in an estimated average C1 cost of US$1.78 per pound of nickel delivered to our planned rail siding. This would place Kun-Manie in the lower quartile of global nickel producers and also means that nearly all of our reported mineralised material above cutoff grade is available to mine. The result of this independent review provides considerable confidence for the economic evaluation of the potential of Kun-Manie.

Financial Overview

The Company remained debt free throughout the period with cash reserves of US$2.56 million as at 31 December 2017, down from US$8.20 million at the start of 2017. Subsequent to the 2017 year end, on 12 February 2018 the Company entered into a US$10.00 million convertible loan facility with Cuart Investments PPC Ltd and YA II PN Ltd, with the initial advance of US$4.00 million being drawn on 14 February 2018. As at the date of reporting US$0.80 million of principal and US$0.02 million of accrued interest have been converted for 14,071,436 new ordinary shares.

In January 2017 Jett Capital Advisors LLC exercised 1 million warrants at an exercise price of 4.68p providing a cash inflow for the Company of US$0.05 million.

During the period Crede CG III Ltd (“Crede”) converted all remaining 62.50 million warrants resulting in Crede having no outstanding warrants as at 31 December 2017 thereby completing the agreement entered into with Crede in December 2015. A significant gain on fair value of the conversion of the warrants provided a US$0.77 million gain recognised in the income statement for the year.

In total the Company has spent US$0.47 million on capital equipment during the period (2016: US$1.67 million) and US$3.23 million on exploration costs (2016: US$2.86 million).

Although the administration expenses for the period were significantly reduced compared to the same period last year, the difference is mostly non-cash items in 2016. The statement of cash flows shows that the Company actually incurred comparable administrative expenses to last year.

During 2017, the Russian Rouble appreciated by 5.77% (2016: 16.46%) against the US Dollar resulting in a currency exchange gain of US$1.2 million (2016: US$2.9 million) recognised in other comprehensive income on translation of subsidiaries' results to US Dollars, which is the Group's reporting currency.

Outlook

The work that we are undertaking in 2018 is very much orientated towards preparing and positioning the Company for the next stage of its development, which will focus on strategic investment and project financing. To date, this has involved management, with support from Medea Capital Partners Limited, engaging with external parties who provide long term support for projects transitioning from exploration to production and beyond. These engagements are largely centred around developing the external parties knowledge of Kun-Manie and building personal relationships. We have benefited in return by gaining current knowledge of the global markets for nickel and just as importantly, the end users of nickel.

With those relationships in place, and new ones being developed, in 2018 we are in a strong position to undertake focused activities that will support the Company's aim of attracting the right sort of strategic investment and partnering. It is important that the Company maintain and build on its strong position for this next stage of development as success here will begin to unlock the considerable value held within the Kun-Manie project. The Board and management believe that the Company is well positioned to capitalise on the growth in the nickel market given the size of Kun Manie and its proximal location to Asian markets. We are seeing clear indicators that recent increased interest in nickel is now turning towards interest in the future sourcing of nickel supply.

Lastly, I would like to thank our hard working and dedicated staff in Khabarovsk many of whom have been with us from the beginning. Their knowledge and understanding of the Kun-Manie project has been critical to the success of getting the Company to its current position.

On behalf of the board

Mr R Schafer
Non-Executive Chairman
27 June 2018

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Principal activities
The Group's principal activity during the year was that of mineral exploration and development. A full review of the activity of the business and of future prospects is contained in the chairman's statement which accompanies these financial statements.

Results and dividends
The results for the year are set out on page 18.

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R Schafer	
Mr R Young	
Mr B Savage	
Mr P Gazzard	
Mr L Naumovski	(Appointed 2 January 2017)

Details of Directors remuneration and other interests are detailed in note 20.

Listing
The Company's ordinary shares have been traded on the AIM market of the London Stock Exchange since 15 March 2006. SP Angel Corporate Finance LLP is the Company's Nominated Adviser and Broker. The share price at 31 December 2017 was 7.14p.

Donations
The Group has not made any charitable or political donations during the year (2016: US$nil).

Principal risks and uncertainties
The management of the Group's business and the execution of its strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, the overall impact of such events may compound the possible adverse effects on the Group.

The key financial risks affecting the Group are set out in note 21. The key operating risks affecting the Group are set out on pages 10 - 12.

Auditors
BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Statement of disclosure to auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

Going Concern

The Group operates as a natural resources exploration and development group. To date, the Group has not earned significant revenues and is considered to be in the exploration stage.

On 12 February 2018, the Group entered into a US$10 million convertible loan facility with Cuart Investments PCC and YA II PN Ltd ('the investors'). Under the agreement, the Group received a US$4 million advance and will receive further advances of US$2 million payable within 121 days and up to US$4million payable within 240 days after the initial advance, subject to the meeting of project advancement and market trading milestones. Each advance is fully repayable in 12 monthly instalments and the Group can elect to make monthly repayments of interest and principal in accordance with repayment schedule. Should the Group not make the repayments, the investors can elect to convert the amounts into shares or receive full repayment at the end of the 12 month period.

At the date of the approval of this report, the Group had not met the required milestones for receipt of the next advance of US$2 million. The Directors are currently in discussions with the investors to amend the terms to allow drawdown of the remaining amounts under the convertible loan facility however, the outcome of these discussions and the timing of the additional funding is uncertain.

The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2019 and plan to continue advancing the project to DFS stage in 2018-2019. Should funds not be forthcoming in a reasonable timescale the expenditure plans could be adapted to prolong current cash resources. However, should the revised terms not be agreed and the repayment of the US$4 million initially advance is required, additional funds will be needed within twelve months from the date of the approval of these financial statements.

Based on the on-going discussions with various interested parties, the Directors are confident that alternative funding could be secured should the revised terms of the convertible loan not be agreed. Accordingly, the Directors continue to adopt the going concern basis for the preparation of these financial statements.

At the date of the approval of these financial statements, an amended convertible loan facility has not been agreed and there is no legally binding agreement in place relating to alternative funding. There can be no certainty that further advances or other funds will be forthcoming in the required timescale which indicates the existence of a material uncertainty which may cast doubt over the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Approved by the Board of Directors and signed on behalf of the Board by:

Mr R Schafer
Director
27 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors are responsible for preparing the financial statements and have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union in order to give a true and fair view of the state of affairs of the Group and of its profit or loss 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 Group will continue in business.

The Directors are responsible for keeping records that are sufficient to show and explain the Group's transactions and will, at any time, enable the financial position of the Group to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities and for the preparation of any additional information accompanying the financial statements that may be required by law or regulation.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the British Virgin Islands 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.

Mr R Young
Director
27 June 2018

Mr B Savage
Director
27 June 2018

OPERATING RISKS AND UNCERTAINTIES

Set out below are the key operating risks and uncertainties affecting the Group.

