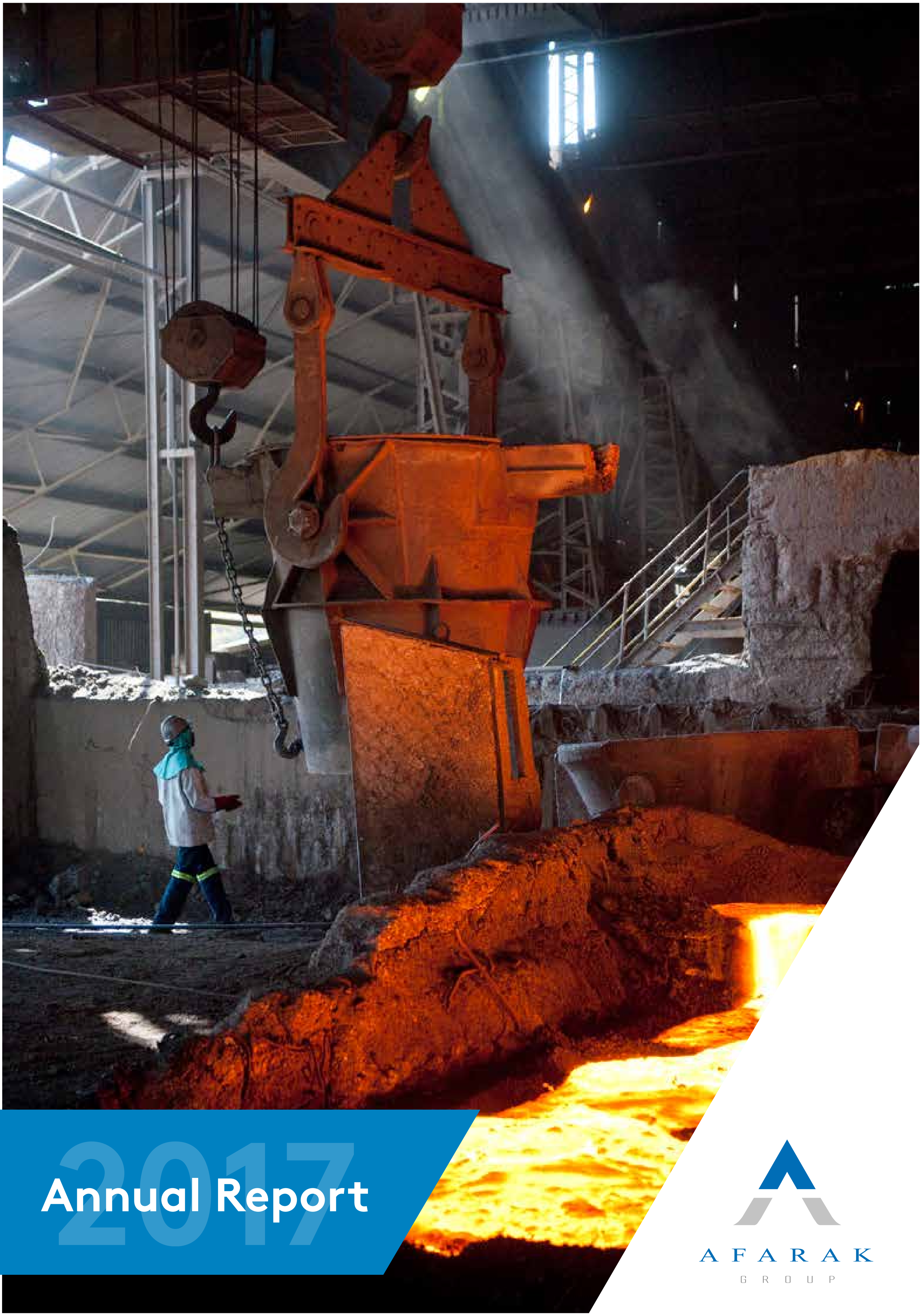


2017

Annual Report

AFARAK
GROUP


We are
Afarak.
The speciality
alloys producer

AFARAK
GROUP

A vertically-integrated producer of speciality alloys, Afarak is a global organisation with operations in South Africa, Turkey and Germany. Afarak is listed on the NASDAQ OMX Helsinki Stock Exchange and the London Stock Exchange.

Contents

Resource Statement

Strategic Review

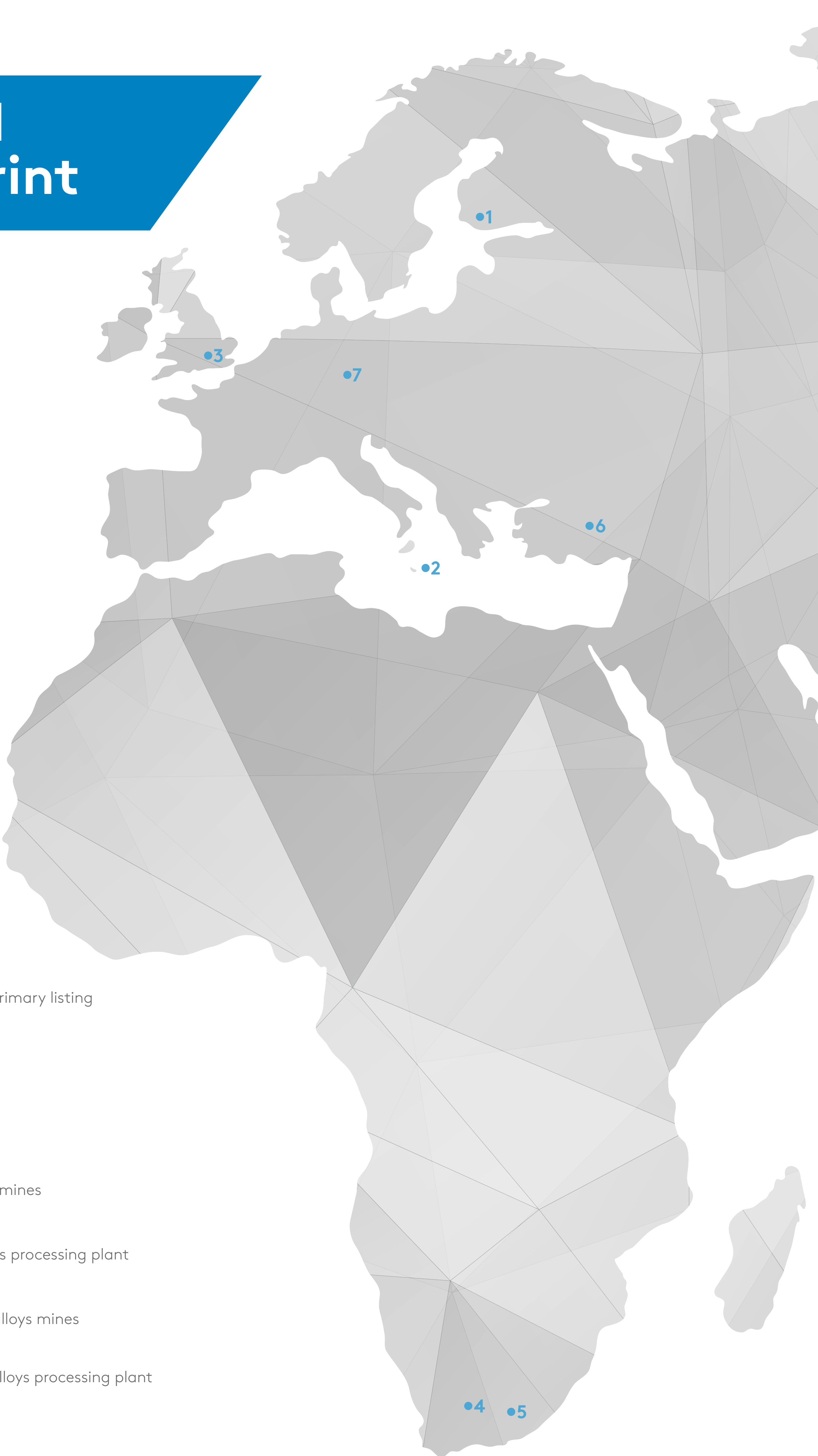
Governance Review

Financial Statements

Parent Company's Financial Statements

Strategic Review

Global Footprint



1. **HELSINKI**
   Registered office, Primary listing
2. **MALTA**
   Corporate Office
3. **LONDON**
   Secondary listing
4. **SOUTH AFRICA**
   Mines – Ferroalloys mines
5. **SOUTH AFRICA**
   Mogale – Ferroalloys processing plant
6. **TURKEY**
   Mines – Speciality alloys mines
7. **GERMANY**
   EWW – Speciality alloys processing plant

SEGMENTS

FERROALLOYS

Products

FeCr
Mc FeCr

End-user Industry

Stainless steel

SPECIALITY ALLOYS

Products

LLL FeCr
ELC FeCr
HCr FeCr

End-user Industry

Aerospace
Renewable Energy
Automotive
Oil & Gas

CEO Report

Our performance in 2017 is the strongest on record. Our performance was underpinned by a clear focus on improving operational efficiencies and making Afarak more adaptable to the favourable market conditions.

After an encouraging end to 2016, the positive momentum in the commodity markets continued through 2017. The chrome ore and ferrochrome market was generally strong, driven by positive market sentiment on stainless steel, both in China and the Western world. The strong economic performance in both major developed and developing countries also played a key role in supporting positive commodity demand conditions.

Internal restructuring leads to record results
Afarak benefited from these positive market conditions. Our focus on vertical integration and niche marketing, with high quality end products helped us register an EBITDA of EUR18.0 million compared to EUR5.5 in 2016.

Our sales volumes from processing improved from 97,095 tonnes to 101,598 tonnes. Our mining output increased from 262,266 tonnes to 503,914 tonnes following the resumption of mining in Mecklenburg. At the same time, we have identified and developed internal and external growth areas.

We have acquired a new mine, Zeerust Chrime Mine (ZCM), and worked on preparing underground mining in Mecklenburg. We are working on further acquisition opportunities. In Ilitha we have commissioned investments for 2 new beneficiation plants, one to improve our yields in metallurgical grade extraction and the second one for the production of foundry and chemical grade ore. A similar installation was also purchased in Mogale to produce separate foundry grade from the ore before the smelting operations. We also created Afarak Platinum, a new subsidiary that is going to extract PGM from the Ilitha tailings.

In TMS, we have installed new shaking tables and developed further mining fields.

In EWW, we have optimised the production methods and increased the output from 19,420 tonnes to 29,151 tonnes. We have improved a number of processes that will entail positive effects on the cost of production, the quality of the end products and the reduction of waste materials.

The Company's working capital management has further improved. Neither inventories, nor receivables increased substantially, although we have almost doubled our activity. We have preserved our healthy balance sheet, strongly growing our turnover. The company has increased its CAPEX from EUR2.8 million to EUR6.9 million, which is the highest spend on investments in the recent past. Management strongly believes that Afarak will start to reap the benefits of this new growth vision and strategy towards the second half of 2018. We will also continue our investment program in 2018 and onwards.

Overall, the protection ratios remain strong, with only a marginal increase in gearing as a result of utilising more bank facilities for financing our working capital requirements. Our equity ratio remains very high, allowing for more external financing in support of our growth initiatives, with our cash generated from operations freed up for planned capital expenditure and investments. During 2017, on account of the exceptionally strong performance in the first quarter, the Company paid out a capital redemption to our shareholders of EUR5.2 million.

Growth strategy
In 2018, both ZCM and Vlakpoort mining operations will commence. Our underground mining in Mecklenburg is scheduled to be at full capacity during quarter four 2018. Further increasing our mining activity will be our constant focus. While we want to remain a niche player and small producer of specialties in the alloys business, we also want to continue to become a more sizable market participant when it comes to chrome ore sales. This goal can be achieved via partnerships, acquisitions and further internal growth, such as doubling the capacity in Stellite in 2019. Our aim is simple, to become more vertically-integrated and to enhance our product portfolio to make Afarak more resilient and adaptable to market needs and conditions.

Sustainability
Management focused its efforts on health and safety improvements. Our smelting team in Mogale adopted a new continuous improvement system called Letsema, the Sotho word for a group of people working towards one objective.

Our mining teams are also undergoing daily training sessions and we started to raise awareness about the new safety rules to be implemented, when we start underground mining. We want to preserve the lives, the physical integrity, the health and the overall well-being of all our employees.

We continue to engage with our host communities, in Turkey and South Africa. We don't see our role to be exclusively active in financial support and charity, but also in building skills, helping and supporting local businesses, as well as coaching local entrepreneurs.

The environment remains another important pillar of our long-term strategy. We want to reduce our CO2 emissions, produce less waste material and include more of our secondary and waste products into the so-called circular economy. As a miner, we are committed to rehabilitation efforts, but we want to exceed the mere obligations and try to leave our production sites as close to their pristine state as possible.

The chrome market remains volatile. The benchmark is unfortunately continuing to show excessive swings from quarter to quarter. By producing specialties and reducing our cost of production, we want to reduce the impact of this volatility. The fluctuations in Chrome Ore prices have been less severe in 2017, but the dependence on the Chinese market will continue to trigger volatility. We must be able to reduce our cost of mining, increase our yields and extract better qualities on a continuous basis. The opportunities for open-pit mining are becoming rarer, even in South Africa, where two-thirds of the world reserves lie embedded in underground reserves. Mining will be more and more a matter of specialists and competency centres. I feel extremely confident that we can sustain and grow the company with our dedicated teams in both Turkey and South Africa.

In order to be better prepared for the challenges of the future, when it comes to acquisitions and investments, Afarak intends to focus on its primary listing on the London Stock Exchange and leave the NASDAQ Helsinki Stock Exchange. Independently from the place of our listing, Afarak will remain a global company focused on shareholder value creation. All our shareholders can rest assured that their investment is in competent and capable hands.

Although the operating environment remains challenging, Afarak looks forward to 2018 with confidence.

Thank you
The management team of Afarak is collectively responsible for the excellent results and positive evolution. I would like to thank everybody for the countless hours, the mutual respect in our diverse and multicultural company and the valuable support to change.

I would like to thank all our clients for their support and trust. I would also extend special thanks to our host communities for their positive attitude.

Lastly, I thank the Board, led by our Chairman, for putting their trust in me, and continuing to serve the company with their experience and insight.

GUY KONSBRUCK
CEO

Growth Strategy

Afarak's vision is to establish itself as a long term sustainable value creator to our stakeholders by addressing market trends and needs in a safe and efficient operating environment.

Afarak's strategy is to grow and strengthen its business through industry acquisitions, vertical integration, product development and continuous process innovation.

As Afarak continues to draw on its expertise and knowledge of the industry, it is now focusing its efforts of utilising available capital to support its growth, both organically and through selected merger and acquisition activity.

Afarak's organic growth strategy is very much focused on product development and process innovation. Our shaking table technology is contributing to improved efficiencies and a lower cost of production in our mines in Turkey and South Africa. Our interventions, increasing the high wall at Mecklenburg, have also contributed to the resumption of opencast mining and to the improved performance of the Group. Investments in additional cycles of ore processing in our mining operations are affecting positively both the cost of production, as well as creating additional value by producing chemical, refractory and foundry ore grades, and the recovery of PGM from tailings in our South African mines. Strategic selection of sources for production of high quality ores used in the production of Ferrochrome in our smelters and the continuous investments in improvements in the production processes, allow Afarak to effectively differentiate its product range towards speciality products in both speciality and ferroalloys segments.

Our acquisition strategy is both selective and opportunistic. We have developed a list of targets which would either increase our market share, or support us in our vertical integration efforts. Our assessment and focus is on long-term prospects of the assets considered as well as their contribution to maximising shareholder value.

To achieve all of this, we are focusing on three main strategic operating imperatives:

- To fully integrate sustainability across all our business units
- To grow the organisation organically as well as through M&A
- To achieve strong profitability through operational efficiencies and cost controls

INTEGRATING SUSTAINABILITY THROUGHOUT OUR BUSINESS

Afarak understands that sustainability is critical to our business and our industry. We want to do things the right way across all our business units and processes. We are looking at continuously improving our performance in areas such as health and safety, energy efficiency, environmental protection and community relations. Safety is our top priority.
It comes before anything else and we are not after

shortcuts. Being a resource company, we remain committed to preserve the environment. The communities that host us are important stakeholders and we are proud of the reputation that we have built with them over the years.

GROWING THE ORGANISATIONAL CAPACITY ORGANICALLY AND THROUGH M&A

Afarak has always embodied a strong entrepreneurial culture and spirit. By being innovative and through strategic acquisitions & joint ventures, it has grown to be a reputable global player. As the company continues to consolidate its strengths & fundamentals, it is now on a path of growth through strategic alliances and M&A activity.

The acquisition of the Zeerust Chrome Mine in South Africa reflects our strategy to add assets which will strengthen our vertical-integration. This addition further bolsters our position as a leading specialty alloys producer. Afarak specifically targeted ZCM due to the unique quality of its chrome ore. By leveraging our in-house technical expertise and controlling our own production of ZCM high quality ore, we are now in the position to make Mogale the only South African smelter capable of producing High Carbon ferrochrome, further differentiating our product range and increasing the contribution of higher yielding specialty alloys in our production output.

R&D continues to play an important role in Afarak's future. With one of the most advanced labs in the industry and an underutilised site in Germany, R&D presents a unique opportunity for Afarak to continue to grow its capacity organically. In cooperation with external experts and technical solution providers, some of the ongoing initiatives target areas of environmental protection through slag and tailings reduction and recovery processes, as well as energy efficiency solutions, including electrical energy production from furnace heat recovery. R&D has the potential of identifying and creating new revenue streams for the Company and it is being envisaged that increased cooperation with universities and research institutes will allow Afarak to engage in new projects.

Work has also started on introducing additional cycles of beneficiation and the expansion of the product mix through the introduction of higher value-adding products. These projects are still in the initial stages of development. Afarak will continue to tap into high margin products, as well as to continuously diversify its product range.

ACHIEVING STRONG PROFITABILITY THROUGH OPERATIONAL EFFICIENCIES AND COST CONTROLS

We strive to achieve strong shareholder returns by improving the competitiveness of our assets, our products and through an ongoing focus on cost management and operational efficiency. Afarak continues to strengthen its marketing and trading capacity to maximise returns.

Management continues to improve its working capital management. There has been greater effort to control inventory and, new measures, the Company has managed to move more material during the year with the same inventory levels.

Operationally, the Company has become more flexible and adaptable to market needs. As it further secures vertical-integration, the Group will be in a stronger position to manage its costs of production. In South Africa, investments into a new 2.8 MW heat recovery unit, which will also contribute to reducing its electricity costs.

The initiatives that have been implemented throughout the year, have allowed Afarak to benefit from the market upswing. These improvements will further strengthen Afarak's resilience and flexibility, thus allowing it to improve its operations and profitability in the years to come.

2017 Highlights

With a new leadership team and a new strategy, Afarak embarked on a restructuring process. This made us more responsive to the market. Also, Afarak registered record EBITDA and EBIT performance. Further efforts towards vertical-integration were made.

Q1 - NEW LEADERSHIP

The new management team started an internal restructuring of the Company, making it more responsive to market needs. A more aggressive focus on vertical-integration was undertaken in line with a redefined growth strategy.

Q1 - RESUMPTION OF OPENCAST MINING AT MECKLENBURG

Afarak entered a Mining Services Agreement with Pholagolwa Mining to continue the opencast mining at Mecklenburg. The Company increased the high wall from 40 to 65 metres. Full production amounts on average to 30,000 tons of chrome ore per month. The total deposit is expected to contain just over 200,000 tons of chrome ore. The underground mining area which is gradually being made accessible could accumulate an overall production of 4.5 million tons of chrome ore.

Q1 - PURCHASE OF TRUST AT MOGALE

An agreement was made between Afarak Mogale and the Mogale Alloys Workers Trust on the purchase of all the shares the Trust holds in Afarak Mogale. Afarak Mogale put forward an offer of ZAR 64.9 million to acquire the remaining 10% in a share buy-back scheme that will see the shares transferred to Afarak Mogale over an 8-year period. This offer was accepted.

Q2 - MOGALE CONVERTS TO FERROCHROME

Prior to December 2016, Mogale only had one furnace dedicated to ferrochrome. As a response to improved market conditions, Afarak successfully converted two of its furnaces from producing silicomanganese to ferrochrome; the first in December 2016 and the second in April 2017.

Q2 - EUROPEAN PROTECTION DUTIES FOR EWW

Euroalliages has initiated a case calling for protection measures in favour of EWW in response to non-European producers. This confirms the strategic role EWW plays in Europe as the sole low carbon ferrochrome producer.

Q2 - CAPITAL REDEMPTION

In the second quarter, the Company paid a EUR 0.02 per share capital redemption, following the exceptional result registered in quarter one.

Q3 - ACQUISITION OF ZEERUST CHROME MINE

Afarak announced that through its South African subsidiary Afarak Mining Limited, it had reached an agreement in principle to acquire a 70% shareholding in ZCM (Zeerust Chrome Mine). The ZCM mine has an opencast ore resource of about 2 million tons if mined up to 35 meters high wall. Additional capacity exists in the 1.2 million tons tailing dump. The high-quality ore will make Mogale the only smelter in South Africa capable of producing high carbon ferrochrome.

Q3 - COMMUNITY INVESTMENT

Afarak strongly supported the Magakala Community in the areas of Sefara and Madifahlane in South Africa. Due to its growth and water scarcity in the area, the community required an investment in water tanks to sustain the demand for water by the community. To this end, Afarak invested in the purchase and installation of 10 water tanks with a capacity of 10,000 litres each. This project also supported local entrepreneurship and local companies were entrusted with the installation and commissioning of the tanks.

Q3 - EWW CELEBRATES 100-YEARS

Our EWW plant in Germany celebrated its 100-year anniversary. The plant remains the sole producer of low carbon ferrochrome in Europe.

Q4 - HEALTH & SAFETY IN TURKEY

Our unit in Turkey completed and commissioned its investment in a state-of-the-art underground mine tracking system. Safety remains a central focus for Afarak across its units and it continues to implement relevant projects and initiatives across its plants.

Q4 – GROWTH PLANS FOR 2018

Afarak Group is undertaking further investment with a view of introducing additional cycles of beneficiation and the expansion of the product mix through the introduction of higher value-adding products in South Africa. These projects are still in the initial stages of development and the first production results could be expected during 2018.

FY 2017 – RECORD PERFORMANCE

2017 was a record year for Afarak. EBITDA more than tripled to EUR 18.0 million, from EUR 5.5 million in 2016. Management's focus on productivity and efficiency gains throughout the Group, especially in South Africa, supported by stronger market conditions, resulted in significant operational and financial gains for the year.

Market Review

The Chrome Ore Market

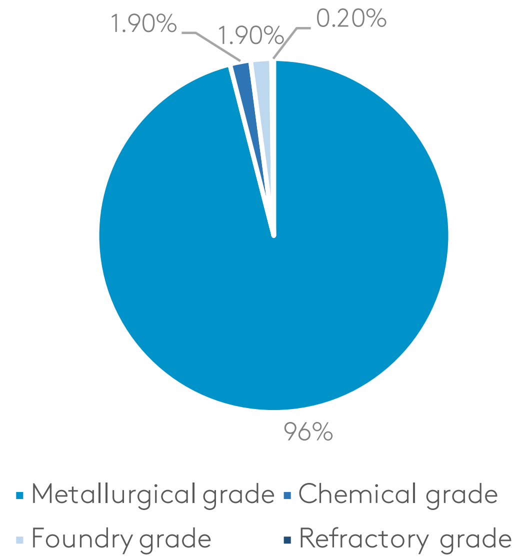
Afarak Group's activity in the chrome ore market continuously increases with its mining output.

Globally, most of the chrome ore is used in metallurgical applications. However, chrome ore is also used, though to a much lesser extent

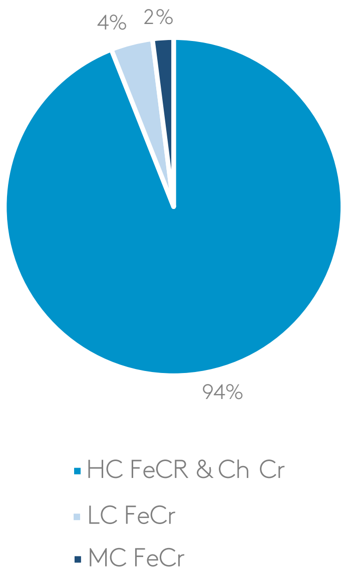
- in the production of refractories
- as foundry sands
- as raw material in the chemical industry

Our production mainly services the demand for the metallurgical grade chrome ore. In fact, 96% of total global chrome ore production is used in metallurgical applications.

GLOBAL CHROME ORE PRODUCTION BY GRADE



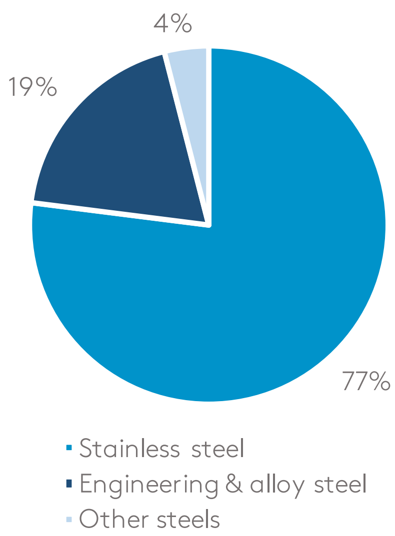
GLOBAL FERROCHROME PRODUCTION BY TYPE



The main type of chrome which is used in metallurgical applications is ferrochrome (FeCr) which in turn is an alloy of chromium and iron containing between 50% and 70% chromium. Below 55% Cr content, the industry usually employs the terminology "Charge Chrome". Above that limit of Cr contents, we generally use the term "ferrochrome". For the production of both, the chromite ore is reduced, usually by coal and/or coke in a high temperature reaction in an electric arc furnace. Ferrochrome is often classified by the ratio of chrome to carbon it contains and the global production of the various types of ferrochrome is shown in chart above. Afarak produces ferrochrome across all main types.

Primarily, ferrochrome is used in the production of stainless steel. In fact, over three-quarters of global ferrochrome production is used to produce stainless steel. It is also used as an alloying material for various steels. In fact, chrome makes the steel stainless by giving it a passive layer formation and 100% of stainless steels contain chrome. In addition, the unique features of chrome increase scale resistance, toughness and hardness penetrability of alloys. 60% of all alloy steels in fact contain chrome. The following chart highlights the applications of global ferrochrome applications.

GLOBAL FERROCHROME APPLICATIONS



Therefore, chrome ore and ferrochrome are very much correlated to the developments of the stainless steel industry.

2017 in Review

Global economic activity continued to firm up in 2017, with a faster than expected growth rate bolstered by the increase in activity in both advanced and emerging economies. The economic growth was supported further by strong investments in infrastructure, stronger demand for commodities, including stainless steel and alloys.

STAINLESS STEEL

Global stainless steel demand continued to increase throughout 2017, making it a positive year for steel. Strong growth came from China, India and Europe due to higher demand from infrastructure, consumer goods and energy-related segments.

CONSUMER APPLIANCES & MEDICAL
20.1
million tonnes

Appliances have been widely consumed around the world and producers are constantly innovating. Afarak supplies ferrochrome which is used as raw material for components in these industries.

CHEMICAL, PETROCHEMICAL & ENERGY
6.4
million tonnes

Stainless steel solutions are becoming more specific and complex. Afarak's products are used in wind energy turbines, oil & gas industries and nuclear plants.

ARCHITECTURE, CONSTRUCTION & INFRASTRUCTURE
6.4
million tonnes

As buildings and infrastructure become more demanding, there is need for materials that are safe and last a lifetime. Afarak's materials are used by the world's leading stainless-steel mills to supply the construction industry with suitable components.

OTHERS
1
million tonnes

INDUSTRIAL & HEAVY INDUSTRY
3.1
million tonnes

Industrialisation is requiring further highly-engineering machines and tools. Afarak material is used in the production of components used in robotics as well as machinery utilised by heavy industry.

TRANSPORTATION
4.2
million tonnes

The transportation industry is in search of materials that lead to cost-efficiencies and meet the requirements of new technologies. Afarak can provide key industry players with raw materials for components in the transportation industry, primarily aerospace and automotive.

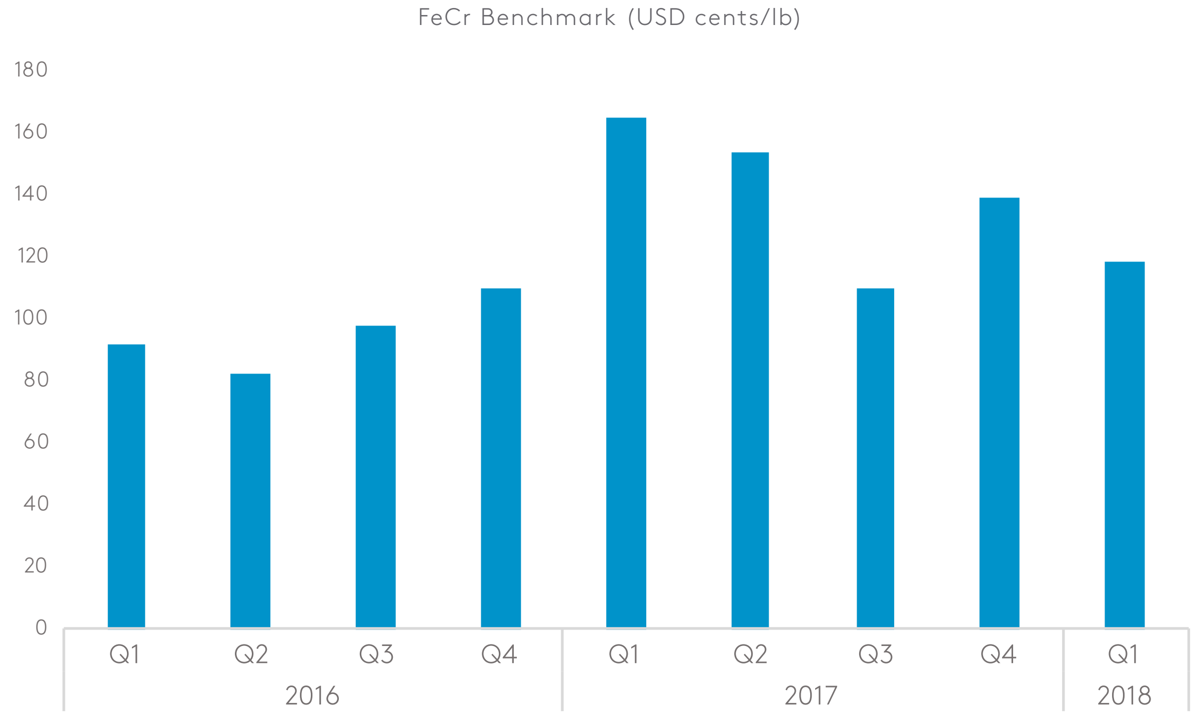
Due to the increased demand, prices too were higher than those registered in 2016. Although higher, prices started to decline during the year after a very strong first quarter. The strong demand for stainless steel has continued into the first quarter of 2018.

The long-term outlook for stainless steel demand remains positive. Key global megatrends such as urbanisations, modernisations, and increased mobility combined with growing global demand for energy, food, and water are expected to support the future growth of stainless steel demand.

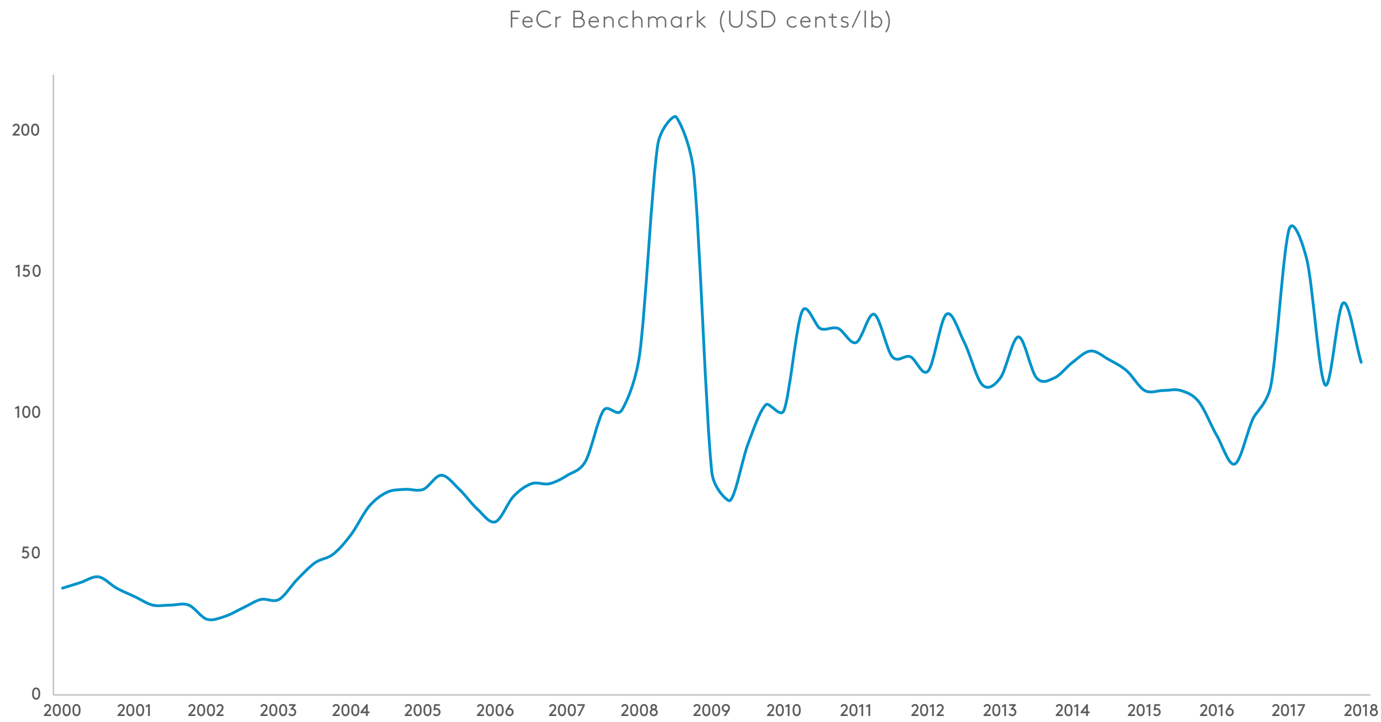
CHROME ORE

The positive market developments for stainless steel were also reflected in the chrome ore markets. Prices during 2017 were on average higher than those a year earlier. Moving into the first quarter of 2018, ore prices have remained resilient.

FERROCHROME



2017 was a fairly strong year in the ferrochrome market although the high benchmark price in quarter one was not repeated throughout the year. However, prices were higher than those registered a year earlier. Going forward, the market is expected to strengthen again after quarter one. However, the benchmark remains highly unstable, as cycles have become more frequent and more volatile as shown in following Chart.



In view of this volatility, building resilience is a key goal for Afarak. Apart from enhancing its vertical-integration, Afarak continues to take measures and undertake investments that will allow it to produce higher value-adding products and offer a broader product portfolio.

Group Operational Review

2017 was a strong operational year for the Company with gains being made primarily in processing activities and in mining in South Africa. The Company managed to meet the increased demand for its products.

Group Sales of Processed Material
101,598mt
(97,095mt)

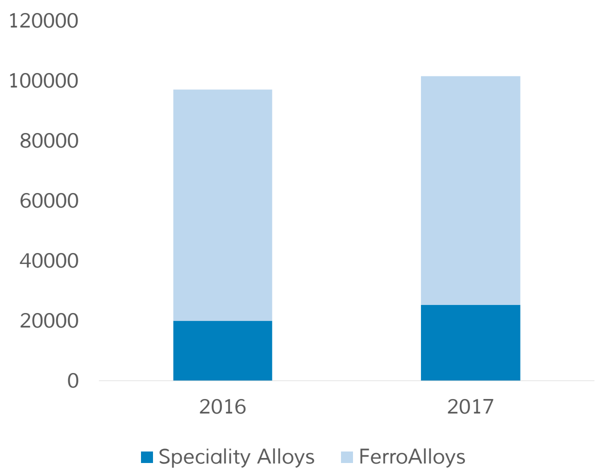
Group Mining
503,914mt
(292,266mt)

Group Processing
107,630mt
(95,739mt)

Human Resources
1,017
(813)

SALES

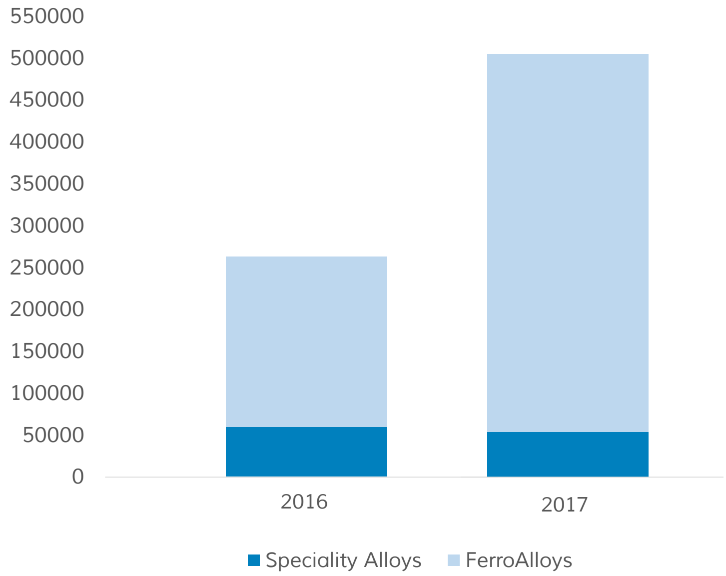
2017 was characterised by buoyant demand for the Group's products. The Group's sales from processing stood at 101,598 (FY/2016: 97,095) tonnes, representing an increase of 4.6% when compared to a year earlier. The increase was driven by higher sales volumes in the speciality alloys segment on the back of stronger market fundamentals and on the growth in business of the standard grade ferrochrome, which started being processed at EWW in 2017 opening a new revenue stream.



GROUP MINING

Group mining almost doubled in 2017 driven entirely by higher mining levels in the ferroalloys sector.

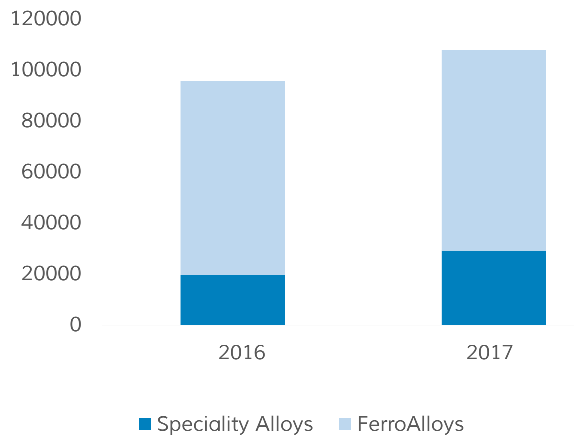
Annual mining levels in the ferroalloys segment more than doubled to 450,794 (202,514) tonnes and was bolstered by the resumption of opencast mining at Mecklenburg in January 2017. In addition, mining activity at Stellite also increased to meet the higher demand. During the year, management took the decision to increase the high-wall, thus extending the opencast mining at Stellite with the effect of increasing production. Planned maintenance stoppages at Kavak mines led mining levels to partly decrease in Turkey.



