

 METALCORPGROUP

⋮ ANNUAL REPORT 2016



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METALCORP GROUP **STRATEGIC REPORT**

- At a Glance
- Who we Are
- Our Strategy
- Our Global Presence
- Our Business Model
- Our Operations
- Business Performance
- Outlook
- Risks & Uncertainties

METALCORP GROUP AT A GLANCE

Metalcorp Group is a diversified metals and minerals group with activities that span production and processing, to marketing and trading.

FERROUS METALS DIVISION

TRADING & MARKETING

STEELCOM GROUP

Monaco, Vienna, Essen, Zug, Houston, San Paulo, Madrid, Dubai, Belgrade, Mumbai, Singapore and Beijing

Ferrous trading and marketing is headed by Steelcom, a 60-year veteran of the market. Steelcom is a steel service provider, with particular expertise in **pipes and tubes, automotive supply chain business and special steels, as well as steel-related raw materials.**

60
years
in operation

12 Offices
4 Continents

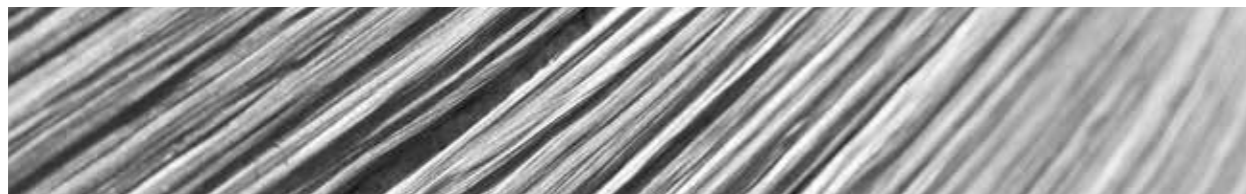
PRODUCTION - STEEL

NIKOLAÏDIS TH. BROS

Thessaloniki, Greece

Founded in 1963, Nikolaidis has long standing experience in the production and extrusion of welded steel pipes, hollow sections and galvanised pipes. It is the only **active specialised pipe galvanising facility** making it of strategic importance for the region.

54
years
in operation



NON-FERROUS METALS DIVISION

TRADING & MARKETING

TENNANT METALS GROUP

Monaco, Sydney, Johannesburg

The trading and marketing of non-ferrous products are led by Tennant Metals, which has been a leading market participant since 1955, specialising in **base metals, ores, concentrates and alloys.** Together with the Group's production assets and long-standing offtake agreements, Tennant has made itself a strategic partner for its suppliers and customers.

62
years
in operation

3 Offices
3 Continents

RAW MATERIALS - BAUXITE & ALUMINA

SOCIÉTÉ DES BAUXITES DE GUINÉE

Conakry, Guinea

SBG holds a 25-year concession for **300 million tons of bauxite** deposit in Guinea. The company is developing a bauxite/alumina complex, including an alumina refinery, which will yield exports of 3 million tons per annum of bauxite and 1.6 million tons per annum of alumina.

300
million tons
of bauxite

PRODUCTION - ALUMINIUM

BAGR BERLINER ALUMINIUMWERK

Berlin, Germany

Since 1997, BAGR has been Europe's **leading independent aluminium slab producer.** The plant is an integral partner for its customers in the toll conversion of secondary aluminium into alloyed slabs for rolling mills and precision plate manufacturers.

20
years
in operation

PRODUCTION - COPPER

CABLE RECYCLING INDUSTRIES

Bilbao, Spain

CRI is a copper scrap recycler with a strong European customer base. The plant is an **energy-efficient convertor of copper scrap** into high quality copper granulates, with an emphasis on minimal waste.

10
years
in operation

WHO WE ARE

Metalcorp Group is an international and diversified company focused on the key objectives of adding value and using our expertise to enable the flow of metals and minerals from source to market.

OUR BUSINESS

We market physical commodities derived from our own production facilities as well as from long-term offtake partners through a well-established trading and distribution network.

As both producer and marketer, we are able to exploit in-house synergies and arbitrage opportunities in order to provide a full suite of value-added services to our partners, including financing and logistics.