The Group's licences
The Group's activities are dependent upon the grant and renewal of appropriate licences, permits and regulatory consents. The Group's Exploration and Mine Production licence is valid until 1 July 2035 and grants the Company's wholly owned subsidiary ZAO Kun-Manie the rights to recover all value from the mineral defined to be present at Kun-Manie. The Group's licences are regulated by the Russian governmental agencies and contain a range of obligations, failure to comply with which could result in additional costs, penalties being levied or the suspension or revocation of the licence. This would have a material adverse impact on the Group

Mitigation: management closely monitor compliance with the terms of the Group's licences and utilises the legal services of Norton Rose Fulbright in Moscow who review all documentation and filings to ensure that communications, filings and any other required contacts maintain conformity with the regulatory agencies of the Russian Federation.

Project development risks
Resource estimates are based upon the interpretation of geological data. Project feasibility studies derive estimates of operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates and other factors. As a result, actual operating costs and economic returns may differ from those currently estimated.

Mitigation: the scale of the project mandates that all work is conducted by Russian experienced, independent and internationally recognised companies in all areas of proposed and actual project development. Any internally generated studies are held confidentially within the Company until an independent and qualified group, company or experts have reviewed, commented and confirmed the results of Company work.

Project work is undertaken by Russian Federation approved agencies prior to the approval of any study, preproduction, construction and operational approvals are granted. The Company adheres to these regulatory statutes.

Reserve and resource estimates
Reserve and resource estimates may require revision based on actual production experience. The volume and grade of reserves mined and processed and recovery rates achieved may vary from those anticipated and a decline in the market price of metals may render reserves containing relatively lower grades of nickel and copper mineralisation uneconomic.

Mitigation: resources and reserves are independently calculated by internationally recognised organisations to JORC standards. Information related to the calculation of such estimates is based on reports from external companies experienced in metallurgical and processing work as well as the evaluation of long term metal pricing where the Company utilises information provided by external organisations. As the Company is not in production at this time, actual production results cannot be utilised to verify predicted resources and reserves.

The Russian Federation requires a separate assessment of reserves and does not recognise resources which are not contained within a mine plan based on a Russian certified study calculated by a qualified agency or organisation. Final reserve numbers are audited by the State Commission on Mineral Reserves who is responsible for tracking and certifying all reserve estimates within the Russian Federation.

Environmental issues
The Group's operations are subject to environmental regulation, including environmental impact assessments and permitting. Russian environmental legislation comprises numerous federal and regional regulations which are not fully harmonised and may not be consistently interpreted.

Mitigation: the Company utilises Equator Principles standards with regard to its monitoring and maintenance of environmental protection. Equator Principles is a risk management framework, widely adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. These standards are among the highest in the world and implementation of such standards is required when international financing of a project is undertaken. By utilising the highest level of standard, the Company meets both Russian and International standards.

On an internal Russian Federation basis, the Company is inspected on an annual basis to ensure that the Company is performing and maintaining protection of the environment. The Company employs three suitably qualified individuals to ensure that all work is done to the highest standards and ultimately approved by the appropriate Russian authorities and organisations.

Nickel price volatility
The net present value of the Group's capitalised exploration assets is directly related to the long-term price of nickel. The market price of nickel is volatile and is affected by numerous factors which are beyond the Company's control. These factors include world production levels, international economic trends, currency exchange fluctuations and industrial demand.

Mitigation: the Company regularly reviews expected nickel and copper prices from internationally recognised expert sources and assesses the economic viability of its project based upon long term trends and surveys compiled by several resource groups specialised in long term price projection. Nickel and copper price sensitivity is built into the Company's economic models. Presently, the long term forecast price for nickel is $8.00 per pound and is $2.85 per pound for copper. All study work currently utilises prices of $7.50 and $2.75 for nickel and copper respectively.

Political and economic risks
Most of Group's assets and operations are based in Russia and are subject to Russian federal and regional laws and regulations. Russian legal and regulatory regime is still undergoing a substantial transformation and is subject to frequent changes and interpretations. Amendments to current laws and regulations governing the Group's operating activities or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on the Group.

Additionally, Russian Federation is currently subject to sanctions imposed by various countries, prolonging and tightening of which could have an impact on the Group's operations.

Mitigation: the Company utilises its Moscow based legal representatives of Norton Rose Fulbright to continuously monitor the situation regarding sanctions and conduct periodic meetings to review changes in the legal and regulatory regime. The updates are typically undertaken on a 60 day basis. In addition, the Company is a member of the Mining Advisory Council which consistently works with Russian authorities to assist in the understanding of regulatory constraints and assists in the modification of legislation designed to clarify inconsistencies in legislation and interpretation of the law.

The regulatory environment

The Group’s activities are subject to extensive federal and regional laws and regulations governing various matters, including licensing, production, taxes, mine safety, labour standards, occupational health and safety and environmental protections. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on the Group, cause a reduction in levels of production and delay or prevent the development or expansion of the Group’s properties in Russia.

Mitigation: the Company utilises its Moscow legal team of Norton Rose Fulbright to monitor changes to the regulatory system. In addition, the Mining Advisory Council also participates in reviews and working with the governmental groups responsible for regulatory control and the authoring of new legislation. Proactively, the Company assesses the potential impact of any proposed modifications and is dynamically changing Company policies and approaches to match the Russian regulatory environment. Often planning and work is completed in advance of changes when they are identifiable and could impact exploration and operations.

Taxation

Russian tax legislation has been subject to frequent change and some of the laws relating to taxes to which the Group is subject are relatively new. The government’s implementation of such legislation, and the courts’ interpretation thereof, has been often unclear or non-existent, with few precedents established. Differing opinions regarding legal interpretation may exist both among and within government ministries and organisations and various local inspectorates. The introduction of new tax provisions may affect the Group’s overall tax efficiency and may result in significant additional tax liability.

Mitigation: the Company continually assesses the tax regime and utilises experienced local staff and state agencies in submission of taxes at all levels. This includes personal taxes, social taxes and any other taxes that the Company must pay on behalf of its employees. These documents and approaches are reviewed by the tax authorities on an annual basis and modifications are undertaken as required.

Russia's physical infrastructure

Some of Russia’s physical infrastructure is in poor condition. This may disrupt the transportation of supplies, add to costs and interrupt operations, with a potentially material adverse effect on the Group’s business.

The Company's project is remotely located and will need to construct an access road of approximately 320 kilometres from the Baikal Amur rail line to the project site. The Company's position is that they will have to construct access road to a standard suitable to support the operation on a year round basis. This includes the ability to restock consumables and fuel at site. The fuel transported to the project site will support the mobile equipment fleet (mining fleet included) as well as to fuel on site power generation using diesel fuelled generator sets which will preclude the need to construct a power line to the site. Planning is done on a worst case basis and assumes nothing is available over more than half the distance and substantial upgrades to existing pioneer roads located along the western half of the planned road route will be required.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMUR MINERALS CORPORATION

Opinion

We have audited the financial statements of Amur Minerals Corporation for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Position, Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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.