GROUP PROCESSING

With higher demand for its products, Afarak increased its processing levels by 12.4% to 107,630 (95,739) tonnes. Group processing increased mainly due to higher processing levels in the speciality segment which increased by 50.2%. Due to the increased demand for its products, management reduced the summer shutdown compared to 2016 and did not shutdown production in the last quarter as it did in 2016.

Further productivity improvements and capital investments at Mogale led to an increase in processing levels too. During the year, Afarak invested extensively in the relining of P1-P2-P3 furnaces and re-started the P4 furnace. These all had a positive impact on the operational performance of Mogale.



HUMAN RESOURCES

At the end of 2017, Afarak had 1017 (813) employees. Throughout 2017, employment increased in the Turkish operation due to increased mining activity and at Mogale in South Africa, reflecting the resumption of recruitment following the successful Section 189 process in quarter one 2016 and ahead of the restarting of P4 furnace. During the year, the Group was employing 86 employees on a temporary basis who are running the operation of a sintered magnesite plant on a test project in Serbia.

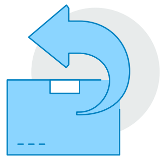
Group Financial Performance

2017 was a record year for Afarak. EBITDA more than tripled to EUR 18.0 million, from EUR 5.5 million in 2016. Management's focus on productivity and efficiency improvements throughout the Group, especially in South Africa, supported by stronger market conditions, resulted in significant operational and financial gains for the year.

REVENUE

€198.8 mln

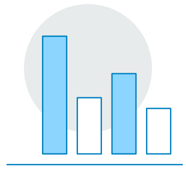
[€153.6 mln]



PROFIT

€6.7 mln

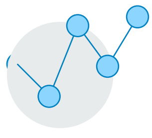
[€-0.9 mln]



EBIT

€11.4 mln

[€-1.0 mln]

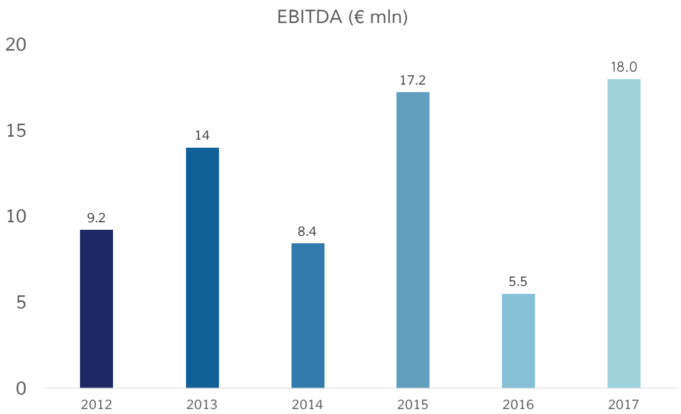


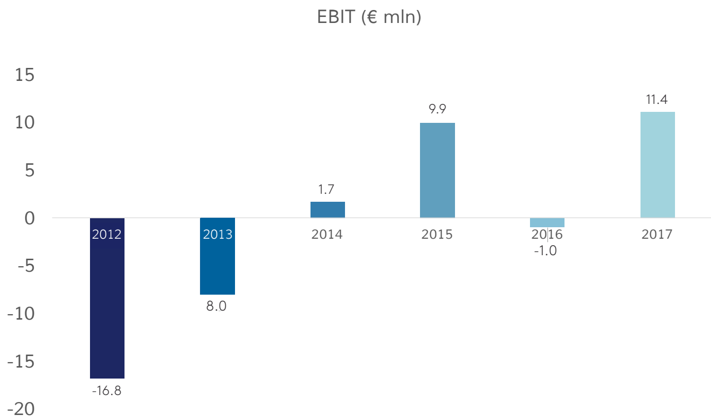
EBITDA

€18.0 mln

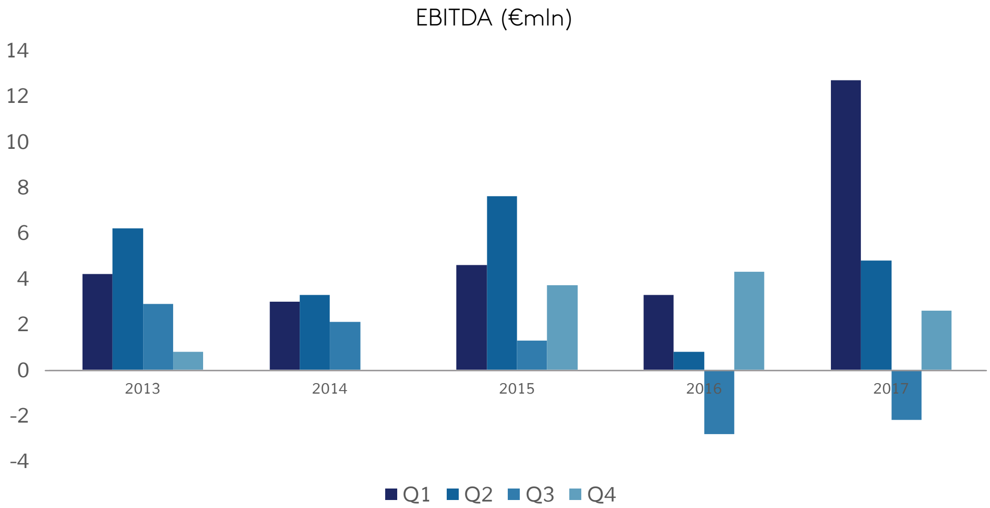
[€5.5 mln]

The results registered have been historically best for Afarak.



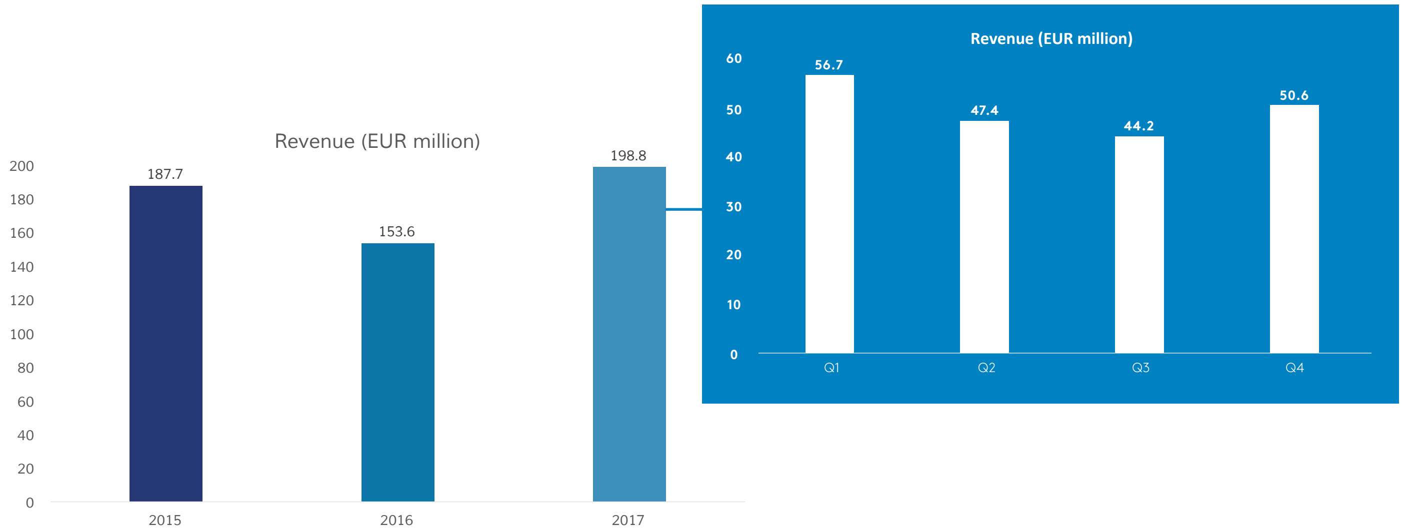


Despite the record full year result, the Company continues to face challenges pertaining to the seasonalities typical for the industry, which require careful planning and timely adjustments. In quarter three, the seasonal shutdowns of furnaces for maintenance in both Europe and South Africa result in unabsorbed overhead costs. In addition, the high winter electricity tariffs in South Africa increase the cost of operations, which, depending on the market, directly influences the planned levels of production during those months.

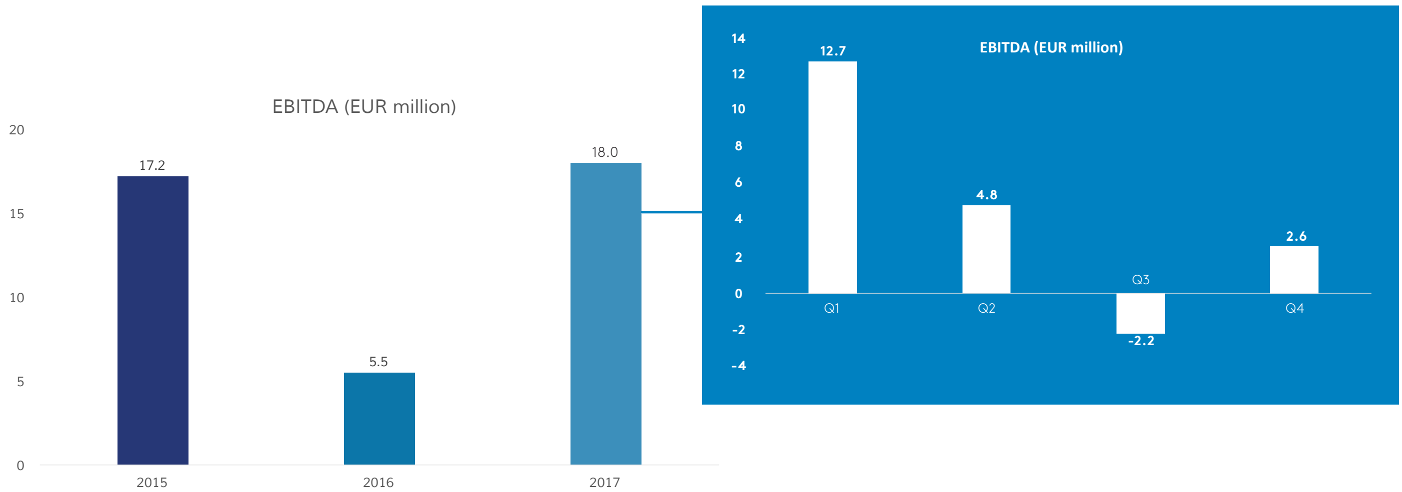


2017 PERFORMANCE

Afarak Group performed strongly throughout 2017, with revenue increasing by 29.5% to EUR 198.8 (153.6) million. Revenues increased in both segments, due to higher levels of production, sales, improved efficiency and stronger market conditions. Revenues in the ferroalloys segment grew by 25.6% reflecting the change in the sales mix away from silicomanganese and focusing exclusively on charge chrome and medium carbon ferrochrome, as well as significantly higher outputs in mining production. Revenue in the speciality alloys segment also expanded at a fast pace of 30.2%, over the previous year and stood at EUR 89.4 (68.7) million. The improved performance reflected the stronger market fundamentals seen throughout 2017, with both stronger demand and higher prices, when compared to the previous year. Quarter one registered the highest revenue because of the record high benchmark, while, in in line with seasonal pattern, quarter three remained the weakest period.



EBITDA more than tripled to EUR 18.0 million, from EUR 5.5 million in 2016, supported by the strong market conditions and the robust performance of the joint venture, when compared to the previous period. The Group's performance was bolstered primarily by the very strong quarter one and quarter two result, which reflected the high benchmark price. Seasonal and largely specific non-operational effects, affected the result in the second half of the year which, nevertheless, still made a further positive contribution toward the 2017 result.



The joint venture increased its share of profit during 2017 to EUR 3.1 (0.1) million. Profit from discontinued operations during 2017 amounted to EUR 1.5 (1.9) million which includes a release of EUR 0.6 (0.8) million in provisions related to the final sale of the saw mill equipment that was acquired in 2008.

EUR MILLION	Q1	Q2	Q3	Q4	FY17	FY16
Revenue	56.7	47.4	44.2	50.6	**198.8**	153.6
EBITDA	12.7	4.8	-2.2	2.6	**18.0**	5.5
EBITDA margin	22.4%	10.2%	-4.9%	5.2%	**9.0%**	3.6%
EBIT	11.1	3.3	-4.2	1.2	**11.4**	-1.0
EBIT margin	19.6%	7.0%	-9.4%	2.3%	**5.7%**	-0.7%
Profit for the period	4.2	2.9	-3.9	3.5	**6.7**	-0.9

BALANCE SHEET, CASH FLOW AND FINANCING

ROE
3.0%
(-1.6%)

ROCE
8.2%
(0.9%)

Equity ratio
66.3%
(67.7%)

Gearing ratio
0.7%
(-3.3%)

Inventories
€49.9 mln
(€48.4 mln)

Turnover-on-inventory
4.0
(3.2)

Trade receivables
€24.0 mln
(€23.6 mln)

Cash balance
€10.7 mln
(€9.7 mln)

The Group's total assets, on 31 December 2017, stood at EUR 259.9 (260.2) million and net assets totalled EUR 172.4 (176.2) million. The weakening of the US dollar had an effect on Afarak's balance sheet, with the translation reserve moving by EUR -2.5 (11.9) million.

The Group's cash and cash equivalents, as at 31 December 2017, totalled EUR 10.7 (9.7) million. Operating cash flow was EUR 1.6 (9.0) million, with the cash generated by the operation during the year mainly used to support working capital. In addition, a capital redemption was paid during 2017 which amounted to EUR 5.2 million. On the other hand, the Group increased its debt with financial intermediaries by EUR 5.6, to EUR 11.7 million.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

As planned, the Company expanded its capital expenditure in 2017 to EUR 6.9 (2.8) million. Capital expenditure in the Speciality Alloys segment was incurred to sustain Group operations and in the Ferroalloys segment, financing was provided for large-scale investment in plant and machinery, including restarting of the P4, as well as a full furnace refractories relining at Mogale during the shutdown period.

During the first quarter of 2017, Afarak Mogale concluded an agreement to acquire 10% of its own shares from the Mogale Alloys workers trust for an agreed consideration of ZAR 64.9 million to be paid over a period of 8 years. This acquisition of non-controlling interest had led to a reduction in equity of EUR 3.4 million.

Throughout 2017, Afarak also took initiatives to extend the opencast mining at Stellite by increasing the high wall. Work has also started on introducing additional cycles of beneficiation and the expansion of the product mix through the introduction of the higher value-add products and further recovery plants. These projects are still in the initial stages of development and the first production results could be expected during 2018. The acquisition of the Zeerust Chrome Mine will further bolster Afarak's production capacity and will make it the only South African producer of high carbon ferrochrome.

Segments Reviews

Ferroalloys Segment

Asset Description

FERROCHROME
PRODUCTION
PROCESS

VLAKPOORT MINE – SOUTH AFRICA

The Vlakpoort Mine is situated on the western limb of the Bushveld complex in South Africa. The prospecting right along with the mine were acquired in 2011. Ever since, extensive exploration work was conducted which included geological drilling and trenching. A bulk sample of LG 5 and LG 6 seams were taken to test the market.

The site has proven resources of min. 6,6 Mt of Chromite as well as 330,000 ounces of PGMs. These resources consist of LG1-6, MG1-4, UG1- 2 material. We also have Merensky reefs outcropping on our property.

STELLITE MINE – SOUTH AFRICA

The Stellite mine was acquired in 2010. It used to be the primary raw material supply to Mogale Alloys. Today most concentrates and lumpy chrome ore is exported directly to China.

Stellite is also located on the western limb of the Bushveld complex in South Africa. The reserves amount to 29.6Mt of LG6, MG1, MG2 and MG4. These four seams outcrop the property.

MECKLENBURG MINE – SOUTH AFRICA

The Mecklenburg Mine is located on the eastern limb of the Bushveld Complex. It is well-known as one of the world's major deposits of chromite and platinum. The Mecklenburg mine started full production in 2013. The Company is currently preparing underground mining at Mecklenburg. Following the depletion of the open cast mine at 35 meters highwall in 2015, Afarak started preparatory works in 2016 to restart opencast mining, and resumed mining with a 65 meter high wall since April 2017.

AFARAK MOGALE PLANT – SOUTH AFRICA

Afarak purchased the Mogale site in 2009, which gave us access to the bulk minerals processing sector in South Africa.

The acquisition marked a strategic step towards direct current (DC) furnace technology, which has been in operation at Mogale since 1983. Mogale is considered a centre of excellence for DC furnace operations.

Mogale operates four furnaces; two submerged arc furnaces and two DC furnaces, with a total production capacity of 110,000 tonnes per annum. These furnaces are capable of producing four key products: high carbon FeCr, plasma ferrochrome, charge ferrochrome and stainless steel alloy (chromium-iron-nickel alloy). In December 2014, the company finalized an investment of €13 million in a ferroalloy refining plant which started operating in 2016 and produces granulated MC Ferrochrome.

2017 in Review

The Ferroalloys Segment registered a very strong performance in 2017, compared to 2016, primarily reflecting to strong market conditions. The Company also took several measures that allowed it to benefit fully from the market upswing.

REVENUE
€106.1mln
(€84.5mln)

EBITDA
€11.4mln
(€5.0mln)

EBIT
€6.4mln
(€0.9mln)

MINING PRODUCTION
450,794mt
(202,514mt)

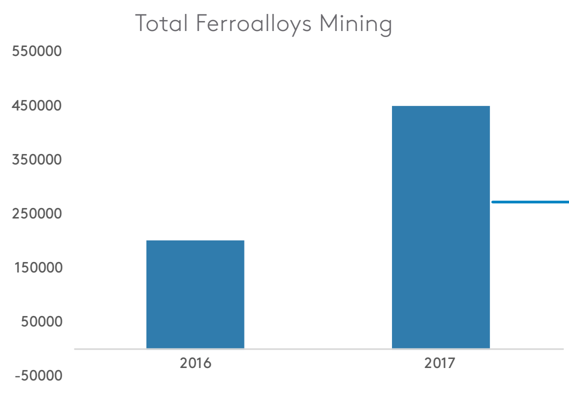
PROCESSING PRODUCTION
78,479mt
(76,319mt)

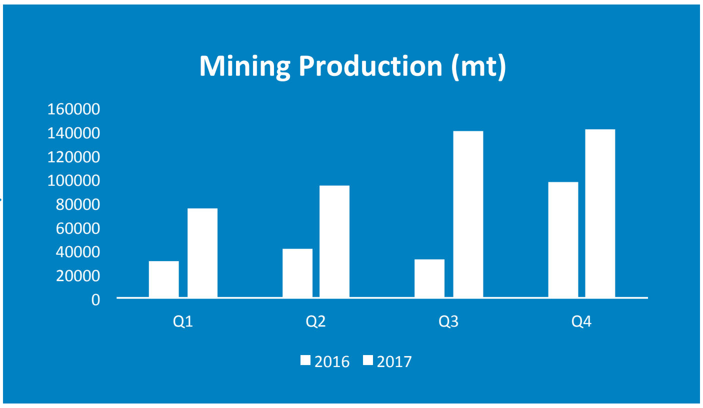
SALES OF PROCESSED MATERIALS
76,258mt
(77,092mt)

PERSONNEL
434
(369)

PRODUCTION

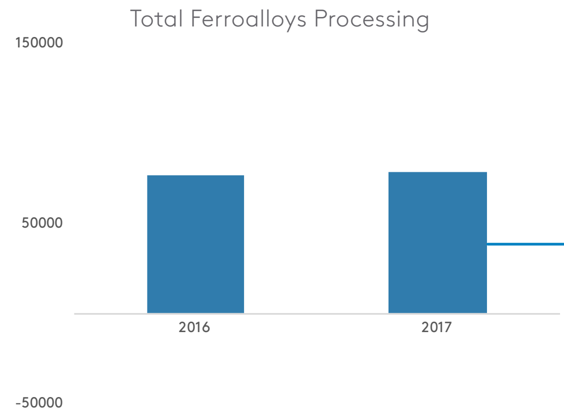
The production unit registered a very strong performance too with a total increase in production of 89.8% in 2017.

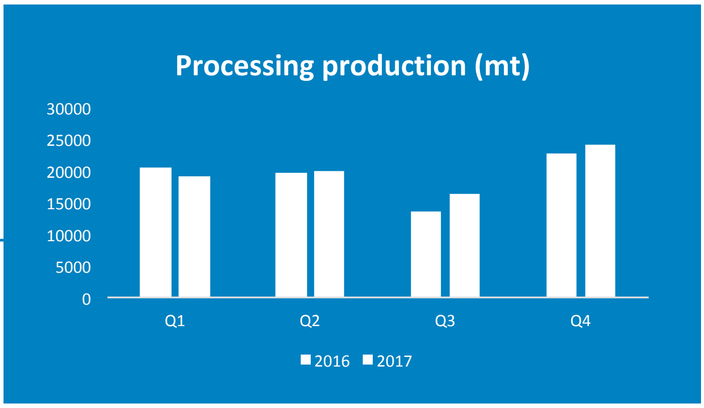




Mining was the driving force of this increase and was bolstered by the resumption of opencast mining at Mecklenburg in January 2017. The high-wall was raised to 65 metres from 40 metres allowing the possibility of mining further 200,000 tons. This will also allow better access to the underground mining area.

In addition, mining activity in Stellite also developed to meet the higher demand. During the year, Management took the decision to enlarge the high-wall, thus extending the opencast mining with the effect of increasing production.



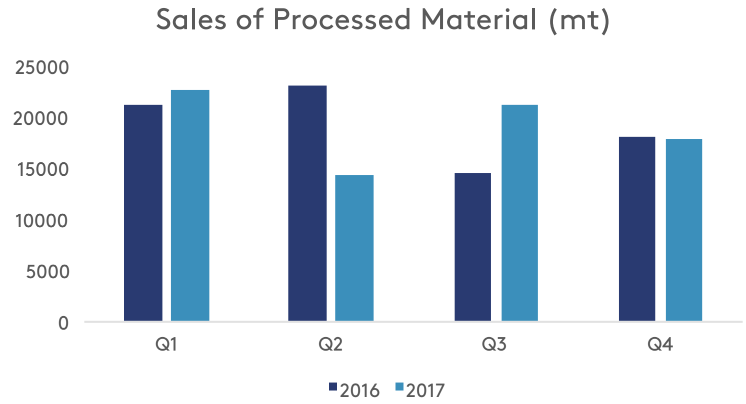


Processing levels at Mogale were also raised following a series of productivity improvements and capital investments.

During the year, Afarak invested a substantial amount in the relining of P1-P2-P3 furnaces and restarted the P4 furnace. This had a positive impact on the operational performance of Mogale.

SALES

The sales of processed material from the Ferroalloys Segment declined marginally throughout the year because of a particularly difficult second quarter.

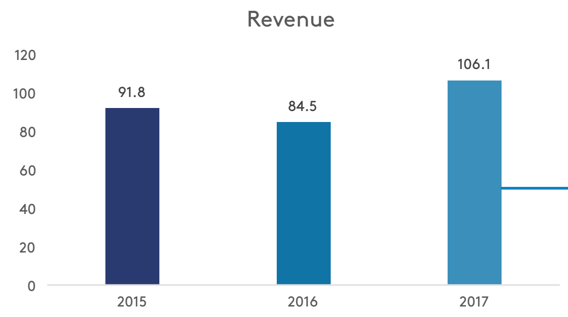


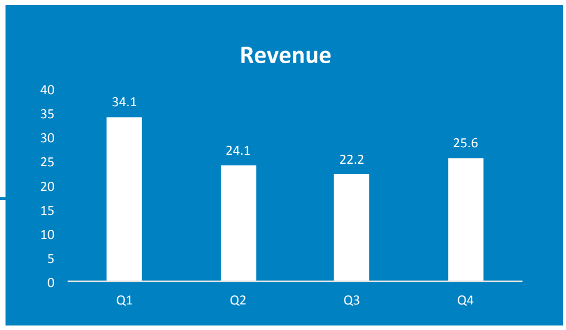
Apart from quarter two, sales for processed material increased due to stronger market conditions. Sales volumes in the Ferroalloys Segment decreased sharply by 38.0% in quarter two, mainly due to the transition of the P2 furnace at Mogale Alloys. In response to market conditions, it was changed to produce ferrochrome instead of silicomanganese. In addition, some customers whose agreements were linked to the benchmark, delayed orders to the third quarter.

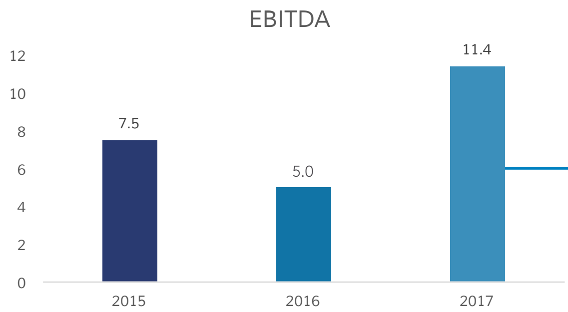
FINANCIAL PERFORMANCE

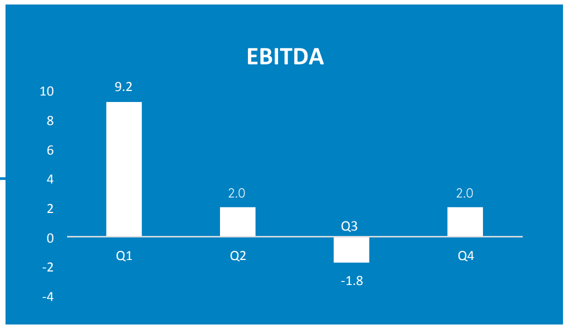
The Ferroalloys Segment registered a very strong performance in 2017. Compared to 2016, revenues increased by 25.6% supported by stronger market conditions, especially in the first quarter of the year. In addition, initiatives undertaken by management, made the segment more adaptable and responsive to market trends, thus allowing the Group to benefit from the market upswing. The strong ferrochrome and chrome ore market allowed profitability to improve significantly and led to a record EBITDA of EUR 11.4 (5.0) million, and EBIT of EUR 6.4 (0.9) million.

EUR MILLION	Q1	Q2	Q3	Q4	FY17	FY16
Revenue	34.1	24.1	22.2	25.6	106.1	84.5
EBITDA	9.2	2.0	-1.8	2.0	11.4	5.0
EBITDA margin	26.9%	8.3%	-8.0%	8.0%	10.8%	5.9%
EBIT	8.0	0.8	-3.4	1.0	6.4	0.9
EBIT margin	23.4%	3.4%	-15.4%	3.9%	6.0%	1.0%

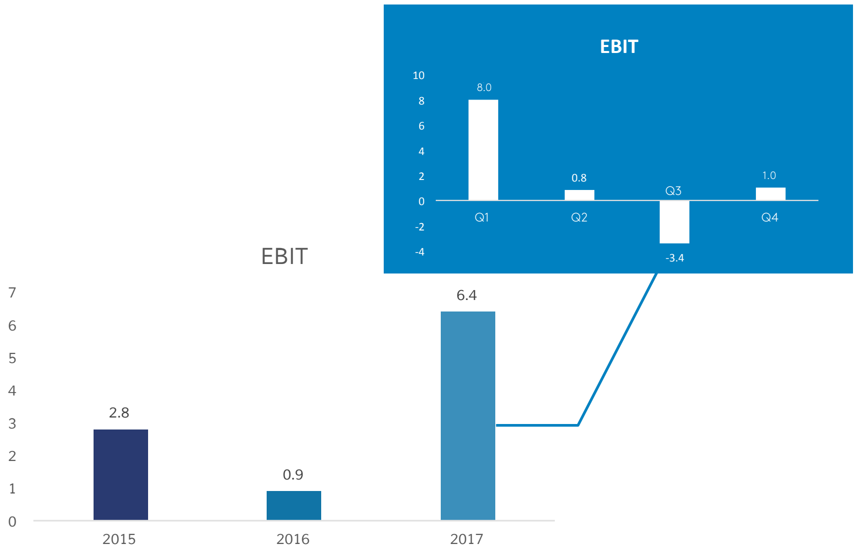








Apart from the seasonal challenges associated with the third quarter, the ferroalloys segment faced a very particular and difficult business environment in South Africa, negatively impacting its profitability. In South Africa, higher winter electricity tariffs led to maintenance shutdowns during the third quarter, thus increasing the cost of production. During the third quarter, management extended the closure of the Mogale plant to four weeks, further increasing shutdown costs, to perform major maintenance and investment works. Afarak invested in the relining of P1-P2-P3 furnaces and commenced preparatory works to re-start the P4 furnace. An impairment of EUR 0.6 (0.0) million was registered on furnace refractories, which had to be replaced earlier than expected. In addition, third-party ores saw a steep price increase, further increasing the cost of production. During quarter three, unusually bad weather conditions in South Africa caused several delays in shipments. Together, all these factors negatively affected the segment's profitability which, however, was partly compensated by the joint venture share of profit.



JOINT-VENTURE

The joint venture was an important driving power to the positive performance of Afarak during 2017. Revenue increased three-fold to EUR 16.8 (5.3) million by the increase in sales volumes from the Mecklenburg mine, as well as stronger sales of both concentrate and lumpy chrome ore from the Stellite mine.

Profitability also grew at a fast pace. The joint venture's total profit for the full year amounted to EUR 6.0 (0.2) million, with Afarak's share amounting to EUR 3.1 (0.1) million. The share of joint venture EBITDA for the full year amounted to a record EUR 4.0 (1.3) million.

EUR MILLION	Q1	Q2	Q3	Q4	FY17	FY16
Revenue	5.3	3.2	3.6	4.7	16.8	5.3
EBITDA	3.3	0.5	0.3	-0.2	4.0	1.3
EBITDA margin	62.5%	16.3%	9.3%	-4.3%	23.6%	24.4%
EBIT	3.1	0.3	0.0	-0.5	3.0	0.8
EBIT margin	59.1%	9.7%	-0.6%	-9.9%	17.6%	15.7%

Afarak expects the joint venture to continue being an important contributor to its performance over the medium-term, as a result of increased activity at the Mecklenburg mine and substantial improvements in the Stellite mine.

LOOKING AHEAD

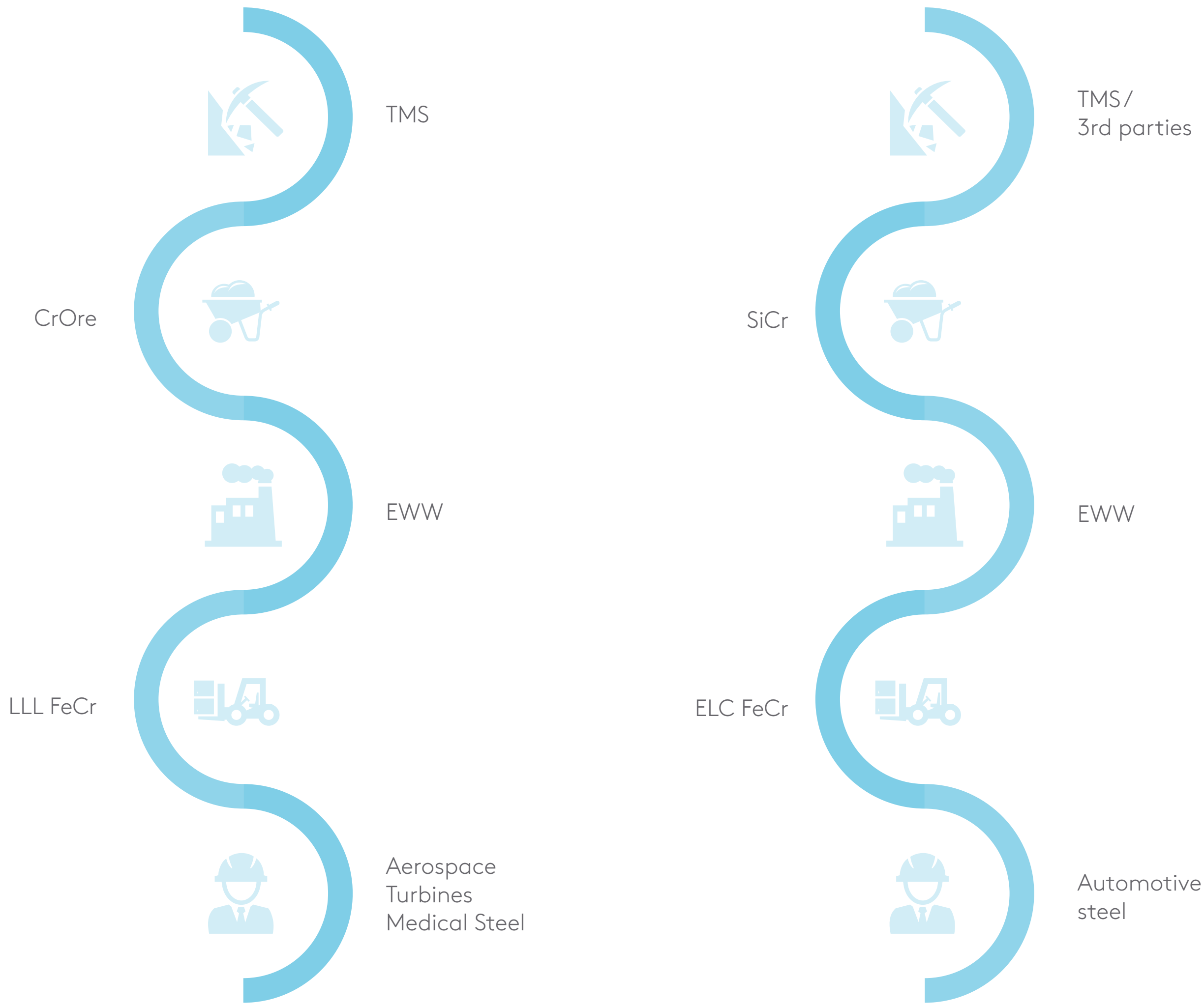
Work on introducing additional cycles has been made. The beneficiation and expansion of the product mix are better due to the introduction of higher value-add products. These developments are still in early stages of development and the first production results could be expected during 2018. The acquisition of the Zeerust Chrome Mine will further extend Afarak's production capacity towards the second half of the year and will make it the only South African producer of high carbon ferrochrome.

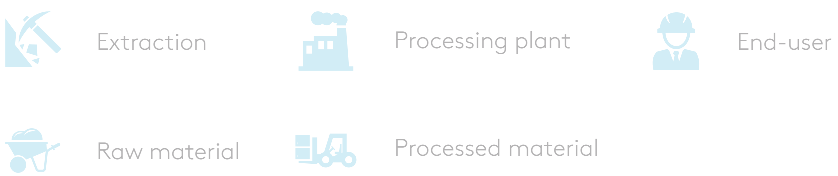
Speciality Alloys Segment

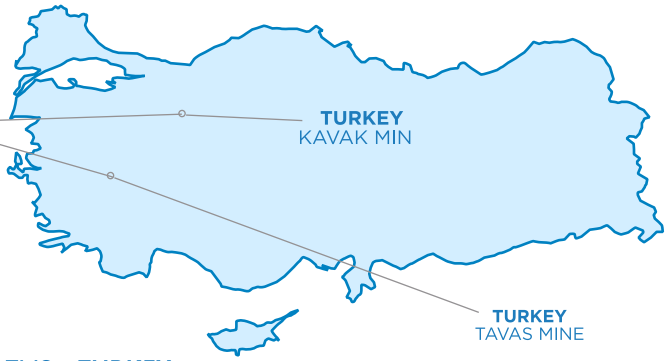
Asset Description

LOW LOW LOW FERROCHROME PRODUCTION PROCESS

EXTRA LOW CARBON FERROCHROME PRODUCTION PROCESS







HIGH CHROME FERROCHROME PRODUCTION PROCESS

TMS – TURKEY

TMS operations consist of underground mining, as well as ore enrichment facilities equipped with crushing, milling and shaking tables units. The production facilities are located in Kavak, in the Eskisehir Province, and in Tavas, in the Denizli province and Fethiye -Mugla and Adana Area. With a heritage in chrome mining spanning almost 100 years, it holds 21 licences, of which 16 are exploitation licences.

The annual ROM production capacity is between 130,000 – 140,000 tonnes which is converted to 65,000 - 88,000 tons of saleable product incl. former tailings recovery process.

TMS produces two chrome ore types: special high grade chromite concentrates and lumpy chrome ores.

EWW – GERMANY

EWW is a world-renowned processing facility with state-of-the-art facilities and laboratories. With a heritage in processing spanning over 100 years, EWW has a reputation of being a highly specialised smelting operation producing a range of specialist products, such as specialised Low Carbon and Ultralow Carbon Ferrochrome. The products are sold internationally to customers in the automotive, aerospace and power generation industries.

2017 in Review

The Speciality Alloys Segment registered a very strong performance in 2017 compared to 2016, primarily reflecting to strong market conditions. The Company also took several measures that allowed it to benefit fully from the market upswing.

REVENUE
€89.4mln
(€68.7mln)

EBITDA
€12.6mln
(€5.4mln)

EBIT
€11.1mln
(€3.1mln)

MINING PRODUCTION
53,120mt
(59,752mt)

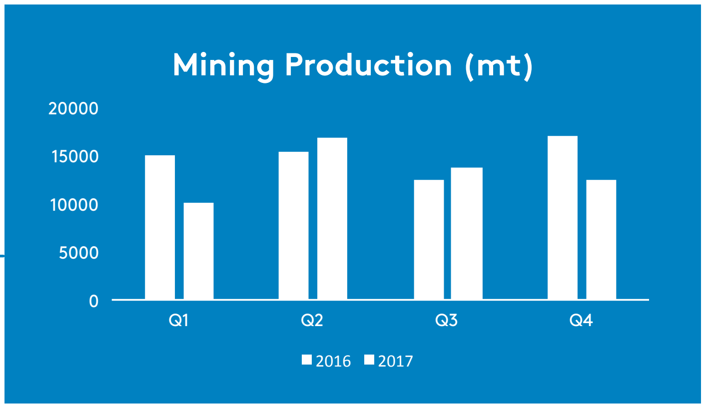
PROCESSING PRODUCTION
29,151mt
(19,420mt)

SALES OF PROCESSED MATERIALS
25,340mt
(20,003mt)

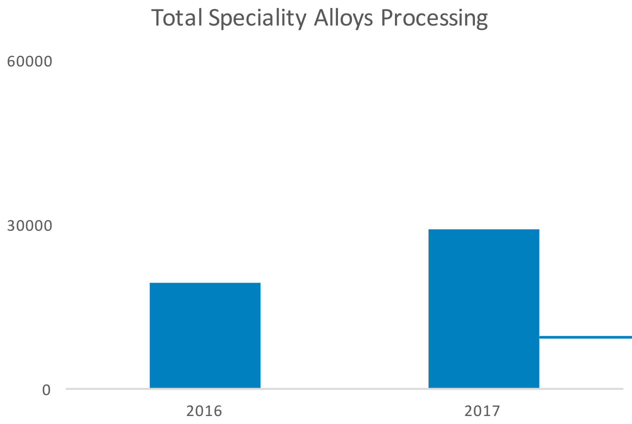
PERSONNEL
483
(438)

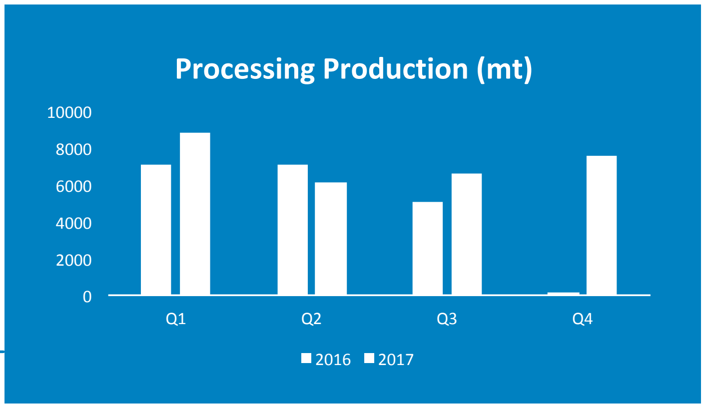
PRODUCTION

Total production levels during 2017 increased by 3.9% to 82,271 (79,172) tons through a significant improvement in processing levels.