OUR HISTORY



OUR STRATEGY

Metalcorp was formed to create and deliver sustainable value around the twin pillars of “production” and “trade”. To achieve this objective, we focus on three strategic imperatives; to conduct our business in a disciplined and risk-mitigated manner, to share our economic and competitive advantage with our partners and to successfully integrate value into our business model.

RISK MANAGEMENT

The Group operates a risk-averse policy in all its activities

PRODUCTION

- We ensure that procurement of raw materials is undertaken based on purchase orders, in order to optimise production and minimise inventory levels
- Our production programs are governed by customer-led demands, which is managed by sophisticated IT systems
- We maintain strict policies and procedures around operational health and safety, including advocating preventive measures and conducting risk assessments

TRADE

- We lock in our margins by using the same reference pricing and currency in a corresponding sales and purchase transaction, thereby avoiding any price fluctuations
- Our partnerships with independent brokers and banks provide us with financial risk-management solutions, such as hedging
- Our relationships with leading insurance companies mitigates credit and political risk

ECONOMIC ADVANTAGE

By providing our peers, suppliers and customers with the tools and platforms for a successful outcome, we create meaningful and lasting relationships

PRODUCTION

- Using the expertise of our teams and the technology of our recycling facilities for copper "CRI" and aluminium "BAGR", we provide a low-cost and environmentally efficient transformative service by turning scrap into high quality products
- Our steel facility in Greece, "Nikolaïdis" is organised as a fully integrated and continuous production line to process rolled coils into finished galvanised products ready for customised use and thereby saving our customers time and cost

TRADE

- By having an international trading and marketing presence in both the ferrous and non-ferrous markets, Steelcom and Tennant Metals are natural partners for both the supply of production inputs and the distribution of finished or semi-finished metals on a favourable cost structure
- We are able to use the economies of scale generated by Tennant Metals and Steelcom volumes, to benefit our counterparties for logistics operations

CREATING VALUE

We believe that the key to building sustainable relationships is by demonstrating how and where we can add value

PRODUCTION

- At BAGR, the recycling of scrap into secondary aluminium is not only 95% more energy efficient than primary production, also the toll conversion of such material provides our customers with the capability to transform their excess aluminium into slabs ready for the manufacturing of finished goods
- Our capabilities to produce sophisticated niche products, such as steel pipes for direct use in the natural gas industry and aluminium slabs for precision plate manufacturers; creates significant value for our partners

TRADE

- The diverse geographical locations of Tennant Metals and Steelcom teams provides our partners with a means of entry into otherwise inaccessible markets, as we have the local infrastructure and relationships to broker successful outcomes
- We have the operational and technological platforms to provide just-in-time solutions for our partners in the automotive industry, with Steelcom's recent expansions to Vienna and Essen

OUR GLOBAL PRESENCE

Metalcorp Group is a global and diversified metals and minerals group, with strategic asset portfolio around the world.

5
CONTINENTS

18
COUNTRIES

21
LOCATIONS



TRADING DESKS & ASSETS

- | | |
|-----------|-----------------|
| Australia | Netherlands, HQ |
| Austria | Serbia |
| Brazil | Singapore |
| China | South Africa |
| Germany | Spain |
| Greece | Switzerland |
| Guinea | UAE - Dubai |
| India | UK |
| Monaco | USA |



METALCORP GROUP

OUR BUSINESS MODEL

HOW WE CREATE VALUE

INPUTS

Our Assets

- People are our biggest asset so we believe in developing and motivating our workforce
- We wholly own or maintain operational control over our fixed assets in order to fully realise our long-term commitments
- Our priority is to optimise our asset with in-house marketing, logistical and financial services platforms

Long-Term Partnerships

- The cornerstone of our business is our relationships that have been built on trust, consistency and quality
- Over many years, we have sustained the goodwill and custom of our partners by collaborating with them to overcome any challenges
- We are transparent in our dealings and share information to create open channels of communication

Financial discipline

- Our hedging strategies mitigate any price and currency risks, thereby ensuring that our marketing profitability is driven by value-added services
- We employ a back-to-back model on the purchase and sale of physical material, and in our trading and marketing activities, thereby minimising any exposure to market and operational risks
- Knowing our partners is an integral component to conducting our business prudently

Niche positioning

- Our scale and global reach gives us unique insight into market flows that yield the most competitive edge
- We focus on where we can add the most value, where we can anticipate the need and where we can outperform

HOW WE DELIVER VALUE



ACQUIRE & DEVELOP

Metalcorp invests in the sourcing of commodity flows. This can be at the origin (in the form of unmined minerals), or at a later stage in the cycle (i.e. a smelter converting scrap into aluminium slabs for the rolling industry).