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements concerning the group's ability to continue as a going concern. The matters explained in the note indicate that the group will require additional funding. An amended convertible loan facility has not been agreed and there are no legally binding agreement in place relating to alternative funding. There is no certainty that the funding required by the Group will be secured within the necessary timescale. These conditions, along with the other matters as set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

We considered going concern to be a Key Audit Matter based on our assessment of the risk and the effect on our audit. We performed the following work in response to this Key Audit Matter:

- We critically challenged the Directors' forecasts to assess the group's ability to meet their obligations within the period of twelve months from the date of approval of the financial statements by reviewing the assumptions and inputs in the cashflow forecast to assess whether these were in line with our understanding of the group's operations and other information obtained by us during the course of the audit.
- We corroborated the opening cash position by reference to bank statements.
- We compared the forecast expenditure by reference to actual expenditures in 2017 and Management's budgeted expenditure in 2018. We confirmed that contractually committed amounts were included.
- We performed a mechanical check on the cashflow forecast model prepared by Management.
- We reviewed the convertible loan facility and agreement, considered the conditions attached to future drawdowns and the level of certainty attached to receipt of such funds. Additionally we confirmed that the ability to convert the facility was with the loan provider.
- We discussed the progress of other funding options with management.
- We sensitised the information available to changes in contractual commitments and discretionary expenditures, and
- We evaluated the adequacy of disclosures made within the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER
Carrying value of exploration and evaluation assets The Group's intangible exploration and evaluation assets represent the Group's most significant assets and total $22.4m at 31 December 2017. As at the year end Management are required to assess whether there is any indication that an asset may be impaired in accordance with the requirements of IFRS. Given the value attributed to the assets and the significant management judgement involved in this assessment there is considered to be an increase in risk of material misstatement.
OUR RESPONSE
We reviewed management's assessment of the impairment indicators for the Group's asset. In doing so we performed the following procedures: • We reviewed the existence license to confirm that the group holds a valid right to explore the Kun-Manie project. We confirmed that the Group's exploration and production license is valid until July 2035. • We have reviewed the correspondence with the mining authorities and discussed with management if there were any instances of in non-compliance with the license terms. • We reviewed the commitments and obligations associated with the license. • We reviewed Board minutes, made specific enquiries of management and considered the plans and budgets and confirmed the Group is committed to the development of the asset, and • We confirmed the exploration results by reference to third party reports and discussed these with management to confirm these were supportive of Management's assessment that the area remains prospective.

Our application of materiality

Group materiality FY 2017	Group materiality FY 2016	Basis for materiality
$500,000	$500,000	1.75% of total assets (2016: 1.75% of total assets)

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our determination of materiality has remained unchanged as there was no significant movement in the total assets during the year which impacted materiality. We consider total assets to be the most significant determinant of the Group's financial performance used by shareholders as the Group continues to bring its mining assets through to production.

Whilst materiality for the financial statements as a whole was $500,000, each significant component of the Group was audited to a lower level of materiality ranging from $375,000 to $450,000 which was used to determine the financial statement areas that were included within the scope of our audit and the extent of sample sizes applied during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at $375,000 for the Group. Each significant component of the group was audited at a lower level of performance materiality ranging from $280,000 to $340,000, which represents 75% of the above materiality levels.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focused on the Group's principal operating locations being the Kun-Manie exploration project held by the Group's 100% owned subsidiary ZAO Kun-Manie, which was subject to a full scope audit. Together with the parent company and the Group consolidation, which were also subject to a full scope audit, these represent the significant components of the Group.

The remaining component of the Group was considered non-significant and this component was principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component.

The audits of each of the components were performed in Russia (Khabarovsk) and the United Kingdom. All of the audits were conducted by BDO LLP.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of report

This report is made solely to the Group's members, as a body, in accordance with the terms of our engagement letter dated 18 January 2018. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Chartered Accountants
London

27 June 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

AMUR MINERALS CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 US$'000	2016 US$'000
Non-current assets			
Exploration and evaluation assets	**5**	22,376	17,167
Property, plant and equipment	**6**	2,884	2,736
		25,260	19,903
Current assets			
Inventories	**7**	769	756
Other receivables	**8**	741	768
Cash and cash equivalents		2,555	8,199
		4,065	9,723
Total assets		29,325	29,626
Current liabilities			
Trade and other payables	**10**	768	416
Derivative financial liabilities	**12**	-	3,295
		768	3,711
Net current assets		3,297	6,012
Non-current liabilities			
Rehabilitation provision		176	166
Total liabilities		944	3,877
Net assets		28,381	25,749
Equity			
Share capital	**13,14**	62,879	60,293
Share premium	**13**	4,904	4,904
Foreign currency translation reserve	**13**	(11,227)	(12,427)
Share options reserve	**13**	3,366	3,575
Retained deficit	**13**	(31,541)	(30,596)
Total equity		28,381	25,749

The financial statements were approved by the Board of directors and authorised for issue on 27 June 2018 and were signed on its behalf by:

Mr R Young
Director

Mr B Savage
Director

The accompanying notes on pages 23 - 47 form an integral part of these financial statements.

AMUR MINERALS CORPORATION

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 US$'000	2016 US$'000
Administrative expenses		(1,924)	(3,768)
Operating loss	**16**	(1,924)	(3,768)
Finance income	**17**	3	4
Fair value movements on derivative financial instruments	**12**	767	(2,007)
Loss before taxation		(1,154)	(5,771)
Tax expense	**18**	-	-
Loss for the year attributable to owners of the parent		(1,154)	(5,771)
Loss per share (expressed in cents)			
Basic and diluted	**19**	(0.20)	(1.10)

The items in the above statement are derived from continuing operations.

The accompanying notes on pages 23 - 47 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 US$'000	2016 US$'000
Loss for the year	(1,154)	(5,771)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,200	2,883
Total other comprehensive income for the year	1,200	2,883
Total comprehensive income for the year attributable to owners of the parent	46	(2,888)

The accompanying notes on pages 23 - 47 form an integral part of these financial statements.

AMUR MINERALS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 US$'000	2017 US$'000	2016 US$'000	2016 US$'000
Cash flows from operating activities					
Payments to suppliers and employees			(2,703)		(2,210)
Net cash outflow from operating activities			(2,703)		(2,210)
Cash flow from investing activities					
Payments for exploration expenditure		(3,234)		(2,863)	
Payments for property, plant and equipment		(470)		(1,670)	
Interest received	**17**	3		4	
Net cash used in investing activities			(3,701)		(4,529)
Cash flow from financing activities					
Cash received on issue of shares		570		6,589	
Net cash generated from financing activities			570		6,589
Net decrease in cash and cash equivalents			(5,834)		(150)
Cash and cash equivalents at beginning of year			8,199		9,613
Exchange gains/(losses) on cash and cash equivalents			190		(1,264)
Cash and cash equivalents at end of year			2,555		8,199

The accompanying notes on pages 23 - 47 form an integral part of these financial statements.