Mining levels decreased during quarter one and quarter four of 2017 because of stoppages for maintenance works at the mines in Turkey.

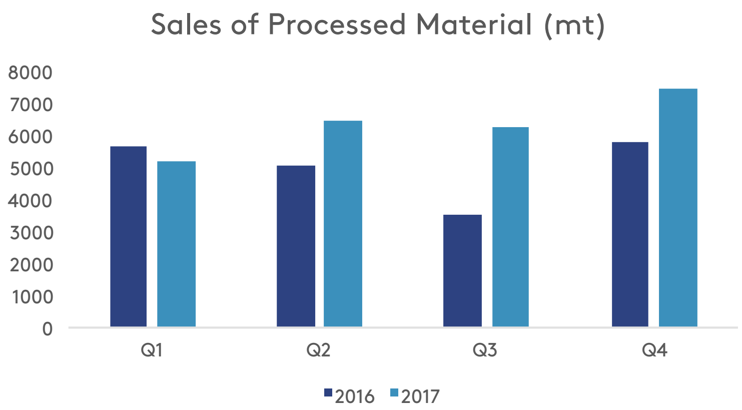




The increase in the production of processed material was particularly strong during 2017, due to a significant increase in the fourth quarter. During the corresponding period a year earlier, Management had decided to shut down EWW plant to reduce the piling-up of inventory.

SALES

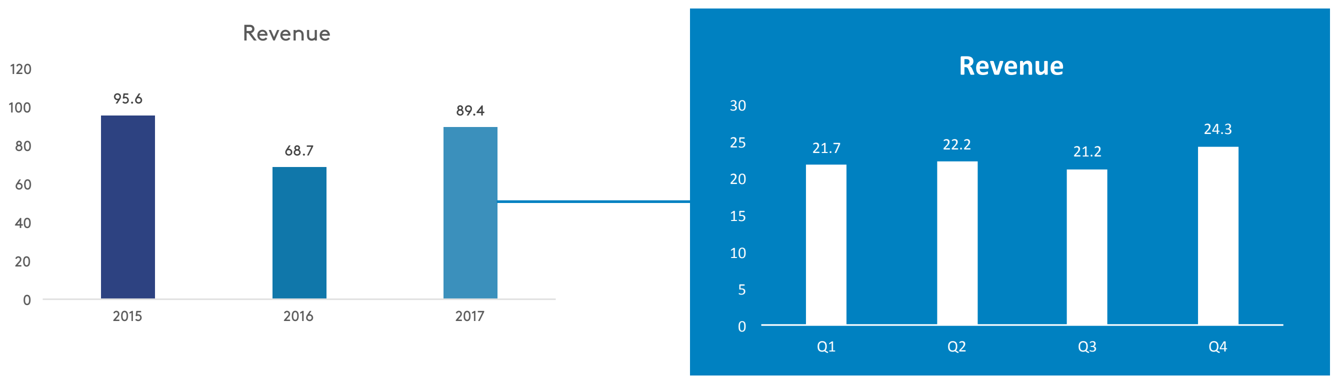
2017 was characterised by reinforced demand for the Group's speciality alloy products. Stronger market fundamentals, primarily in the third quarter reduced the shutdown period of EWW plant.

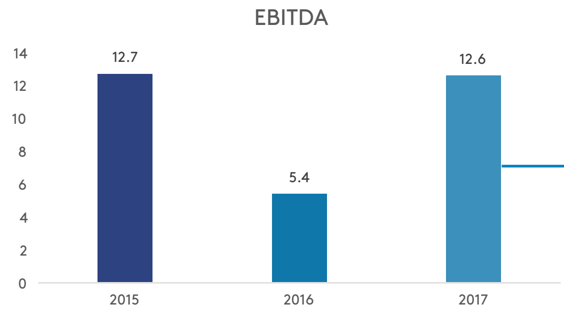


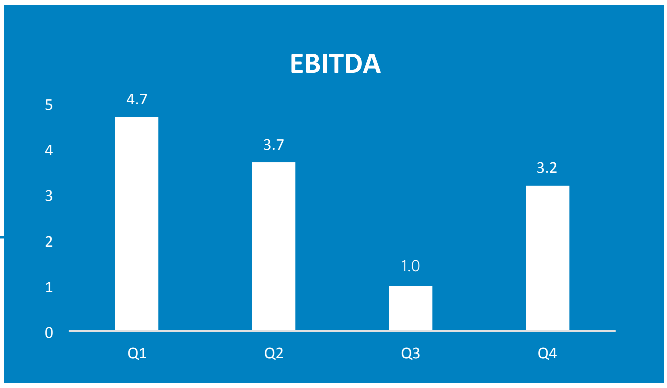
FINANCIAL PERFORMANCE

The speciality alloys unit registered a very strong performance during the year. Revenue expanded at a fast pace of 30.2% over the previous year to EUR 89.4 (68.7) million. The improved performance was due to a stronger market throughout 2017, with both stronger demand and higher prices compared to the previous year. Profitability also increased significantly due to higher selling prices and decreased production costs. As a result, EBITDA more than doubled to EUR 12.6 (5.4) million, whilst EBIT stood at EUR 11.1 (3.1) million.

EUR MILLION	Q1	Q2	Q3	Q4	FY17	FY16
Revenue	21.7	22.2	21.2	24.3	89.4	68.7
EBITDA	4.7	3.7	1.0	3.2	12.6	5.4
EBITDA margin	21.5%	16.7%	4.7%	13.2%	14.1%	7.8%
EBIT	4.2	3.4	0.7	2.8	11.1	3.1
EBIT margin	19.4%	15.1%	3.1%	11.6%	12.4%	4.4%







LOOKING AHEAD

Management is focused on optimising production and on exploring new product mixes. Through various initiatives and with the cooperation of its staff, Afarak is becoming more responsive to market needs and trends.

Risk Management

Afarak's prudent approach to risk management is a crucial component of our continued success and is present in managing all aspects of our performance.

By understanding and managing risk, we provide greater certainty and confidence for our shareholders, employees, customers, suppliers and host communities. In fact, we believe that successful risk management can be a source of competitive advantage.

Our risks are viewed and managed on a Group-wide basis. As a truly global operation, managing diversity in our operations, portfolio of products, geographies, economies and currencies is a key characteristic of our risk management approach.

Risk management is one of the key responsibilities of the Board and its Audit and Health & Safety Committees.

2017 DEVELOPMENTS

During 2017, the Audit Committee continued to monitor price and exchange rate developments. With respect to the former, the Management was able to take production decisions that allowed the Company to benefit from the upswing.

In the case of exchange rate developments and risks associated to that, the Audit Committee embarked on a detailed assessment of exchange rate movements and formulated a hedging policy and procedures to allow it to better manage its exposures.

Internally, the role of a Group Controller was established to provide continuous monitoring and oversight in accordance with the Company's risk management policy.

The Board continued monitoring its progress on health and safety. Various investments and policy & procedure updates were undertaken, especially in South Africa.

PRINCIPAL RISKS

While a number of different risks may have an effect the results and operations to various degrees,the following describes the key types of risks faced by Afarak in the normal course of business.

EXTERNAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Foreign exchange exposure	• **Direct risk – commercial cash flows and currency positions** • **Indirect risk – loss of competitiveness within the industry**	The Group constantly evaluates the need to enter into forward contract arrangements
Interest rate risks	**Changes in interest rates can** • **Influence the repayment of loans** • **Impact the profitability of investments** • **Alter the fair value of the Group's assets**	The Group constantly evaluates the need to enter into forward contract arrangements
Volatility of energy costs	**May negatively impact Afarak's current operations, particularly its processing plants, which could have a consequent effect on the Group's operating and financial results. It may also impact the plans to expand its operations and implement its growth strategy**	The Group constantly evaluates the need to enter into financial arrangements to mitigate such risk
Political and social risks	• **Changes in the mining, employment and fiscal regulatory environment may materially adversely affect the business and its financial results** • **Operations may be affected to varying degrees by government regulations**	Afarak seeks to maintain good relationships with stakeholders

Price risks	**The Group's processing operations are exposed to the availability, quality and price fluctuations in raw materials**	• The price risks on input materials and commodities are managed by pricing contracts so that, where possible, any changes in input materials and commodities may be absorbed in the sales prices • The Group's business units seek long-term contract agreements with known counterparties where possible
Price and demand volatility in the commodities markets	**The global market for Group's products may not progress or develop at the levels forecast and a drop in demand for the Group's products could have an adverse effect on the Group's revenues and profits**	• Using its strong customer interface and market intelligence to adjust its production volumes to match demand • Adapting its diverse product mix to meet customer requirements

FINANCIAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Liquidity risk - whether Afarak has sufficient liquidity to service and finance its operations and pay back loans	**Materialised liquidity risks may cause** **• Overdue interest expenses** **• Negative impact to the Group's relationship with its goods and service suppliers** **• Affect the pricing and other terms for input goods and services**	• The Group continuously assesses its working capital to ensure that it has sufficient funds to meet its liabilities • Prepares and assess forecast reports
Credit risks	**• Afarak's key customers are typically long business relationships including major international steel and stainless steel companies and some specialty agents selling to the steel sector.** **• Major changes in that industry's future outlook or profitability could increase the Group's credit risk**	• Afarak assesses the likelihood that a borrower will default on the debt obligations • Analyse credit limit
Acquisition and organic growth strategy risk	**• There is a risk that the investment will not perform as expected and the group will not achieve the desired future operating cash flows and profitable results from the investment** **•There is a risk that the Group might not be able to find the appropriate site or to obtain the necessary licences to develop and operate or to secure the required financing**	The Group's policy is to carry out extensive R&D Analysis to mitigate the risk that such investment will not be successful

OPERATIONAL RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Loss of key suppliers	**Adverse effect on operations, which could impact the Group's operating and financial results**	• Afarak carries out continuous financial health checks of key suppliers • Evaluations of key supplier controls in order to minimise the impact associate with disruption • Assess safety and security stock levels • Understand alternate supply options and how long it will take to employ alternatives

Competition & Rivalry	**May negatively impact Afarak's current operations which could have a consequent effect on the Group's operating and financial results. It may also impact the plans to expand its operations and implement its growth strategy**	Afarak continuously monitors industry trends and adjusts its growth strategy accordingly. Afarak builds its resilience through the development of niche growth areas.
Distribution network risk	**This may have adverse effect on operations which could impact the Group's operating and financial results**	To mitigate this risk Afarak has standard operating procedures in place for most foreseeable circumstances
Technology risk	**There may be advances in technology which the company is not aware off or has not kept abreast with which may eventually hinder the operating activity of the company and affect the financial results**	Afarak regularly assesses the lastest technological equipment and software available on the market
Loss of key personnel or the engagement of inappropriate personnel	**Adverse effect on operations, particularly its processing plants, which could impact the Group's operating and financial results**	• Regularly re-assesses its remuneration policies and packages to attract and retain suitably skilled and qualified personnel • The remuneration commitee is focused on attracting and retaining such talent

COMPLIANCE RISKS

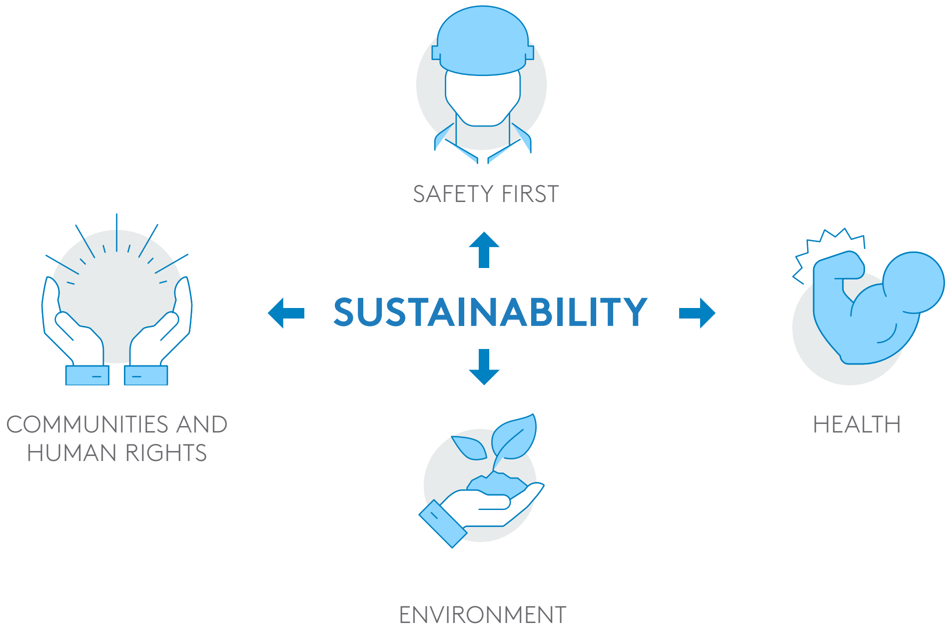
RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Legal risks	**Legal disputes may relate to contractual or other liabilities or environmental or other regulatory matters**	The Group has legal teams wherever it operates and constantly reviews its contracts to ensure that it is duly safeguarded.
Employment legislation	**If not observed may negatively impact Afarak's financial results**	Afarak regularly re-assesses its policies in terms of employment legislations
Tax risks	**Changes in tax laws and regulation, or a change in interpretation of the tax authorities in the different jurisdiction we operate in could have an adverse impact on Afarak's financial results**	Afarak keeps abreast with changes in tax regulation and external experts are appointed to assist in identifying potential tax liabilities and ensuring compliance with the tax legislation
Data protection risk	**If data protection legislation is not observed the business may be adversely affected and have an impact on the financial results**	Data protection law is closely and regularly assessed in terms of the Group operations

SUSTAINABILITY RISKS

RISK	CONSEQUENCES	CONTROLS TO MITIGATE RISK
Risk of mining and smelting accidents (fire, flooding, rock bursts, weather conditions, seismic events and other natural phenomena)	**This could affect both employees and operations, resulting in suspension of operations**	• "Zero Harm" policy • Health and safety guidelines, policies and procedures • Continuous employee training
Social risk	**Industry or social unrest and labour actions may materially adversely affect the business and its financial results by temporarily closing down operations**	Afarak seeks to resolve the matters with all stakeholders to reduce the impact on its operation
Environmental risks	**• Direct potential harm to the environment • Potential post-production rehabilitation or landscaping obligations**	• Environmental risks are managed closely and regularly assessed • Regular assessment of environmental liabilities • External experts are appointed to assist in identifying potential liabilities and ensuring compliance with environmental legislation

Sustainability Review

Afarak understands that sustainability is critical to any business and industry. We want to proceed in the right way at all levels of our business. Our sustainability initiatives are built around four main pillars that are integrated in our decision-making.



Our employee's safety is our top priority. It comes before anything else and we do not take any shortcuts. In this regard, we are constantly focusing on improving the health and well-being of our co-workers and care for the communities around our operation facilities. As a primary sector company, we are committed to minimising our ecological footprint.

The communities that host our operations are important stakeholders and we are proud of the reputation that we have built in the years of our co-operation.

OUR COMMITMENT

Afarak delivers its contribution to environmental and social sustainability through its production processes. We believe that our efforts will support several United Nations' resolutions on sustainability, such as decreasing poverty and hunger, but also increasing gender equality, education and access to clean water.

Our most significant impact on local host communities lies in providing direct and indirect employment. We support local communities in their needs related to education and infrastructure. Afarak backs a number of orphanages in South Africa, as well as shelters for women and children.

We provide financial support to 5 day-care centres as well, distributing daily meals to 155 children.

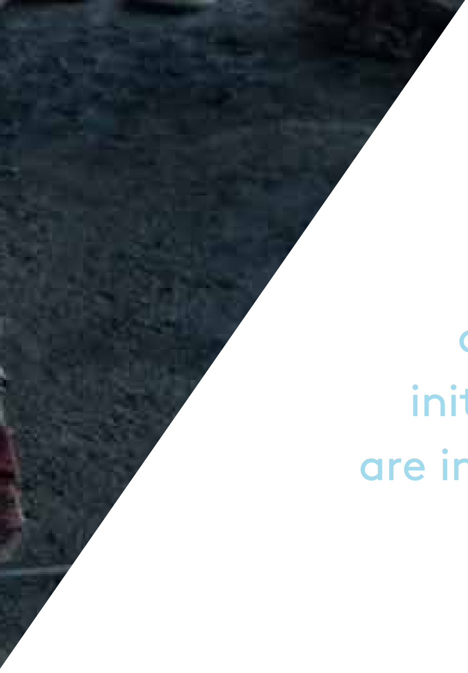
The estimated impact of our help amounts to over 600,000 meals and care packs distributed to over 2,000 children on an annual basis.

Moreover we are proud to call ourselves a long-time partner of the Patrick Masego Primary school, and the CK Trust, financially supporting teachers and pupils throughout our operation areas.

With our mantra being "take care of yourself and the others", in 2017 we invested in local community healthcare programmes. Our employee health promotion includes HIV/AIDS testing, and general examination of our co-workers as well as medicinal support to the communities around our facilities.

Gender-equality is still a global issue and there is a lot more work to be done. In this regard Afarak proudly adopted gender-equal policies at our mining grounds, as well as on all levels of our business.

We offer safe and decent work conditions to our employees and maintain excellent relations with the local unions. We also work with Black Empowerment Partners and contribute to entrepreneurship in order to



reinforce the local economy. We also support community contractors to grant people access to more jobs.

We contributed to a road-building project in Mecklenburg, further developing the infrastructure. In addition, we take pride in preserving the environment. We are supporting a local tree nursery and shrubbery initiative in Mecklenburg. This is the first step to prepare for rehabilitating our mine and return it in its pristine natural state. We continue to invest in water treatment as it is a key resource in mining. Since we have obtained the Water Use Licence in Mecklenburg area, we increased our use of recycled and processed water and co-financed a water tank- building project for the people living around our sites.

In Turkey we installed press water filters, which drastically reduced our water consumption. In Stellite, our shaking table technology and further beneficiation processes allow us to decrease the amount of tailings. Apart from these investments which will reduce waste production, energy plays an important role in our business.

In Mogale a 2.8 MW heat recovery system has been installed. These savings in energy will contribute towards a proportional reduction of CO_2 emissions and an increase in productivity.

Afarak also indirectly supports sustainability by our great range of specialty alloys, used in the production of components for wind turbines, generators and other innovative technology.

SAFETY

Afarak strives to achieve what we call "Zero Harm Policy" at all levels of our operations and provides its employees and contractors a safe and healthy work environment.
Afarak holds regular Board committees dedicated to health and safety with the aim of integrating the Group operations to address the social, environmental, health and safety position of all stakeholders. The programme focusing on pro-active safety and environmental measurements continued in 2017 aiming to achieve "Zero Harm".

The members of HSEC are defining Group standard protocols to ensure that all the Group activities are constantly managed, monitored and reported according to Group policies.

Afarak believes that with strong leadership on safety at its production sites, it can create and maintain safe workplaces for everyone. To this end, we have completed a performance improvement project at Mogale with a leading international consulting company.

During 2017, the Group achieved approximately 2,238,605 working hours during which the company suffered 16 accidents that caused loss of time. Lost Time Injury (LTI) is defined as any work-related injury or illness which prevents a person from doing any work the day after the accident. The lost days due to injury were significantly reduced during 2017 and stood at 583 compared to 875 days a year earlier. This also led to a decline in the duration rate from 67.3 to 36.4 and in the severity rate from 480.4 to 260.4. We are proud that unlike 2016, no fatalities happened on our sites.

Fatal injury
0
(1)

Lost Time Injury
16
(13)

Lost days due to injury
583
(875)

Lost Time Injury Frequency Rate
7.1
(7.1)

Duration rate
36.4
(67.3)

Severity rate
260.4
(480.4)

Going forward, management remains focused on further improving the safety performance at Afarak through various initiatives and investments.

PROJECTS

South Africa

Afarak, in collaboration with an international consulting company introduced a performance improvement programme in Mogale. The LETSEMA programme focuses on improving safety performance in the plant. A SHEQ Toolbox has been implemented. Our staff is now being trained further and new procedures have been implemented to ensure that the safety of the workers is kept at centre of all operations and decision-making.

Turkey

During the year, TMS invested in a new underground miner tracking system. The wireless system allows workers to wear flexible hardware whilst the robust software platform offers real time information. The safety of personnel working underground is constantly being monitored and addressed by HS&E directives. A primary feature of the solution is that it significantly improves personnel safety. It ensures the highly efficient handling of evacuation situations and improves safety in day-to-day operations.

HEALTH

We are improving the conditions for our employees by providing a safe working environment as well as tackling important health issues such as HIV/AIDS (especially in South African operations). Along with safety, health is a top priority for Afarak. By granting healthcare to our co-workers, we can actively contribute to their long-term well-being.

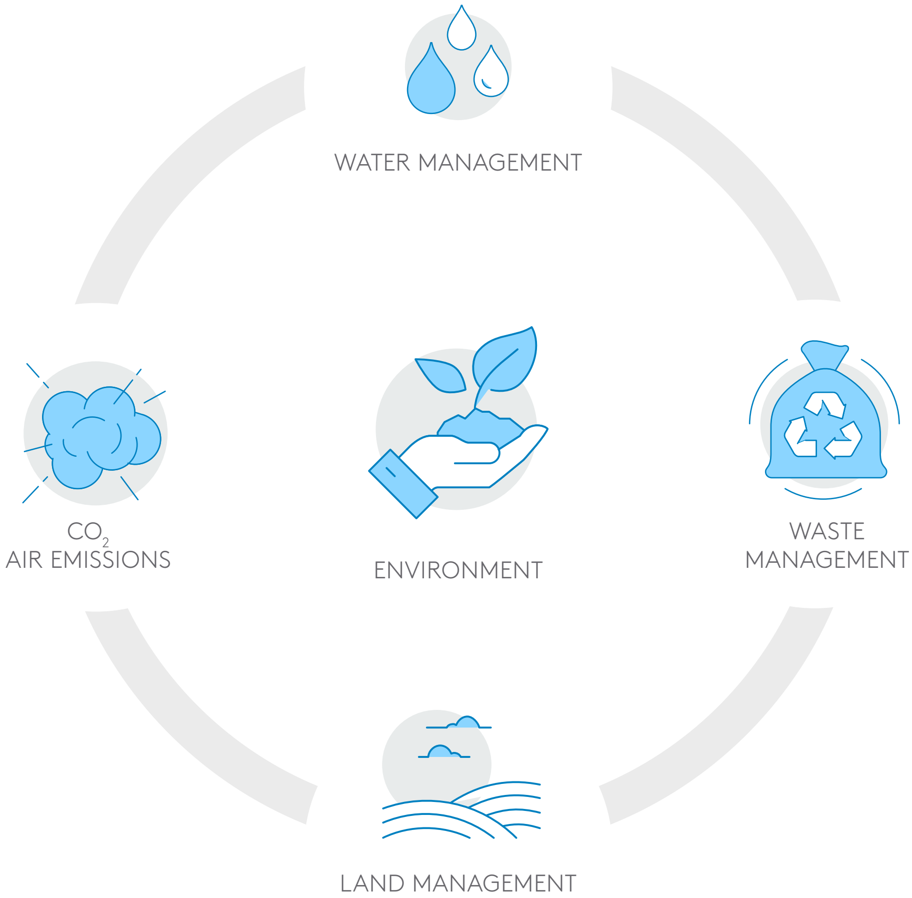
In our plants we assess, monitor and control the risks of our workers. In Germany, we have installed a sound abatement system to reduce the noise. We have also invested in de-dusting filter systems to minimise dust pollution on site and decrease pollution-related health issues.

We also want our employees' physical capability to be compatible with the requirements of their respective job. To help achieve this goal, we conduct routine health checks on all sites. These checks include drug and alcohol testing. We are also reviewing the role of organising shifts in the mines to minimise any fatigue-related injuries.

To conclude, Afarak remains committed to investing in the health of its workforce and local community.

ENVIRONMENT

We aim to demonstrate our environmental responsibility by minimising our environmental impact. Our environmental intervention rests on four main pillars.



WATER MANAGEMENT

Water is a shared and limited resource. We aim to preserve water sources, manage and recycle our use of water whilst providing access to clean water.

In South Africa, our policy is to reduce, and recycle the use of water. In Mogale, we have improved our efficiency and cut municipal water usage by 20%. We have started to recycle processed water and have finalised works on rain water collection projects. In Turkey, water filters have been installed to start recycling water used in the processing of tailings.

WASTE MANAGEMENT

We intend to minimise the waste our activity produces. Most of the waste our activity generates is tailings from mining. Tailings are usually a big concern for mining companies. However, through our beneficiation stages, Afarak is able to recycle and yield more chrome content from mined goods, thus reducing the amount of tailings too. We are also planning on adding further stages of beneficiation and treatment later in 2018 to further generate value from our waste products.

LAND REHABILITATION

We aim to manage our land responsibly throughout the lifecycle of our assets.

To this end, we are working on projects to rehabilitate mines we currently work in. We recognise that our activities impact the grounds on which we work. By reestablishing land, managing its biodiversity and considering the needs of locals, we can reduce the level of our environmental impact.

We are working with the local community in Mecklenburg to establish a tree and shrubbery nursery. This commercial community project will sell its trees and plants to Afarak once work on the rehabilitation will start. This project not only backs up the community entrepreneurship but will also support local flora and fauna.

AIR EMISSIONS

Our activity carries an influence on air quality and CO2 emissions. Our dependence on electricity is also a source for CO2 emissions which we would like to decrease by shifting toward alternative sources of energy.

In Turkey and Germany, we have installed dust abatement solutions that seek to minimise dust emissions during the processing activity.

In South Africa, we have installed a 2.8 MW heat recovery unit in Mogale. This energy saving investment will contribute towards a proportional reduction of our CO2 emissions and a respective increase of our productivity.

COMMUNITIES & HUMAN RIGHTS

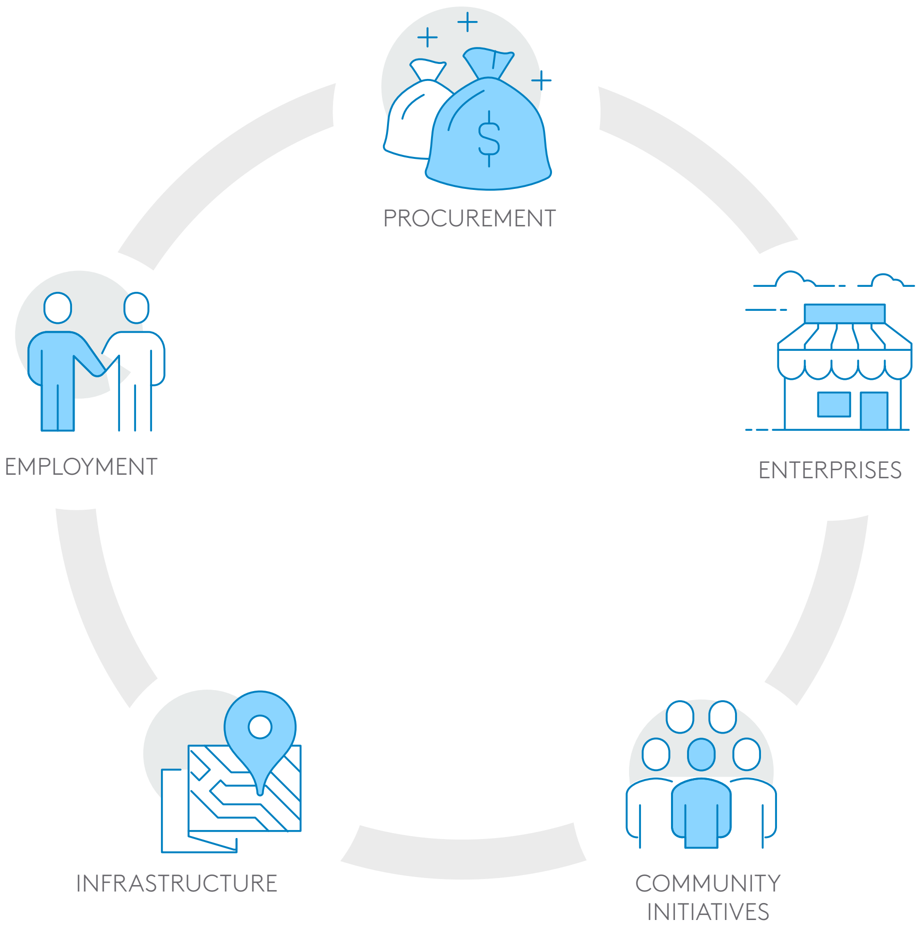
We bring economic benefits to the countries we work in by employing people, buying goods and services, paying taxes and royalties, and investing in infrastructure and healthcare. Our operations can bring socio-economic benefits to our host communities. We work in partnership with stakeholders to deliver initiatives that support long-term partnerships.

We are committed to building and maintaining constructive, long-lasting relationships with our stakeholders, including our host communities. Speaking openly and transparently with all our stakeholders is vital for our future and for maintaining good relationships with the host community.

In South Africa, at Mecklenburg, we have appointed new Community Liaison Officers and are establishing durable relationships with the surrounding communities. We have also invested in a mobile office to ensure that meetings can be held properly within the different areas.

We uphold values of mutual respect, social cohesion and human rights within our staff, communities and contractors.

Finally, we take pride in creating social value through five main pillars:



EMPLOYMENT

By providing direct and indirect employment, we believe that we are making a tangible contribution to our host communities.

INFRASTRUCTURE

Throughout the years, we have helped our local communities with their infrastructural requirements. This year, we invested in a local road which connects the school to the main road. In addition, for the Magakala Community, Afarak invested in the purchase and installation of 10 water tanks with a capacity of 10,000 litres each. This project also supported local entrepreneurship and local companies were entrusted with the installation and commissioning of the tanks.

COMMUNITY INITIATIVES

We continue to support local communities with various assistance programs that are of a social and educational nature. Afarak is supporting 7 orphans who are currently residing at Jade House. The House who built as a place of safety for orphans and offers foster care to these children. Afarak has a number of projects at Rietvallei particularly directed towards the Patrick Masego Primary school. Through Afarak's support, the school also has an extensive garden which is used to farm vegetables and fruits which are then used as part of the feeding scheme that the school operates. The Patrick Masego primary school provides a daily meal to close to 2,000 children including weekends and holiday periods. Afarak supports 5 day-care centres in the Rietvallei area and provides daily meals to 155 children. The day-care centres are the following; Thembelihle, Ntlanta, Wise Girl, Little Achievers and Busy Bee. Similar schemes are also run in conjunction with Magda Fourie at the Paardekraal and Millenium Primary schools. Afarak supports this Centre in Krugersdorp that provides shelter for abused women and children. The Centre can hold up to 40 families.

ENTERPRISES

We work closely with local enterprises and support their development. For example, in mining we are coaching local contractors from our host community to develop their business. Also, we have supported a local tree nursery company and we have decided to procure all trees for the land rehabilitation project.

PROCUREMENT

In our procurement, we work closely with local enterprises to support the local economy.

LOOKING AHEAD

Afarak will remain committed to upholding and raising the value of sustainability in its operations. Health and safety remain a key priority for the Board and a review of safety policies & procedures is underway. With the goal of improving safety at all plants. Environmental investments are important to Afarak and initiatives will continue throughout 2018 to further minimise the impact of our operations on nature. Also, community investments will be maintained.

Resource Statement

Executive Summary

The aim of this document is to provide a Mineral Resource and Mineral Reserve[1] Statement for Chromitite for Mecklenburg, Stellite and Vlakpoort Mine as at 31 December 2017.

The Mineral Reserve for Mecklenburg, Stellite and Vlakpoort declared on 31 December 2017 increased by 6,086 million tonnes from a year earlier due to the inclusion of MG1-4 in Proved Mineral Reserve at Stellite Mine.

The Mineral Resources for Mecklenburg, Stellite and Vlakpoort from 31 December 2017, increased from that declared in December 2016 from 43,630 to 44,861 million tonnes mainly due to an increase in measured resource for MG1-4 at Stellite Mine.

The exploration results reported at Vlakpoort Mine remained the same at 1,947 million tonnes. Mineral reserve and resource also remained the same since there was no mining from 2016 to 2017 at Vlakpoort Mine. Mining at Vlakpoort is expected to commence in the second quarter of 2018 after Department of Mineral Resources has granted a new-order mining right for Vlakpoort Mine.

STELLITE MINE

Mineral Reserves (ROM Feed numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Stellite: Tailings				**Stellite: Tailings**			
LG6-MG4	700	24.10	1.14	LG6-MG4	700	24.10	1.14
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	1,211	33.59	1.24
LG6	2,702	34.98	1.36	LG6	4,222	37.70	1.41
Stellite: Open Pit				**Stellite: Open Pit**			
MG4	1,450	30.39	1.20	MG4	1696	31.86	1.22
MG3	674	30.64	1.18	MG3	788	31.68	1.19
MG2	346	35.98	1.32	MG2	405	37.20	1.32
MG1	598	37.72	1.40	MG1	700	39.00	1.40
LG6+6A	103	33.68	1.37	LG6+6A	120	38.11	1.46
Total Proved	**6,573**	**32.65**	**1.28**	**Total Indicated**	**9,842**	**34.82**	**1.32**
PROBABLE:				**INDICATED:**			
Stellite: Underground				**Stellite: Underground**			
MG4	262	32.69	1.22	MG4	306	33.80	1.25
LG6	3,628	34.26	1.38	LG6	4,243	37.50	1.41
Stellite: Open Pit				**Stellite: Open Pit**			
MG4	3,015	30.75	1.20	MG4	3526	32.35	1.23
MG3	1,276	30.82	1.16	MG3	1492	31.68	1.19
MG2	948	36.08	1.28	MG2	1109	37.30	1.31
MG1	1,914	37.53	1.38	MG1	2239	38.80	1.41
LG6+6A	239	33.88	1.43	LG6+6A	280	38.54	1.46
Total Probable	**11,020**	**33.62**	**1.30**	**Total Indicated**	**13,195**	**35.61**	**1.33**
Proved & Probable Reserves	**17,593**	**33.25**	**1.29**	**Measured & Indicated Resources**	**23,037**	**35.27**	**1.32**
				MEASURED:			
				Stellite: Open Pit			
				MG4	1,440	33.18	1.24
				MG3	2,110	32.64	1.26
				MG2	1,920	37.10	1.32
				MG1	1,070	38.90	1.41
				LG6+6A	40	37.82	1.44
				Inferred Resources	**6,580**	**35.11**	**1.30**
Total Reserves	**17,593**	**33.25**	**1.29**	**Total Resources**	**29,617**	**35.23**	**1.32**

The Mineral Reserve for Stellite declared in 31 December 2017 increased from 28,319 to 29,617 million tonnes as those declared in December 2016 mainly due to increase and inclusion of MG1-4 proved probable Mineral Reserve. Stellite tailings LG6-MG4 tailings mineral reserve and resource decreased from 0,732 to 0,700 tons whereas the chrome grade and Cr to Fe ratio remained the same at 24,10 % and 1,14 respectively

The Mineral Resources for Stellite declared for open-Pit (170 m high-wall) as 31 December 2017, increase from that declared in December 2016 from 28 318 to 29 617 million tonnes mainly due to increase in inferred Mineral Resource.

MECKLENBURG MINE

The Mineral Reserve for Mecklenburg underground declared in 31 December 2017 remained the same at 7.2 million tonnes as those declared in December 2016. No underground mining was conducted during 2017.

The Mineral Resources for Mecklenburg declared for open-Pit (65m high-wall) as 31 December 2017, decreased from that declared in December 2016 from 0, 32 to 0, 25 million tonnes mainly due to depletion.

Mineral Reserves (ROM Feed numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Mecklenburg; Underground				**Mecklenburg: Underground**			
LG6+6A	2,682	41.85	1.57	LG6+6A	4,190	43.36	1.59
Mecklenburg; Open Pit				**Mecklenburg: Open Pit**			
LG6+6A	214	40.76	1.58	LG6+6A	250	44.10	1.64
Total Proved	**2,895**	**41.77**	**1.57**	**Total Indicated**	**13,195**	**35.61**	**1.33**
PROBABLE:				**INDICATED:**			
Mecklenburg; Underground				**Mecklenburg; Underground**			
LG6+6A	1,924	41.83	1.57	LG6+6A	3,006	43.37	1.59
Mecklenburg; Open Pit				**Mecklenburg; Open Pit**			
LG6+6A	-			LG6+6A	0		
Total Probable	**1,924**	**41.83**	**1.57**	**Total Indicated**	**3,006**	**43.37**	**1.59**
Proved & Probable Reserves	**4,819**	**41.79**	**1.57**	**Measured & Indicated Resources**	**13,195**	**35.61**	**1.33**
				Mecklenburg: Underground			
				LG6+6A	1,142	43.41	1.59
				Mecklenburg: Open Pit			
				LG6+6A	0		
				Inferred Resources	**1,142**	**43.41**	**1.59**
Total Reserves	**4,819**	**41.79**	**1.57**	**Total Resources (Excl Exploration Results)**	**8,588**	**43.39**	**1.59**

VLAKPOORT MINE

The Mineral Reserve and Mineral Resource for Vlakpoort declared in 31 December 2017 remained the same at 20,390 and 33,595 million tonnes respectively as those declared in December 2016. No underground or open-cast mining was conducted during 2017.

Open-cast mining has been scheduled in the second quarter of 2018.