We believe that identifying and developing the source in a sustainable way, is key to a successful trade flow. Equally as important is choosing the right project to develop and integrating it successfully into our group, which we do through the guidance and experience of our team of long-serving industry experts.

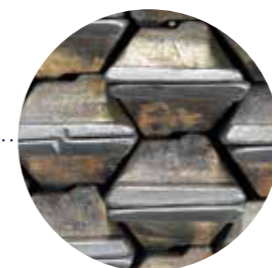


EXTRACT & PRODUCE

We undertake feasibility studies, viability reports and social and environmental impact research in order to fully understand the demands of our projects.

Our policy is to maintain strict operating procedures, maintenance schedules, expenditure and investment policies; all to ensure that our producing assets are run safely, efficiently and to best industry practice.

We have local presence and strive to maintain mutually beneficial relationships with all stakeholders.



ANTICIPATE, PROCESS & CUSTOMISE

We not only keep abreast of developments in related industries, we also analyse market movements and make the necessary adjustments to stay ahead of the curve.

The scale of our activities allows us to be agile and flexible in meeting the fluctuating demands of both third parties and our trading and marketing teams.

Our intimate knowledge of the industry and deep relationships with our customers enable us to provide custom-tailored solutions fit for purpose.



MARKET & DELIVER

We take time and space to understand our partners, so that we are able to offer practical services such as downstream logistics and transport.

Additionally, leveraging our network of relationships and market intelligence allows us to fulfil our marketing obligations as well as take advantage of demand and supply imbalances.

The broad range of value-added services we offer fulfils the needs of suppliers and customers that do not have the equivalent internal capability, thereby making us a preferred partner as well as strengthening our long-term relationships.

HOW WE PRESERVE VALUE

OUTPUTS

SUSTAINABLE BUSINESS

FINANCIAL PERFORMANCE

OUR SUSTAINABLE BUSINESS

Metalcorp's activities and business model deliver real benefits to our stakeholders and to wider society. Sustainability remains at the heart of our operations because we believe that in order to fully deliver a product or service which is fit for purpose, this has to be done in a manner that is responsible and respectful of the natural and social environment.

We manifest this in concrete terms through our choice of investments, the safe and efficient organisation of our production and our socio-economic contributions to local communities.

OUR PRODUCING ASSETS

Waste and energy consumption are inevitable in any processing industry. How this is managed is what differentiates us from the market and we believe that the operating model of our assets are leading examples of how to build a sustainable business.

All our operational plants and mills have implemented energy management systems and practise waste minimisation such as downstream processing of by-products.

More specifically, our plants in Berlin and Bilbao are premised on using scrap and waste inputs in order to produce high grade products for a wide variety of applications.

This not only saves on energy consumption, which is inherent in secondary processing, also the recycling of scrap plays an additional vital role in the conservation of raw material supply and the minimisation of waste disposal.



HOW WE ORGANISE OUR PRODUCTION

Health and safety

Our number one priority remains the health and safety of our people. We take a proactive approach to this in the form of:

- Frequent risk assessments conducted by trained staff
- Relevant and current training for operational workforce
- Mandated machinery and equipment programs for inspection, maintenance and upgrade
- Regular meetings of health and safety committees to promote preventive initiatives
- Access to qualified first-aid personnel
- Full compliance with all safety standards when designing process flow

Energy conservation

Being conscious of energy consumption is high on our agenda, and our investments in the latest and best-in-class equipment and technology means that we value efficient production throughout the life-cycle of a piece of machinery. At Nikolaidis, we invested in two new 'SEUTHE' production lines which not only increased the steel product range but also decreased cost per unit owing to energy savings and more efficient throughput. Additionally, our recycling activities at BAGR and CRI uses far less energy than primary production of the same products.

OUR RESPONSIBILITY TO LOCAL COMMUNITIES

We put great thought to the impact our development activities have on local communities.