AMUR MINERALS CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital US$'000	Share premium US$'000	Foreign currency translation reserve US$'000	Share options reserve US$'000	Retained deficit US$'000	Total equity US$'000
Balance at 1 January 2016		54,093	5,648	(15,310)	3,907	(25,869)	22,469
Year ended 31 December 2016:							
Loss for the year		-	-	-	-	(5,771)	(5,771)
Other comprehensive income:							
Exchange differences on translation of foreign operations		-	-	2,883	-	-	2,883
Total comprehensive income for the year		-	-	2,883	-	(5,771)	(2,888)
Issue of share capital	**14**	6,185	-	-	-	-	6,185
Equity settled share based payments		-	-	-	712	-	712
Costs associated with issue of share capital	**14**	-	(744)	-	-	-	(744)
Options expired		-	-	-	(1,030)	1,030	-
Exercise of options		15	-	-	(14)	14	15
Balance at 31 December 2016		60,293	4,904	(12,427)	3,575	(30,596)	25,749

AMUR MINERALS CORPORATION

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital US$'000	Share premium US$'000	Foreign currency translation reserve US$'000	Share options reserve US$'000	Retained deficit US$'000	Total equity US$'000
Balance at 1 January 2017		60,293	4,904	(12,427)	3,575	(30,596)	25,749
Year ended 31 December 2017:							
Loss for the year		-	-	-	-	(1,154)	(1,154)
Other comprehensive income:							
Exchange differences on translation of foreign operations		-	-	1,200	-	-	1,200
Total comprehensive income for the year		-	-	1,200	-	(1,154)	46
Issue of share capital	**14**	2,528	-	-	-	-	2,528
Options expired		-	-	-	(209)	209	-
Exercise of options		58	-	-	-	-	58
Balance at 31 December 2017		62,879	4,904	(11,227)	3,366	(31,541)	28,381

1 General information

Amur Minerals Corporation is incorporated under the British Virgin Islands Business Companies Act 2004. The registered office is Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.

The Company and its subsidiaries ("Group") locates, evaluates, acquires, explores and develops mineral properties and projects in the Russian Far East.

The Company is the 100% owner of Irosta Trading Limited ("Irosta"), an investment holding company incorporated and registered in Cyprus. Irosta holds 100% of the shares in ZAO Kun-Manie ("Kun-Manie"), an exploration and mining company incorporated and registered in Russia, which holds the Group's mineral licences.

The Group's principal place of business is in the Russian Federation.

The Group's principal asset is the Kun-Manie production licence, which was issued in May 2015. The licence is valid until 1 July 2035 and allows the Company's subsidiary, ZAO Kun-Manie, to recover all revenues from 100% of the mined metal that specifically includes nickel, copper, cobalt, platinum palladium, gold and silver. The Company's management are evaluating the project with a view of determining an appropriate model for the development and ultimate exploitation of the project.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements have been presented in thousands of United States Dollars and prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

2 Significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Goup's financial statements.

A number of new standards, amendments and interpretations are effective for annual period beginning after 1 January 2017, and have not yet been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for:

IFRS 9 *'Financial instruments'* addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments and introduces a new expected credit losses model that replaces the incurred loss impairment model used under IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Management have completed their assessment of the classification and measurement of the Group's existing financial assets and liabilities under the requirements of IFRS 9 and do not anticipate any material impact on the financial statements upon adoption of this standard.

Management have also considered the impact of IFRS 15 *'Revenue from contracts with customers'* and IFRS 16 *'Leases'* which are effective for periods beginning on or after 1 January 2018 and 1 January 2019 respectively, and do not consider these standards to have a significant impact on the Group on the basis that it does not yet generate revenue and does not have material operating leases.

2 Significant accounting policies (Continued)

2.3 Going concern

The Group operates as a natural resources exploration and development group. To date, the Group has not earned significant revenues and is considered to be in the exploration stage.

On 12 February 2018, the Group entered into a US$10 million convertible loan facility with Cuart Investments PCC and YA II PN Ltd ('the investors'). Under the agreement, the Group received a US$4 million advance and will receive further advances of US$2 million payable within 121 days and up to US $4million payable within 240 days after the initial advance, subject to the meeting of project advancement and market trading milestones. Each advance is fully repayable in 12 monthly instalments and the Group can elect to make monthly repayments of interest and principal in accordance with repayment schedule. Should the Group not make the repayments, the investors can elect to convert the amounts into shares or receive full repayment at the end of the 12 month period.

At the date of the approval of this report, the Group had not met the required milestones for receipt of the next advance of US$2 million. The Directors are currently in discussions with the investors to amend the terms to allow drawdown of the remaining amounts under the convertible loan facility however, the outcome of these discussions and the timing of the additional funding is uncertain.

The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2019 and plan to continue advancing the project to DFS stage in 2018-2019. Should funds not be forthcoming in a reasonable timescale the expenditure plans could be adapted to prolong current cash resources. However, should the revised terms not be agreed and the repayment of the US$4 million initially advance is required, additional funds will be needed within twelve months from the date of the approval of these financial statements.

Based on the on-going discussions with various interested parties, the Directors are confident that alternative funding could be secured should the revised terms of the convertible loan not be agreed. Accordingly, the Directors continue to adopt the going concern basis for the preparation of these financial statements.

At the date of the approval of these financial statements, an amended convertible loan facility has not been agreed and there is no legally binding agreement in place relating to alternative funding. There can be no certainty that further advances or other funds will be forthcoming in the required timescale which indicates the existence of a material uncertainty which may cast doubt over the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2.4 Basis of consolidation

The consolidated financial statements of the Group include the accounts of Amur Minerals Corporation and its subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

These consolidated financial statements include accounts of the Company and its subsidiaries as set out in note 1.

The Company's Russian subsidiary maintains its books and records in accordance with accounting principles and practices mandated by Russian Accounting Regulations. These records have been adjusted to comply with IFRS for the purposes of preparing these consolidated financial statements.

Accounting policies of other subsidiaries are consistent with those applied by the Company and the Group.

2 Significant accounting policies **(Continued)**

2.5 Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in US Dollars (US$), which is the Group's presentation currency and is the functional and presentation currency of the Company. The functional currency of the Group's operating subsidiary is the Russian Rouble (RUB).

The exchange rate on 31 December 2017 was US$1:RUB 57.70 (2016: US$1:RUB 61.23), with the average rates applied to transactions during the year of US$1:RUB 58.28 (2016: US$1:RUB 66.91).

In preparing the financial statement of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement and on the retranslation of monetary items are included in profit or loss for the period.

On consolidation, the results of the Group's subsidiaries that have functional currency different from the Group's presentation currency are translated into the presentation currency at rates approximating to those ruling when the transactions took place. All assets and liabilities of these subsidiaries are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening equity and reserves at opening/historic rates and the results at actual rates are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

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

2.6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the Chief Executive Officer, Chief Financial Officer and the other executive and non-executive Board Members.

The operating results of each of these segments are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance.

The accounting policies of these segments are in line with those set out in these notes.

2 Significant accounting policies (Continued)

2.7 Exploration and evaluation assets

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred.