Mineral Reserves (ROM Feed numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio		Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				**MEASURED:**			
Vlakpoort; Open Pit				**Vlakpoort; Open Pit**			
LG1-3	23	37.30	1.74	LG1-3	32	41.57	1.82
LG5	18	39.12	1.52	LG5	42	38.77	1.55
LG6	65	36.72	1.51	LG6	151	36.85	1.53
MG1-4	52	29.72	1.25	MG1-4	131	30.01	1.29
UG1-2	101	22.40	1.14	UG1-UG2	164	21.46	1.12
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6				LG6	398	33.32	1.59
UG2				UG2	754	19.65	1.06
Total Proved	**259**	**29.95**	**1.33**	**Total Measured**	**1,672**	**26.35**	**1.28**
PROBABLE:				**INDICATED:**			
Vlakpoort; Open Pit				**Vlakpoort; Open Pit**			
LG1-3	40	37.93	1.78	LG1-3	53	41.57	1.86
LG5	3	35.01	1.45	LG5	10	39.92	1.55
LG6	37	31.25	1.63	LG6	64	33.95	1.58
MG1-4	16	30.52	1.36	MG1-4	75	29.92	1.35
UG1-2	9	27.09	1.22	UG1-UG2	24	27.61	1.25
Vlakpoort; Underground				**Vlakpoort; Underground**			
LG6				LG6	793	33.92	1.58
UG2				UG2	421	19.83	1.06
Total Probable	**105**	**33.43**	**1.61**	**Total Indicated**	**1,440**	**29.81**	**1.42**
Proved & Probable Reserves	**364**	**30.95**	**1.41**	**Measured & Indicated Resources**	**3,112**	**27.95**	**1.34**

				INFERRED			
				Vlakpoort; Open Pit			
				LG1-3	41	41.55	1.79
				LG5			
				LG6	1	33.49	1.59
				MG1-4	119	28.61	1.30
				UG1-UG2			
				Vlakpoort; Underground			
				LG6	1,321	33.67	1.59
				UG2	115	20.27	1.08
				Inferred Resources	**1,597**	**32.53**	**1.54**
Total Reserves	**364**	**30.95**	**1.41**	**Total Resources (Excl Exploration Results[2])**	**4,709**	**29.50**	**1.41**
				Exploration Results			
				Vlakpoort; Underground			
				LG6	1,243	34.16	1.60
				UG2			
				Vlakpoort; Open Pit			
				LG1	10	38.35	1.70
				LG2	7	33.51	1.75
				LG3	33	38.73	2.01
				LG5			
				LG6	365	33.55	1.60
				MG1	20	39.73	2.09
				MG2			
				MG3	5	27.47	1.21
				MG4+4A	264	29.70	1.23
				UG1			
				UG2			
				Exploration Results	**1,947**	**33.58**	**1.56**
				Total (Incl Exploration Results)	**6,656**	**30.70**	**1.45**

COMBINED MINERAL RESOURCE AND RESERVE STATEMENT VLAKPOORT MINE

Mineral Reserves (ROM Feed numbers)				Mineral Resources (Geological Losses Applied)			
	Tonnage (kt)	2E+AU (g/t)	Ozs		Tonnage (kt)	2E+AU (g/t)	Ozs
PROVED:				**MEASURED:**			
Stellite: Tailings				**Stellite: Tailings**			
LG6-MG4	700	24.10	1.14	LG6-MG4	700	24.10	1.14
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	1211	33.59	1.24
LG6	2,702	34.98	1.36	LG6	4222	37.70	1.41
Stellite: Open Pit				**Stellite: Open Pit**			
MG4	1,450	30.39	1.20	MG4	1696	31.86	1.22
MG3	674	30.64	1.18	MG3	788	31.68	1.19
MG2	346			MG2	405	37.20	1.32
MG1	598			MG1	700	39.00	1.40
LG6+6A	103	33.68	1.37	LG6+6A	120	38.11	1.46
Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6+6A	2682	41.85	1.57	LG6+6A	4,190	43.36	1.59
Mecklenburg: Open Pit				**Mecklenburg: Open Pit**			
LG6+6A	214	40.76	1.58	LG6+6A	250	44.10	1.64
Vlakpoort: Open Pit				**Vlakpoort: Open Pit**			
LG1-3	23	37.30	1.74	LG1-3	32	41.57	1.82
LG5	18	39.12	1.52	LG5	42	38.77	1.55
LG6	65	36.72	1.51	LG6	151	36.85	1.53
MG1-4	52	29.72	1.25	MG1-4	131	30.01	1.29
UG1-MR	101	22.40	1.14	UG1-MR	164	21.46	1.12
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6				LG6	398	33.32	1.59
UG2				UG2	754	19.65	1.06
Total Proved	**9,728**	**31.69**	**1.24**	**Total Measured**	**15,954**	**36.32**	**1.39**
PROBABLE:				**INDICATED:**			
Stellite: Underground				**Stellite: Underground**			
MG4				MG4	306	33.80	1.25
LG6	1,241	34.26	1.35	LG6	4,243	37.50	1.41
Stellite: Open Pit				**Stellite: Open Pit**			
MG4	3,015	30.75	1.20	MG4	3,526	32.35	1.23
MG3	1,276	30.82	1.16	MG3	1,492	31.68	1.19
MG2	948	36.08	1.28	MG2	1,109	37.30	1.31
MG1	1,914	37.53	1.38	MG1	2,239	38.80	1.41
LG6+6A	239	33.88	1.43	LG6+6A	280	38.54	1.46

Mecklenburg: Underground				**Mecklenburg: Underground**			
LG6+6A	1,924	41.83	1.57	LG6+6A	3,006	43.37	1.59
Mecklenburg: Open Pit				**Mecklenburg: Open Pit**			
LG6+6A	-			LG6+6A	0	0.00	0.00
Vlakpoort: Open Pit				**Vlakpoort: Open Pit**			
LG1-3	40	37.93	1.78	LG1-3	53	41.57	1.86
LG5	3	35.01	1.45	LG5	10	39.92	1.55
LG6	37	31.25	1.63	LG6	64	33.95	1.58
MG1-4	16	30.52	1.36	MG1-4	75	29.92	1.35
UG1-2	9	27.09	1.22	UG1-2	24	27.61	1.25
Vlakpoort: Underground				**Vlakpoort: Underground**			
LG6				LG6	793	33.92	1.58
UG2				UG2	421	19.83	1.06
Total Proved	**10,662**	**34.95**	**1.33**	**Total Indicated**	**17,641**	**36.46**	**1.38**
Proved & Probable Reserves	**20,390**	**33.40**	**1.28**	**Measured & Indicated Resources**	**33,595**	**36.39**	**1.38**
				INFERRED			
				Stellite: Open Pit			
				MG4	1,440	33.18	1.24
				MG3	2,110	32.64	1.26
				MG2	1,920	37.10	1.32
				MG1	1,070	38.90	1.41
				LG6+6A	40	37.82	1.44
				Mecklenburg: Underground			
				LG6+6A	1,142	43.41	1.59
				Mecklenburg: Open Pit			
				LG6+6A			
				Vlakpoort: Open Pit			
				LG1-3	41	41.55	1.79
				LG5			
				LG6	1	33.49	1.59
				MG1-4	119	28.61	1.30
				UG1-MR			
				Vlakpoort: Underground			
				LG6	1,321	33.67	1.59
				UG2	115	20.27	1.08
				Inferred Resources	**9,319**	**35.68**	**1.38**
Total Reserves	**20,390**	**33.40**	**1.28**	**Total Resources (Excl Exploration Results)**	**42,914**	**36.24**	**1.38**

Exploration Results			
Vlakpoort: Underground			
LG6	1,243	34.16	1.60
UG2			
Vlakpoort: Open Pit			
LG1	10	38.35	1.70
LG2	7	33.51	1.75
LG3	33	38.73	2.01
LG5			
LG6	365	33.55	1.60
MG1	20	39.73	2.09
MG2			
MG3	5	27.47	1.21
MG4+4A	264	29.70	1.23
UG1	-		
UG2	-		
Exploration Results	**1,947**	**33.58**	**1.56**
Total (Incl Exploration Results)	**44,861**	**36.12**	**1.39**

HISTORICAL INFORMATION

The information in this statement that relates to Exploration Results and Mineral Resources is based on the Mineral reserve and resource report and information compiled by Hermanus Berhardus Swart, a Competent Person who is a Professional Natural Scientist registered with South African Council for Natural Scientific Professions accredited (No. 400101/00) and a Member of the Geological Society of South Africa, each of which is a "Recognised Professional Organisation" (RPO) that is included in a list that is posted on the ASX website from time to time. Hermanus Berhardus Swart, the Competent Person is employed by Dunrose Trading 186 (PTY) Ltd trading as Shango Solutions, which provides services as geological consultants. The Competent Person has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), the 2001 Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves in the United Kingdom, Ireland and Europe (IMMM) as well as the 2007 edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC). The Competent Person consents to the inclusion of the matters based on his information in the form and context in which it appears.

COMPETENT PERSONS

The information in this statement that relates to Exploration Results and Mineral Resources is based on the Mineral reserve and resource report and information compiled by:

1. Daniel Thenga:
Senior Geologist, Afarak SA Mining, Pr.Sci.Nat (reg nr: 114738), BSc Hons (Mining & Geology, Blasting Cert, MGSSA

2. Cuan Berner Kloppers:
Executive Consulting Geologist, , Pr.Sci.Nat (reg no:400092/04), EDP/MBA (UNISA SBL), NDip (Geology), NHDip, Geotechnology, MTech Research (Industrial Minerals), MGSSA, MSAAG, MSAQS

Both the people named above are Competent Persons who are both Professional Natural Scientists registered with South African Council for Natural Scientific Professions accredited and Members of the Geological Society of South Africa, each of which is a "Recognized Professional Organisation" (RPO) that is included in a list that is posted on the ASX website from time to time. Both the Competent Persons, listed above, has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), the 2001 Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves in the United Kingdom, Ireland and Europe (IMMM) as well as the 2007 edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC). The Competent Persons consents to the inclusion of the matters based on his information in the form and context in which it appears.

Daniel Thenga **Cuan Kloppers**

Governance Review

Chairman's Introduction

Dear Shareholders,

This year will be remembered not only for the record results but for the turnaround and renewal of the organisation.

Although the positive results were largely supported by the favourable market conditions, the internal restructuring and implementation of a new growth vision and strategy by the Board and Management played a key role.

Throughout 2017, your Board empowered the different units around the world to start a renewal process aimed at securing new markets, improve productivity and efficiencies and also to launch an acquisition strategy. It is with pleasure to note the positive results across segments, particularly the mining unit in South Africa. The resumption of open-cast mining at Mecklenburg has been pivotal in our success. We also invested heavily across the Group and our smelter plant in Mogale has achieved further improvements in productivity.

Looking ahead, we are confident that the investments we approved throughout 2017, such as the acquisition of the Zeerust Chrome Mine, further beneficiation plants, the commencement of underground mining at Mecklenburg and the processing of foundry and chemical grade will continue making Afarak an important player in the ferrochrome industry.

Afarak's unique position as a vertically-integrated producer of speciality alloys; acting as a miner, producer and marketer of commodities, enables it to extract value at every stage of the commodity chain. Our ability to be specialist producers as well as volume miners, will further support our resilience and adaptability.

Although financial results are important, we are also mindful of our commitment to sustainability. Our focus remains on ensuring a "Zero Harm" policy and we are proud and thankful that no fatalities were registered in 2017. Throughout the year, we have invested heavily in ensuring the safety of our employees is prioritised across all our units. We have also supported health promotion.

We face many challenging situations at our operations, as we work to extract resources safely, profitably and responsibly, to mitigate our environmental impact and support our host communities. We recognize the value of multi-stakeholder engagement and we continue to tackle these challenges with Management, our employees, unions and also the host communities.

This year we have participated in a number of such initiatives across a number of areas including our host communities in South Africa and Turkey. Our support has extended beyond charitable donations towards assisting NGOs and educational services. I am proud with our efforts to invest in much needed infrastructure including a system of water tanks and the building of roads in South Africa.

Further on in the report, we have set out the main activities of the Board and its Committees during the year. I would like to highlight in particular:

- the work of the Audit Committee, particularly with respect to the budgeting and investment appraisal work done during the year;
- the work with executive management and subsidiaries concerning the Group's ongoing strategy and performance improvement;
- the focus on sustainability issues, particularly health & safety by the Board across the Units.

As a business, we are committed to delivering shareholder value. Our distribution policy remains unchanged from last year and that includes prudence in deciding on our distributions. Following the exception result in quarter one 2017, the Board decuded to give a capital redemption to our shareholders, totaling EUR5.2 million. The Board will propose to the Annual General Meeting that the Annual General Meeting would authorise the Board to resolve on its discretion on the payment of capital redemption up to a maximum of two cents per share in quarter four 2018.

Afarak Group follows the Finnish Corporate Governance Code. As a Board, we are committed to our obligations as a publicly listed company and management is focused on strengthening the Company's structure.

The Board and the Management team have been entrusted by the shareholders to plan for a delisting from the NASDAQ Helsinki Stock Exchange and to establish the London Stock Exchange as Afarak's primary listing. I am confident that the London Stock Exchange will provide the ideal platform for Afarak to expand its business and continue becoming a more vertically-integrated producer of ferrochrome.

There are many opportunities and challenges ahead for resource businesses. The market remains volatile but I believe that Afarak is well-placed to continue playing a key role in sustainable value creation for all our stakeholders. As a Board, we remain focused on and committed to operating efficient, low-cost and safe operations which give us confidence that the Company's medium and long-term fundamentals remain strong.

I, and my fellow Directors, thank you for your continued support.

DR JELENA MANOJLOVIC
Chairman

Information Presented by Reference

The Group's key financial figures, related party disclosures, information on share capital and option rights are presented in the notes to the consolidated financial statements. The share ownership of the parent company's Board members and Chief Executive Officer is presented in the notes to the parent company's financial statements.

The Corporate Governance Statement and the Remuneration Report are presented as separate reports in this Annual Report.

For the purposes of United Kingdom Listing Authority listing rules ("LR") 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

SECTOR	TOPIC	LOCATION
1	**Interest capitalised**	1.7. Notes to the consolidated statement of financial position, 10. Property, plant and equipment
2	**Publication of unaudited financial information**	Not applicable
4	**Details of long-term incentive schemes**	1.7. Notes to the consolidated statement of financial position, 19. Share-based payments
5	**Waiver of emoluments by a director**	Not applicable
6	**Waiver of future emoluments by a director**	Not applicable
7	**Non pre-emptive issues of equity for cash**	Not applicable
8	**Item (7) in relation to major subsidiary undertakings**	Not applicable
9	**Parent participation in a placing by a listed subsidiary**	Not applicable
10	**Contracts of significance**	1.7. Notes to the consolidated statement of financial position, 1.8.2 Related party transactions
11	**Provision of services by a controlling shareholder**	Not applicable
12	**Shareholder waivers of dividends**	Not applicable
13	**Shareholder waivers of future dividends**	Not applicable
14	**Agreements with controlling shareholders**	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Board of Directors report.

Our People
The Board of Directors

CHAIRMAN AND DEPENDENT NON-EXECUTIVE DIRECTOR

Dr Jelena Manojlovic
Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy)
Born 1950

Jelena Manojlovic has been a member of the Board since 11 July 2008, and has acted as Chairman of the Board since 16 June 2009. She is also a member of the Remuneration and Nomination Committee. She is an established university lecturer and organizational consultant and has 35 years' experience in the human resources field and 20 years' in management positions in a diverse range of organisations, including the UK's National Health Service, universities and other companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Barry Rourke
FCA
Born 1950

Barry Rourke was a member of the Ruukki Board, the Chairman of the Audit Committee and a member of the Remuneration Committee from April 2010 to February 2013. He rejoined the Afarak Board on May 8, 2015. Previously, he was an Audit Partner at PWC for 17 years from 1984 to 2001 where he specialised in the Oil & Gas and Mining sectors. He currently holds a number of non-executive directorships and positions on the audit committees in other companies.

Ivan Jakovčić
BA (Foreign Trade Faculty)
Born 1956

Ivan Jakovčić is a Croatian politician and a member of the European Parliament where he is in the Committee on Regional Development, Committee on Agriculture and Rural Development and the Committee of the Regions of the European Union. Prior to joining the European Parliament, Mr Jakovčić has held numerous political positions in Croatia where he has been a member of the Croatian Parliament, the President of the Istrian Democratic Assembly and served as Minister of European Integration. Mr Jakovčić was appointed to the Board of Afarak on 11 February 2013 and appointed Chairman on 11 May 2015.

Thorstein Abrahamsen

M. Sc. (Electrochemical Engineering)
Born 1948

Thorstein Abrahamsen is an internationally respected stainless steel and ferroalloy industry professional. He has served as Chief Executive Officer of various manufacturing companies within stainless steel, ferroalloy, construction equipment and mining industries. He also served as Vice-President Sales & Distribution of a global stainless steel production company. Throughout his career he has served on over 30 boards including chairmanships of ferroalloy and steel trading & marketing companies around the world. He is currently Chairman of a construction industry company, a board member and partner of a management consultancy company and two investment companies.

Thomas Hoyer

Born 1974

Thomas Hoyer is a graduate in economics and a seasoned executive management professional. Starting his career as an investment manager with Allianz he took over the role of CFO of a leading French company before moving to Ruukki Group, Afarak Group's predecessor. During the time, he fulfilled the roles of CFO before becoming CEO. He also served as an Executive Director on the Board of Directors. He then occupied the role of CEO with Tantalus Rare Earths, a German company specialised in mine development. Today, Thomas Hoyer is a Director at Helsinki Capital Partners, a Finnish licensed fund management company. He also serves as a non-Executive Director at Gaia, an international sustainability and environmental consulting company. Mr Hoyer did not recontest the election of the Board during the Extraordinary General Meeting held on 5th February 2018.

Our People
The Executive Management Team

The Group's Executive Management Team ("EMT") assists the Group CEO in effectively accomplishing his duties. The EMT is an advisory body which was set up by the Board of Directors in November 2009. It has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the EMT are taken by the CEO, the EMT member responsible for the matter in question or the Group's Board of Directors, as appropriate.

Guy Konsbruck

CEO
BA (Hons); MBA (SHU Fairfield); MA
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on 15 January 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys. Mr Konsbruck was appointed to the Board during the Extraordinary General Meeting held on 5th February 2018.

Predrag Kovacevic

CFO
BA (Hons), MA (Business Administration & Economics)
Born 1974

Predrag Kovacevic is a corporate finance, capital markets and financial industry professional with 18 years of broad international experience. Having held senior advisory and leadership positions in both government and private sector he joined Afarak at the beginning of 2016 working on finance and business development.

Dr Danko Koncar

COO
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Dr Danko Koncar was appointed as a member of the Board at the Extraordinary General Meeting on 11 August 2010 and as the CEO on 11 February 2013. He was also the Acting Managing Director of the Company between October 2010 and April 2011. He has extensive experience in minerals processing and trading, including 20 years in ferrochrome processing with fourteen years of experience in application of direct current technology to ferrochrome processing.

Our People
The Corporate Management Team

The Company's Corporate Management includes, in addition to the Executive Management Team, the following personnel responsible for corporate functions:

Michael Lillja
Head of Marketing and Sales
M.Sc (Economics); Born 1962

Michael Lillja is currently the Head of Marketing of Afarak Trading Limited, the marketing arm of Afarak. Prior to Afarak Trading, Mr. Lillja has served for decades in several different positions in the mining and metals industry, the energy sector, and in international trade for companies such as, Alloy 2000 SA/ENRC-Kazakhstan, International Ferro Metals Ltd, and SamChrome Ltd/Samancor Cr.

Melvin Grima
Finance Director
FCCA, MIA, CPA; Born 1982

Melvin Grima joined Afarak in 2013 as Group Finance Manager. He was responsible of the relocation of the Group's corporate finance function to Malta and its setup. He was promoted to Finance Director in 2015. Prior to joining Afarak, he held a number of management positions including Group Accountant of a hotel Group and Finance Manager of a Group trading in the petroleum industry.

Bertus van der Merwe
CEO Afarak South Africa
B Eng (Metallurgy), MBA (Heriot Watt Scotland); Born 1972

Bertus van der Merwe is a metallurgical engineer with extensive industry experience. He was a Gold Fields bursar and worked at Billiton's Samancor Manganese from 96-2001 and then joined Samancor Cr in 2001 as Manager low carbon and eventually became the COO of Samancor Cr. In 2012 he left to do consulting in the Ferroalloy and steel industry. He also has extensive reductant experience with Portnex. In June 2017 he joined Afarak SA.

Milan Djakov
Deputy COO Afarak South Africa
M.SC (GLOBAL FINANCE); BA (Hons) International Banking Born 1982

Milan Djakov is a graduate in banking and finance. Following his studies, Milan gained considerable experience working in the public sector in Serbia particularly with the Ministry of Agriculture, Forestry and Water Management. Following his experience in the public-sector Milan moved to the private sector and joined Afarak Group. He has been actively involved in the running of the Company and worked on a number of diverse projects and also served as a Non-Executive Director between 2016 and 2017.

Willem Smith
Managing Director, Afarak Mogale
B Eng (Metallurgy), MBA (Heriot Watt Scotland); Born 1976

Willem Smith is a metallurgist by profession and joined Afarak Mogale in 2006. He was appointed General Manager of Afarak Mogale 2012. Prior to joining Afarak Group, Willem gained extensive experience in the steel and ferroalloys sector working at ArcelorMittal and Samancor Chrome.

Seyda Caglayan

Managing Director, Afarak TMS
MSc (Mining Engineering); Born 1958

Seyda Caglayan joined Afarak TMS in December 2007. Prior to joining Afarak, she held a number of senior management and directorate positions in the mining and chrome industry including the Istanbul Mineral Exporters' Association and the International Chromium Development Association (ICDA). Seyda currently serves as Member of the Board of Turkish Miners Association, Member of Chrome Committee of ICDA and Member of the Board of Trustees of the Turkish Mining Development Foundation.

Christoph Schneider

Managing Director, Afarak EWW
MA (Economics); Born 1964

Christoph Schneider is currently the Managing Director of Afarak EWW. He joined EWW in 1992 as Sales Manager. Over the years, Christoph rose the ranks of EWW and was appointed as Managing Director in December 2003.

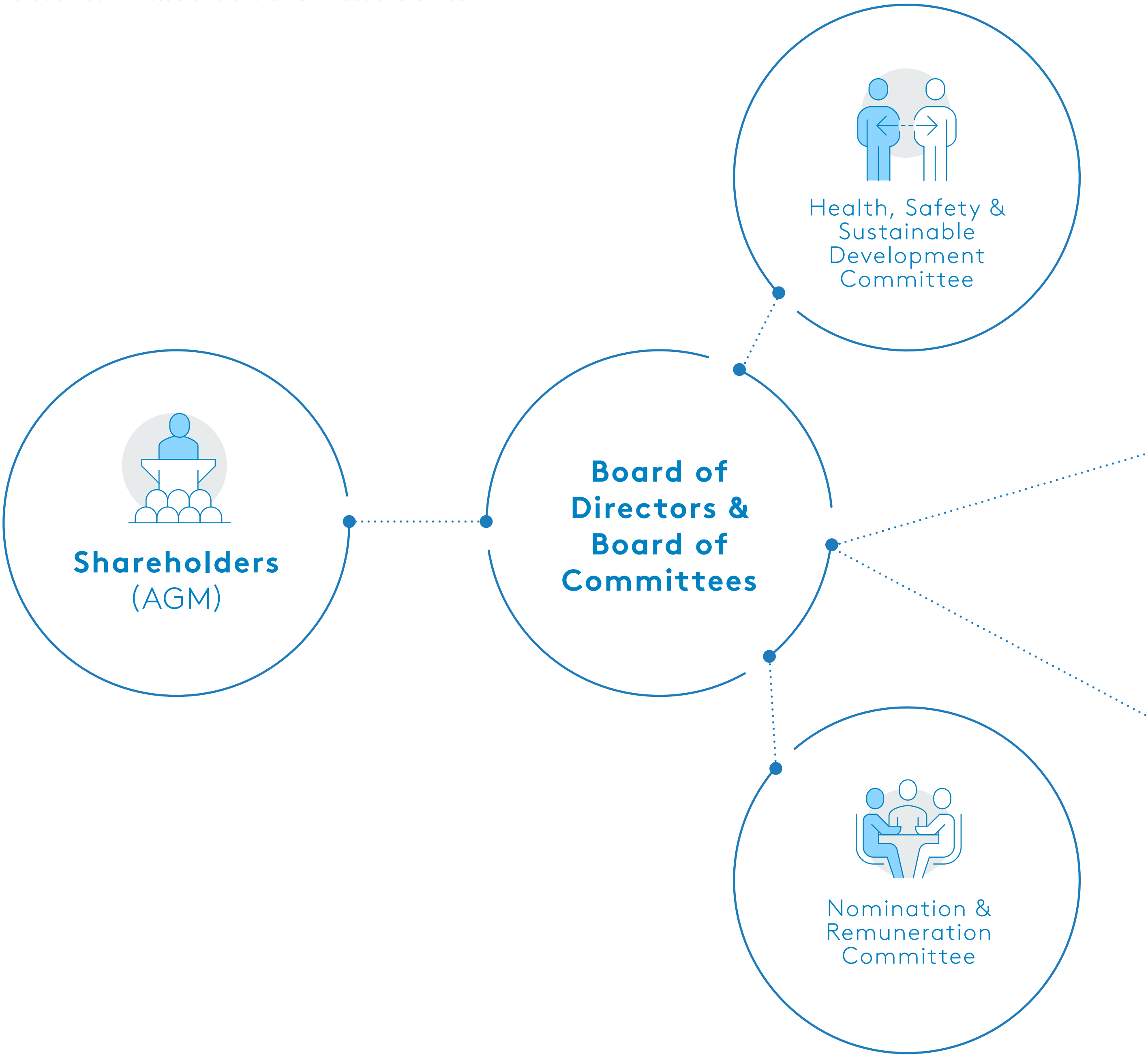
Dr Kurt Maske

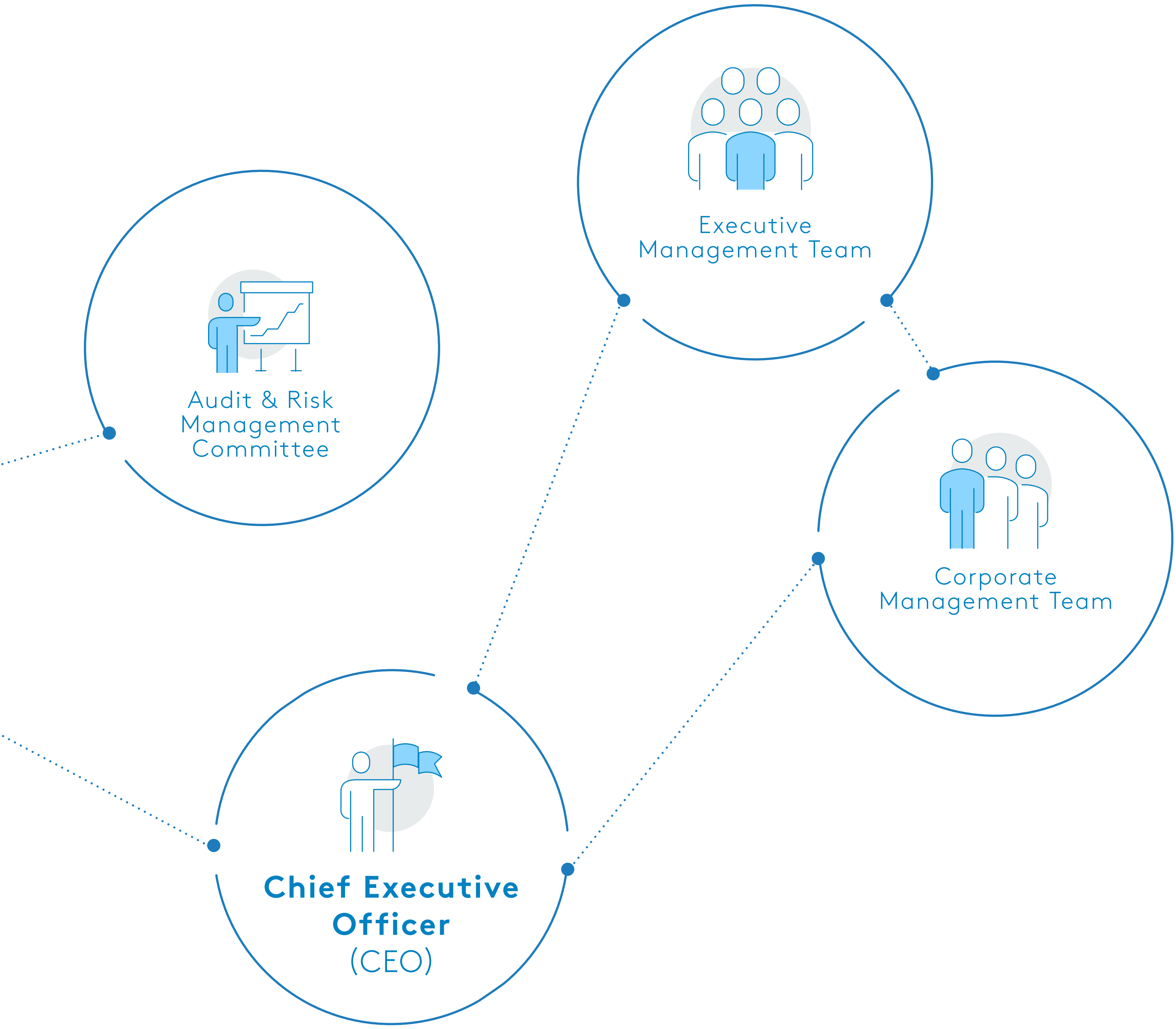
Acting Managing Director, Afarak SA Mining
PhD (Minerals Engineering); Born 1955

Kurt Maske is the acting Managing Director for the SA Mining Operations and manages the South African marketing and logistics processes. Prior to joining Afarak in 2011, Kurt was with BHP Billiton for nearly 25 years where he started his career as a Process Engineer responsible for developing the DC arc furnace technology for FeCr production at what is now Mogale Alloys. After serving as Works Manager he was transferred to Samancor's marketing team to globally manage the sale of the group's low and medium carbon ferrochrome products.

Governance Structure

The management and control of Afarak Group Plc and its subsidiaries ("Group") is divided between the shareholders, the Board of Directors ("Board"), supported by the Board's audit and risk management committee, nomination and remuneration committee and the Chief Executive Officer.




Executive
Management Team
Audit & Risk
Management
Committee
Corporate
Management Team
Chief Executive
Officer
(CEO)

ANNUAL GENERAL MEETING

Afarak's ultimate decision-making body is the shareholders' Annual General Meeting which convenes once a year and is held within six months of the end of the financial year. Pursuant to the Company's Articles of Association, the convening notice for a General Meeting will be published on the Group's website and in a stock exchange release no earlier than two months, and no later than 21 days, prior to the General Meeting or nine days prior to the record date of the General Meeting.

The notice of a General Meeting, the proposals for resolutions, and the documents to be submitted to the General Meeting, such as the financial statements, the annual report and the auditor's report, will be available on the Group's website and at the Group's office in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting are published as a stock exchange release without undue delay and will be available on the Group's website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

Shareholders have the right to add items falling within the scope of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in advance so that the item can be included to the notice. Afarak publishes the details of how and when to submit the requests to the Board on its website.

The Company uses the Annual General Meeting to develop an understanding of the views of its shareholders about the Company.

An Extraordinary General Meeting can be convened if the Board of Directors deems it necessary or if the auditor of the Company or the shareholders owning at least 10 percent of the shares demand one in writing in order to deal with a specific matter, or if it is required by law or other regulations.

The most significant items on the Annual General Meeting's agenda include:

- Approving the year's financial statements;
- Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;
- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

In addition, certain significant matters (such as amending the Articles of Association or deciding on a capital increase) require a resolution by the shareholders in a General Meeting.

General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his or her ownership rights shall register for a General Meeting in the manner stated in the notice of meeting. All the shareholders who have been registered in the Company's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting have the right to attend a General Meeting, provided they have delivered a proper notice to attend the meeting. Holders of nominee registered shares may be registered temporarily on the shareholder register, and they are advised to request further instructions from their custodian bank regarding the temporary registration and issuing of a proxy document.

Resolutions by a General Meeting usually require a simple majority. Certain resolutions, however, such as amending the Articles of Association and directed share issues require a qualified majority represented by shares, and the votes conferred by the shares, at the General Meeting.

The majority of the Board members, if not all, attend General Meetings together with the CEO and the auditor. In addition, if a person is proposed for election as a director for the first time, he or she will also attend the General Meeting.

ANNUAL GENERAL MEETINGS IN 2017

The Annual General Meeting was held on May 23, 2017 at Klaus K Hotel in Helsinki, Finland.

All the resolutions of the above-mentioned General Meeting can be found at:
http://www.afarak.com/en/investors/shareholder-meetings/2017/

EXTRAORDINARY GENERAL MEETINGS

An Extraordinary General Meeting was held on February 5, 2018 at Union Square Auditorium, Helsinki, Finland.

All the resolutions of the above-mentioned General Meeting can be found at:
http://www.afarak.com/en/investors/shareholder-meetings/2018/

The Board of Directors

TASKS AND RESPONSIBILITIES

The Board of Directors is composed of between three and nine members who are elected by the General Meeting of shareholders, which also approves their remuneration. The tenure of each Board member is for one year and expires at the end of the next annual General Meeting immediately following their election. The Board elects a Chairman from among its members. None of the non-executive directors has a service contract with the Company and none of the directors has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.

The duties of a Board member are specified in the Finnish Companies Act. The Afarak Board also has a written charter governing its functions.

The Board of Directors oversees the administration of the Group and is responsible for the internal control of its assets, finances and accounts on behalf of shareholders. Its specific responsibilities include:

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;
- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;
- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

Key elements of the Board's charter and operations are:

- It convenes on prearranged dates, with a view to meeting approximately once a month, or more often if necessary. Meetings can be arranged as conference calls;
- Matters to be dealt with by the Board are presented by the Chairman, the CEO or another person who has participated directly in assessing and preparing the issue for consideration;
- It aims to make unanimous decisions;
- It prepares an annual plan for its operation; and
- It acts at all times in the interest of the Group and all of its shareholders.

The Board oversees all communications and other requirements stipulated by the rules of the relevant stock exchanges and financial supervision authorities and conducts regular self-assessments to ensure these requirements continue to be fulfilled. The Group has established specific targets for the development of its administrative functions and processes, and continues to implement these.

The Board also evaluates and decides on acquisitions and disposals of subsidiaries and associated companies. To ensure the efficiency of board and committee work, the Board regularly evaluates the operations and working methods of each committee and the Board. The evaluation is conducted as internal self-evaluation. The Board is also regularly in contact with the major shareholders of the Company to ensure that the Board is aware of their views.

The 2017 Annual General Meeting elected five members to the board: Dr Jelena Manojlovic, Mr Barry Rourke and Mr Ivan Jakovcic were re-elected and Mr Thomas Hoyer and Mr Thorstein Abrahamsen were newly elected. Mr Markku Kankaala resigned from the Board in March 2017. Mr Thomas Hoyer did not seek re-election at the Extraordinary General Meeting in February 2018.

DIVERSITY OF THE BOARD OF DIRECTORS - SKILLS, EXPERIENCE AND ATTRIBUTES

The Board considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is required to effectively govern the business. The Board and its Nomination and Remuneration Committee work to ensure that the Board continues to have the right balance of skills, experience, independence and Group knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

To govern the Group effectively, Non-Executive Directors must have a clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. Non-Executive Directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

The Board requires that Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and constructively, and are free to question or challenge the opinions of others. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the Company.

CURRENT BOARD PROFILE

The Board considers that each of the Non-Executive Directors has the following attributes:

- time to undertake the responsibilities of the role;
- unquestioned honesty and integrity;
- a willingness to understand and commit to the highest standards of governance;
- knowledge of commodity markets and mining
- an ability to think strategically
- a preparedness to question, challenge and critique
- experience of managing in the context of uncertainty, and an
- understanding of the risk environment of the Group, including the potential for risk to impact our health and safety, environment, community, reputation, regulatory, market and financial performance; and a
- knowledge of world capital markets.

SENIOR INDEPENDENT DIRECTOR

During the year under review, Barry Rourke held the role of Senior Independent Director of Afarak Group in accordance with the UK Corporate Governance Code. He acted independently in the best interests of the Group. His expertise and broad international experience materially enhanced the skills and experience profile of the Board. He is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO. As Senior Independent Director, he also provides a sounding board for the Chairman and serves as an intermediary for other Directors if necessary.

BOARD INDEPENDENCE

The Finnish Corporate Governance Code requires that the majority of the directors are independent of the Company. In addition, at least two of the directors representing this majority must be independent of the significant shareholders of the Company. The Company believes that Mr Barry Rourke, Mr Ivan Jakovcic, Mr Thomas Hoyer and Mr Thorstein Abrahamsen are independent of the Company and significant shareholders whilst Dr Jelena Manojlovic is dependent of the Company.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination & Remuneration Committee	Health & Safety Committee
Jelena Manojlovic	Chairman	11 July 2008	Dependent	-	Member	
Barry Rourke	NED	08 May 2015	Independent	Chair	Member	
Ivan Jakovcic	NED	11 February 2013	Independent		Chair	
Thomas Hoyer	NED	23 May 2017	Independent	Member		
Thorstein Abrahamsen	NED	23 May 2017	Independent	Member		Chair

The Board in 2017

The new Board of Directors made it a priority to review various elements relating to the operation and corporate governance of Afarak. Highlights of the main discussions and decisions are presented below. A strategic workshop was held by the Board soon after election and various elements relating to Afarak's core business were reviewed.

STRATEGIC VISION

The new leadership of the Company presented a revised Strategic Vision for Afarak focusing on integrating sustainability across all our business unit; growing the organisation organically as well as through M&A and on achieving strong profitability through operational efficiencies and cost controls. Throughout the year, the Board implemented various initiatives of this Vision.

RISK MANAGEMENT

The Board continued enhancing the Group's risk management function and appointed a Group Controller to handle the risk reporting and management function. A new reporting framework was implemented across the main units and various measures mitigating the identified risks were implemented.

SUSTAINABILITY

The Board highlighted health & safety as a key priority. The Board is working closely with the respective units to strengthen the health & safety culture within the Company. The Board remains committed to continue investing in training, equipment and reporting to ensure that its policy of 'Zero Harm' is practiced throughout the Company. In addition, the Board supported further environmental initiatives and investments within the Group. The Board continued the Company's support towards host communities in South Africa.

COMPANY PERFORMANCE

The Board supported various initiatives to make the Company more resilient and responsive to the market. Throughout the year, the Board agreed on various projects, especially in South Africa and Germany, which made the units able to respond to changing market conditions and trends. Today the Company is leaner and focused on enhancing its vertical-integration. The Board also supported various capital investments including the addition of further beneficiation stages, increasing high-walls at the mines and the acquisition of new mining assets.

A total of 10 meetings of the Board were held during the reporting period and the attendance of the directors is tabled below.

Meetings attended	
Jelena Manojlovic	10/10
Barry Rourke	10/10
Ivan Jakovcic	09/10
Thomas Hoyer	07/07
Thorstein Abrahamsen	07/07
Milan Djakov	03/03
Markku Kankaala	01/01

A total of 10 meetings were held during the reporting period. The differences in the meetings attended, related to the changes in Board composition.

REMUNERATION

The Annual General Meeting resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work.

During the financial year 2017, the Board members received a total of EUR328,000

Board Committees

AUDIT AND RISK MANAGEMENT COMMITTEE

Until 5 February 2018, the Audit and Risk Management Committee was composed of three members: Barry Rourke (Chairman), Thomas Hoyer and Thorstein Abrahamsen. Thomas Hoyer did not contest re-election during the Extraordinary General Meeting on February 5, 2018.

The Board has defined the Committee's duties in accordance with the recommendations of the Finnish and the UK Corporate Governance Codes. The Audit and Risk Management Committee reviews the auditors' work and monitors the Group's financial position and the appropriateness of its financial reporting. The Committee oversees risk management procedures and internal controls, maintaining contact with auditors and evaluating their reports. The Committee reports regularly to the Board.

In 2017, the Committee continued to oversee the Group's financial performance and reporting. The Committee also worked with management to continuously improve the reporting function of the Group, both internally and externally. Regular scrutiny of the Group's compliance with laws, regulations and best practice continued being an area of focus during the year.

The Committee assessed various growth options, strategies and investments. It worked with Management on the acquisition of the Zeerust Chrome Mine. The Committee also assessed various external financing facilities. Throughout the year, the Committee worked on improving the internal budgeting and forecasting models and processes.

The Committee also reviewed each quarterly report before release and recommended changes where necessary, before recommending the reports to the Board.

NOMINATION AND REMUNERATION COMMITTEE

The combined Nomination and Remuneration Committee of the Company currently has three members: Ivan Jakovcic (Committee Chairman), Dr Jelena Manojlovic and Barry Rourke.

The Committee leads the process for making appointments to the Board and the executive management and submits recommendations to the Board in this regard. The Committee also leads the process relating to the remuneration of the executive management and the Board, and makes recommendations to the Board and to the General Meeting in relation to the Board's remuneration.

The Committee worked on and approved the incentive scheme to corporate and operational management, not including the CEO.

THE COMMITTEE FOR HEALTH, SAFETY AND SUSTAINABLE DEVELOPMENT

The Committee is currently led by Thorstein Abrahamsen and includes management members from the respective Units.

The Committee's stated mission is to ensure that Afarak conducts its business in a responsible and ethical manner for the benefit of all its stakeholders. Throughout 2017, the Committee implemented new reporting frameworks across the Units and various initiatives were implemented. It also supported a safety and performance improvement programme at Mogale.

Afarak is continuously investing in environmental initiatives and projects. It supported investments that will allow the Group to rehabilitate its mines and to invest in alternative energy sources. It continued supporting the business units in their efforts to improve water management and dust reduction. The Committee also continued to monitor Afarak's work and social investment programmes with local communities, particularly in South Africa.

Corporate Governance Statement

Afarak Group Plc ("Afarak", the "Company" or the "Group") is a Finnish public limited company listed on the NASDAQ Helsinki Stock Exchange (AFAGR) and the Main Market of the London Stock Exchange (AFRK).

Afarak's corporate governance is based on, and complies with, the laws of Finland, the Articles of Association of the Company, the Finnish Corporate Governance Code and the regulations of the Finnish Financial Supervisory Authority, the UK Listing, Disclosure and Transparency Rules, the NASDAQ Helsinki Stock Exchange and the London Stock Exchange. As Afarak primarily follows the Finnish Corporate Governance Code, certain sections of the UK Corporate Governance Code issued in September 2012 ("UK CG") are not strictly complied with. However, in the areas that the Company diverges from the UK CG the Company believes that its policies are acceptable for the reasons which are set out below.

UK CG Section	Description	The Reason for Non-Compliance
C.3.8	A separate section of the annual report should describe the work of the Audit committee in discharging its responsibilities.	While this report includes a description of the work of the audit and risk management committee, the contents requirements of this section under the UK GC are not the same as those under the Finnish CG and, therefore some information required under the UK GC is not included.
E.2.1	For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation. The Company does not provide proxy voting forms.
E.2.2	Miscellaneous general meeting procedures	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation.

Afarak's foreign subsidiaries operate under the local laws and regulations of the countries in which they are located, including but not limited to local accounting and tax legislation as well as exchange controls. This Corporate Governance Statement for the financial period 1 January to 31 December 2017 is issued as a separate report to the Board of Directors' Report and is available on the Group's website at www.afarak.com. It has been prepared pursuant to the Finnish Corporate Governance Code 2015 and the guideline of the Securities Market Association dated 1 December 2010. Afarak complies with the Finnish Corporate Governance Code which can be found on the Securities Market Association's website at www.cgfinland.fi. Afarak has made no exceptions in its Finnish Corporate Governance Code compliance.

Internal Control

The principles of internal control are confirmed by the Board. The Group's EMT members are in charge of the day-to-day business management and administrative control in their respective responsibility areas.

MAIN PRINCIPLES OF RISK MANAGEMENT AND INTERNAL CONTROL

The purpose of risk management is to identify, evaluate and mitigate the potential risks that could impact the Group's business and the implementation of its strategy, and to ensure that risks are proportional to the Group's risk-bearing capacity.

The Group's risk management policy is approved by the Board of Directors and defines the objectives, approaches and areas of responsibility of risk management activities. The Group's key risks are reviewed and assessed by the Board on a regular basis. The Group's business segments, and the business units within those segments, are primarily responsible for managing their risks, their financial performance and their compliance with the Group's risk management policies and internal control procedures.

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as other Afarak personnel, and assisted by third-party experts when appropriate.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.

The system of internal control provides reasonable rather than absolute assurance that Afarak's business objectives will be achieved within the risk tolerance levels defined by the Board.

Internal control refers to elements of financial and operational management which are designed to ensure:

- Achievement of defined performance targets;
- Efficient use of resources and protection of assets;
- Effective management of risks;
- Accurate, timely and continuous delivery of financial and operational information;
- Full compliance with laws and regulations as well as internal policies; and
- Business continuity through secure systems and stable operating procedures.

THE STRUCTURE OF INTERNAL CONTROL SYSTEMS

The main structural elements of the Group's internal control system are:

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;
- Supervision of the quality and compliance of the financial reporting by the Group finance department;
- An effective control environment within all organisational levels and business units, including tailored controls for each business process; and
- Internal audits conducted as and when needed.

THE INTERNAL CONTROL OF THE FINANCIAL REPORTING PROCESS

The Group's financial organisation is structured so that each business unit has its own finance function, but overall financial management including accounting, taxation and financing is centralised within the Group's parent company.

The Group finance department is responsible for ensuring the compliance, quality and timeliness of the Group's external and internal financial reporting. The internal control mechanisms are based on the policies, procedures and authorisations established and approved by the Board. In addition to control mechanisms, training and sharing of knowledge are also significant tools of internal control.

Each business unit has its own finance function which reports to the Group Finance. The business unit's finance function is responsible for the unit's accounting and daily financial operations and internal reporting. The finance function and administration is overseen by the unit's management team and reports to the head of the business unit's segment.

The tasks of the Group Finance consist, among other things, of monthly consolidation of the Group's accounts, preparation of the quarterly interim reports and consolidated financial statements, financing of the Group, and tax planning.

Consolidated financial statements are prepared by using consolidation software. The accounting of the Company's subsidiaries is carried out by accounting systems and the accountants within each subsidiary enter the accounting information directly into the consolidation system, or in some cases send the information in a predefined format to the Group's financial administration to be consolidated.

ROLES AND RESPONSIBILITIES REGARDING RISK MANAGEMENT AND INTERNAL CONTROL

Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organisation of the Group's operations and approves all internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk-bearing capacity of the Group and reassess them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for the following internal control related activities:

- Monitoring the reporting process of the financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
- Monitoring the statutory audit of the financial statements and consolidated financial statements.

Group Management

The Group's management is in charge of the day-to-day management of the Group in accordance with the instructions and orders given by the Board. It sets the framework of the internal control environment and is in charge of the Group's risk management process and its continuous development. This includes allocation of resources to the work and continuous review of the risk management policies, as well as defining the principles of operation and overall processes.

External Audit

According to the Articles of Association, the Annual General Meeting of shareholders elects the Company's auditor, which must be a firm authorised by the Finnish Central Chamber of Commerce; otherwise the Company will have one main auditor and one deputy auditor. The auditor's term is for one year and finishes at the end of the first General Meeting following election.

On Afarak's General Meeting elected Authorised Public Accountant Ernst & Young Oy ("EY") as auditor, with Authorised Public Accountant Erkka Talvinko having the principal responsibility. EY is also the local auditor of all of the Group companies.

In 2017, the Company paid EUR 348,000 for audit fees and EUR 4,000 for non-audit services to EY.

Insider Administration

The Company complies with the legal provisions applying to the management of insiders as defined by the Market Abuse Regulations (EU) No. 596/2014, the Guidelines for Insiders issued by the NASDAQ Helsinki Stock Exchange and the stipulations and guidelines of the Finnish Financial Supervision Authority.

PUBLIC INSIDER REGISTER

The Company's permanent public insiders comprise the Board members, the CEO, the Executive Management Team and the auditors. All permanent public insiders and the statutory information about them, their related parties and the entities controlled by them or in which they exercise influence, have been entered into the Company's public insider register which is published on the Group's website.

Afarak imposes a restriction on trading for insiders which forbids trading in the Company's shares for 30 days before the publication of financial reports. Prior to the preliminary announcement of the Company's annual results and the publication of its annual financial report the closed period is 60 days or, if shorter, the period from the end of the relevant financial year up to and including the time of the announcement.

Compliance with the insider regulations is monitored by taking samples at certain intervals of trading by insiders in the Company's shares.

COMPANY-SPECIFIC INSIDER REGISTER

In addition to the public insider register, the Company holds a company-specific insider register of persons who regularly receive information that can have material impact on the value of its securities. These persons include all Afarak Group Plc employees, corporate management and subsidiary and other third-party service providers who regularly obtain insider information.

When necessary, the Company sets up a separate project-specific insider register. Project-specific insiders are those who, in connection with the insider project receive information that might have material impact on the value of the Company's shares. The establishment of a project is decided by the Board or the CEO.

Shareholdings of the Public Insiders at 31 December 2017

	Title	Shares	Related Party Shares	Options
Members of the Board				
Jelena Manojlovic	Chairman & Dependent Non-Executive Director	150,000	0	0
Barry Rourke	Non-Executive Director	150,000	0	0
Ivan Jakovcic	Non-Executive Director	0	0	0
Thomas Hoyer	Non-Executive Director	25,000	0	0
Thorstein Abrahamsen	Non-Executive Director	0	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Guy Konsbruck	Chief Executive Officer	0	0	0
Predrag Kovacevic	Chief Financial Officer	0	0	0
Danko Koncar	Chief Operating Officer	0	70,945,967	0
		325,000	**70,945,967**	**0**

These insiders had no other interests in or options over shares in the Company.

Resolutions of the Annual General Meeting

RESOLUTIONS OF 2017 ANNUAL GENERAL MEETING

The Company's Annual General Meeting ("AGM") was held on 23 May 2017. The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2017.

The AGM resolved that no dividend would be paid for 2017. However, given the exceptional result attained in quarter one 2017, the AGM resolved that a capital redemption of EUR 0.02 per share would be paid for the year ended on 31 December 2017. The payment was made from the company's fund for invested unrestricted equity on 9 June 2017.

The AGM resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work.

The AGM resolved that the Board of Directors would comprise of five members: Dr Jelena Manojlovic, Mr Barry Rourke and Mr Ivan Jakovcic were re-elected. Mr Thomas Hoyer and Mr Thorstein Abrahamsen were elected. The Board appointed from among its members the following members to the Committees:

Audit and Risk Management Committee
Barry Rourke, (Chair)
Thomas Hoyer
Thorstein Abrahamsen

Nomination and Remuneration Committee
Ivan Jakovcic (Chair)
Dr Jelena Manojlovic
Barry Rourke

Safety, Health and Environment Committee
Thorstein Abrahamsen (Chair)
Members of Management

The AGM resolved that authorised public accountant firm Ernst & Young Oy was re-elected as the Auditor of the Group for the year 2017.

The AGM authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company's own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

2018 ANNUAL GENERAL MEETING

Afarak's 2018 Annual General Meeting will be held on 29 May 2018.

DISTRIBUTION PROPOSAL

The Board of Directors will propose to the Annual General Meeting that the Annual General Meeting would authorise the Board to resolve on its discretion on the payment of capital redemption up to a maximum of two cents per share in quarter four 2018.

Additional Information

SHARE INFORMATION

Afarak Group Plc's shares are listed on NASDAQ Helsinki (AFAGR) and on the Main Market of the London Stock Exchange (AFRK).

On 31 December 2017, the registered number of Afarak Group Plc shares was 263,040,695 (263,040,695) and the share capital was EUR 23,642,049.59 (23,642,049.59).

On 31 December 2017, the Company had 3,354,161 (3,744,717) own shares in treasury, which was equivalent to 1.27% (1.42%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2017, was 259,686,534 (259,295,978).

At the beginning of the period under review, the Company's share price was EUR 0.78 on NASDAQ Helsinki and GBP 0.38 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.85 and GBP 0.73 respectively. During 2017 the Company's share price on NASDAQ Helsinki ranged from EUR 0.72 to 1.15 per share and the market capitalisation, as at 31 December 2017, was EUR 222.3 (1 January 2017: 203.9) million. For the same period on the London Stock Exchange the share price range was GBP 0.55 to GBP 0.93 per share and the market capitalisation, as at 31 December 2017 was GBP 190.7 (1 January 2017: 98.6) million.

FLAGGING NOTIFICATIONS

On 17 March 2017, Afarak received a flagging notification in accordance with Chapter 9, Section 5 of the Finnish Securities Markets Act from shareholders Joensuun Kauppa ja Kone Oy and Esa Hukkanen (the "shareholders"). In accordance with the flagging notification, the shareholders have agreed to use their voting rights together in Afarak Group Plc and their agreement has resulted in them having their shareholding to be above 5%, becoming a 6.05% per cent holder of the shares and voting rights in Afarak.

On 22 March 2017, Afarak received a flagging notification in accordance with Chapter 9, Section 5 of the Finnish Securities Markets Act from a group of shareholders ("the shareholders"). In accordance with the flagging notification, the shareholders have agreed to use their voting rights together in Afarak Group Plc and their agreement has resulted in them having their shareholding to be above the 10% benchmark, becoming a 10.01% per cent holder of the shares and voting rights in Afarak. Their total of shares and voting rights stands at 26,325,048.

Remuneration Report

This report sets out the remuneration policy and practices for Afarak's Board and Executive Management Team ("EMT), and provides details of their remuneration and share interests for the year ended 31 December 2017.

REMUNERATION POLICY

Afarak operates in a very competitive sector in terms of human capital with a shortage of highly qualified and experienced executives. The Group's remuneration policy is designed to attract, retain and incentivise high-calibre executives to implement its business strategy and enhance shareholder value.

The policy seeks to align the interests of the business and shareholders by rewarding executives appropriately for achieving individual and group targets and thereby ensuring long-term value creation for the benefit of all shareholders.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee makes recommendations to the Board regarding executive remuneration, and submits proposals to the Annual General Meeting of shareholders regarding the Board's remuneration.

The committee is responsible for the overall direction of the remuneration policy, as well as determining, within agreed terms of reference, the specific remuneration packages of the EMT. This includes pension rights, executive incentive schemes and any compensation payments. To ensure that the Group's remuneration packages are both appropriate and competitive, the committee evaluates information on market-based remuneration levels for comparable companies.

The members of the committee in 2017 were Ivan Jakovcic (Committee Chairman), Dr Jelena Manojlovic and Barry Rourke.

CEO SERVICE AGREEMENT

The Board appoints the Chief Executive Officer (CEO) to manage, develop, guide and supervise the Group's activities and lead the EMT. The Board decides upon the CEO's remuneration based on the recommendations made by the Committee.

The CEO receive a service fee of EUR 360,000. He shall also receive 500,000 Company shares as an incentive for each completed year of service acting as CEO. In 2017, the CEO received a signing bonus of EUR 70,000.

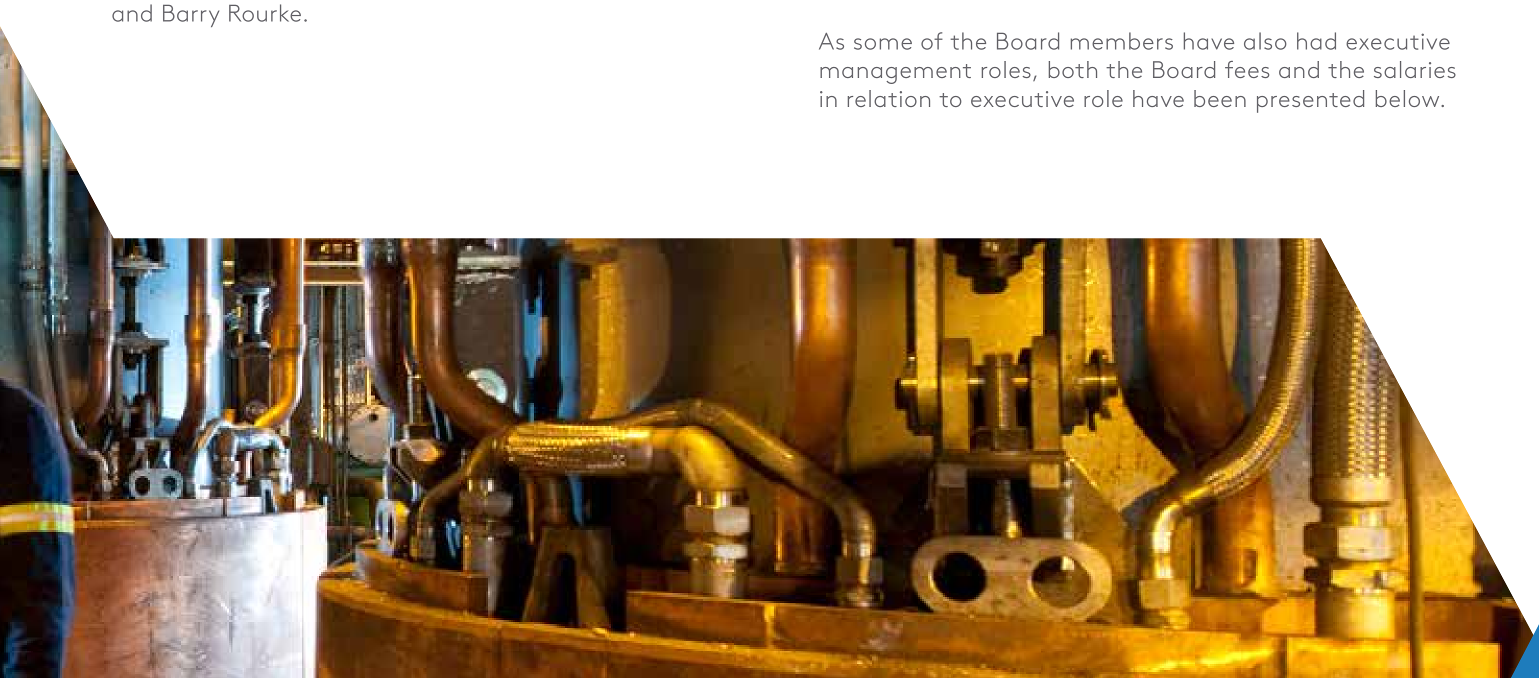
The Group makes no pension arrangements for the CEO beyond the statutory pension coverage and there is no set retirement age.

NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The remuneration of members of the Board of Directors is agreed at the Company's General Meetings. Directors' remuneration consists of monthly fixed fees. The Annual General Meeting held on May 23, 2017 resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership.

Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board or committee membership.

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to executive role have been presented below.



RELATED PARTY TRANSACTION WITH PERSONS BELONGING TO GROUP BOARD AND MANAGEMENT

EUR '000		2017			2016		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Ruiters Alistair	Board member 8.5.2015 - 23.5.2017, CEO 21.5.2015 - 15.1.2017	14		145	360		178
Konsbruck Guy	CEO 15.1.2017 onwards		415	583			
BOARD MEMBERS							
Abrahamsen Thorstein	Board member 23.5.2017 onwards		36				
Djakov Milan	Board member 12.5.2016 - 23.5.2017		24			35	
Hoyer Thomas	Board member 23.5.2017 onwards		36				
Jakovcic Ivan	Board member 8.5.2015 onwards, Chairman 12.5.2016 - 5.2.2018		65			68	
Kankaala Markku	Board member 30.6.2003 -17.3.2017		15			60	
Lillja Michael	Board member 11.2.2013 - 12.5.2016				54		
Jelena Manojlovic	Board member 11.7.2008 onwards, Chairman 5.2.2018 onwards		67			60	
Parodi Alfredo	Board member 11.2.2013 – 12.5.2016, Chairman 8.5.2015 – 12.5.2016					26	
Rourke Barry	Board member 8.5.2015 onwards		85			80	
Scott Keith	Board member 12.5.2016 - 9.12.2016					35	
Total		**14**	**743**	**728**	**414**	**363**	**178**

OTHER EMT MEMBERS' SERVICE CONTRACTS

As Afarak operates within highly competitive environment, its performance depends on the individual contributions of the executive directors and other senior employees. The remuneration packages are designed to attract, motivate and retain executives to manage the Group's operations effectively and to reward them for enhancing shareholder value.

The EMT remuneration package is a combination of a base salary and long-term based incentives, fringe benefits include liability insurance, traveller's insurance and telephony services. There are no early retirement options in the EMT's employment contracts and the notice period and/or non-compete period is normally six months, unless otherwise agreed.

The table below includes the EMT but excludes the CEO since the compensation for Board members and CEO has been presented separately.

None of Afarak's executive directors have received any compensation for serving as a NED in other companies.

Management remuneration

EUR '000	2017	2016
Fixed salaries and fees	482	366
Variable performance related compensation	195	0
Total	**677**	**366**

SHARE-BASED COMPENSATION

Share options

The Company had an incentive-related option scheme, I/2011 which expired on 1 August 2017 and no options were exercised. The scheme was granted to the key personnel of the Company, as recommended by the Board. The scheme entitled the option holders to subscribe for a maximum of 6,900,000 shares in the Company. The vesting period was from 1 July 2014 to 1 August 2017 for various option series denoted with different letters and years. The share subscription price was calculated by a formula based on the Volume Weighted Average Price of the Company's share and varied between the option series. All options have been treated according to the principles set forth in IFRS 2 Share-based Payments standard. The main terms of the option arrangements are detailed in the table below.

In May 2015 the Group granted the outgoing CEO, Alistair Ruiters 1,000,000 shares in the Company. The agreement provided that these would be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares have effectively been received on 14 September 2016. The second 500,000 Company shares had to be received by the employee on 22 May 2017 after completing his second year as CEO. As the full term was not completed the second 500,000 were given in December 2017 prorate over the second year which resulted to 335,000 shares. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.40 per share.

In December 2016 the Group has granted the new CEO, Guy Konsbruck 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares fell due to be received on 15 January 2018. The second 500,000 Company shares shall be received by the employee on 15 January 2019. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.81 per share. The value at year end was EUR 582,534.25.

In July 2017 the Group has granted Alistair Ruiters Incentive shares in the company amounting to 400,000 shares, which will be given pa on each completed year of service commencing on the effective date. The value at year end was EUR 173,413.70.

DIRECTORS' AND EMT MEMBERS' SHAREHOLDINGS AND OPTIONS AT 31 DECEMBER 2017

	Title	Shares	Related Party Shares	Options
Members of the Board				
Jelena Manojlovic	Chairman & Dependent Non-Executive Director	150,000	0	0
Barry Rourke	Non-Executive Director	150,000	0	0
Ivan Jakovcic	Non-Executive Director	0	0	0
Thomas Hoyer	Non-Executive Director	25,000	0	0
Thorstein Abrahamsen	Non-Executive Director	0	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar	Executive	0	70,945,967	0
		325,000	**70,945,967**	**0**

Financial Statements

Key Figures

FINANCIAL INDICATORS

CONTINUING OPERATIONS		2017	2016	2015
Revenue	EUR'000	198,814	153,570	187,711
EBITDA	EUR'000	17,970	5,478	17,190
% of revenue		9.0 %	3.6 %	9.2%
Operating profit / loss (EBIT)	EUR'000	11,399	-1,010	9,888
% of revenue		5.7 %	-0.7 %	5.3%
Profit / loss before taxes	EUR'000	4,241	-3,137	6,520
% of revenue		2.1 %	-2.0 %	3.5%
Return on equity	%	3.0 %	-1.6 %	4.4%
Return on capital employed	%	8.2 %	0.9 %	9.3%
Equity ratio	%	66.3 %	67.7 %	64.2%
Gearing	%	0.7 %	-3.3 %	-2.6%
Personnel at the end of the accounting period		1,017	813	773

Key Figures

SHARE-RELATED KEY INDICATORS

		2017		2016		2015	
		Group	Continuing Operations	Group	Continuing Operations	Group	Continuing Operations
Earnings per share, basic	EUR	0.02	0.02	0.00	-0.01	0.03	0.03
Earnings per share, diluted	EUR	0.02	0.02	0.00	-0.01	0.03	0.03
Equity per share	EUR	0.66	0.66	0.66	0.66	0.65	0.65
Distribution*	EUR'000	5,186		5,176		5,176	
Distribution per share*	EUR	0.02		0.02		0.02	
Price to earnings	EUR	35.2		neg.		11.7	
Average number of shares	1000	259,329		258,945		256,652	
Average number of shares, diluted	1000	260,718		259,796		259,849	
Number of shares at the end of the period	1000	263,040		263,040		263,040	

Share price information (NASDAQ Helsinki)

		2017	2016	2015
Average share price	EUR	0.91	0.51	0.44
Lowest share price	EUR	0.72	0.39	0.33
Highest share price	EUR	1.15	0.90	0.67
Market capitalisation	EUR'000	222,269	203,857	105,742
Share turnover	EUR'000	58,773	18,315	16,936
Share turnover	%	24.7 %	13.7 %	14.5%

Share price information (London Stock Exchange)

		2017	2016	2015
Average share price	EUR	0.84	0.37	0.45
	GBP	0.74	0.30	0.33
Lowest share price	EUR	0.63	0.34	0.34
	GBP	0.55	0.28	0.25
Highest share price	EUR	1.06	0.46	0.45
	GBP	0.93	0.38	0.33
Market capitalisation	EUR'000	214,944	115,210	116,479
	GBP'000	190,705	98,640	85,488
Share turnover	EUR'000	56	902	6
	GBP'000	49	739	4
Share turnover	%	0.0 %	0.9 %	0.0%

* In 2016 the Company distributed a capital redemption of EUR 0.02 per share out of the paid-up unrestricted equity fund which were paid in two trenches of EUR 0.01 per share in May 2016 and August 2016. In 2017 the company distributed a capital redemption of EUR 0.02 per share out of the paid-up unrestricted equity fund. In 2018 the Board will propose to the Annual General Meeting that the Annual General Meeting would authorise the Board to resolve on its discretion on the payment of capital redemption up to a maximum of two cents per share in quarter four 2018.

Key Figures

FORMULAS FOR CALCULATION OF INDICATORS

FINANCIAL INDICATORS

Return on equity	Profit for the period / Total equity (average for the period) * 100
Return on capital employed	(Profit before taxes + financing expenses) / (Total assets – Interest-free liabilities) average * 100
Equity ratio	Total equity / (Total assets - prepayments received) * 100
Gearing	(Interest-bearing debt - liquid funds) / Total equity * 100
EBITDA	Operating profit + depreciation + amortisation + impairment losses
Operating profit / loss	Operating profit is the net of revenue plus other operating income, plus gain/loss on finished goods inventory change, minus employee benefits expense, minus depreciation, amortisation and impairment and minus other operating expense. Foreign exchange gains or losses are included in operating profit when generated from ordinary activities. Exchange gains or losses related to financing activities are recognised as financial income or expense.

SHARE-RELATED KEY INDICATORS

Earnings per share, basic	Profit attributable to owners of the parent company / Average number of shares during the period
Earnings per share, diluted	Profit attributable to owners of the parent company / Average number of shares during the period, diluted
Equity per share	Equity attributable to owners of the parent / Average number of shares during the period
Distribution per share	Distribution / Number of shares at the end of the period. In the attached table of share related key indicators, the dividend and capital redemptions are presented in that year's column on which results the pay-out are based; hence the actual payment takes place during next year.
Price to earnings	Share price at the end of the period / Earnings per share
Average share price	Total value of shares traded in currency / Number of shares traded during the period
Market capitalisation	Number of shares * Share price at the end of the period

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.- 31.12.2017	1.1.- 31.12.2016
Revenue	1	**198,814**	**153,570**
Other operating income	2	4,343	1,705
Materials and supplies		-153,172	-117,185
Employee benefits expense	3	-23,908	-19,976
Depreciation and amortisation	4	-6,017	-6,488
Impairment	4	-554	0
Other operating expenses	5	-11,175	-12,752
Share of profit from joint ventures	13	3,068	116
Operating profit / (loss)		**11,399**	**-1,010**
Finance Income	6	3,728	2,610
Finance Expense	6	-10,886	-4,737
Profit / (loss) before taxes		**4,241**	**-3,137**
Income taxes	7	951	339
Profit / (loss) for the year from continuing operations		**5,192**	**-2,798**
Discontinued operations			
Profit for the year from discontinued operations	8	1,519	1,861
Profit / (loss) for the year		**6,711**	**-937**
Profit / (loss) attributable to:			
Owners of the parent		6,261	-615
Non-controlling interests		450	-322
		6,711	**-937**
Earnings per share (counted from profit / (loss) attributable to owners of the parent):	9		
basic (EUR), Group total		0.02	0.00
diluted (EUR), Group total		0.02	0.00
basic (EUR), continuing operations		0.02	-0.01
diluted (EUR), continuing operations		0.02	0.01

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME (CONT.)

EUR '000	1.1.- 31.12.2017	1.1.- 31.12.2016
Profit / (loss) for the year	**6,711**	**-937**
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurements of defined benefit pension plans	-196	-1,609
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations - Group	-2,028	5,736
Exchange differences on translation of foreign operations – Associate and Joint Ventures	-608	6,797
Other comprehensive income, net of tax	**-2,832**	**10,924**
Total comprehensive income for the year	**3,879**	**9,987**
Total comprehensive income attributable to:		
Owners of the parent	3,518	9,681
Non-controlling interests	361	306
	3,879	**9,987**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	45,806	45,131
Goodwill	11	62,409	63,780
Other intangible assets	11	16,205	18,311
Other financial assets	14	734	172
Receivables	14	21,066	34,040
Deferred tax assets	20	3,641	4,439
		149,861	**165,873**
Current assets			
Inventories	15	49,944	48,424
Trade and other receivables	16	49,434	36,292
Cash and cash equivalents	17	10,702	9,651
		110,080	**94,367**
Total assets		**259,941**	**260,240**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EUR '000	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	23,642	23,642
Share premium reserve		25,740	25,740
Legal Reserve		131	160
Paid-up unrestricted equity reserve		230,835	235,242
Translation reserve		-19,334	-16,787
Retained earnings		-89,618	-95,963
		171,396	**172,034**
Non-controlling interests		969	4,151
Total equity		**172,365**	**176,185**
Non-current liabilities			
Deferred tax liabilities	20	4,460	5,857
Interest-bearing debt	14	2,548	29
Share of joint ventures´ losses	13	13,778	16,234
Pension liabilities	22	19,936	20,097
Other non-current debt	23	3,168	4,170
Provisions	21	9,180	10,691
		53,070	**57,078**
Current liabilities			
Trade and other payables	23	22,070	18,459
Provisions	21	109	99
Tax liabilities	23	2,934	4,655
Interest-bearing debt	14	9,393	3,764
		34,506	**26,977**
Total liabilities		**87,576**	**84,055**
Total equity and liabilities		**259,941**	**260,240**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	1.1.-31.12.2017	1.1.-31.12.2016
Operating activities		
Profit / (loss) for the year	6,711	-937
Adjustments for:		
Non-cash items		
Depreciation and impairment	6,571	6,488
Finance income and expense	7,158	2,127
Income from joint ventures	-3,068	-116
Income taxes	-951	-339
Share-based payments	785	194
Proceeds from non-current assets	-114	-1,093
Working capital changes:		
Change in trade receivables and other receivables	-14,625	7,792
Change in inventories	-4,035	-1,490
Change in trade payables and other debt	3,805	-189
Change in provisions	-1,942	-192
Interest paid	-1,728	-876
Interest received	5,448	207
Other financing items	-1,951	-2,667
Income taxes paid	-1,321	-831
Discontinued operations	809	925
Net cash from operating activities	**1,552**	**9,003**
Investing activities		
Acquisition of non-controlling interest	-727	0
Capital expenditure on non-current assets, net	-7,601	-2,596
Other investments, net	-591	414
Repayments of loan receivables and loans given, net	8,851	54
Net cash used in investing activities	**-68**	**-2,128**
Financing activities		
Capital redemption	-5,186	-5,176
Proceeds from borrowings	3,063	411
Repayments of borrowings	-3,818	-7,396
Repayments of finance leases	-249	-65
Movement in short term financing activities	6,412	-4,724
Net cash from / (used in) financing activities	**222**	**-16,950**
Change in cash and cash equivalents	**1,706**	**-10,075**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT.)

EUR '000	1.1.-31.12.2017	1.1.-31.12.2016
Cash at beginning of period	9,651	19,644
Exchange rate differences	-655	82
Cash at end of period	10,702	9,651
Change in the consolidated statement of financial position	**1,706**	**-10,075**

The cash flow from operating activities in 2017 includes discontinued operations relating to cash received during 2017 of EUR 900 thousand less the storage costs of the saw mill equipment of Eur 1 thousand and commissions of Eur 90 thousand. The cash flow from operating activities in 2016 includes discontinued operations relating to cash received during 2016 of Eur 1,080 thousand and rental income of Eur 14 thousand, less the storage costs of the saw mill equipment of Eur 61 thousand and commissions of Eur 108 thousand.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
B = Share premium reserve
C = Paid-up unrestricted equity reserve
D = Translation reserve
E = Retained earnings
F = Legal reserve
G = Equity attributable to owners of the parent, total
H = Non-controlling interests
I = Total equity

ATTRIBUTABLE TO OWNERS OF THE PARENT

EUR '000	A	B	C	D	E	F	G	H	I
Equity at 31.12.2015	**23,642**	**25,740**	**240,240**	**-28,692**	**-93,755**	**187**	**167,362**	**3,845**	**171,207**
Profit for the period 1-12/2016					-615		-615	-322	-937
Other comprehensive income				11,905	-1,609		10,296	628	10,924
Total comprehensive income				**11,905**	**-2,224**		**9,681**	**306**	**9,987**
Share-based payments			178		16		194		194
Capital redemption			-5,176				-5,176		-5,176
Other changes in equity						-27	-27		-27
Equity at 31.12.2016	**23,642**	**25,740**	**235,242**	**-16,787**	**-95,963**	**160**	**172,034**	**4,151**	**176,185**
Profit for the period 1-12/2017					6,261		6,261	450	6,711
Other comprehensive income				-2,547	-196		-2,743	-89	-2,832
Total comprehensive income				**-2,547**	**6,065**		**3,518**	**361**	**3,879**
Share-based payments			779		6		785		785
Capital redemption			-5,186				-5,186		-5,186
Acquisition of non-controlling interest					271		271	-3,543	-3,272
Other changes in equity					3	-29	-26		-26
Equity at 31.12.2017	**23,642**	**25,740**	**230,835**	**-19,334**	**-89,618**	**131**	**171,396**	**969**	**172,365**

1. Notes to the Consolidated Financial Statements

1.1 COMPANY INFORMATION

Afarak Group is a chrome mining and minerals producer focused on delivering sustainable growth with a speciality alloys business in southern Europe and a Ferroalloys business in southern Africa. The Group's parent company is Afarak Group Plc (business ID: 0618181-8). The parent company is domiciled in Helsinki, and its registered address is Unioninkatu 20-22, 00130 Helsinki, Finland. Copies of the consolidated financial statements are available at Afarak Group Plc's head office or at the Company's website: www.afarak.com.

Afarak Group Plc is quoted on the NASDAQ Helsinki Oy (trading code: AFAGR) in the industrials group, in the small-cap category, and on the main market of the London Stock Exchange (AFRK).

1.2 ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

These consolidated financial statements of Afarak Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in conformity with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2017. In the Finnish Accounting Act and the regulations issued on the basis thereof, International Financial Reporting Standards refer to the standards and their interpretations that have been approved for application within the EU in accordance with the procedure prescribed in the EU regulation (EC) 1606/2002. Notes to the consolidated financial statements also meet the requirements set forth in the Finnish accounting and company legislation.

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise explicitly stated. All the figures in the consolidated financial statements are given in EUR thousands.

Afarak Group Plc's Board of Directors resolved on 29 March 2018 that these financial statements are to be published. According to the Finnish Companies Act, shareholders shall endorse the financial statements in the Annual General Meeting convening after the financial statements have been published.

PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is: a retrospective application of an accounting policy; a retrospective restatement; or a reclassification of items in financial statements that has a material impact on the Group.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies controlled by the Group. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The existence of potential voting rights has been taken into account in assessing the requirements for control in cases where the instruments entitling their holder to potential voting rights can be exercised at the time of assessment. Control refers to the right to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Acquired subsidiaries are consolidated from the time when the Group gained control, and divested subsidiaries until the time when control ceased. All intra-group transactions, receivables, debts, and unrealised profits, as well as internal distribution of profits, are eliminated when the consolidated financial statements are prepared. The distribution of profits between parent company owners and non-controlling owners is shown in the statement of comprehensive income, and the non-controlling interest of equity is shown as a separate item in the statement of financial position under shareholders' equity.

The Group holds 51% of shares of Synergy Africa Ltd. However, the shareholders of Synergy Africa Ltd have entered into a joint venture agreement with joint control over the company. Therefore, the company and its subsidiaries are not consolidated into the Group as subsidiaries but as joint ventures.

Joint ventures are entities in which each venturer has an interest and there is a contractual arrangement establishing joint control over the economic activity of the entity. The Group's share of net assets or liabilities in the Joint venture is recorded on one line in the statement of financial position. The Group's share of net profit or loss of the Joint venture is also shown on one line in the income statement.

Associates are companies in which Afarak Group exercises significant influence. The Group exercises significant influence if it holds more than 20% of the target company's voting rights, or if the Group in other ways exercises significant influence but not control. Associates have been consolidated in the Group's financial statements using the equity method. If the Group's share of the associate's losses exceeds the carrying amount of the investment, the investment is recognised at zero value on the statement of financial position, and losses exceeding the carrying amount are not consolidated unless the Group has made a commitment to fulfil the associates' obligations. Investment in an associate includes the goodwill arising from its acquisition.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Amounts indicating the profit or loss and financial position of Group entities are measured in the currency of each entity's main operating environment ('functional currency'). Figures in the consolidated financial statements are presented in euro, the functional and presentation currency of the Group's parent company, Afarak Group Plc.

Transactions in foreign currencies have been recorded at the functional currency using the exchange rate on the date of the transaction or mid reference rates of central banks. Monetary items denominated in foreign currencies have been translated into the functional currency using the exchange rates at the end of each reporting period. Exchange rate gains and losses are included in the revenue, operational costs or financial items, corresponding to their respective origin. Hedge accounting has not been applied.

In the Group accounts, foreign subsidiaries' income statements and statements of cash flows are converted into euro by using average exchange rates for the period, and the statement of financial position is converted by using the period-end exchange rate. The translation differences arising from this are recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognised in other comprehensive income. If and when the foreign subsidiary is partially or fully divested, these accrued translation differences will be taken into account in adjusting the sales gain or sales loss.

Goodwill, other assets and liabilities arising from acquisitions of subsidiaries are recognised in the Group accounts using the functional currency of each acquired subsidiary. The balances in that functional currency have then been translated into euro using the exchange rates prevailing at the end of the reporting period.