All costs associated with mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical expenses as well as administrative costs closely associated with finding specific mineral resources such as remuneration of employees directly evolved in evaluating technical feasibility or depreciation of property, plant and equipment used for the evaluation and exploration works.

If an exploration project is successful and the project is determined to be commercially viable, the related costs will be transferred to mining assets and amortised over the estimated life of the mineral reserves on a unit of production basis.

Where a project is relinquished, abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off.

Impairment reviews performed under IFRS 6 *'Exploration for and evaluation of mineral resources'* are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

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

2.8 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

Office and computer equipment	3 to 8 years
Operating equipment	5 to 7 years
Vehicles and machinery	2 years

The costs of maintenance, repairs and replacement of minor items of property, plant and equipment are charged to profit or loss for the period.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Prior impairments are reviewed for possible reversal at each reporting date.

2 Significant accounting policies **(Continued)**

2.9 Inventory

Inventories are stated at the lower of cost and net realisable value and comprise mainly fuel, materials and spare parts. Costs comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash, short term deposits and investments in money market funds. Short term deposits comprise deposits made for varying periods of between one day and three months.

2.11 Financial assets

The Group classifies its financial assets as loans and receivables and at fair value through profit or loss. The Group has not classified any of its assets as held to maturity or available for sale.

Financial assets at fair value through profit or loss

This category comprises derivative financial assets carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income within the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntary classify any financial assets as being at fair value through profit or loss.

Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently carried at amortised cost, using the effective interest rate method, less any provision for impairment. If the need for impairment of a receivable arises, the value of provision, representing the expected loss from not being able to recover such a receivable, is recognised in administrative expenses.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

2.12 Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derecognition of financial liabilities

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

2 Significant accounting policies (Continued)

Fair value measurement hierarchy

The Group classifies its financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (note 12). The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within the financial asset or financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

2.13 Equity instruments

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The ordinary shares are classified as equity instruments.

Equity instruments issued by the Company are recorded at the proceeds received. Costs which are directly attributable to the issue of new shares, net of any taxes, are set off against share premium.

2.14 Taxation

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

Current tax

Current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate. Taxable profit differs from net profit as reported due to income tax effects of permanent and temporary differences. Non-profit based taxes are included within administrative expenses.

Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. 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 reporting 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 deductible temporary differences 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.

2.15 Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period.

Equity-settled share-based payment transactions are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3 Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within next financial year are discussed below:

Critical judgements

Recoverability of the exploration and evaluation assets

The most significant judgement in the preparation of these financial statements relates to the recoverability of capitalised exploration costs included in non-current assets. The Directors have assessed whether there are any indicators of impairment in respect of exploration and evaluation costs. In making this assessment they have considered resource estimates, future processing capacity, the forward market and longer term price outlook for nickel.

Management’s estimates of these factors are subject to risk and uncertainties affecting the recoverability of the exploration and evaluation costs. Any changes to these estimates may result in the recognition of an impairment charge with a corresponding reduction in the carrying value of such assets. After consideration of the above factors, the Directors do not consider that there are any indicators that exploration and evaluation costs are impaired at the year end.

The recoverability of the amounts shown in the Group statement of financial position in relation to deferred exploration and evaluation expenditure are dependent upon the discovery of economically recoverable reserves, continuation of the Group’s interests in the underlying mining claims, the political, economic and legislative stability of the regions in which the Group operates, compliance with the terms of the relevant mineral rights licences, the Group’s ability to obtain the necessary financing to fulfil its obligations as they arise and upon future profitable production or proceeds from the disposal of properties.

Russian business environment

The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position of the Group may be significant.

Key sources of estimation uncertainty

Valuation of derivative financial liabilities

The Company granted warrant instruments to Crede CG III as part of an equity subscription agreement. The warrants were exchangeable into a variable number of new ordinary shares. The Directors estimated the fair value of the warrants using Monte-Carlo simulation, as described in note 12. This produced a distribution of possible outcomes based on a variety of different probabilities applied to simulated future share price which inevitably involved a degree of judgement and the actual outcome varied.

4 Segmental reporting

The Group has one reportable segment being Kun-Manie which is involved in the exploration for minerals within the Kun-Manie licence areas in Russia. The Group's non-current assets are located in Russia.

The operating results of this segment is regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and assess the performance.

As the Group has no revenue, the following is an analysis of the Group’s results from continuing operations by reportable segment.

Reportable information as at 31 December 2017:

	Corporate (Unallocated) US$'000	Kun-Manie US$'000	Total US$'000
Administrative expenses	(1,461)	(463)	(1,924)
Finance income	3	-	3
Fair value gain on derivative financial asset	767	-	767
Loss for the year	(691)	(463)	(1,154)
Non-current assets	-	25,260	25,260
Inventories	-	769	769
Trade and other receivables	27	714	741
Cash and cash equivalents	2,409	146	2,555
Segment assets	2,436	26,889	29,325
Trade and other payables	(658)	(110)	(768)
Rehabilitation provision	-	(176)	(176)
Segment liabilities	(658)	(286)	(944)
Segment net assets	1,778	26,603	28,381
Capital expenditure			
Property, plant and equipment	-	878	878
Exploration and evaluation	-	4,276	4,276

4 Segmental reporting **(Continued)**

Reportable information as at 31 December 2016:

	Corporate (Unallocated) US$'000	Kun-Manie US$'000	Total US$'000
Administrative expenses	(3,406)	(362)	(3,768)
Finance income	4	-	4
Fair value gain on derivative financial asset	(2,007)	-	(2,007)
Loss for the year	(5,409)	(362)	(5,771)
Non-current assets	-	19,903	19,903
Inventories	-	756	756
Trade and other receivables	27	741	768
Cash and cash equivalents	8,054	145	8,199
Segment assets	8,081	21,545	29,626
Trade and other payables	(206)	(210)	(416)
Derivative financial liabilities	(3,295)	-	(3,295)
Rehabilitation provision	-	(166)	(166)
Segment liabilities	(3,501)	(376)	(3,877)
Segment net assets	4,580	21,169	25,749
Capital expenditure:			
Property, plant and equipment	-	2,344	2,344
Exploration and evaluation	-	3,487	3,487

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 2.

Segment loss represents the loss incurred by the segment without allocation of central administration costs and Directors' salaries and finance income or costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

5 Exploration and evaluation assets

	Exploration and evaluation assets US$'000
Cost and carrying amount	
At 1 January 2016	11,513
Additions	3,487
Foreign currency adjustments	2,167
At 31 December 2016	17,167
Additions	4,276
Foreign currency adjustments	933
At 31 December 2017	22,376

Exploration and evaluation assets relate to the Group's mineral exploration licence, Kun-Manie and include the following costs capitalised during the year:

- Wages and salaries of US$1,635,000 (2016: US$1,114,000);
- Depreciation of US$890,000 (2016: US$550,000);
- Share based payment of US$nil (2016: US$137,000).