In accordance with IAS 21, any foreign exchange difference arising from Intra-group loans for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. This is recognised in the group's other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

OPERATING PROFIT

IAS 1 Presentation of financial statements does not define the concept of operating profit. Afarak Group has defined it as follows: Operating profit is the net amount derived by adding to revenue other operating income, less materials and supplies, and expenses from work performed by the enterprise and capitalised, less costs from employee benefits, depreciation and impairment losses, and other expenses. Shares of associated companies'and joint venture companies' profit or loss are included in the operating profit to the extent to which they relate to the Group's core businesses. Exchange differences arising from operational transactions with third parties are included in operating profit; otherwise they are recorded under financial items.

All other items of the income statement are excluded from operating profit.

IAS 1 amendment introduced the requirement for grouping of items presented in Other Comprehensive Income. Items that are reclassified (or `recycled`) to profit or loss at a future point in time will be presented separately from items which will never be reclassified. The amendment affected the presentation of Other Comprehensive Income.

REVENUE RECOGNITION

Income from the sale of goods is recognised once the substantial risks and benefits associated with ownership have been transferred to the buyer. The transfer of risks depends on, among others, terms of delivery (Incoterms). The most often used term is FCA or FOB, under which the revenue is recognised when the goods are assigned to the buyer's carrier or loaded on board the vessel nominated by the buyer. As typical in the business, preliminary invoices are issued for the mineral concentrates at the time of delivery. Final invoices are issued when quantity, mineral content and pricing have been defined for the delivery lot.

Income not generated by the Group's main businesses is accounted for as other operating income. The expenses incurred from disposals of non-current assets or a disposal group of assets are deducted from the gain on disposal.

PENSION LIABILITIES

Pension arrangements in Afarak Group are classified as defined contribution plans or defined benefit plans (Germany and Turkey). Payments for defined contribution plans are recognised as expenses for the relevant period. The present value of obligation for the defined benefit plans has been estimated applying the Projected Unit Credit Method and recognised as a non-current liability on the statement of financial position. The actuarial gains and losses are recognised in other comprehensive income when they occur and the net defined benefit liability or asset are presented in full on the statement of financial position.

SHARE-BASED PAYMENTS

Option rights are measured at fair value at the time they were granted and recorded as expenses on a straight-line basis during the vesting period. The expenses at the time the options were granted are determined according to the Group's estimate of the number of options expected to vest at the end of the vesting period. Fair value is determined on the basis of an applicable option pricing model (e.g. Black-Scholes). The effects of non-market-based terms and conditions are not included in the fair value of the option; instead, they are taken into account in the estimated number of options expected to vest at the end of the vesting period. The Group updates the estimated final number of options at the end of each reporting period. Changes in the estimates are recorded in the statement of comprehensive income. When the option rights are exercised, the cash payments received from the subscriptions adjusted with potential transaction costs are recorded under paid-up unrestricted equity reserve.

The Group from time to time directs free issues of shares to the members of the Board of Directors or key executives, as approved by the AGM. The compensation is settled in shares and is accordingly recognised as share-based payment in the Group's financial statements. The fair value of the granted shares is determined based on the market price of the Afarak Group share at the grant date. The total fair value is therefore the amount of granted shares multiplied by the share market price at grant date. The cost is recognised as expense in personnel costs over the vesting periods and credited to equity (retained earnings).

BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE) TRANSACTIONS

The purpose of the South African Broad Based Black Economic Empowerment (BBBEE) regulation is to enable previously disadvantaged people meaningfully to participate in the South African economy. The Group is committed to making a positive contribution towards the objectives of BBBEE. Where the Group disposes of a portion of a South African based subsidiary or operation to a BBBEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 Accounting for Broad Based Black Economic Empowerment (BBBEE) Transactions). The discount provided or value given is calculated in accordance with IFRS 2 and recognised as an expense. Where the BBBEE transaction includes service conditions, the expense is recognised over the vesting period. Otherwise the expense is recognised immediately on the grant date.

LEASE AGREEMENTS (THE GROUP AS THE LESSEE)

Leases of tangible assets where the Group possesses a material portion of the risks and benefits of ownership are classified as financial leases. An asset acquired through a financial lease agreement is recognised at the fair value of the leased object at the beginning of the lease period, or at a lower current value of minimum lease. An asset obtained through a finance lease is depreciated over the useful life of the asset or the lease term, whichever is shorter. The leases payable are divided into financial expenses and loan repayment during the lease term so that the interest rate for the remaining loan is roughly the same each financial year. Leasing obligations are included in interest-bearing liabilities. Lease agreements in which the risks and benefits typical of ownership remain with the lessor are classified as other leases. Leases paid under other lease agreements, for instance operating leases, are recognised as expenses on a straight-line basis over the lease term.

IMPAIRMENT

At the end of each reporting period, the Group makes an assessment of whether there are any indications of asset impairment. If such indications exist, the recoverable amount of the asset is estimated. In addition, goodwill is assessed annually for its recoverable amount regardless of whether there are any signs of impairment. Impairment is examined at the cash-generating unit level; in other words, the lowest level of entity that is primarily independent of other entities and whose cash flows can be separated from other cash flows. Impairment related to associates and other assets are tested on a company/asset basis.

The recoverable amount is the fair value of an asset less divestment costs, or the higher value in use. Value in use means the present value of estimated future cash flows expected to arise from the asset or cash-generating unit. Value in use is forecast on the basis of circumstances and expectations at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures in different lines of business, and the investors' return expectations for similar investments. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. If the impairment loss is allocable to a cash-flow-generating unit, it is allocated first to reduce the goodwill of the unit and subsequently to reduce other assets of the unit. An impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised. An impairment loss recognised for goodwill is not reversed in any circumstances.

Goodwill is tested for impairment annually at year end; for the 2017 financial year, testing took place on 31 December 2017. Impairment testing and the methods used are discussed in more detail in section 1.4 in the 'Notes to the consolidated financial statements'.

FINANCIAL INCOME AND EXPENSE

Interest income and expense is recognised using the effective interest method, and dividends are recognised when the right to dividends is established. Unrealised changes in value of items measured at fair value are recognised in the statement of comprehensive income. These items relate to currency forward contracts. Exchange rate gains or losses that arise from intercompany loans that are considered as part of the net investment in the foreign entity are included, net of any deferred tax effects, in the translation reserve within the equity. These exchange differences are recognised in other comprehensive income while accumulated exchange differences are presented in the translation reserves in the equity.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset forming part of the cost of that asset, are capitalised if it is likely that they will provide future economic benefit and can be measured in a reliable manner. Other borrowing costs are recognised as an expense in the period in which they are incurred.

INCOME TAXES

Tax expenses in the statement of comprehensive income consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous years. Maltese companies' income taxes are recognised and paid applying the nominal income tax rate which is 35%. Six sevenths of this tax is refunded when the company pays a dividend. Consequently the effective tax rate is 5%. The tax refund is recognised when the dividend is declared. Taxes arising from items recognised directly in equity are presented as income tax relating to other comprehensive income.

Deferred taxes have been calculated for all temporary differences between the carrying amount and taxable amount. Deferred taxes have been calculated using the tax rates set at the end of the reporting period. Deferred tax assets arising from taxable losses carried forward have been recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used.

TANGIBLE ASSETS

Tangible assets have been measured at historical cost less accumulated depreciation and impairment losses. The initial cost of an asset comprises its purchase price, costs directly attributable to bringing the asset into operation and the initial estimate of the rehabilitation and decommissioning obligation. Heavy production machinery often contains components with different useful lives, and therefore the component approach is applied. Material component replacements and repairs are capitalised. The repair and maintenance of lighter machinery and other intangible items are recognised as an expense when occurred.

Interest expenses are capitalised as part of the tangible asset's value if and when the Group acquires or constructs assets that satisfy the required terms and conditions.

Assets are depreciated over their useful lives using the straight-line method, except for the mineral resources and ore reserves which are depreciated based on estimated or reported consumption. Land areas are not depreciated. The estimated useful lives of assets are as follows:

Buildings	15–50 years
Machinery and equipment	3–15 years
Other tangible assets	5–10 years
Mines and mineral assets	Units-of-production method

The residual value of assets and their useful life are reviewed in connection with each financial statement and, if necessary, they will be adjusted to reflect the changes that have occurred in the expected financial benefit. The sales gains or losses arising from the decommissioning or divestment of tangible assets are included in other operating income or expenses.

MINES AND MINERAL ASSETS

Measurement of mineral resources and ore reserves in business combinations

Mineral resources and ore reserves acquired in business combinations are recognised as separate assets. In the recognition and measurement of mineral resources and ore reserves the Group utilises available third party reports of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also an essential factor. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. There are also generally accepted standards for the classification of mineral resources in the business, such as the standards of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ('SAMREC'). The measurement of ore reserves is based on estimated market prices, estimated production costs and quantities. In the Group's statement of financial position, mineral resources and ore reserves are presented as tangible assets. Rehabilitation liabilities related to mines are included in their cost of acquisition, and corresponding provision is recognised on the statement of financial position.

Exploration and evaluation expenses of mineral resources

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources when new potential ore reserves are sought, for example by exploratory drilling. Exploration and evaluation expenditure is carried forward as an asset if the Group expects such costs to be recouped in full through the successful development of the area of interest; or alternatively by its sale; or if exploration and evaluation activities in the area of interest have not yet reached a stage which permits the reasonable assessment of the existence of economically recoverable reserves and active and significant operations in relation to the area are either continuing or planned for the future. Exploration and evaluation expenditure includes material and other direct costs incurred, for instance, by exploratory drilling and surveys. Overheads are included in the exploration and evaluation asset to the degree to which they can be associated with finding and evaluating a specific mineral resource. Exploration and evaluation assets are measured at cost and are transferred to mine development assets when utilisation of the mine begins. The asset is then depreciated using the units-of-production method.

Exploration and evaluation assets are assessed for impairment if and when facts and circumstances suggest that the carrying amount exceeds its recoverable amount. In particular, the impairment tests are carried out if the period for which the Group has right to explore the specific area expires or will expire in the near future and future exploration and evaluation activities are not planned for the area.

Exploration and evaluation assets acquired in conjunction with business combinations are accounted for at fair value in accordance with the principles of IFRS 3.

Mine establishment costs

Mine establishment costs are capitalised as part of the mine's acquisition cost and depreciated using the units-of-production method when the production of the mine begins. The costs arising from changes in mining plan after the production has begun are expensed as incurred.

Impairment

The value of mineral resources and ore reserves acquired in business combinations is tested for impairment if there are indications of deterioration in the long-term ability to utilise the asset economically. In the test the cash flows generated by the asset are assessed based on most recent information on the technical and economic utilisation of the asset.

GOODWILL AND INTANGIBLE ASSETS IDENTIFIED AT ACQUISITION

Goodwill represents the portion of acquisition cost that exceeds the Group's share of the fair value at the time of acquisition of the net assets of the acquired company. Instead of regular amortisation, goodwill is tested annually for potential impairment. For this purpose, goodwill has been allocated to cash-generating units or, in the case of an associated company, is included in the acquisition cost of the associate in question. Goodwill is measured at original acquisition cost less impairment losses. Changes in purchase considerations, for example due to earn-out arrangements, relating to acquisitions carried out before 2010 have been recognised against goodwill in accordance with the earlier IFRS 3.

The net assets of an entity acquired in a business combination are measured at fair value at the date of acquisition. In connection with business combinations, the Group also identifies intangible assets that are not necessarily recorded on the statement of financial position of the acquired entity. These assets include, for instance, customer relationships, trademarks and technology. The assets are recognised at fair value and amortised over their useful lives. The amortisation periods for these intangible assets are as follows:

Customer relationships: 2-5 years depending on contractual circumstances
Technology: 5-15 years
Trademarks: 1 year

RESEARCH AND DEVELOPMENT COSTS

Research costs are always recognised as expenses. Mine development costs are capitalised as part of mining assets and depreciated on a unit of production basis. The development costs, which primarily relate to the development of existing products, are expensed as incurred.

OTHER INTANGIBLE ASSETS

Other intangible assets are initially recognised on the statement of financial position at cost when the costs can be reliably determined and it is probable that the expected financial benefits of those assets will be reaped by the Group. Other intangible assets mainly relate to IT software utilised in support of the Group's business operations and they are amortised over 3-5 years.

INVENTORIES

Inventories are measured at acquisition cost or a lower probable net realisable value. Acquisition costs are determined using the average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour expenses, other direct expenses, and an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In open pit mining operations, the removal costs of overburden and waste material (stripping costs) are included in the cost of inventory. The net realisable value is the estimated selling price that is obtainable, less the estimated costs incurred in completing the product and the selling expenses.

FINANCIAL ASSETS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and cash equivalents, short-term deposits, money market instruments, trade and other receivables, loan and other receivables, unquoted financial instruments and derivative financial instruments.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments that are not designated as hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The EIR amortisation is included in finance income. The impairment losses are recognised as finance costs.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

Financial assets classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured either at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in finance income or cost, or determined to be impaired, at which time the cumulative loss is recognised as finance costs and removed from the available-for-sale assets.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

When necessary, the Group utilises derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised on the income statement. The Group does not apply hedge accounting.

TREASURY SHARES

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from the paid-up unrestricted equity reserve. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments.

FINANCIAL LIABILITIES

Liabilities are classified as current and non-current, and include both interest-bearing and interest-free liabilities. Interest-bearing liabilities are liabilities that either include a contractual interest component, or are discounted to reflect the fair value of the liability. In the earlier financial years discounted non-current liabilities have included acquisition-related deferred conditional and unconditional liabilities. Certain conditional liabilities have included an earn-out component that needed to be met to make the liability unconditional and fix the amount of the future payment. Acquisition-related conditional purchase considerations that were payable in the Company's shares were presented as interest-free liabilities.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss; loans and borrowings; or derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and derivative financial instruments.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised on the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discounts or premiums and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The provision for rehabilitation and decommissioning costs has arisen on operating mines and minerals' processing facilities. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the rehabilitation and decommissioning liability. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs of or in the discount rate applied to the rehabilitation obligation are added or deducted from the profit or loss or, respectively, decommissioning obligation adjusted to the carrying value of the asset dismantled.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The standard IFRS 5 requires that an entity must classify a non-current asset or a disposal group as assets held for sale if the amount equivalent to its carrying amount is accumulated primarily from the sale of the item rather than from its continued use. In this case, the asset or disposal group must be available for immediate sale in its present condition under general and standard terms for the sale of such assets, and the sale must be highly probable.

ACCOUNTING POLICIES REQUIRING MANAGEMENT DISCRETION AND KEY UNCERTAINTY FACTORS FOR ESTIMATES

Preparation of the financial statements requires management to make estimates, assumptions and forecasts regarding the future. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. In addition, management is required to use its discretion in the application of the financial statements' preparation principles.

The scope of the financial statements

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies in which the Group has control. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The assessment of whether control is exercised requires management discretion.

The Group holds 51% of shares of Synergy Africa Limited. However, the shareholders of Synergy Africa Limited have entered into a joint venture agreement with joint control over the company. The joint venture agreement includes terms and conditions which give the other shareholder participating rights. Therefore, the Group's management has assessed, using its discretion, that the company and its subsidiaries are not consolidated into the Group as subsidiaries but as joint ventures.

IFRS 11 requires considering all facts and circumstances relating to joint arrangements instead of legal form only, which influences the accounting treatment of the arrangements. Under the new standard Afarak's share in Synergy Africa Limited and its subsidiaries are consolidated under the equity method instead of the proportionate method of consolidation. Synergy Africa Limited and its subsidiaries form a part of Afarak's mining operations in South Africa.

Allocation of the cost of a business combination

In accordance with IFRS 3, the acquisition cost of an acquired company is allocated to the assets of the acquired company. The management has to use estimates when determining the fair value of identifiable assets and liabilities. Determining a value for intangible assets, such as trademarks and customer relationships, requires estimation and discretion because in most cases, no market value can be assigned to these assets. Determining fair value for tangible assets requires particular judgment as well, since there are seldom active markets for them where the fair value could be obtained. In these cases, the management has to select an appropriate method for determining the value and must estimate future cash flows.

Impairment testing

Goodwill is tested annually for impairment, and assessments of whether there are indications of any other asset impairment are made at end of reporting period, and more often if needed. The recoverable amounts of cash-generating units have been determined by means of calculations based on value in use. Preparation of these calculations requires the use of estimates to predict future developments.

The forecasts used in the testing are based on the budgets and projections of the operative units, which strive to identify any expansion investments and rearrangements. To prepare the estimates, efforts have been made to collect background information from the operative business area management as well as from different sources describing general market activity. The risk associated with the estimates is taken into account in the discount rate used. The definition of components of discount rates applied in impairment testing requires discretion, such as estimating the asset or business related risk premiums and average capital structure for each business segment.

Tangible and intangible assets

Afarak Group management is required to use its discretion when determining the useful lives of various tangible and intangible assets, which affects the amount of depreciation and thereby the carrying amount of the assets concerned. The capitalising of mine development assets and exploration and evaluation expenditure, in particular, requires the use of discretion. Similarly, management is required to use its discretion in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and change in deferred taxes.

Measurement of mineral resources and ore reserves

In the Group's mining operations, estimates have to be applied in recognising mineral resources acquired in business combinations as assets. In the recognition and measurement of mineral resources and ore reserves, the Group utilises available third party analyses of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also a key consideration. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. The measurement of ore reserves is based on estimated market prices, estimated production costs and on the probability classification of the mineral resource and quantities. Therefore, the Group's management has to use its discretion in applying recognition and measurement principles for mineral resources.

Rehabilitation provisions

The Group assesses the rehabilitation liabilities associated with its mines and production facilities annually. The amount of provision reflects the management's best estimate of the rehabilitation costs. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, the expected timing of those costs, and whether the obligations stem from past activity. These uncertainties may cause the actual costs to differ from the provision which has been made.

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments apply for the first time in 2017. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group and, hence, have not been disclosed.

The nature and the effect of these changes are disclosed below. Although the new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

» AMENDMENTS TO IAS 7 STATEMENT OF CASH FLOWS: DISCLOSURE INITIATIVE

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The application of the amendments resulted in additional disclosures provided by the Group.

» AMENDMENTS TO IAS 12 INCOME TAXES: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

» IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENT

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date.

The Group is currently assessing the impact of IFRIC 23.

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards when they become effective.
Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the Group, they have not been listed.

» IFRS 9: FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

During 2016 and 2017, the Group performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position or equity from the adoption of IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position and equity on applying the classification and measurement requirements of IFRS 9.

(b) Impairment

IFRS 9 requires the Group to now use an expected credit loss model for its trade receivables measured at amortised cost. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables measured at amortised cost. The Group does not expect these changes will have a significant impact.

(c) Hedge accounting

The changes in IFRS 9 relating to hedge accounting will have no impact as the Group does not currently apply hedge accounting.

» IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016 the Group performed a preliminary assessment of IFRS 15, which was followed by a more detailed analysis in 2017.

The key issues identified, and the Group's views and perspectives, are set out below. These are based on the Group's current interpretation of IFRS 15 and may be subject to changes as interpretations evolve more generally. Furthermore, the Group is considering and will continue to monitor any further development in relation to the key issues such as provisionally priced sales. Revenue is recognized when the Group transfers the control to customer either over time or at the point of time. The transfer of control depend on, among other, terms of delivery (incoterms). The most often used terms are FCA and FOB. Based on the preliminary assessment of IFRS 15 the Group expects that the adoption will have no material impact on the timing of the revenue recognition. Presentation requirement will increase the volume of disclosures in Group's financial statements.

» IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS — AMENDMENTS TO IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

These amendments are not expected to have any impact to the Group.

» IFRS 16 LEASES

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

1.3 BUSINESS COMBINATIONS AND ACQUISTION OF NON-CONTROLLING INTERESTS

1.3.1 FINANCIAL YEAR 2017

During 2017, Afarak Mogale (Pty) Ltd concluded an agreement to acquire 10% of its' own shares from the Mogale Alloys workers trust for an agreed consideration of ZAR 64.9 million to be paid over a period of 8 years. This acquisition of non-controlling interest led to a reduction in equity of EUR 3.3 million as a result of the Group consolidating 100% of Afarak Mogale (Pty) Ltd, and recognising the present value of future obligation as liability.

During 2017, a subsidiary of the Company, signed a Share Purchase Agreement with Mr Guy Konsbruck, Afarak's CEO to purchase his 15% shareholding for a purchase price of EUR 0.2 million. Given that LL Resources is a business partner of Afarak and the share ownership of the CEO could have created a conflict of interest, Afarak bought the shareholding with an option to sell back the said shares at the same price if, and when, Mr Konsbruck's term as Group CEO ends.

1.3.2 FINANCIAL YEAR 2016

Afarak did not carry out any acquisitions during the financial year 2016.

1.4 IMPAIRMENT TESTING

GENERAL PRINCIPLES OF IMPAIRMENT TESTING

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2017. The following cash generating units were defined for the impairment testing:

- » Speciality Alloys business (Türk Maadin Sirketi and Elektrowerk Weisweiler) with a vertically integrated mining-beneficiation-smelting-sales operation in the specialty grade ferrochrome business; and
- » South African minerals processing business (Mogale Alloys) which has ferroalloys smelting operations with four furnaces;

The Group assesses at the end of each reporting period whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects will be estimated annually, irrespective of whether there is an indication of impairment. As a result, no impairment was recognised.

At the end of 2017, there were no indications of impairment of any other assets, such as shares in associated companies.

The joint venture Synergy Africa owns and operates mines in South Africa. These have been tested for impairment at the joint venture level. This is further explained in note 13.

CHANGES IN GOODWILL DURING 2017

During the financial year 2017, the total goodwill of the Group decreased by EUR 1.4 million to a total of EUR 62.4 million. The decrease was entirely attributable to an exchange rate movement of EUR 1.4 million. In 2014, the synergy goodwill identified in the Mogale acquisition, related to Afarak Trading acting as a global sales entity for the whole Group, was initially tested within Speciality Alloys segment, into which segment Afarak Trading was included. To reflect the change in segments, where Afarak Trading is now divided to both segments to reflect the nature of serving the whole Group, the Afarak Trading synergy related goodwill is now considered as a group asset and also annually allocated to both segments based on their relative revenue, reflecting the volume of Afarak Trading related benefits enjoyed by the CGU. The changes are described below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2017	42,771	21,009	63,780
Exchange rate movement	-876	-495	-1,371
Goodwill 31.12.2017	**41,895**	**20,514**	**62,409**

The changes in goodwill during 2016 are presented below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	Group Total
Goodwill 1.1.2016	40,434	17,915	58,349
Exchange rate movement	2,337	3,094	5,431
Goodwill 31.12.2016	**42,771**	**21,009**	**63,780**

Goodwill as a ratio of the Group's equity on 31 December 2017 and 31 December 2016 was as follows:

EUR '000	31.12.2017	31.12.2016
Goodwill	62,409	63,780
Equity	172,365	176,185
Goodwill/Equity, %	**36%**	**36%**

METHODOLOGY APPLIED IN IMPAIRMENT TESTING

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows have been projected for a five-year period, after which a growth rate equalling projected long-term inflation has been applied (Speciality Alloys: 2%, South African minerals processing: 6%). For the terminal year after the five-year estimation period, the essential assumptions (e.g. revenue, variable costs and fixed costs) have been based at the estimation period's previous year's figures.

The weighted average cost of capital (WACC) has been calculated separately for each cash generating unit andassets being tested, taking into account each business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. The Group has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2017.

The information used in the 31 December 2017 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts. The cash flow models have been prepared at constant foreign exchange rates. The management's approach in preparing cash flow forecasts has not changed significantly from the previous impairment testing.

These pre-tax discount rates applied in 2017 impairment testing were the following:

CASH GENERATING UNIT	PRE-TAX DISCOUNT RATE	
	2017	**2016**
Speciality Alloys	13.2%	12.1%
South African minerals processing	25.5%	22.7%

The key reasons for the changes in the discount rates compared to 2016 were the changes in risk-free interest rates in both cash-generating units.

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount based on the following judgment rules:

RECOVERABLE AMOUNT DIVIDED BY THE CARRYING AMOUNT:	CONCLUSION:
< 100%	Impairment
101-120%	Slightly above
121-150%	Clearly above
> 150%	Significantly above

TEST RESULTS 31 DECEMBER 2017

The impairment test results were as follows:

CASH GENERATING UNIT	Goodwill (MEUR), pre-testing	Goodwill (MEUR), post-testing	Carrying amount (MEUR), pre-testing	Conclusion
Speciality Alloys	41.9	41.9	61.3	Significantly above
South African minerals processing	20.5	20.5	66.7	Clearly above

The testable asset base (carrying amount) includes goodwill, intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

Key background and assumptions used in the cash flow forecasts of the impairment testing process are summarised in the following table:

CASH GENERATING UNIT	Sales volume	Sales prices	Costs
Speciality Alloys business	FeCr: 33,000 t/a Cr ore: 30,500 t/a	LC/ULC ferrochrome with average Cr content of 70 %, based on external experts (Roskill) price forecasts	Raw material costs generally change in line with sales price; other costs growing at inflation rate
South African minerals processing	Metal alloys: 108,000 t/a	Based on external experts (Roskill) metal alloys price forecasts	Raw material costs generally change in line with sales price; other costs growing at inflation rate

Moreover, the USD/ZAR foreign exchange rate affects significantly the testing of the South African minerals business. The foreign exchange rate used in the test was 12.35.

SENSITIVITY ANALYSIS OF THE IMPAIRMENT TESTS

The Group has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2017 are given below:

CASH GENERATING UNIT	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average EBITDA margin
Speciality Alloys	15.3% - points	-63.3%	-12.8% - points
South African minerals processing	6.1% - points	-17.9%	-1.9% - points

1.5 OPERATING SEGMENTS

Afarak Group has two operating segments, FerroAlloys and Speciality Alloys, which are also the reporting segments. The operating segments are organised based on their products and production processes. The current reporting structure was adopted in 2011. The Group's executive management reviews the operating results of the segments for the purpose of making decisions on resource allocation and performance assessment. Segment performance is measured based on revenue as well as earnings before interest, taxes, depreciation and amortisation (EBITDA) as included in the internal management reports and defined consistently with the consolidated EBITDA.

The FerroAlloys business consists of the processing plant Mogale Alloys, Vlakpoort mine and the joint ventures, the Stellite mine and Mecklenburg mine in South Africa. The business produces chrome ore, charge chrome, medium carbon ferrochrome and silicomanganese for sale to global markets.

The Speciality Alloys business consists of Türk Maadin Şirketi A.S ("TMS"), the mining and beneficiation operation in Turkey, and Elektrowerk Weisweiler GmbH ("EWW"), the chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which produces speciality products including specialised low carbon and ultra low carbon ferrochrome. Chrome ore from TMS that is not utilised for the production of specialised low carbon ferrochrome is sold to the market.

The revenue and costs of the Group's sales and marketing arm Afarak is allocated to the segments in proportion to their sales. Afarak's other operations, including the Group's headquarters and other Group companies that do not have significant operations, are presented as unallocated items.

Intercompany transactions are carried out on an arm's length basis. The transactions between the segments have been limited but the parent company has provided funding and administrative services to the Group's subsidiaries.

The accounting policies applied in the operating segment information are the same as those in the consolidated financial statements.

OPERATING SEGMENT INFORMATION 2017

Year ended 31.12.2017 EUR '000	Speciality Alloys	Ferroalloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	1,015	1,015	76	0	1,091
Sale of goods	89,419	105,079	194,498	3,225	0	197,723
Total external revenue	89,419	106,094	195,513	3,301	0	198,814
Inter-segment revenue	621	0	621	2,037	-2,658[1]	0
Total revenue	**90,040**	**106,094**	**196,134**	**5,338**	**-2,658**	**198,814**
Items related to joint ventures (core)	0	3,068	3,068	0	0	3,068
Segment EBITDA	**12,572**	**11,423**	**23,995**	**-6,025**	**0**	**17,970**
Depreciation and amortisation	-1,518	-4,491	-6,009	-8	0	-6,017
Impairment	0	-554	-554	0	0	-554
Segment operating profit / (loss)	**11,054**	**6,378**	**17,432**	**-6,033**	**0**	**11,399**
Finance income						3,728
Finance cost						-10,886
Income taxes						951
Profit for the period from continuing operations						**5,192**
Profit for the period from discontinued operations						1,519
Profit for the period						**6,711**

Segment's assets [2]	**143,349**	**135,109**	**278,458**	**13,692**	**-32,209**	**259,941**
Segment's liabilities [2]	**60,610**	**44,881**	**105,491**	**2,867**	**-20,782**	**87,576**
Other disclosures						
Gross capital expenditure [3]	2,219	4,645	6,864	0	0	6,864
Investment in joint ventures [4]	0	-13,778	-13,778	0	0	-13,778
Provisions [4]	1,848	7,441	9,289	0	0	9,289

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Capital expenditure consists of net increase in the year.
4. Values as per the consolidated statement of financial position.

OPERATING SEGMENT INFORMATION 2016

Year ended 31.12.2016 EUR '000	Speciality Alloys	Ferro-alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	321	321	129	0	450
Sale of goods	68,679	84,152	152,831	289	0	153,120
Total external revenue	68,679	84,473	153,152	418	0	153,570
Inter-segment revenue	1,052	48	1,100	1,349	-2,449[1]	0
Total revenue	**69,731**	**84,521**	**154,252**	**1,767**	**-2,449**	**153,570**
Items related to joint ventures (core)	0	116	116	0	0	116
Segment EBITDA	**5,363**	**5,024**	**10,387**	**-4,909**	**0**	**5,478**
Depreciation and amortisation	-2,312	-4,161	-6,473	-15	0	-6,488
Segment operating profit / (loss)	**3,051**	**863**	**3,914**	**-4,924**	**0**	**-1,010**
Finance income						2,610
Finance cost						-4,737
Income taxes						339
Loss for the period from continuing operations						**-2,798**
Profit for the period from discontinued operations						1,861
Loss for the period						**-937**

Segment's assets [2]	**135,743**	**135,359**	**271,102**	**12,641**	**-23,503**	**260,240**
Segment's liabilities [2]	**44,777**	**56,959**	**101,736**	**2,737**	**-20,418**	**84,055**
Other disclosures						
Gross capital expenditure [3]	1,427	1,331	2,758	39	0	**2,797**
Investment in joint ventures [4]	0	-16,234	-16,234	0	0	**-16,234**
Provisions [4]	2,481	8,309	10,790	0	0	**10,790**

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Capital expenditure consists of net increase in the year.
4. Values as per the consolidated statement of financial position.

GEOGRAPHICAL INFORMATION

Revenues from external customers

EUR '000	2017	2016
Other EU countries	97,174	83,251
United States	34,793	24,420
China	316	2,644
Africa	12,491	18,121
Finland	6,368	4,596
Other countries	47,672	20,538
Total revenue	**198,814**	**153,570**

Revenue figures are based on the location of the customers.

The largest customer of the Group is in the FerroAlloys business segment and represents approximately 7.1% (5.5%) of the Group's revenue in 2017. In the Speciality Alloys business segment the largest customer represents 3.9% (5.5%) of the Group's revenue in 2017.

Non-current assets

EUR '000	2017	2016
Africa	48,724	50,591
Other EU countries	6,582	6,988
Finland	0	1
Other countries	6,705	5,862
Total	**62,011**	**63,442**

In presenting geographical information, assets are based on the location of the assets. Non-current assets consist of property, plant and equipment, intangible assets and investments in associates.

1.6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. REVENUE

EUR '000	2017	2016
Sale of goods	197,723	153,120
Rendering of services	1,091	450
Total	**198,814**	**153,570**

2. OTHER OPERATING INCOME

EUR '000	2017	2016
Gain on disposal of tangible and intangible assets	12	2
Rental income	275	295
Other	4,056	1,408
Total	**4,343**	**1,705**

3. EMPLOYEE BENEFITS

EUR '000	2017	2016
Salaries and wages	-20,705	-17,741
Share-based payments	-785	-195
Pensions costs	-130	-531
Other employee related costs	-2,288	-1,509
Total	**-23,908**	**-19,976**

During 2017 the Company introduced a bonus incentive scheme for senior management and a provision of EUR 750,000 has been provided for in the consolidated financial statements for the period ending 31st December 2017.

AVERAGE PERSONNEL DURING THE ACCOUNTING PERIOD

	2017	2016
Speciality Alloys business	444	417
FerroAlloys business	403	355
Group Management	11	7
Other operations*	67	0
Total	**925**	**779**

PERSONNEL AT THE END OF THE ACCOUNTING PERIOD

	2017	2016
Speciality Alloys business	483	438
FerroAlloys business	434	369
Group Management	11	6
Other operations*	89	0
Total	**1,017**	**813**

* Other operations mainly relate to the project in Serbia

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR '000	2017	2016
Depreciation / amortisation by asset category		
Intangible assets		
Clientele and technology	-1,640	-1,517
Other intangible assets	-90	-283
Total	**-1,730**	**-1,800**
Property, plant and equipment		
Buildings and constructions	-592	-520
Machinery and equipment	-2,984	-2,784
Other tangible assets	-711	-1,384
Total	**-4,287**	**-4,688**
Impairment by asset category		
Machinery and equipment	-554	0
Total	**-554**	**0**

5. OTHER OPERATING EXPENSES

EUR '000	2017	2016
Rental costs	-401	-390
External services[1]	-2,975	-2,808
Travel expenses	-962	-1,001
Other operating expenses[2]	-6,837	-8,553
Total	**-11,175**	**-12,752**

1. Audit fees paid to EY totalled EUR 348 (2016: 369) thousand in the financial year. The fees for non-audit services totalled EUR 4 (2016: 51) thousand.
2. Other operating expenses include shutdown costs of EUR 3,031 (2016: 2,879) thousand in the financial year.

6. FINANCIAL INCOME AND EXPENSE

EUR '000	2017	2016
Finance income		
Interest income on loans and trade receivables	1,018	967
Foreign exchange gains	2,656	1,632
Other finance income	54	11
Total	**3,728**	**2,610**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-1,680	-833
Foreign exchange losses	-8,507	-3,187
Unwinding of discount, provisions	-677	-579
Other finance expenses	-22	-138
Total	**-10,886**	**-4,737**
Net finance expense	**-7,158**	**-2,127**

7. INCOME TAXES

EUR '000	2017	2016
Income tax for the period	368	-1,809
Income tax for previous years	0	6
Deferred taxes	583	2,142
Total	**951**	**339**

EUR '000	2017	2016
Profit / (loss) before taxes	**5,760**	**-1,276**
Income tax calculated at parent company income tax rate	**-1,152**	**255**
Difference between domestic and foreign tax rates	-2,207	-74
Tax credit	3,089	286
Items recognised only for taxation purposes	3,635	922
Income tax for previous years	0	6
Income from JV and associates	614	23
Tax losses not recognised as deferred tax assets	-52	-83
Non-tax deductible expenses	-3,195	-1,486
Previously unrecognised tax losses now recognised	219	490
Total adjustments	**2,103**	**84**
Income tax recognised	**951**	**339**

On 31 December 2017 the Group companies had unused tax losses totalling EUR 35.3 (30.0) million for which the Group has not recognised deferred tax assets.

8. DISCONTINUED OPERATIONS

The discontinued operation items relate to income and expenses in connection with the sawmill machinery and environmental cleaning costs. The Group sold part of the saw mill equipment which positively affected profit by EUR 1.5 (2016: 1.9) million that includes a release of EUR 0.6 (2016: 0.8) million from the provision in relation to the discontinued wood business.

EUR '000	2017	2016
Other operating income	620	828
Other operating expenses	-1	-47
Gain on disposal from discontinued operations	900	1,080
Profit for the period	**1,519**	**1,861**

9. EARNINGS PER SHARE

	2017			2016		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit / (loss) attributable to owners of the parent company (EUR '000)	4,742	1,519	6,261	-2,476	1,861	-615
Weighted average number of shares, basic (1,000)	259,329	259,329	259,329	258,945	258,945	258,945
Basic earnings per share (EUR) total	**0.02**	**0.01**	**0.02**	**-0.01**	**0.01**	**0.00**
Profit / (loss) attributable to owners of the parent company (EUR '000)	4,742	1,519	6,261	-2,476	1,861	-615
Weighted average number of shares, basic (1,000)	259,329	259,329	259,329	258,945	258,945	258,945
Effect of share options on issue (1,000)	1,388	1,388	1,388	851	851	851
Weighted average number of shares, diluted (1,000)	260,718	260,718	260,718	259,796	259,796	259,796
Diluted earnings per share (EUR) total	**0.02**	**0.01**	**0.02**	**-0.01**	**0.01**	**0.00**

Basic earnings per share is calculated by dividing profit attributable to the owners of the parent company by weighted average number of shares during the financial year.

When calculating the diluted earnings per share, all convertible securities with a potential dilutive effect are assumed to be converted into shares. Share options have a dilutive effect if the exercise price is lower than the share price. The diluted number of shares is the number of shares that will be issued free of charge when share options are exercised since with the funds received from exercising options, the Company is not able to issue the same number of shares at fair value. The fair value of shares is based on average share price of the period.

1.7 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. PROPERTY, PLANT AND EQUIPMENT

EUR '000	Land and water property	Buildings and constructions	Machinery and equipment	Mines and mineral assets	Other tangible assets	Total
Balance at 1.1.2017	2,292	8,083	57,173	9,725	4,149	81,422
Additions		421	5,616	998	377	7,412
Disposals			-197			-197
Reclass between items			139		-157	-18
Effect of movements in exchange rates	-41	-636	-1,935	-1,726	-61	-4,399
Balance at 31.12.2017	**2,251**	**7,868**	**60,796**	**8,997**	**4,308**	**84,220**
Accumulated depreciation and impairment 1.1.2017		-3,682	-23,106	-7,509	-1,994	-36,291
Depreciation		-592	-2,984	-444	-267	-4,287
Impairment			-563			-563
Disposals			72			72
Effect of movements in exchange rates		305	880	1,428	42	2,655

Accumulated depreciation and impairment at 31.12.2017	**0**	**-3,969**	**-25,701**	**-6,525**	**-2,219**	**-38,414**
Carrying amount at 1.1.2017	**2,292**	**4,401**	**34,067**	**2,216**	**2,155**	**45,131**
Carrying amount at 31.12.2017	**2,251**	**3,899**	**35,095**	**2,472**	**2,089**	**45,806**
Balance at 1.1.2016	2,049	7,500	50,134	10,931	3,328	73,942
Additions		785	1,041	243	170	2,239
Disposals			-162			-162
Reclass between items			2		409	411
Effect of movements in exchange rates	243	-202	6,158	-1,449	242	4,992
Balance at 31.12.2016	**2,292**	**8,083**	**57,173**	**9,725**	**4,149**	**81,422**
Accumulated depreciation and impairment 1.1.2016		-3,326	-18,027	-7,554	-1,476	-30,383
Depreciation		-520	-2,784	-1,148	-238	-4,690
Disposals			2			2
Effect of movements in exchange rates		164	-2,297	1,193	-280	-1,220
Accumulated depreciation and impairment at 31.12.2016	**0**	**-3,682**	**-23,106**	**-7,509**	**-1,994**	**-36,291**
Carrying amount at 1.1.2016	**2,049**	**4,174**	**32,107**	**3,377**	**1,852**	**43,559**
Carrying amount at 31.12.2016	**2,292**	**4,401**	**34,067**	**2,216**	**2,155**	**45,131**

Machinery and equipment include the prepayments made for them.