6 Property, plant and equipment

	Office and computer equipment US$'000	Operating equipment US$'000	Vehicles and machinery US$'000	Total US$'000
Cost				
At 1 January 2016	22	970	363	1,355
Additions	24	445	1,875	2,344
Foreign currency adjustments	6	233	246	485
At 31 December 2016	52	1,648	2,484	4,184
Additions	-	1	877	878
Foreign currency adjustments	3	88	173	264
At 31 December 2017	55	1,737	3,534	5,326
Accumulated depreciation				
At 1 January 2016	9	523	174	706
Charge for the year	4	223	325	552
Foreign currency adjustments	2	124	64	190
At 31 December 2016	15	870	563	1,448
Charge for the year	6	294	596	896
Foreign currency adjustments	1	56	41	98
At 31 December 2017	22	1,220	1,200	2,442
Carrying amount				
At 31 December 2017	33	517	2,334	2,884
At 31 December 2016	37	778	1,921	2,736
At 1 January 2015	13	447	189	649

7 Inventories

	2017 US$'000	2016 US$'000
Other materials and supplies	630	666
Fuel	139	90
	769	756

8 Other receivables

	2017 US$'000	2016 US$'000
VAT recoverable	170	224
Prepayments	571	544
	741	768

Other receivables are classified as loans and receivables and are therefore measured at amortised cost.

Prepayments represent prepayment and annual fees paid in advance under the normal course of business.

9 Financial assets - credit risk

The principle financials assets of the Group are bank balances and other receivables. The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies.

The Group's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

	Carrying value		Maximum exposure	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Cash and cash equivalents	2,555	8,199	2,555	8,199

The fair values of financial assets are considered to approximate to their book values due to their short term nature.

10 Trade and other payables

	2017 US$'000	2016 US$'000
Trade payables	148	261
Accruals	578	62
Social security and other taxation	-	49
Other payables	42	44
	768	416

11 Financial liabilities - Liquidity risk

The Group has to date funded its operations through equity and seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Management monitors rolling cash flow forecasts of the Group to ensure that the sufficient funds are available to meet the Group's commitments. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these commitments. Management raises additional capital financing when the review indicates this to be necessary.

The contractual maturities of the Group's financial liabilities are shown in the table below:

	Carrying amount	Contractual cash flows	6 months of less
	US$'000	US$'000	US$'000
At 31 December 2016			
Trade and other payables	367	367	367
At 31 December 2017			
Trade and other payables	768	768	768

12 Derivative financial liabilities

During 2016, the Company granted 72,586,729 new warrants to Crede CG III Limited at a subscription price between 9.945 pence and 5.07 pence as part of an equity subscription agreement entered into on 14 December 2015.

No new warrants were granted during 2017 and all outstanding warrants previously granted were exercised in full during the year (note 14).

Under the terms of the subscription agreement 3 warrants were issued for every 4 subscription shares with a 5 year exercise period. Each warrant gave the warrant holder the right to subscribe to either:

- One ordinary share, for each warrant, at a price per ordinary share equal to subscription price; or
- If the share price was below the subscription price, a number of ordinary shares calculated by dividing the aggregate Black-Scholes value of the warrants by the closing share price, at a price of 1 pence.

The Company had the right to call the warrants at any time the share price was trading at a 25% premium to the highest subscription price of the remaining outstanding warrants.

The movement in warrants during the year has been as follows:

	2017	2016
	Number	Number
At 1 January	62,586,729	17,045,455
New issue of warrants	-	72,586,729
Exercise of warrants	(62,586,729)	(27,045,455)
At 31 December	-	62,586,729

12 Derivative financial liabilities **(Continued)**

As the warrants were exchangeable into variable number of shares they were accounted for as derivative financial liability at fair value through profit or loss. Their fair values on the grant date and each reporting date were determined using a Monte-Carlo simulation. For each iteration of the simulation, the simulated share price was analysed to determine the warrants value. No valuation was required at 31 December 2017 as all warrants were fully exercised.

	2017	**2016**
Share price (pence)	-	10.23
Expected volatility	-	121%
Option life (years)	-	2.50
Expected dividends	-	-
Risk free rate	-	0.11%

Level 3 fair value measurements

Warrants instruments were deemed to be Level 3 liabilities under the fair value hierarchy as fair value measures of these liabilities were not based on observable market data.

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

	Derivative financial liabilities	
	2017	**2016**
	US$'000	**US$'000**
At 1 January	3,295	370
New issue of warrants	-	1,630
Fair value movements recognised through profit or loss	(767)	2,007
Exercise of warrants	(2,528)	(712)
At 31 December	-	3,295

On initial recognition the warrants' cost was deducted from equity as it represents the cost of the shares issued to Crede CG III as part of the equity subscription agreement. Subsequent changes in the fair value of the warrants are recognised through profit or loss.

13 Reserves

Group reserves comprise the following:

Share capital
Amounts subscribed for share capital at proceeds received (note 14).

Share premium
Share premium represents the amounts received by the Company on the issue of its shares which was in excess of the nominal value of the terms of the shares prior to the shares being changed to having no par value, presently utilised for share issue costs.

Foreign currency translation reserve
The foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not the US Dollars and the long-term monetary items forming part of the Group's net investment in the overseas operations.

Share options reserve
The balance held in the share options reserve relates to the fair value of the share options that have been charged to the profit or loss since adoption of IFRS 2 *'Share-based payment'.*

Retained deficit
Cumulative net gains and losses recognised in the income statement and the statement of other comprehensive income less any amounts reflected directly in other reserves.

14 Share capital

	2017 Number	2016 Number
Ordinary share capital		
Authorised		
Ordinary shares of no par value	1,000,000,000	1,000,000,000

	2017 US$'000	2016 US$'000
Issued and fully paid		
634,429,789 (2016: 594,683,617) ordinary shares of no par value	62,879	60,293

(Continued)

14 Share capital

Reconciliation of movements during the year:

		Number	US$'000
At 1 January 2016		460,250,162	54,093
Crede CG III Ltd - warrants conversion	(d)	22,033,235	370
Crede CG III Ltd - issue of equity	(e)	32,679,739	2,711
Crede CG III Ltd - warrants conversion	(f)	15,367,916	342
Crede CG III Ltd - issue of equity	(g)	64,102,565	2,762
Service providers	(h)	250,000	15
At 31 December 2016		594,683,617	60,293
Service providers	(a)	1,000,000	58
Crede CG III Ltd - warrants conversion	(b)	15,869,131	198
Crede CG III Ltd - warrants conversion	(c)	22,877,041	2,330
At 31 December 2017		634,429,789	62,879

(a) In January 2017, the Company raised £46,800 (US$57,800) through the issue of 1,000,000 new Ordinary Shares to Jett Capital Advisors LLC, following the exercise of options at an exercise price of 4.68 pence per share.

(b) On 28 April 2017, the Company, pursuant to the subscription agreement entered into with Crede CG III Ltd on 14 December 2015, converted 14,509,805 warrants held by Crede using the Black-Scholes valuation method applicable to the agreement, for 15,869,131 new Ordinary Shares.

(c) On 18 September 2017, the Company, pursuant to the subscription agreement entered into with Crede CG III Ltd on 14 December 2015, converted 48,076,924 warrants held by Crede using the Black-Scholes valuation method applicable to the agreement, for 22,877,041 new Ordinary Shares.

(d) On 1 March 2016, the Company, pursuant to the subscription agreement entered into with Crede CG III Ltd on 14 December 2015, converted all 17,045,455 warrants held by Crede using the Black-Scholes valuation method applicable to the agreement, for 22,033,235 new Ordinary Shares.

(e) On 17 March 2016, the Company, pursuant to the subscription agreement entered into with Crede CG III Ltd on 14 December 2015 allotted 32,679,739 new Ordinary Shares at a price of 7.65 pence per share to raise £2.5 million (US$2.7 million) before expenses. The Company also issued warrants over 24,509,805 ordinary shares.

(f) On 19 May 2016, the Company, pursuant to the subscription agreement entered into with Crede CG III Ltd on 14 December 2015, converted all 10,000,000 warrants held by Crede using the Black-Scholes valuation method applicable to the agreement, for 15,367,916 new Ordinary Shares.

(Continued)

14 Share capital

(g) On 20 June 2016, the Company, pursuant to the subscription agreement entered into with Crede CG III Ltd on 14 December 2015 allotted 64,102,565 new Ordinary Shares at a price of 3.9 pence per share to raise £2.5 million (US$2.8 million) before expenses. The Company also issued warrants over 48,076,924 ordinary shares.

(h) On 8 December 2016, the Company raised £11,700 (US$14,762) through the issue of 250,000 new Ordinary Shares to Jett Capital Advisors LLC, following the exercise of options at an exercise price of 4.68 pence per share.

All of these shares have been admitted to the AIM market of the London Stock Exchange plc.

15 Share-based payment transactions

Options granted

	Number of share options		**Weighted average exercise price**	
	2017	**2016**	**2017 (pence)**	**2016 (pence)**
Outstanding at 1 January	32,661,387	39,577,918	15.38	15.40
Granted	-	2,903,469	-	6.20
Exercised	(1,000,000)	(250,000)	5.70	4.68
Expired	(914,818)	(9,570,000)	16.62	12.68
Outstanding at 31 December	30,746,569	32,661,387	15.69	15.38
Exercisable at 31 December	30,746,569	32,661,387	15.69	15.38

The weighted average share price at the date of exercise for share options exercised during the year was 5 pence (2016 - 5 pence).

The options outstanding at 31 December 2017 had an exercise price ranging from 4.68 pence to 26.25 pence, and a remaining contractual life of 0.3 - 2.5 years.

During 2017, no options or other equity instruments were granted.

During 2016, 980,392 options were granted on 17 March 2016 and 1,923,077 options were granted on 20 June 2016 to Jett Capital Advisors LLC, in lieu of services provided. The fair value of the options on the measurement date was US$108,000 and US$109,000 respectively, measured by reference to the fair value of services received.

There are no market conditions associated with the share options grants. There was no charge arising from outstanding options for the year. In 2016, the total charge arising from outstanding options was US $712,000 of which US$137,000 was capitalised within exploration and evaluation assets (note 5), and US $217,000 recognised in equity as costs directly associated with issue of equity.

16 Operating loss

	2017 US$'000	2016 US$'000
Operating loss for the year is stated after charging/(crediting):		
Employee costs, including Directors' fees	1,165	1,112
Net foreign exchange (gains)/losses	(115)	13
Fees payable to the Company's auditors for the audit and audit related services of the Group's financial statements	94	89
Depreciation of property, plant and equipment	6	2
Share-based payments (note 15)	-	358

The average number of employees for the Group for the period to 31 December 2017 was 62 (2016: 49 employees).

17 Finance income

	2017 US$'000	2016 US$'000
Bank deposits	3	4

18 Tax expense

	Continuing operations	
	2017 US$'000	2016 US$'000
Current tax - BVI corporation tax	-	-
Current tax - Russian corporation tax	-	-
	-	-

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

	2017 US$'000	2016 US$'000
Loss before taxation	(1,154)	(5,771)
Expected tax charge based on the BVI corporation tax rate of 0%	-	-
Expenses not deductible in determining taxable profit	167	450
Income not taxable	(67)	(198)
Utilisation of tax losses not previously recognised	-	(213)
Unutilised tax losses carried forward	158	-
Effect of overseas tax rates	(258)	(39)
Tax charge for the year	-	-

18 Tax expense

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. At the reporting date, the subsidiary in Russia had unrecognised tax losses carried forward of:

	2017 US$'000	**2016 US$'000**
Tax losses carried forward	9,541	8,241
Potential deferred tax impact at the standard rate of corporation tax in Russia of 20%	1,908	1,648

On 23 May 2016, certain tax incentives for regional investment projects in excess of US$5 million were introduced in Russia. Although assessed on project by project basis, this could reduce the Group's future regional profit tax to between 0% - 10% for the first 10 years of production.

19 Loss per share

Basic and diluted loss per share are calculated and set out below. The effects of warrants and share options outstanding at the year ends are anti-dilutive and the total of 30.7 million (2016: 95.3 million) of potential ordinary shares have therefore been excluded from the following calculations:

	2017	**2016**
Number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	613,250,727	547,940,724

	2017 US$'000	**2016 US$'000**
Earnings		
Net loss for the year from continued operations attributable to equity shareholders	(1,154)	(5,771)
Loss per share for continuing operations (expressed in cents)		
Basic and diluted loss per share	(0.20)	(1.10)

20 Directors' remuneration

The aggregate remuneration of the Directors of the Company was as follows:

	Salaries US$'000	Fees US$'000	2017 Total US$'000	Salaries US$'000	Fees US$'000	2016 Total US$'000
Executive Directors						
Robin Young	316	-	316	316	-	316
Non-Executive Directors						
Robert Schafer	-	58	58	-	61	61
Brian Savage	-	50	50	-	86	86
Paul Gazzard	-	49	49	-	13	-
Lou Naumovski	-	50	50	-	-	-
	316	207	523	316	160	463

The following tables show the beneficial interests of the Directors who held office at the end of the year in the ordinary shares of the Company and the interests of the Directors in share options:

Shares held	**Robin Young**	**Robert Schafer**	**Brian Savage**	**Paul Gazzard**	**Lou Naumovski**
At 1 January 2016	2,306,068	438,249	340,013	-	-
Additions	-	-	-	-	-
At 31 December 2016	2,306,068	438,249	340,013	-	-
Additions	-	-	-	-	-
At 31 December 2017	2,306,068	438,249	340,013	-	-

Options held	**Exercise price**	**Exercise dates**	**Robin Young**	**Robert Schafer**	**Brian Savage**	**Paul Gazzard**	**Lou Naumovski**
	£0.087 (US$0.10)	23.04.13-23.04.18	7,800,000	1,950,000	1,950,000	-	-
	£0.2625 (US$0.32)	27.07.15-27.07.20	3,301,000	748,000	635,000	-	-
	£0.2625 (US$0.32)	19.09.16-27.07.20	-	-	-	338,000	-
At 1 January 2017			11,101,000	2,698,000	2,585,000	338,000	-
Options expired / lapsed			-	-	-	-	-
Options granted			-	-	-	-	-
At 31 December 2017			11,101,000	2,698,000	2,585,000	338,000	-

US$ exercise prices are shown for indicative purposes only, calculated at 31 December 2017 exchange rates.