11. INTANGIBLE ASSETS

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2017	109,968	108,158	4,569	1,642	224,337
Additions			145	115	260
Disposals			-2		-2
Reclass between items			-139		-139
Effect of movements in exchange rates	-2,343	-842	-360	-67	-3,612
Balance at 31.12.2017	**107,625**	**107,316**	**4,213**	**1,690**	**220,844**
Accumulated amortisation and impairment at 1.1.2017	-46,188	-94,090	-1,944	-24	-142,246
Amortisation		-1,640	-80	-10	-1,730
Effect of movements in exchange rates	972	485	289		1,746
Accumulated amortisation and impairment at 31.12.2017	**-45,216**	**-95,245**	**-1,735**	**-34**	**-142,230**
Carrying amount at 1.1.2017	**63,780**	**14,068**	**2,625**	**1,618**	**82,091**
Carrying amount at 31.12.2017	**62,409**	**12,071**	**2,478**	**1,656**	**78,614**

Balance at 1.1.2016	98,454	102,893	4,368	1,121	206,836
Additions			169	388	557
Disposals			-96		-96
Reclass between items			-1		-1
Effect of movements in exchange rates	11,514	5,265	129	133	17,041
Balance at 31.12.2016	**109,968**	**108,158**	**4,569**	**1,642**	**224,337**
Accumulated amortisation and impairment 1.1.2016	-40,105	-89,441	-1,914	-12	-131,472
Amortisation		-1,517	-274	-10	-1,801
Effect of movements in exchange rates	-6,083	-3,132	244	-2	-8,973
Accumulated amortisation and impairment at 31.12.2016	**-46,188**	**-94,090**	**-1,944**	**-24**	**-142,246**
Carrying amount at 1.1.2016	**58,349**	**13,452**	**2,454**	**1,109**	**75,364**
Carrying amount at 31.12.2016	**63,780**	**14,068**	**2,625**	**1,618**	**82,091**

Other intangible assets include the prepayments made for them. Exploration and evaluation assets consist of mine projects in various mining projects in Turkey and South Africa.

12. INVESTMENTS IN ASSOCIATES

EUR '000	Domicile	Value at reporting date	Ownership (%)	Reporting date	Assets	Liabilities	Revenue	Profit
2017								
Non-core associates								
Incap Furniture Oy *	Finland	0	0.0					
Valtimo Components Oyj *	Finland	0	8.99					
		0						

EUR '000	Domicile	Value at reporting date	Ownership (%)	Reporting date	Assets	Liabilities	Revenue	Profit
2016								
Non-core associates								
Incap Furniture Oy *	Finland	0	24.1					
Valtimo Components Oyj *	Finland	0	24.9					
		0						

** Incap Furniture Oy and Valtimo Components Oyj are in a corporate restructuring process.*

During 2017 Valtimo Components Oyj has made a share issue which as a result diluted Afarak share holding to 8.99% (24.9%).

The income statement related items of associated companies of Speciality Alloys and FerroAlloys business segments ('core-associates') are presented above EBIT; the non-core associates in financial items.

During the financial year 2017, Afarak did not acquire or dispose holdings in associates.

MOVEMENTS IN 2017

EUR '000	1.1.2017	0
Share of profit		0
Exchange rate differences		0
Proceeds from disposal		0
	31.12.2017	0

During the financial year 2016, Afarak did not acquire or dispose holdings in associates.

MOVEMENTS IN 2016

EUR '000	1.1.2016	0
Share of profit		0
Exchange rate differences		0
Proceeds from disposal		0
	31.12.2016	0

13. INVESTMENTS IN JOINT VENTURES

At the end of the financial year 2017, the Group had joint control over one jointly controlled entity, Synergy Africa Ltd, in which the Group has a 51% interest. The acquisition of Chromex Mining Ltd, a UK company with mining operations and prospecting rights in southern Africa, was carried out by this joint venture company. Synergy Africa Group has been consolidated as a joint venture company in the financial reporting of the Group starting at 31 December 2010. Following the 2012 changes in the accounting standards the company changed the accounting method from proportionate consolidation method to equity method.

Summarised financial statement information (100% share) of the joint venture, based on its IFRS financial statements, and a reconciliation with the carrying amount of the investment in the Group's consolidated financial statements are set out below:

EUR '000	2017	2016
Revenue	**32,881**	**10,355**
Other operating income	**361**	**83**
Materials and supplies	-18,544	-4,348
Employee benefits expense	-1,998	-1,199
Depreciation and amortisation	-1,978	-906
Other operating expenses	-4,929	-4,487
Impairment, net	0	2,127
Operating profit	**5,793**	**1,625**

Finance income	2,903	1,214
Finance expense	-2,523	-2,190
Profit before taxes	**6,173**	**649**
Income taxes	-158	-422
Profit for the year	**6,015**	**227**
Group's share of profit for the year	**3,068**	**116**
Profit attributable to:		
Joint venture owners	2,638	248
Non-controlling interests	430	-132
	3,068	**116**

EUR '000	**2017**	**2016**
Assets and liabilities		
Non-current assets		
Intangible assets	2,065	5,656
Mines and mineral assets	29,015	30,875
Property, plant and equipment	5,951	3,016
Deferred tax asset	629	0
Non-current assets total	**37,660**	**39,547**
Current assets		
Inventories	1,944	304
Trade and other receivables	1,053	3,643
Trade and other receivables from JV owners	3,518	2,999
Cash and cash equivalents	529	1,653
Current assets total	**7,044**	**8,599**
Total assets	**44,704**	**48,146**
Non-current liabilities		
Interest-bearing debt	19,472	22,651
Interest-bearing debt to JV owners	26,252	28,134
Provisions	5,194	3,837
Deferred tax liability	9,128	8,738
Other non-current liabilities to JV owners	1,742	5,549
Non-current liabilities total	**61,788**	**68,909**

Current liabilities		
Trade and other payables	4,832	8,655
Trade and other payables to JV owners	5,099	2,413
Current liabilities total	**9,931**	**11,068**
Total liabilities	**71,719**	**79,977**
Net Liability	**-27,015**	**-31,831**
Proportion of Group's Ownership	51 %	51 %
Carrying amount of Joint venture	**-13,778**	**-16,234**

At the end of 2017, Synergy Africa Group had 89 (80) employees. The average number of employees in full year 2017 was 87 (72).

IMPAIRMENT REVIEW OF JOINT VENTURE

General principles of impairment testing

Synergy Africa Ltd, the South African mining business which operates Stellite and Mecklenburg mines has carried out impairment testing on assets as at 31 December 2017.

The statement of financial position of Synergy Africa has been assessed whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects is estimated annually, irrespective of whether there is an indication of impairment. The South African mining business did not have any goodwill on its statement of financial position at the end of the financial year 2017. Similarly to 2016, Synergy Group assessed whether there is any indication of impairment and consequently the assets of the business were tested for impairment.

Methodology applied in impairment testing

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows have been projected for the life of mine with a 6% growth rate equalling projected long-term inflation has been applied.

The weighted average cost of capital (WACC) has been calculated taking into account the business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. Synergy Africa has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2017.

The information used in the 31 December 2017 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts. The cash flow models have been prepared at constant foreign exchange rates. The underground production in the models does not solely come from reserves, as some come from resources that are not yet converted to reserves. This increases the risk that some of the grades may differ, and tonnes could possibly not be economically extractable. There is also the risk that costs could be different than anticipated even though due care was taken in the cost evaluation.

The pre-tax discount rates applied in 2017 impairment testing was 26.94% for Mecklenburg mine and 41.04% for Stellite mine. The cash flows in the Stellite mine impairment test review include both opencast and recycling of tailing dam by way of using the shaking table technology. The cash flows in the Mecklenburg mine impairment test review includes both opencast and underground operation. Both the Stellite mine model and the Mecklenburg model have a life of mine of 15 years.

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount.

Test results 31 December 2017

As a result of the tests carried out Synergy Africa did not pass any impairment as the impairment tests indicated that the recoverable amounts from the mines exceed the carrying amount and consequently no impairment was required.

The testable asset base includes intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

The USD/ZAR foreign exchange rate affects significantly the testing of the South African minerals business. The foreign exchange rate used in the test was 12.35.

Key background and assumptions used in the cash flow forecasts of the impairment testing process are summarised in the following table:

Cash generating unit	Sales volume	Sales prices	Costs
Stellite mine	Concentrate: Opencast mining averaging 410,000t/a as from 2018 till 2031 Lumpy: Average of 118,300 t/a from 2018 till 2031	SA Chrome Ore – UG2 CIF adjusted for FOM, based on external experts (Roskill) price forecasts	The costs applied for opencast operation is based on the current historical cost adjusted for a reduction in production cost per ton as a result of higher recoveries due to better benefication. This cost has been estimated and adjusted for inflation for the opencast life of mine. The cost over the life of mine excluding inflation is estimated to be ZAR 925 per saleable ton of chrome.
Mecklenburg mine	ROM: Opencast mining of 62,252t in 2018; 143,000t in 2018; 213,000t in 2019; and is planned to increase to an average of 332,000t/a as from 2020 till 2031	SA Chrome Ore – Lumpy CIF adjusted for FOM, based on external experts (Roskill) price forecasts	The costs for underground are based on past experiences of our mining team in underground operations adjusted for inflation rate. The cost over the life of mine excluding inflation is estimated to be ZAR 609 per saleable ton of chrome.

Synergy Africa has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2017 are given below:

Cash generating unit	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average Cost of Production	Change in CGU's average EBITDA margin
Stellite Mine	140.6% - points	-83.1%	3.8%	-18.2% - points
Mecklenburg Mine	22.9% - points	-66.7%	13.2%	-37.3% - points

14. FINANCIAL ASSETS AND LIABILITIES

31.12.2017, EUR '000

Non-current financial assets	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current interest-bearing receivables		168	18,687		18,855
Trade and other receivables *			637		637
Current financial assets					
Current interest-bearing receivables			11,437		11,437
Trade and other receivables *			28,186		28,186
Other Financial Assets			476		476
Cash and cash equivalents			10,702		10,702
Carrying amount of financial assets		**168**	**70,125**		**70,293**
Fair value of financial assets		**168**	**70,125**		**70,293**
Non-current financial liabilities					
Non-current interest-bearing liabilities				2,548	2,548
Other non-current liabilities				3,168	3,168
Current financial liabilities					
Current interest-bearing liabilities				9,393	9,393
Trade and other payables *				17,416	17,416
Carrying amount of financial liabilities				**32,525**	**32,525**
Fair value of financial liabilities				**32,525**	**32,525**

31.12.2016, EUR '000

Non-current financial assets	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current interest-bearing receivables		172	28,134		28,306
Trade and other receivables *			359		359
Current financial assets					
Current interest-bearing receivables			3,512		3,512
Trade and other receivables *			25,930		25,930
Other Financial Assets			487		487
Cash and cash equivalents			9,651		9,651
Carrying amount of financial assets		**172**	**68,073**		**68,245**
Fair value of financial assets		**172**	**68,073**		**68,245**
Non-current financial liabilities					
Non-current interest-bearing liabilities				29	29
Other non-current liabilities				4,170	4,170
Current financial liabilities					
Current interest-bearing liabilities				3,764	3,764
Trade and other payables *				14,110	14,110
Carrying amount of financial liabilities				**22,073**	**22,073**
Fair value of financial liabilities				**22,073**	**22,073**

* Non-financial assets and liabilities are not included in the figures

FAIR VALUE HIERARCHY

31.12.2017 EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	Level 1	Level 2	Level 3
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives			
Total			

31.12.2016, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	Level 1	Level 2	Level 3
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives			
Total			

31.12.2017, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2017	**40**
Acquisition cost at 31.12.2017	**40**
Accumulated impairment losses at 1.1.2017	-40
Accumulated impairment losses at 31.12.2017	-40
Carrying amount at 31.12.2017	**0**

31.12.2016, EUR ‘000	
Level 3 reconciliation	
Acquisition cost at 1.1.2016	**40**
Acquisition cost at 31.12.2016	**40**
Accumulated impairment losses at 1.1.2016	-40
Accumulated impairment losses at 31.12.2016	-40
Carrying amount at 31.12.2016	**0**

Interest-bearing debt

EUR '000	2017	2016
Non-current		
Acquisition of NCI liability	2,517	0
Finance lease liabilities	31	29
Total	**2,548**	**29**
Current		
Bank loans	1,895	3,515
Finance lease liabilities	109	76
Cheque account with overdraft facility	7,389	173
Total	**9,393**	**3,764**

EUR '000	2017	2016
Finance lease liabilities, minimum lease payments		
No later than 1 year	109	76
Later than 1 year and not later than 5 years	31	29
	140	**105**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	109	76
Later than 1 year and not later than 5 years	31	29
	140	**105**

Changes in liabilities arising from financing activities

EUR '000	1 January 2017	Cash flows	Acquisition	Foreign exchange movement	Other	31 December 2017
Non-current borrowings	-	-727	3,334	-90	-	**2,517**
Current borrowings	3,688	6,384	-	-788	-	**9,284**
Lease liabilities	105	-249	309	-25	-	**140**
Total liabilities from financing activities	**3,793**	**5,408**	**3,643**	**-903**	**-**	**11,941**

EUR '000	1 January 2016	Cash flows	Acquisition	Foreign exchange movement	Other	31 December 2016
Non-current borrowings	2,975	-	-	-	-2,975	**-**
Current borrowings	12,111	-11,709	-	311	2,975	**3,688**
Lease liabilities	22	-65	161	-13	-	**105**
Total liabilities from financing activities	**15,108**	**- 11,774**	**161**	**298**	**-**	**3,793**

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings to current due to the passage of time, the effect of accrued but not yet paid interest on interest-bearing loans and borrowings and various other adjustments.

FINANCIAL RISKS AND RISK MANAGEMENT

The Board of Directors of Afarak Group Plc has outlined the key risks of the Group in the Board of Directors' Report. In the following section, the financial and commodity risks are presented in more detail with the related sensitivity analyses.

SUMMARY OF FINANCIAL ASSETS AND LOAN ARRANGEMENTS

Financial assets 31 December 2017

In addition to the operating result and the cash flow generated from it the factors described below have most significantly affected the year-on-year change in the Group's financial assets at the 2017 closing date:

The Group's financial assets at the end of the reporting period increased marginally when compared to the comparative period primarily due to advances received from financial and other institutions to the various entities forming part of the Group.

On 31 December 2017, the cash and cash equivalents were invested mainly in interest-bearing EUR, ZAR and USD denominated bank accounts. The Group companies have given pledged deposits for EUR 0.0 (0.0) million. Other financial assets comprise interest-bearing loans and other receivables.

One of the Group's South African subsidiaries has increased its primary lending facility from ZAR 100 million as at the end of the previous reporting period to ZAR 150 million as at the end of this reporting period. The South African subsidiary utilised ZAR 75.9 (0.0) million as at the end of the reporting period and the Group has given a corporate guarantee amounting to ZAR 75.0 (0.0) million as collateral.

One of the Group's Maltese subsidiaries has been granted a trade finance loan facility amounting to US$ 5.0 million during 2016. The Maltese subsidiary utilized US$ 0.6 (0.0) million as at the end of the reporting period and the Group has given a corporate guarantee amounting to US$ 5.0 (5.0) as collateral.

Interest-bearing debt 31 December 2017

» Floating rate loans from financial institutions total EUR 8.7 (3.5) million. Fixed rate loans total EUR 0.6 (0.2) million.

» The interest rate of the South African loans is tied to the market rate of JIBAR. The interest rate on 31 December 2017, based on market interest rates at that date, was 6.11% (5.50%). The interest rate margin for floating rate notes was 2.25% (3.0%) p.a.

» The interest rate of the Maltese bank loan facility is tied to the market rate of LIBOR. The interest rate on 31 December 2017, based on market interest rates at that date, was 1.56% (0.98%). The interest rate margin for floating rate notes was 3.5% (3.75%) p.a.

» The interest rate of the Turkish bank loan facility is tied to the market rate of LIBOR. The interest rate on 31 December 2017, based on market interest rates at that date, was 1.47% (0.69%). The interest rate margin for the fixed rate notes was 0.40% (0.75%) p.a.

Capital Management

The Group's capital management objective is to maintain the ability to continue as a going concern and to optimise the cost of capital in order to enhance value to shareholders. As part of this objective, the Group seeks to maintain access to loan and capital markets at all times. The Board of Directors reviews the capital structure of the Group on a regular basis.

Capital structure and debt capacity are taken into account when deciding on new investments. Practical tools to manage capital include the application of dividend policy, capital redemption, share buybacks and share issues. Debt capital is managed considering the requirement to secure liquidity. The Group's internal capital structure is reviewed on a regular basis with the aim of optimising the structure by applying measures such as internal dividends and equity adjustments.

The Group's long term target for capital structure is to keep the equity ratio above 50%. At the end of the reporting period, the Group's equity ratio stood at 66.3% (67.7%).

The Group's loans from financial institutions include financial covenants that if breached might have a negative effect on the financial positon of the Group. The covenants that the Group is exposed to are: Interest cover ratio of Afarak Trading Limited must not be lower than 5; Debt cover ratio of Afarak Trading Limited must be greater than 3; leverage ratio of Afarak Trading Limited must be lower than 1; the Group's Net Asset Value must be greater than US$ 175 million; Debt service cover of Mogale Alloys must be greater than 1.4 and Net Debt to EBITDA of Mogale Alloys must be lower than 1.5. Management review these covenants regularly and are in correspondence with the relevant bank if there is indication of breach. In the discussions with the banks the Company would do the utmost to clarify the reason for such breach and present the financial plans to remain within the covenant limits. The loan which was granted to Afarak Trading Limited was repaid during February 2017, while the loan which was granted to Mogale Alloys was repaid during December 2017. Thus, the Group is no longer exposed to such financial covenants.

Financial Risk Management

In its normal operations, the Group is exposed to various financial risks. The main financial risks are liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and commodity price risk. The objective of the Group's risk management is to identify and, to as far as reasonably possible, mitigate the adverse effects of changes in the financial markets on the Group's results. The general risk management principles are accepted by Afarak Group Plc's Board of Directors and monitored by its Audit and Risk Management Committee. The managements of the Group and its subsidiaries' are responsible for the implementation of risk management policies and procedures. Group management monitors risk positions and risk management procedures on a regular basis, and supervises that the Group's policies and risk management principles are followed in all day-to-day operations. Risks and risk management are regularly reported to the Audit and Risk Management Committee.

The Group's significant financial instruments comprise bank loans and overdrafts, finance leases, other long-term liabilities, cash and short-term deposits and money market investments. The main purpose of these financial instruments is to finance the Group's acquisitions and ongoing operations. The Group also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

(i) Liquidity risk

The Group regularly assesses and monitors its investment and working capital needs and financing, so that it has enough liquidity to serve and finance its operations and pay back loans. The availability and flexibility of financing are targeted to be guaranteed by using multiple financial institutions in the financing and financial instruments, and to agree on financial limit arrangements.

If the liquidity risks were to be realised, it would probably result in overdue interest expenses and damage the relations with suppliers. Consequently, the pricing and other terms for input goods and services and for financing could be affected.

The maturity distribution of the Group debt at the end of the financial year was as follows:

31.12.2017, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	1,895	-1,939	-1,753	-106	-80	0	0
Finance lease liabilities	140	-140	-55	-55	-30	0	0
Trade and other payables	20,585	-20,585	-17,416	0	-3,168	0	0
Bank overdraft	7,389	-7,389	-7,389	0	0	0	0
Acquisition of NCI liability	2,517	-2,517	0	-360	-360	-1,079	-719
Total	**32,526**	**-32,570**	**-26,613**	**-521**	**-3,638**	**-1,079**	**-719**

31.12.2016, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	3,515	-3,674	-3,430	-164	-80	0	0
Finance lease liabilities	105	-105	-38	-38	-29	0	0
Trade and other payables	18,280	-18,280	-14,110	0	-4,170	0	0
Bank overdraft	173	-173	-173	0	0	0	0
Total	**22,073**	**-22,232**	**-17,751**	**-202**	**-4,279**	**0**	**0**

(ii) Foreign exchange rate risk

The Group operates internationally, including in Turkey, Malta and South Africa, and is therefore exposed to foreign exchange rate risks. The risks arise both directly from the outstanding commercial cash flows and currency positions, and indirectly from changes in competitiveness between various competitors. The foreign exchange differences arising from inter-company loans designated as net investments in foreign subsidiaries have been recognised in the translation reserve in the equity.

The Group is exposed to currency-derived risks that affect its financial results, financial position and cash flows. In particular the exchange rates of US Dollar and South African Rand against the Euro have a significant impact on the Euro-denominated profitability of the Group. The cash inflows of the business are denominated in US Dollars, whereas a significant portion of the costs are denominated in the South African Rand. The fluctuation of the South African Rand has a significant impact on the Group's profit and loss as well as on the Group's assets and liabilities. In its risk management, the Group aims to match its cash inflows and outflows as well as receivables and liabilities in terms of the currency in which these items are denominated.

The following tables present the currency composition of receivables and debt, and changes thereby relative to the previous year-end.

31.12.2017, EUR '000	**EUR exchange rate**	**1**	**1.1993**	**0.8872**	**4.5464**	**14.8054**
		EUR	**USD**	**GBP**	**TRY**	**ZAR**
Cash and cash equivalents (EUR)		965	8,517	101	53	1,066
Trade and other receivables (EUR)		4,956	21,585		113	1,149
Loans and other financial assets (EUR)				20,429	198	607
Trade and other current payables (EUR)		-2,249	-3,313		-861	-10,337
Loans and other liabilities (EUR)		-554	-517		-895	-13,144
Currency exposure, net (EUR)		3,118	26,272	20,530	-1,392	-20,659
Currency exposure, net in currency ('000)		**3,118**	**31,508**	**18,215**	**-6,330**	**-305,862**

31.12.2016, EUR '000	**EUR exchange rate**	**1**	**1.0541**	**0.8562**	**3.7072**	**14.4570**
		EUR	**USD**	**GBP**	**TRY**	**ZAR**
Cash and cash equivalents (EUR)		1,943	5,537	121	235	1,815
Trade and other receivables (EUR)		4,282	21,182		217	1,346
Loans and other financial assets (EUR)				32,924	181	1,108

Trade and other current payables (EUR)	-1,216	-660		-588	-11,307
Loans and other liabilities (EUR)	-173	-3,067		-154	-4,569
Currency exposure, net (EUR)	4,836	22,991	33,045	-109	-11,607
Currency exposure, net in currency ('000)	**4,836**	**24,235**	**28,292**	**-405**	**-167,802**

The effect on the 31 December 2017 currency denominated net assets which would be caused by changes in foreign exchange rates compared with the rates used in the Group consolidation is presented below. Due to the high market volatility of the exchange rates, the range of change was kept at +/- 20%.

31 December 2017

	USD	GBP	TRY	ZAR
20% strengthening	6,723	5,132	-348	-5,156
15% strengthening	4,746	3,623	-246	-3,640
10% strengthening	2,988	2,281	-155	-2,292
5 % strengthening	1,415	1,081	-73	-1,086
0% no change	0	0	0	0
-5% weakening	-1,281	-978	66	982
-10% weakening	-2,445	-1,866	127	1,875
-15% weakening	-3,508	-2,678	182	2,690
-20% weakening	-4,482	-3,422	232	3,438

31 December 2016

	USD	GBP	TRY	ZAR
20% strengthening	5,748	8,261	-27	-2,902
15% strengthening	4,057	5,831	-19	-2,048
10% strengthening	2,555	3,672	-12	-1,290
5 % strengthening	1,210	1,739	-6	-611
0% no change	0	0	0	0
-5% weakening	-1,095	-1,574	5	553
-10% weakening	-2,090	-3,004	10	1,055
-15% weakening	-2,999	-4,310	14	1,514
-20% weakening	-3,832	-5,507	18	1,934

Derivatives

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Operative foreign currency derivatives that are valued at fair value on the reporting date cause timing differences between the changes in the derivative's fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting impact the Group's operating profit for the financial year. The underlying foreign currency transactions will realise in future periods.

(iii) Interest rate risk

The Group is exposed to interest rate risk when Group companies take loans, or make other financing agreements or deposits and investments related to liquidity management. In addition, changes in interest rates can alter the fair values of the Group's assets. The Group's revenue and operative cash flows are mainly independent of the changes in market interest rates.

To manage interest rate risks, the Group has used both fixed and floating rate debt instruments and derivative instruments, such as interest rate swaps, when needed. At the end of 2017, the Group's interest-bearing debt was mainly based on floating interest rates; and there were no interest rate swaps in place. The Group aims to match the loan maturities with the businesses' needs and to have the maturities spread over various periods so that the Group's interest rate risks are somewhat diversified. Floating rate financing is mainly tied to the market rates of different countries (United Kingdom, South Africa), changes to which will then influence the Group's total financing cost and cash flows.

The short-term interest-bearing receivables of the Group are mainly loan receivables and receivables on past asset disposals. The Group's interest-bearing liabilities have been discussed above.

The split of interest-bearing debt and receivables, also classified into fixed rate and floating rate instruments on 31 December 2017 and 31 December 2016 was as follows:

Interest rate profile of interest-bearing financial instruments (EUR '000)

Fixed rate instruments	31.12.2017	31.12.2016
Financial assets	3,500	3,500
Financial liabilities	-7,389	-212
Fixed rate instruments, net	**-3,889**	**3,288**
Variable rate instruments		
Financial assets	26,792	28,300
Financial liabilities	-2,004	-3,476
Variable rate instruments, net	**24,788**	**24,824**
Interest-bearing net debt	**20,899**	**28,112**

The following table presents the approximate effect of changes in market interest rates on the Group's income statement should the deposits' and loans' interest rates change. The analysis includes floating rate financial assets and liabilities. The sensitivity analysis is illustrative in nature and applicable for the forthcoming 12 month period if the period's asset and liability structure were to be equal to that of 31 December 2017, and if there were no changes in exchange rates.

31 December 2017

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-536	40	-496
-1.50%	-402	30	-372
-1.00%	-268	20	-248
-0.50%	-134	10	-124
0.00%	0	0	0
0.50%	134	-10	124
1.00%	268	-20	248
1.50%	402	-30	372
2.00%	536	-40	496

31 December 2016

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00%	-566	70	-496
-1.50%	-424	52	-372
-1.00%	-283	35	-248
-0.50%	-141	17	-124
0.00%	0	0	0
0.50%	141	-17	124
1.00%	283	-35	248
1.50%	424	-52	372
2.00%	566	-70	496

(iv) Credit risk

Credit risk can be realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and thus cause financial damage to the Group. The Group's operational policies define the creditworthiness requirements for customers and for counterparties in financial and derivative transactions, as well as the principles followed when investing liquidity. In the case of major sales agreements, the counterparty's credit rating is checked.

The Group's key customers are major international stainless steel companies, and a number of specialist agents selling to the steel sector, with typically long and successful business histories. Since the customers represent one sector of industry, major changes in that industry's profitability could increase the credit risk. In order to mitigate credit risk, the Group started to credit insure its trade receivables during the period under review.

The Board of Directors of Afarak Group Plc has determined a cash management policy for the Group's parent company, according to which the excess cash reserves are deposited for a short-term only and with sound financial institutions with which the Group has established business relations. The credit rating of all significant counterparties is analysed from time to time.

During the financial year, credit losses booked through the profit and loss were EUR 0.7 (1.6) million. The maximum credit risk is equal to the carrying value of the receivables as of 31 December, and is split as follows:

Category	EUR '000 31.12.2017	EUR '000 31.12.2016
Interest-bearing		
Cash and cash equivalents	10,702	9,651
Receivables from related parties	30,116	31,634
Other interest bearing receivables	176	166
Interest-bearing, total	**40,994**	**41,451**
Interest-free		
Trade receivables	22,193	21,508
Other short-term receivables	2,102	5,671
Trade and other receivable from associates	4,367	2,925
Long-term receivables	2,547	5,926
Interest-free, total	**31,209**	**36,030**
Total	**72,203**	**77,481**

(v) Commodity risks

The Group is exposed to price risks on various output and input products, materials and commodities. Also, securing the availability of raw materials without any serious disruptions is vital to its businesses.

The price risks on input materials and commodities are managed by pricing policies so that changes in input materials and commodities can be moved into sales prices. This, however, is not always possible or there may be delays as a result of contractual or competitive reasons.

The Group's units that have production operations are exposed to availability, quality and price fluctuations in raw materials and commodities. To diminish these risks, the Group's business units seek to enter into long-term agreements with known counterparties; although this is not always possible due to the tradition and practice of the business. For the most part, because it is not possible or economically feasible to hedge commodity price risks in the Group's business sectors with derivative contracts, the Group did not have any commodity derivative contracts in place as of 31 December 2017.

Sensitivity Analysis - Speciality Alloys business

The effect of changes in the sales price of special grade ferrochrome, produced by the Group's Speciality Alloys business, to the Group's operating profit and equity is illustrated below, assuming that the EUR/USD rate were constant. The analysis is based on December 2017 price level. Since the products are priced in USD, the exchange rate changes could have a major effect on the Group's profitability in EUR. Full capacity for simulation purposes is set at 36,000 t/a, and it is also assumed that only one ferrochrome quality is produced. Various raw materials are used in ferrochrome production, including chrome concentrate and ferrosilicochrome. The purchase prices of the main raw materials typically in the same direction as the sales prices, although the correlation is not perfect and the timing may differ. In practice, therefore the net effect on the Group's profitability most probably would be lower than shown below. Electricity usage is also substantial, and hence changes in electricity prices have a significant effect on profitability; electricity prices do not correlate with changes in commodity prices.

FINANCIAL YEAR 2017

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR '000	EUR '000
2.82	20%	21,772	20,684
2.70	15%	16,329	15,513
2.59	10%	10,886	10,342
2.47	5%	5,443	5,171
2.35	0%	0	0
2.23	-5%	-5,443	-5,171
2.12	-10%	-10,886	-10,342
2.00	-15%	-16,329	-15,513
1.88	-20%	-21,772	-20,684

FINANCIAL YEAR 2016

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR '000	EUR '000
2.64	20%	23,190	22,031
2.53	15%	17,393	16,523
2.42	10%	11,595	11,015
2.31	5%	5,798	5,508
2.20	0%	0	0
2.09	-5%	-5,798	-5,508
1.98	-10%	-11,595	-11,015
1.87	-15%	-17,393	-16,523
1.76	-20%	-23,190	-22,031

Sensitivity Analysis – FerroAlloys business

The FerroAlloys business's smelting operation, Mogale Alloys, is able to change its product mix quite rapidly and flexibly, and so only rough estimates on its sensitivity to commodity price changes can be given. Its full production capacity is about 110,000 metric t/a of various metal alloys. Assuming, for simplicity, that all of the Mogale capacity was used for charge chrome production only, and using the year-end 2017 sales price indications for charge chrome, the following table represents a rough proxy of the sales price sensitivities. It should also be taken into account that the profitability of the smelting operations can be substantially impacted by changes in the USD and ZAR exchange rates and in electricity prices, as well as changes in market prices. In South Africa the majority of the electricity supply, price and availability are controlled by one entity, Eskom. Mogale Alloys may participate in Eskom's electricity buyback program in the foreseeable future.

FINANCIAL YEAR 2017

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
1.06	20%	18,150	13,068
1.01	15%	13,613	9,801
0.97	10%	9,075	6,534
0.92	5%	4,538	3,267
0.88	0%	0	0
0.84	-5%	-4,538	-3,267
0.79	-10%	-9,075	-6,534
0.75	-15%	-13,613	-9,801
0.70	-20%	-18,150	-13,068

FINANCIAL YEAR 2016

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
1.44	20%	28,160	20,275
1.38	15%	21,120	15,206
1.32	10%	14,080	10,137
1.26	5%	7,040	5,069
1.20	0%	0	0
1.14	-5%	-7,040	-5,069
1.08	-10%	-14,080	-10,137
1.02	-15%	-21,120	-15,206
0.96	-20%	-28,160	-20,275

15. INVENTORIES

EUR '000	2017	2016
Goods and supplies	14,252	21,552
Unfinished products	151	83
Finished products	35,541	26,789
Total	**49,944**	**48,424**

16. TRADE AND OTHER CURRENT RECEIVABLES

EUR '000	2017	2016
Trade receivables	22,193	21,508
Loan receivables	476	487
Interest-bearing receivables	11,437	3,512
Prepaid expenses and accrued income	6,502	3,664
Income tax receivables	2,833	2,699
Other receivables	5,993	4,422
Total	**49,434**	**36,292**

Prepaid expenses and accruals mainly relate to rental contracts, personnel expenses, VAT receivables and accrued interest for loans. The values of receivables at the end of the reporting period closely correspond to the monetary value of maximum credit risk, excluding the fair value of received guarantees, in the potential case where the counterparties cannot fulfil their commitments.

The aging of trade receivables at the end of the reporting period

EUR '000	2017	2016
Not past due	16,469	11,624
Past due 0-30 days	5,629	8,108
Past due 31-60 days	-298	651
Past due 61-90 days	43	211
Past due more than 90 days	350	914
Total	**22,193**	**21,508**

17. CASH AND CASH EQUIVALENTS

EUR '000	2017	2016
Cash and bank balances	**10,500**	**9,609**
Pledged deposits	3	3

Cash and cash equivalents in the consolidated statement of cash flows:

EUR '000	2017	2016
Cash and bank balances	10,500	9,609
Short-term money market investments	202	42
Total	**10,702**	**9,651**

18. NOTES TO EQUITY

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2015	**263,040,695**	**258,795,978**	**23,642**
Subscriptions based on share based payment	0	500,000	0
31.12.2016	**263,040,695**	**259,295,978**	**23,642**
Subscriptions based on share based payment	0	390,556	0
31.12.2017	**263,040,695**	**259,686,534**	**23,642**

There is no nominal value for the Company's share.

The equity reserves are described below:

SHARE PREMIUM RESERVE

Related to the old Finnish Companies Act, the Company has a share premium reserve in relation to old share issues, where the premium in excess of the par value of the shares subscribed has been recognised in the share premium reserve.

PAID-UP UNRESTRICTED EQUITY RESERVE

Paid-up unrestricted equity reserve comprises other equity investments and subscription price of shares to the extent that it is not recognised in the share capital based on a specific decision.

TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

TREASURY SHARES

On 31 December 2017 the Company had altogether 3,354,161 (3,744,717) of its own shares, which was equivalent to 1.27 (1.42) % of all registered shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2017 was 259,686,534 (259,295,978).

The Company's subsidiaries do not hold any of Afarak Group Plc's shares.

SHARE ISSUE AUTHORISATIONS GIVEN TO THE BOARD OF DIRECTORS

The AGM authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company's own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

TRADING INFORMATION

Afarak Group Plc's shares are listed on the main market of the London Stock Exchange and on NASDAQ Helsinki. Afarak shares are traded on the London Stock Exchange under the trading code AFRK and on the NASDAQ Helsinki under code AFAGR. The ISIN code is FI0009800098 and the trading takes place in Pound Sterling (GBP) and in Euros (EUR).

SHARE PERFORMANCE AND TRADING

During the financial year 2017, the price of Afarak Group's share in London Stock Exchange varied between GBP 0.55 (0.28) and GBP 0.93 (0.38) and in NASDAQ Helsinki between EUR 0.72 (0.39) and EUR 1.15 (0.90). Afarak's share closed in London at the end of the financial year at GBP 0.73 (0.38) and Helsinki at EUR 0.85 (0.78). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 263,040,695 (263,040,695) shares of GBP 190.7 (98.6) million and EUR 222.3 (203.9) million.

A total of 66,112 (2,451,925) Afarak shares were traded in London and 64,867,107 (36,108,050) shares in Helsinki during the financial year, representing 0.03% (0.93%) of stock in London and 24.66% (13.73%) in Helsinki.

SHAREHOLDERS

On 31 December 2017, the Company had a total of 6,525 shareholders (5,140 shareholders on 31 December 2016), of which eight were nominee-registered. The registered number of shares on 31 December 2017 was 263,040,695 (263,040,695).

LARGEST SHAREHOLDERS ON 31 DECEMBER 2017

	Shareholder	Shares	%
1	Nordea Bank Finland Plc	155,877,326	59.3 %
2	Hino Resources Co. Ltd *	36,991,903	14.1 %
3	Joensuun Kauppa ja Kone Oy	12,541,123	4.8 %
4	Hanwa Company Limited	9,000,000	3.4 %
5	Kankaala Markku Olavi	6,916,116	2.6 %
6	Hukkanen Esa Veikko	3,602,905	1.4 %
7	Afarak Group Plc	3,354,161	1.3 %
8	Skandinaviska Enskilda Banken AB	1,902,038	0.7 %
9	Suokas Petri Kristian	1,450,000	0.6 %
10	Clearstream Banking S.A.	1,092,263	0.4 %
	Total	**232,727,835**	**88.6 %**
	Other Shareholders	30,312,860	11.4 %
	Total shares registered	**263,040,695**	**100.0%**

**According to the flagging notification of Hino Resources Co. Ltd ("Hino") published 21 June 2016, the total holdings of Hino are 36,991,903 shares representing 14.06 % of the total number of shares.*

Afarak Group Plc's Board members and Chief Executive Officer owned in total 325,000 (8,266,116) Afarak Group Plc shares on 31 December 2017, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.1% (3.2%) of the total number of registered shares on 31 December 2017.

SHAREHOLDERS BY CATEGORY 31 DECEMBER 2017

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	1,036	15.88	59,443	0.02
101-1,000	2,890	44.29	1,520,626	0.58
1,001-10,000	2,154	33.01	7,483,973	2.85
10,001-100,000	394	6.04	10,510,553	4.00
100,001-1,000,000	41	0.63	10,738,265	4.08
1,000,001-10,000,000	7	0.11	27,317,483	10.39
in excess of 10,000,000	3	0.05	205,410,352	78.09
Total	**6,525**	**100.00**	**263,040,695**	**100.00**
of which nominee-registered	8	0.12	159,841,837	60.77
Total outstanding			**263,040,695**	**100.00**

SHAREHOLDERS BY SHAREHOLDER TYPE ON 31 DECEMBER 2017

	% of share capital
Finnish shareholders	**21.68%**
of which:	
Companies and business enterprises	67.16%
Banking and insurance companies	0.52%
Households	13.99%
Foreign shareholders	78.32%
Total	100.00%
of which nominee-registered	63.61%

19. SHARE-BASED PAYMENTS

The Company had an incentive-related option scheme, I/2011 which expired on 1 August 2017 and no options were exercised. The scheme was granted to the key personnel of the Company, as recommended by the Board. The scheme entitled the option holders to subscribe for a maximum of 6,900,000 shares in the Company. The vesting period was from 1 July 2014 to 1 August 2017 for various option series denoted with different letters and years. The share subscription price was calculated by a formula based on the Volume Weighted Average Price of the Company's share and varied between the option series. All options have been treated according to the principles set forth in IFRS 2 Share-based Payments standard. The main terms of the option arrangements are detailed in the table below.

In May 2015 the Group has granted the outgoing CEO, Alistair Ruiters 1,000,000 shares in the Company. The agreement provided that these would be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares have effectively been received on 14 September 2016. The second 500,000 Company shares had to be received by the employee on 22 May 2017 after completing his second year as CEO. As the full term was not completed the second 500,000 were given in December 2017 prorate over the second year which resulted to 335,000 shares. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.40 per share.