21 Financial and capital risk management

The Group is exposed to risks that arise from its use of financial instruments and capital management.

The main purpose of financial instruments is to raise and utilise finance in the Group's operations.

The main risks arising from the Group's financial instruments are credit risk (note 9), liquidity risk (note 11), interest risk, and currency risk.

The Directors review and agree policies for managing these risks and these are summarised below.

Interest rate risk
The Group finances its operations through equity financing to alleviate the interest rate risk. The interest rate exposure of the financial assets of the Group as at 31 December 2017 related wholly to floating interest rates in respect of cash at bank. Cash at bank in interest bearing accounts was held in demand accounts with one-month maturities throughout the year. This policy was unchanged from 2016.

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are managed in order to ensure that the maximum level of interest is received for the available funds but without affecting working capital flexibility.

The Group is not currently exposed to cash flow interest rate risk on borrowings as it has no debt or fixed rate finance leases. No subsidiary of the Group is permitted to enter into any borrowing facility or lease agreement without the Company's prior consent.

Currency risk
The Group undertakes certain transactions denominated in foreign currencies hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters by holding bank deposits in Russian Roubles, US Dollars and Pound Sterling.

Management reviews its currency risk exposure periodically and hedges part of its exposure to Pound Sterling by buying and holding on US Dollar deposits. The Group also hold Roubles in order to cover a proportion of anticipated Rouble expenditures. As at 31 December 2017 the Group had on deposit approximately US$1,487,000 in Pound Sterling (2016: US$1,407,000) and US$25,000 in Rouble (2016: US $21,000) bank accounts.

An analysis of the Group's net monetary assets and liabilities by functional currency of the underlying companies at the year-end is as follows:

	Functional currency		Total
	US Dollar	**Russian Rouble**	
	2017	**2017**	**2017**
	US$'000	**US$'000**	**US$'000**
Currency of net monetary assets/liabilities			
US Dollar	893	141	1,034
Pound Sterling	839	-	839
Russian Rouble	19	65	84
At 31 December	1,751	206	1,957

21 Financial and capital risk management **(Continued)**

	Functional currency		Total
	US Dollar	Russian Rouble	
	2016	2016	2016
	US$'000	US$'000	US$'000
Currency of net monetary assets/liabilities			
US Dollar	6,539	143	6,682
Pound Sterling	1,290	-	1,290
Russian Rouble	19	18	37
At 31 December	7,848	161	8,009

The table above indicates that the Company's primary exposure is to exchange rate movements between UK Pound Sterling and the US Dollar. The table below shows the impact of changes in exchange rates on the result and financial position of the Company.

	2017	2016
	US$'000	US$'000
Pound Sterling 10% weakening against US Dollar	47	198
Pound Sterling 10% strengthening against US Dollar	(114)	(73)
Pound Sterling 20% weakening against US Dollar	127	333
Pound Sterling 20% strengthening against US Dollar	(195)	(208)

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure reflects only the impact on the year-end balance sheet of changes in exchange rates and does not reflect the exposure on on-going and future expenditure. Rouble denominated expenditures is seasonal with higher volumes in the second and third quarters of the financial year.

Capital risk

The Group's objectives when managing capital (i.e. share capital, share premium and retained deficit) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders. Historically the Company has issued share capital to provide funds for the exploration programmes. The need for further finance is kept under review by the Board through review of cash flow forecasts and further finance, from equity or debt, will be considered for future exploration and development work.

22 Commitments

	2017 US$'000	2016 US$'000
Capital commitments		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	21	484

Operating lease commitments
The Group leases various offices and other buildings under cancellable operating lease agreements. The leases have varying terms, and renewal rights and are immaterial to the Group.

23 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel, who are considered to be the Directors and senior management, is set out below in aggregate for each of the categories specified in IAS 24 *'Related Party Disclosures'.*

	2017 US$'000	2016 US$'000
Short-term employee benefits	1,091	1,106
Share-based payments	-	406
	1,091	1,512

US$220,000 (2016: US$194,000) of the short-term employee benefits amount and US$nil (2016: US $88,000) of the share-based payments amount related to key management personnel were capitalised within exploration and evaluation assets.

The fees of US$316,000 (2016: US$316,000) in respect of Robin Young's director services are paid to Western Services Engineering Inc., a company of which he is also a director and a shareholder. At the reporting date US$nil (2016: US$37,000) of the amount remained outstanding.

There were no other related party transactions in the current or preceding years.

24 Events after the reporting date

On 12 February 2018 the Company entered into a US$10 million convertible loan facility with Cuart Investments PPC Ltd and YA II PN Ltd, with the initial advance of US$4 million being drawn on 14 February 2018.

On 20 March 2018 pursuant to the convertible loan agreement entered into on 12 February 2018, the Company issued 1,722,264 new ordinary shares to Cuart Investment PPC Ltd and YA II PN Ltd in settlement on US$100,745 of principal and accrued interest.

On 9 April 2018 pursuant to the convertible loan agreement entered into on 12 February 2018, the Company issued 1,722,870 new ordinary shares to Cuart Investment PPC Ltd and YA II PN Ltd in settlement on US$100,460 of principal and accrued interest.

On 13 April 2018 pursuant to the convertible loan agreement entered into on 12 February 2018, the Company issued 1,820,108 new ordinary shares to Cuart Investment PPC Ltd and YA II PN Ltd in settlement on US$100,066 of principal and accrued interest.

On 17 April 2018 the Directors and Executive management entered into 12 month share purchase programme whereby they will be making monthly purchases of shares in the open market.

On 19 April 2018 pursuant to the convertible loan agreement entered into on 12 February 2018, the Company issued 1,821,943 new ordinary shares to Cuart Investment PPC Ltd and YA II PN Ltd in settlement on US$100,110 of principal and accrued interest.

On 26 April 2018 pursuant to the convertible loan agreement entered into on 12 February 2018, the Company issued 3,608,257 new ordinary shares to Cuart Investment PPC Ltd and YA II PN Ltd in settlement on US$200,263 of principal and accrued interest.

On 16 May 2018 pursuant to the convertible loan agreement entered into on 12 February 2018, the Company issued 3,375,994 new ordinary shares to Cuart Investment PPC Ltd and YA II PN Ltd in settlement on US$200,789 of principal and accrued interest.

On 20 June 2018 pursuant to the convertible loan agreement entered into on 12 February 2018, the Company issued 3,480,369 new ordinary shares to Cuart PCC Ltd and YA II PN Ltd in settlement of US$197,753 of principal and accrued interest.