In December 2016 the Group has granted the new CEO, Guy Konsbruck 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares fell due to be received on 15 January 2018. The second 500,000 Company shares shall be received by the employee on 15 January 2019. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.81 per share. The value at year end was EUR 582,534.25.

In July 2017 the Group has granted Alistair Ruiters Incentive shares in the company amounting to 400,000 shares, which will be given pa on each completed year of service commencing on the effective date. The value at year end was EUR 173,413.70.

Share option plan	Share options granted to employees in 2012
Nature of the plan	Share options issued
Grant date	1.4.2012
Number of options	6,191,998
Options series	I/2011
Exercise period	1.7.2014-1.8.2017
Dividend adjustment	yes
Exercise price (with dividend and capital redemption adjustment)	0.00 - 0.86
Share price at grant date	0.90
Option life	1.1 - 3.1
Conditions	Employment until the vesting date and target share price
Execution	In shares
Expected volatility	45 %
Expected option life at grant date (years)	5.3 years
Risk free rate, Euribor 12 months	2.24%
Expected dividend yield	0.00%
Fair value at grant date (EUR)	0.14-0.46
Valuation model	Up and in Call

Changes in share options issued and in weighted average exercise prices:

	Weighted average exercise price (with dividend and capital redemption adjustment)	Number of options
	EUR/share	
At the beginning of 2016	0.26	6,191,998
At the end of 2016	**0.26**	**6,191,998**
Exercisable at the end of 2016	0.26	2,100,000
At the beginning of 2017	0.26	6,191,998
Forfeited options	0.26	-6,191,998
At the end of 2017	**0.00**	**0**
Exercisable at the end of 2017	0.00	0

The exercise price of share options forfeited in 2017 was as presented below:

Year of forfeiting	Exercise price (EUR)	Number of shares
2017	0.00-0.86	6,900,000

The exercise price above represents the original contractual exercise price adjusted by dividends and capital redemptions before the 2017 AGM.

20. DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred taxes in 2017

EUR '000	31.12.2016	Exchange rate differences	Recognised in income statement	31.12.2017
Deferred tax assets:				
Unrealised expenses	1,530	-6	897	2,421
Pension liabilities	821		-144	677
From translation difference	1,124	-68	-1,125	-69
Group eliminations	964	-66	-286	612
Total	**4,439**	**-140**	**-658**	**3,641**
Deferred tax liabilities:				
Assets at fair value in acquisitions	4,846	-126	-686	4,034
Other timing differences	1,011	-30	-555	426
Total	**5,857**	**-156**	**-1,241**	**4,460**

Movements in deferred taxes in 2016

EUR '000	31.12.2015	Exchange rate differences	Recognised in income statement	31.12.2016
Deferred tax assets:				
Unrealised expenses	608	-12	934	1,530
Pension liabilities	815		6	821
From translation difference	1,127		-3	1,124
Group eliminations	710	-35	289	964
Total	**3,260**	**-47**	**1,226**	**4,439**
Deferred tax liabilities:				
Assets at fair value in acquisitions	4,947	704	-805	4,846
Other timing differences	1,002	120	-111	1,011
Total	**5,949**	**824**	**-916**	**5,857**

21. PROVISIONS

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2017	9,647	1,143	10,790
Additions	3	360	363
Releases and reversals	-1,639	-377	-2,016
Unwinding of discount	688	0	688
Exchange differences	-391	-145	-536
Balance at 31.12.2017	**8,308**	**981**	**9,289**

EUR '000	2017	2016
Long-term provisions	9,180	10,691
Short-term provisions	109	99
Total	**9,289**	**10,790**

The long-term provisions in the statement of financial position relate to environmental and rehabilitation provisions of the Group's production facilities and mines. The provisions are based on expected liability.

22. PENSION LIABILITIES

Defined benefit pension plans

The majority of the Group's pension plans are defined contribution plans for which a total expense of EUR 0.7 (0.8) million has been recognised on the 2017 statement of comprehensive income. In addition, the Group's German subsidiary has defined benefit plans. The obligations relating to the plans have been defined by actuarial calculations.

The pension scheme is arranged by recognising a provision on the statement of financial position. The present value of the obligation less fair value of plan assets totalled EUR 19.9 (20.1) million on 31 December 2017. The Group has considered that the value on 31 December also corresponds with the amount of net obligation at the end of the reporting period. The Group does not own the assets of the pension plans.

RETIREMENT BENEFIT OBLIGATION

EUR '000	2017	2016
Present value of funded obligation	26,007	25,896
Fair value of plan assets	-6,071	-5,799
Net liability	**19,936**	**20,097**

MOVEMENTS IN DEFINED BENEFIT OBLIGATION

EUR '000	2017	2016
Defined benefit obligations at 1.1.	25,896	24,101
Benefits paid	-836	-783
Current service costs	389	364
Interest expense	446	524
Actuarial losses / (gains)	112	1,690
Closing balance at 31.12.	**26,007**	**25,896**

MOVEMENTS IN THE FAIR VALUE OF THE PLAN ASSETS

EUR '000	2017	2016
Fair value of the plan assets at 1.1.	5,799	5,367
Interest income on plan assets	103	122
Benefits paid by the plan	-154	-144
Return on plan assets greater/(less) than discount rate	-83	81
Contributions paid into the plan	406	374
Closing balance at 31.12.	**6,071**	**5,799**

The funded pension plan has been financed through an insurance company and therefore asset specification is not available.

EXPENSE RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2017	2016
Current service cost	-389	-364
Net interest on net defined benefit liability/(asset)	-342	-402
	-731	**-766**

EXPENSE RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI) EUR '000

	2017	2016
Actuarial (gains)/losses due to liability experience	198	-205
Return on plan assets (greater)/less than discount rate	83	-81
Actuarial (gains)/losses due to liability assumption changes	-85	1,895
	196	**1,609**

Actual return on plan assets totalled EUR 0.08 (0.08) million in 2017.

PRINCIPAL ACTUARIAL ASSUMPTIONS

	2017	2016
Discount rate	1.77 %	1.75 %
Expected retirement age	63	63
Expected return on plan assets	0.34 %	3.69 %
Expected rate of salary increase	3.00 %	3.00 %
Inflation	2.25 %	2.25 %

The expected retirement age has been assumed to be in accordance with German legislation (RVAGAnpG 2007). Similarly, the expected pension increases have been assumed to be in line with the German legislation, and mortality expectancy in accordance with the German "Richttafeln 2005 G" has been applied in the valuations.

PROVISION FOR RETIREMENT PAY LIABILITY IN TURKEY

In accordance with existing social legislation in Turkey, the Turkish subsidiary of the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability was based on the retirement pay ceiling announced by the Turkish government. On 31 December 2017, the employee severance indemnity recognised in accordance with IAS 19 totalled EUR 0.6 (0.8) million.

23. TRADE PAYABLES AND OTHER INTEREST-FREE LIABILITIES

EUR '000	2017	2016
Non-current		
Other liabilities	3,168	4,170
Total non-current	**3,168**	**4,170**

Current		
Current liabilities to related parties	5	6
Trade payables	16,402	13,291
Payables to associated companies	655	339
Accrued expenses and deferred income	4,652	4,349
Current advances received	0	200
Income tax liability	2,934	4,655
Other liabilities	356	274
Total current	**25,004**	**23,114**

1.8 RELATED PARTY DISCLOSURES

1.8.1 GROUP STRUCTURE ON 31 DECEMBER 2017

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group Plc's direct ownership and share of votes (%)
Afarak Commodities Ltd	Malta	100.00	0.00
Afarak doo Belgrade	Serbia	100.00	0.00
Afarak Holdings Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining Ltd	South Africa	100.00	0.00
Afarak Mogale (Pty) Ltd	South Africa	92.30	0.00
Afarak Processing Technologies (Pty) Ltd	South Africa	100.00	0.00
Afarak Services Sagl	Switzerland	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 4 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0,00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti	Turkey	97.76	0.00
Rekylator Oy	Finland	100.00	100.00
Rekylator Yhtiöt Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75
ZCM Holdco One (Pty) Ltd	South Africa	51.00	0.00

Joint ventures

Synergy Africa Ltd	United Kingdom	51.00	0.00
Chromex Mining Ltd	United Kingdom	51.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	37.74	0.00
Ilitha Mining (Pty) Ltd	South Africa	41.05	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	44.24	0.00

Afarak Mogale (Pty) Ltd entered into an agreement to buy back 100 ordinary shares currently held by the trustees as part of the Mogale Alloys Trust. These shares constitute an effective 10% of the issued share capital of the company and will be bought back in a series of buy backs over a period of 8 years. During the current year Afarak Mogale (Pty) Ltd repurchased 23 ordinary shares held by the Mogale Alloys Trust. However, in Afarak Group, 100% of Afarak Mogale (Pty) Ltd is being consolidated.

Rekyaltor Invest Oy and Rekylator Wood Oy were merged with Rekylator Yhtiöt Oy during the year 2017.

1.8.2 RELATED PARTY TRANSACTIONS

Afarak Group Plc defines the related parties as:
- companies, entities or persons having common control or considerable voting power in Afarak Group
- subsidiaries
- joint ventures
- associates
- Afarak Group Plc's and the above mentioned entities' top management

Related party transactions with persons belonging to the Group's Board and management
Finnish accounting legislation, KPA 2:8 § 4 paragraph disclosure requirement

EUR '000		2017			2016		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Ruiters Alistair	Board member 8.5.2015 - 23.5.2017, CEO 21.5.2015 - 15.1.2017	14		145	360		178
Konsbruck Guy	CEO 15.1.2017 onwards		415	583			
Board Members							
Abrahamsen Thorstein	Board member 23.5.2017 onwards		36				
Djakov Milan	Board member 12.5.2016 - 23.5.2017		24			35	
Hoyer Thomas	Board member 23.5.2017 onwards		36				
Jakovcic Ivan	Board member 8.5.2015 onwards, Chairman 12.5.2016 - 05.2.2018		65			68	
Kankaala Markku	Board member 30.6.2003 -17.3.2017		15			60	

Lillja Michael	Board member 11.2.2013 - 12.5.2016				54		
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairman 5.2.2018 onwards		67			60	
Parodi Afredo	Board member 11.2.2013 – 12.5.2016, Chairman 8.5.2015 – 12.5.2016					26	
Rourke Barry	Board member 8.5.2015 onwards		85			80	
Scott Keith	Board member 12.5.2016 - 9.12.2016					35	
Total		**14**	**743**	**728**	**414**	**363**	**178**

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to the executive role have been presented above.

During 2017, the Company paid the CEO EUR 345,000 for his service and a signing bonus of EUR 70,000. The Company also paid a salary of EUR 14,000 to the outgoing CEO.

The CEO shall also receive 500,000 Company Shares as an incentive for each completed year of service acting as the Chief Executive Officer, the first 500,000 Company shares fell due to be received on 15 January 2018 and the second 500,000 shares shall be received on 15 January 2019 if he is still acting as CEO at that time.

In December 2017 the outgoing CEO received 335,000 Company Shares prorate over the second year of service acting as the Chief Executive Officer. He is not entitled to any bonus plans or severance pay in addition to the salary for the notice period. In July 2017 the Group has granted Alistair Ruiters Incentive shares in the company amounting to 400,000 shares, which will be given pa on each completed year of service commencing on the effective date.

Management remuneration

EUR '000	2017	2016
Fixed salaries and fees	482	366
Provision for variable performance related compensation	195	0
Total	**677**	**366**

The table includes the Executive Management Team remuneration excluding the CEO. The CEO and Board members compensation has been presented separately.

During 2017 the Company introduced a bonus incentive scheme for the CFO and COO and shall each potentially receive an annual bonus equal to 0.5% of the Company's reported full year EBITDA, calculated before the effects of the Company Bonus Incentive Scheme deductions as an incentive for each completed year of service. The bonus will become effective if the Group's EBITDA, before the bonus incentive scheme, will improve by at least 15% over the average of the preceding two years.

FINANCING ARRANGEMENT WITH RELATED PARTIES

The Group has a EUR 18.7 (28.1) million loan receivable and EUR 14.0 (8.5) million trade and other current and non-current receivables from its joint venture companies. Trade and other payables to joint venture companies amounted to EUR 0.7 (0.3) million. Interest income from a joint venture company totalled EUR 0.9 (0.8) million during the financial year 2017.

The Group had on 31 December 2017 a EUR 3.5 (3.5) million receivable from Kermas Ltd.

OTHER RELATED PARTY TRANSACTIONS

The Group has sold its products and rendered services to related parties and joint ventures for a total value of EUR 1.1 (0.4) million. The Group has also made raw material purchases from a joint venture amounting to EUR 19.2 (4.6) million.

Dividends received from associated companies totalled EUR 0.0 (0.0) million.

On 31 December 2017 the Group's parent company had short-term loan receivables from the members of the Board amounting to EUR 0.0 (0.0) million.

During 2017, a subsidiary of the Company, signed a Share Purchase Agreement with Mr Guy Konsbruck, Afarak's CEO to purchase his 15% shareholding for a purchase price of EUR 0.2 million. Given that LL Resources is a business partner of Afarak and the share ownership of the CEO could have created a conflict of interest, Afarak bought the shareholding with an option to sell back the said shares at the same price if, and when, Mr Konsbruck's term as Group CEO ends.

1.9 COMMITMENTS AND CONTINGENT LIABILITIES

1.9.1 MORTGAGES AND GUARANTEES PLEDGED AS SECURITY

On 31 December 2017 the Group had loans from financial institutions totalling EUR 9.3 (3.7) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 1.8 (48.8) million. Moreover, the Group companies have given cash deposits totalling EUR 0.3 (0.1) million as security for their commitments. The value of other collaterals totalled EUR 9.2 (4.7) million as at 31 December 2017. Afarak Group Plc has given guarantees for third party loans totalling EUR 0.0 (0.2) million.

1.9.2 COVENANTS INCLUDED IN THE GROUP'S FINANCING AGREEMENTS

One of the Group's Maltese subsidiaries, Afarak Trading Ltd, was granted a loan facility from a Maltese bank in 2013. As at year end 2017 the balance was US$ 0.0 (EUR 0.0) million. The Group's South African subsidiary, Mogale Alloys also had bank facilities with local banks amounting to ZAR 0.0 (EUR 0.0) million at year end. The Group's loans from financial institutions include financial covenants that if breached might have a negative effect on the financial positon of the Group. The loan which was granted to Afarak Trading Limited was repaid during February 2017, while the loan which was granted to Mogale Alloys was repaid during December 2017. Thus, the Group is no longer exposed to such financial covenants.

1.9.3 RENTAL AGREEMENTS

Liabilities associated with rental and operating lease agreements totalled some EUR 0.4 (0.4) million for the period. Typically, the rental agreements maturity varies between two to five years, and normally there is a possibility to continue these agreements beyond the original maturity date. For these contacts, their price indexing, renewal and other terms differ contract by contract. As guarantees for these rental agreements, the Group companies have made cash deposits of approximately EUR 0.0 (0.0) million as at 31 December 2017.

1.9.4 COLLATERALS GIVEN BY AFARAK GROUP PLC TO THIRD PARTIES

Afarak Group Plc has given guarantees in connection with certain borrowings of Junnikkala Oy, the Group's former subsidiary which it sold in June 2011. These guarantees will continue to be in force until 30 June 2018. Under the terms of the disposal it has been agreed that Junnikkala will pay a fee of 2% per annum to Afarak Group Plc in consideration for the continuation of these guarantees. At 31 December 2017 the indebtedness subject to these guarantees was EUR 0.0 (0.2) million in aggregate.

1.10 EVENTS AFTER THE REPORTING PERIOD

On 1 February 2018, Afarak Group has received a notification from a group of shareholders, representing 10.86% of shares and voting rights, that they withdrew their demand for an extraordinary general meeting and demand for resolutions and proposals for decisions they had presented on the 8th November 2017. The resolutions presented by the shareholders and inserted as Agenda items 9, 10 and 11 in the invitation to the Extraordinary General Meeting published on 15th December 2017 that were withdrawn are:

- Agenda Item 9. Demand for conducting a special audit in the Company
- Agenda Item 10. Dismissal of the Board of Directors.
- Agenda Item 11. Election of a new Board of Directors.

On 1 February 2018, the Nomination and Remuneration Committee of Afarak Group proposed to the Annual General Meeting that Dr Jelena Manojlovic, Ivan Jakovcic, Thorstein Abrahamsen and Barry Rourke will be re-elected. The Committee also proposed Guy Konsbruck, the current CEO, to replace Thomas Hoyer who was not seeking re-election.

On 1 February 2018, the Company received a copy of a letter sent by Joensuun Kauppa ja Kone Oy to the Finnish Financial Supervisory Authority informing it that it is withdrawing from the petition presented by a group of shareholders on 18 September 2017. Out of the group of shareholders holding 10.79 per cent shareholding that presented the petition, Joensuun Kauppa ja Kone Oy held 4.73 per cent.

On 5 February 2018, the Company held its Extraordinary General Meeting. The resolutions presented by a minority group of shareholders related to the demand for conducting a special audit and the dismissal of the Board of Directors were withdrawn. The EGM resolved that the Board of Directors would start working on preparing a plan for delisting from the Helsinki Stock Exchange. The EGM resolved that the Board of Directors would comprise of five (5) members: Dr Jelena Manojlovic (UK citizen), Mr Barry Rourke (UK citizen), Mr Ivan Jakovcic (Croatian citizen) and Mr Thorstein Abrahamsen (Norwegian citizen) were reelected. Mr Guy Konsbruck (Luxembourg citizen) was elected. Following the EGM, the Board of Directors held a meeting in which Dr Jelena Manojlovic was unanimously reappointed as the Chairman.

On 22 February 2018, the Company announced that it had received a communication from FIN-FSA.

On 14 March 2018, the Company announced that its application for new order mining right on its Vlakpoort site has been granted in terms of Section 23(1) of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) as amended by Mineral and Petroleum Resources Development Amended Act, 2008 (Act 49 of 2008 by the Department of Mineral Resources (DMR) in South Africa. The Vlakpoort Mine is situated on the Northern part of the western limb of the Bushveld complex in South Africa. The surface right was acquired in 2011 after the prospecting right was granted to Destiny Springs Investments 11 a subsidiary of Afarak by the DMR. Since then, extensive exploration work was conducted which included geological drilling, trenching and bulk sampling of the LG5 and LG 6 seams. The property has a minimum proven resource of 6.656m tons of chrome and 330,314 ounces of PGMs. This includes the underground potential. The resource consists of the LG1-6, MG1-4 and the UG1- 2 and Merensky reefs.

Parent Company's Financial Statements

INCOME STATEMENT (FAS)

EUR '000	Note	1.1. - 31.12.2017	1.1. - 31.12.2016
Revenue	1	**2,116**	**1,482**
Personnel expenses			
Salaries and wages		-1,922	-1,041
Pension expenses		1	-8
Other social security expenses		-1	-19
Social security expenses total		**0**	**-27**
Personnel expenses total		**-1,922**	**-1,068**
Depreciation and amortisation	2		
Depreciation and amortisation according to plan		-1	-12
Depreciation and amortisation total		**-1**	**-12**
Other operating expenses	3	-2,011	-2,265
Operating Loss		**-1,818**	**-1,863**
Financial income and expenses:	4		
Dividend from subsidiaries		800	0
Other financial income			
From Group companies		1,123	1,882
From others		50	20
Interests and other financial expenses			
To Group companies		-51	-51
To others		-59	-174
Impairment of intra-group receivable		-5,111	0
Financial income and expenses total		**-3,248**	**1,677**
Loss before taxes		**-5,066**	**-186**
Income taxes	5		
Income taxes		0	0
Loss for the year		**-5,066**	**-186**

Parent Company's Financial Statements

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	6		
Machinery and equipment		0	1
Total property, plant and equipment		**0**	**1**
Investments	7		
Shares in Group companies		215,931	215,931
Receivables from Group companies		2,904	8,015
Total investments		**218,835**	**223,946**
Total non-current assets		**218,835**	**223,947**
Current assets			
Receivables	8		
Non-current receivables			
Receivables from Group companies		38,782	43,105
Total non-current receivables		**38,782**	**43,105**
Current receivables			
Trade receivables		1	1
Receivables from Group companies		11,212	9,667
Receivables from Holding companies		477	1,166
Other interest-bearing receivables		8	31
Other non interest-bearing receivables		13	3
Prepaid expenses and accrued income		17	13
Total current receivables		**11,728**	**10,881**
Cash and cash equivalents		**40**	**291**
Total current assets		**50,550**	**54,277**
Total assets		**269,385**	**278,224**

Parent Company's Financial Statements

STATEMENT OF FINANCIAL POSITION (FAS) (CONT.)

EUR '000	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Shareholders' Equity	9		
Share capital		23,642	23,642
Share premium reserve		25,223	25,223
Paid-up unrestricted equity reserve		236,071	241,257
Retained earnings		-14,140	-13,953
Loss for the period		-5,066	-186
Total shareholders' equity		**265,730**	**275,983**
Liabilities	10		
Non-current liabilities			
Liabilities to Group companies		1,248	1,248
Total non-current liabilities		**1,248**	**1,248**
Current liabilities			
Liabilities to Group companies		1,212	162
Accounts payable		35	11
Accounts payable to Group companies		155	150
Other liabilities		38	458
Accrued expenses and deferred income		967	212
Total current liabilities		**2,407**	**993**
Total liabilities		**3,655**	**2,241**
Total equity and liabilities		**269,385**	**278,224**

Parent Company's Financial Statements

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1. - 31.12.2017	1.1. - 31.12.2016
Operating activities		
Loss for the year	-5,066	-186
Adjustments for:		
Depreciation and amortisation	1	12
Impairment, net	5,111	-809
Unrealised foreign exchange gains and losses	17	142
Finance income and expense	-1,081	-894
Cash flow before working capital changes	-1,018	-1,735
Working capital changes:		
Change in current trade receivables	-835	6
Change in current non interest-bearing debt	358	8
Cash flow before financing items and taxes	-1,495	-1,721
Interests received from Group companies	443	945
Interests received and other financing items	53	20
Interests paid and other financing items	-60	-225
Income taxes paid	0	34
Net cash used in operating activities	**-1,059**	**-947**
Investing activities		
Proceeds from sale of tangible and intangible assets	0	2
Net cash from investing activities	**0**	**2**
Financing activities		
Repayments of non-current loans to group companies	5,000	5,719
Repayments of current loans given to Group companies	-11	84
Non-current loans to group companies	1,000	0
Repayments of current loan receivables	5	6
Capital redemption	-5,186	-5,176
Net cash from financing activities	**808**	**633**
Change in cash and cash equivalents	**-251**	**-312**
Cash at beginning of period	291	603
Cash at end of period	40	291
Change in the statement of financial position	**-251**	**-312**

2. Notes to the Financial Statements of the Parent Company (FAS)

2.1 ACCOUNTING POLICIES

SCOPE OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The parent company has prepared its separate financial statements in accordance with Finnish Accounting Standards. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Consolidated financial statements are presented separately as a part of these financial statements.

Information on holdings in subsidiaries and associated companies and information on their consolidation is presented in the notes to the financial statements.

All figures are presented in thousand Euros, unless otherwise explicitly stated.

VALUATION PRINCIPLES AND METHODS

Investments in associated companies and debt instruments are valued at acquisition cost, less eventual impairment. Dividends received from Group companies and associates have been recorded as financial income.

The value of property, plant and equipment in the statement of financial position is stated at acquisition cost, less accumulated depreciation. Other assets have been stated in the statement of financial position at the lower of acquisition cost or their likely realisable value. Debt items are valued at acquisition cost. Loan receivables from subsidiaries and Group companies have been valued at acquisition cost.

DEPRECIATION METHODS

Acquisition costs of property, plant and equipment are depreciated over their useful lives according to plan. Depreciation plans have been defined based on practice and experience

Asset	Depreciation Method & Period
Intangible rights	5 years straight line
IT equipment	2 years straight line
Other machinery and equipment	5 years straight line

TRANSLATIONS OF FOREIGN CURRENCY ITEMS

Items in the statement of financial position denominated in foreign currency are translated into functional currency using the exchange rates as at the end of the reporting year. Income statement items are translated applying the exchange rates prevailing at the date of the transaction.

COMPARABILITY OF THE REPORTED FINANCIAL YEAR AND THE PREVIOUS YEAR

The reported financial year and the previous year were both calendar years and are thus comparable. The Company has been actively restructuring its business, which has required various ownership and financial arrangements. The transactions have had significant non-recurring effects on the Company’s income statement and statement of financial position, which make comparison of financial statements and estimating the future more difficult.

2.2 Notes to the income statement

1. REVENUE

EUR '000	2017	2016
By business line:		
Services	2,116	1,482
Total	**2,116**	**1,482**
By geography:		
Finland	3	3
EU countries	1,147	786
Other countries	966	693
Total	**2,116**	**1,482**

2. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR '000	2017	2016
Depreciation and amortisation according to plan		
Machinery and equipment	-1	-12
Total	**-1**	**-12**

3. OTHER OPERATING EXPENSES

EUR '000	2017	2016
Voluntary employee benefits	-1	-72
Premise expenses	-11	-20
Machinery and equipment expenses	-33	-77
Travelling expenses	-175	-54
Administration expenses	-1,727	-1,762
Other operating expenses	-64	-279
Total	**-2,011**	**-2,265**

4. FINANCIAL INCOME AND EXPENSE

EUR '000	2017	2016
Dividend from Group companies	800	0
Other financial income		
From Group companies	1,123	1,882
From others	50	20
Other financial expense		
To Group companies	-51	-51
To others	-59	-175
Impairment of intra-group receivables	-5,111	0
Total	**-3,248**	**1,676**

5. INCOME TAXES

EUR '000	2017	20156
Loss for the period	-5,066	-186
Adjustments for tax calculation	4,316	-784
Taxable income	**-750**	**-970**
Tax advances paid	0	0
Tax deferral based on taxable income	0	0
Income tax of the period	**0**	**0**
Tax loss carryforward used	0	0
Net income taxes	**0**	**0**
Income tax receivable	0	0

2.3 NOTES TO ASSETS

6. NON-CURRENT ASSETS

EUR '000	2017	2016
Machinery and equipment		
Acquisition cost 1.1.	275	277
Disposals	0	-2
Acquisition cost 31.12.	275	275
Accumulated depreciation 1.1.	274	263
Depreciation for the period	1	11
Accumulated depreciation 31.12.	275	274
Book value 31.12.	**0**	**1**

7. INVESTMENTS

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2017	285,979	8,153	19,618	313,750
Acquisition cost 31.12.2017	285,979	8,153	19,618	313,750
Accumulated depreciation and impairment 1.1.2017	-70,048	-8,153	-11,603	-89,804
Impairment charge	0	0	-5,111	-5,111
Accumulated depreciation and impairment 31.12.2017	-70,048	-8,153	-16,714	-94,915
Book value 31.12.2017	**215,931**	**0**	**2,904**	**218,835**

Holdings in Group and other companies

Name	Country of incorporation	Group's ownership and share of votes (%)	AfarakGroup Plc's direct ownership and share of votes (%)
Afarak Commodities Ltd	Malta	100.00	0.00
Afarak doo Belgrade	Serbia	100.00	0.00
Afarak Holdings Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining (Pty) Ltd	South Africa	100.00	0.00
Afarak Mogale (Pty) Ltd	South Africa	92.30	0.00
Afarak Processing Technologies (Pty) Ltd	South Africa	100.00	0.00
Afarak Services Sagl	Switzerland	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Afarak Trading Ltd	Malta	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 4 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0.00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti	Turkey	97.76	0.00
Rekylator Oy	Finland	100.00	100.00
Rekylator Yhtiöt Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75
ZCM Holdco One (Pty) Ltd	South Africa	51.00	0.00

Joint Ventures

Synergy Africa Ltd	United Kingdom	51.00	0.00
Chromex Mining Ltd	United Kingdom	51.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	37.74	0.00
Ilitha Mining (Pty) Ltd	South Africa	41.05	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	44.24	0.00

Afarak Mogale (Pty) Ltd entered into an agreement to buy back 100 ordinary shares currently held by the trustees as part of the Mogale Alloys Trust. These shares constitute an effective 10% of the issued share capital of the company and will be bought back in a series of buy backs over a period of 8 years. During the current year Afarak Mogale (Pty) Ltd repurchased 23 ordinary shares held by the Mogale Alloys Trust. However, in Afarak Group, 100% of Afarak Mogale (Pty) Ltd is being consolidated.

Rekyaltor invest Oy and Rekylator Wood Oy were merged with Rekylator Yhtiöt Oy during the year 2017.

8. RECEIVABLES

EUR '000	2017	2016
Receivables from group companies		
Non-current		
Loan and other receivables	38,782	43,105
Total	**38,782**	**43,105**
Current		
Loan receivables	7,304	7,304
Trade receivables	3,073	2,345
Interest receivables	8	3
Prepayments and accrued income	827	15
Total	**11,212**	**9,667**

Other interest-bearing receivables

EUR '000	2017	2016
Current		
Loan receivables	8	12
VAT receivable	10	19
Total	**18**	**31**

Other interest-free receivables

EUR '000	2017	2016
Current		
Trade receivables	1	1
Receivables from associated companies	477	1,166
Other receivables	3	3
Total	**481**	**1,170**

Prepaid expenses and accrued income

EUR '000	2017	2016
Accrued interest income	1	1
Other prepaid expenses and accrued income	16	12
Total	**17**	**13**

2.4 NOTES TO EQUITY & LIABILITIES

9. SHAREHOLDERS' EQUITY

EUR '000	2017	2016
Share capital		
Share capital 1.1.	23,642	23,642
Share capital 31.12.	**23,642**	**23,642**
Share premium reserve	**2017**	**2016**
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**
Paid-up unrestricted equity reserve	**2017**	**2016**
Paid-up unrestricted equity reserve 1.1.	241,257	246,433
Capital redemption to the shareholders	-5,186	-5,176
Paid-up unrestricted equity reserve 31.12	**236,071**	**241,257**
Retained earnings	**2017**	**2016**
Retained earnings 1.1.	-13,954	-13,839
Loss for the previous financial year	-186	-115
Retained earnings 31.12.	**-14,140**	**-13,954**
Loss for the financial year	**-5,066**	**-186**
Total shareholders' equity	**265,730**	**275,983**
Distributable funds	**2017**	**2016**
Retained earnings 1.1.	-14,140	-13,953
Loss for the financial year	-5,066	-186
Retained earnings 31.12.	**-19,206**	**-14,139**
Paid-up unrestricted equity reserve	236,071	241,527
Distributable funds 31.12.	**216,865**	**227,388**

10. LIABILITIES

Non-current liabilities

EUR '000

Non-current interest bearing debt	2017	2016
Loans from Group companies	1,248	1,248
Total	**1,248**	**1,248**

Current Liabilities

EUR '000

Current interest bearing debt	2017	2016
Other debt to Group companies	50	50
Total	**50**	**50**

Current interest-free debt	2017	2016
Accounts payable	35	11
Payables to Group companies	155	150
Other debt	38	458
Other debt to Group companies	1,162	112
Accrued expenses and deferred income	967	212
Total	**2,357**	**942**

OPTION RIGHTS

The Company's option schemes are presented in the notes to the consolidated financial statements. The Company had an option scheme I/2011 (maximum 6,900,000 shares) which expired on 1 August 2017.

2.5 PLEDGES AND CONTINGENT LIABILITIES

EUR million	31.12.2017	31.12.2016
Commitments on behalf of subsidiaries		
Guarantees	9.2	3.1
Commitments on behalf of others		
Guarantees	0.0	0.2
Commitments and contingent liabilities total	**9.2**	**3.3**

PENSION LIABILITIES

The Company's pension liabilities are directly in accordance with the statutory TyEL-system.

2.6 OTHER NOTES

RELATED PARTY LOANS

The Company has short-term loan receivables from the members and past members of the Board amounting to EUR 8 (13) thousand.

Information on the personnel

Personnel, annual average (all employees)	2017	2016
Employees	1	3

Management remuneration	2017	2016
Chief Executive Officer	429	360
Board members	328	363

During 2017, the Company paid the CEO EUR 345,000 for his service and a signing bonus of EUR 70,000. The Company also paid a salary of EUR 14,000 to the outgoing CEO.

The CEO shall also receive 500,000 Company Shares as an incentive for each completed year of service acting as the Chief Executive Officer, the first 500,000 Company shares fell due to be received on 15 January 2018 and the second 500,000 shares shall be received on 15 January 2019 if he is still acting as CEO at that time.

In December 2017 the outgoing CEO received 335,000 Company Shares prorate over the second year of service acting as the Chief Executive Officer. He is not entitled to any bonus plans or severance pay in addition to the salary for the notice period. In July 2017 the Group has granted Alistair Ruiters Incentive shares in the company amounting to 400,000 shares, which will be given pa on each completed year of service commencing on the effective date.

INFORMATION ON SHARES AND SHAREHOLDERS

Changes in the number of shares and share capital

On 31 December 2017, the registered number of Afarak Group Plc shares was 263,040,695 (263,040,695) and the share capital was EUR 23,642,049.59 (23,642,049.59).

On 31 December 2017, the Company had 3,354,161 (3,744,717) own shares in treasury, which was equivalent to 1.27% (1.42%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2017, was 259,686,534 (259,295,978).

In December 2017, Afarak transfered 335,000 ordinary shares (the "Shares") from the treasury to Dr Alistair Ruiters, CEO. The Shares were issued under the authorization given by the Company's Annual General Meeting in May 2017 and form a part of the CEOs service based remuneration package.

More information on shares, share capital and shareholders have been presented in the notes to the consolidated financial statements.

Information obligated to a Group company

The Company is the Group's parent company.

Afarak Group Plc, domicile Helsinki (address: Unioninkatu 20-22, 00130 Helsinki)

BOARD MEMBERS' AND CHIEF EXECUTIVE OFFICER'S OWNERSHIP

Afarak Group Plc's Board members and Chief Executive Officer owned in total 325,000 (8,266,116) Afarak Group Plc shares on 31 December 2017 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 0.1% (3.2%) of all outstanding shares that were registered in the Trade Register on 31 December 2017.

31.12.2017

Board and CEO total:		**Shares**	**Options**
Jelena Manojlovic	Chairman & Dependent Non-Executive Director	150,000	0
Barry Rourke	Non-Executive Director	150,000	0
Ivan Jakovcic	Non-Executive Director	0	0
Thomas Hoyer	Non-Executive Director	25,000	0
Thorstein Abrahamsen	Non-Executive Director	0	0
Board and CEO total		**325,000**	**0**
All shares outstanding		263,040,695	263,040,695
Proportion of all shares		0.1 %	0.0 %

On 31 December 2017 the total number of registered shares was 263,040,695 and the Board and CEO's ownership

corresponded to 0.1% of the total number of registered shares.

Auditor's fees

EUR '000	2017	2016
Ernst & Young Oy		
Audit	184	189
Other services	4	51
Total	**188**	**240**

BOARD'S DIVIDEND PROPOSAL

In 2018 the Board of Directors will propose to the Annual General Meeting that the Annual General Meeting would authorise the Board to resolve on its discretion on the payment of capital redemption up to a maximum of two cents per share in quarter four 2018.

Signatures to the Board of Directors Report and the Financial Statements

HELSINKI 29 MARCH 2018

JELENA MANOJLOVIC
Chairman

GUY KONSBRUCK
CEO

BARRY ROURKE
Member of the Board

IVAN JAKOVCIC
Member of the Board

THOMAS HOYER
Member of the Board

THORSTEIN ABRAHAMSEN
Member of the Board

The Auditor's Note

Our auditor's report has been issued today.

HELSINKI 29 MARCH 2018
ERNST & YOUNG OY

ERKKA TALVINKO
Authorised Public Accountant

2017 Afarak Auditor's Report

To the Annual General Meeting of Afarak Group Oyj

Report on the Audit of Financial Statements

OPINION

We have audited the financial statements of Afarak Group Oyj (business identity code 0618181-8) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements and in note 2.6 to the financial statements of the parent company.

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

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. 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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill We refer to accounting principles and notes 1.4 and 13 At the balance sheet date 31 December 2017, the value of goodwill amounted to 62,4 M€ representing 24 % of the total assets and 36 % of the total equity (2016: 63,8 M€, 24% of the total assets, 36 % of the total equity). Procedures over management's annual impairment test were significant to our audit due to: • The complexity of the assessment process and significant judgments and assumptions involved. • The assumptions used by the Group management in respect of future market and economic conditions such as, economic growth, discount rates, expected inflation rates, revenue and margin developments. The valuation of goodwill is based on the value-in-use calculations of the cash generating units. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill. Valuation of goodwill was determined to be a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).	Our audit procedures included, among others: • We involved valuation specialists to assist us in evaluating and comparing to the relevant peer group the assumptions and methodologies used by the Group, in particular those relating to the weighted average cost of capital. • We compared the market expectations management used to the external market forecast providers to gain an understanding of the assumptions used. • We focused on the sensitivity in the available headroom by Cash Generating Unit and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. • We also assessed the historical accuracy of managements' estimates. • We assessed the Group's disclosures in notes 1.4 and 13 in the financial statements about the assumptions to which the outcome of the impairment tests were more sensitive.
Environmental Obligations We refer to the accounting principles and the note 21 The provision for rehabilitation and decommissioning costs relates to mines and processing facilities. At the balance sheet date 31 December 2017, the value of the provision amounted to 8,3 M€ (2016: 9,6 M€). The calculation of the provisions require significant management's judgment because of the inherent complexity in estimating future costs. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The provisions are subject to the effects of any changes in local regulations, management's expected approach to decommissioning and discount rates, along with the effects of changes in exchange rates. Environmental obligation was determined to be a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).	Our audit procedures included, among others: • We reviewed the assumptions used by management in their calculations and inspected the calculations and assessed the assumptions used. • We also recalculated the provision based on these assumptions used by management for the discount rates, areas to be rehabilitated, the nature of expenses to be incurred (i.e. related to asset or expense). • We assessed the Group's disclosures in the financial statements in respect of environmental and rehabilitation provisions.
Valuation of Inventory We refer to accounting principles and note 15. The total value of inventory as of December 31, 2017 amounted to 49,9 M€ representing 19 % of the total assets (2016: 48,4 M€, 19 % of the total assets). Inventories are measured the lower of cost and net realisable value, taking into consideration also the usage based depreciation of the mineral resources originating from the business combination. The inventory is material to our audit because the inventory is exposed to price and exchange rate fluctuation due to which the net realisable value of inventory can fluctuate significantly, increasing the risk of inventory overvaluation. Inventory costing was considered a significant risk also because variable and fixed costs are allocated to inventory. Valuation of inventory was determined to be a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).	Our audit procedures involved among others: • We assessed the Group's accounting policies over recognizing inventory in compliance with applicable accounting standards. • We tested the costing of the inventory and performed net realizable value testing to assess whether the cost of the inventory exceeds net realizable value and whether the variable and fixed costs are allocated to the inventory based on normal capacity of the production. • We performed analytic audit procedures on inventory. • We assessed the Group's disclosures in the financial statements in respect of inventory.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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 Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on 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 good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Annual General Meeting on 7.5.2009, and our appointment represents a total period of uninterrupted engagement of 8 years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

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. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 29.3.2018

Ernst & Young Oy
Authorized Public Accountant Firm

Erkka Talvinko
Authorized Public Accountant