This is especially so in developing countries where we work closely with national and local government to ensure we manage our corporate social responsibility.

For example, in Guinea we have been continuously engaged with the government on a number of social initiatives, including the building and commissioning of a medical centre and a junior school at Garafiri.

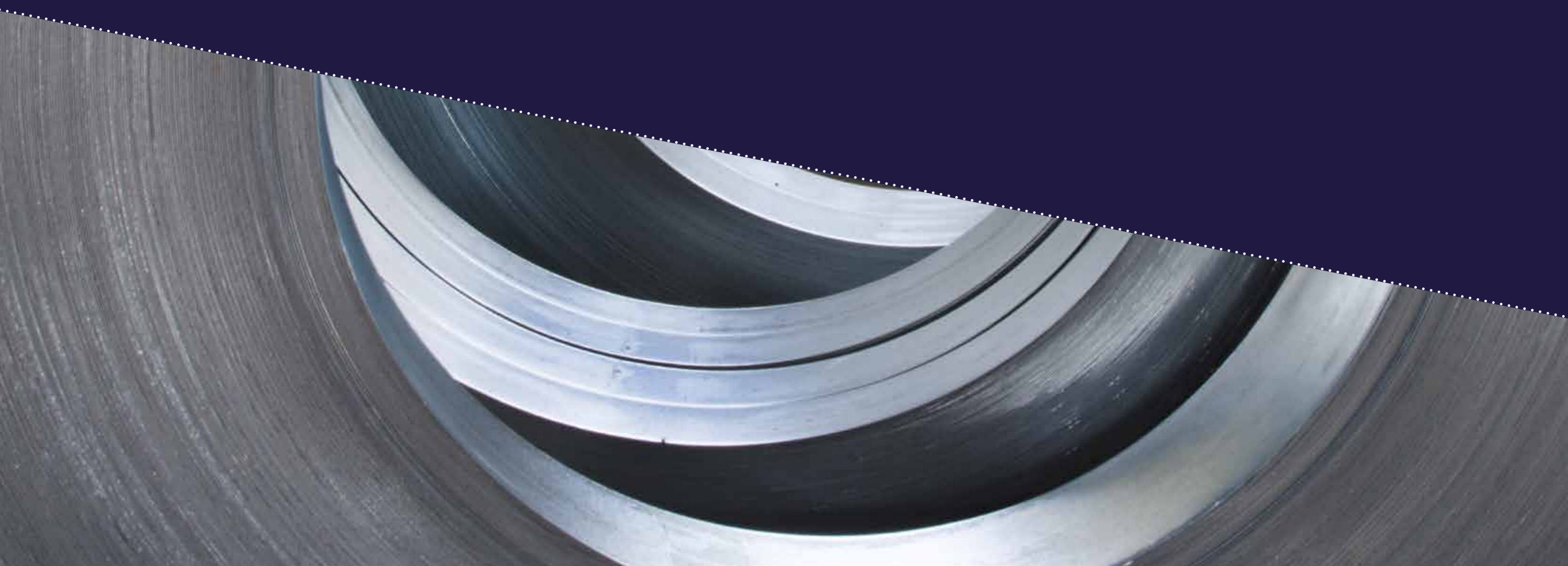


Our emphasis is simple: by strongly engaging with local stakeholders we are able to work more effectively and safely.

By respecting the local environ and conducting ourselves in a manner that will not jeopardise the culture and society of our host, we build a sustainable future.

METALCORP GROUP
OUR OPERATIONS

○ FERROUS
● METALS



FERROUS METALS

TRADING & MARKETING

STEELCOM GROUP

Steelcom is an independent steel trader with a tradition spanning over 60 years in the global industry.

Our extensive network and ongoing expansion reflects a firm commitment to establishing a direct presence in markets, both on a regional and an international basis, encompassing sectors such as construction, engineering, automotive and consumer appliances.

We are committed to offering a comprehensive and competitive range of steel-making raw materials, semi-finished and finished industrial products. Additionally, our value chain provides solutions in the fields of trade finance, risk management and logistics.

Location:

Monaco (Headquarters)
Vienna, Essen, Zug, Houston,
San Paulo, Madrid, Dubai,
Belgrade, Mumbai, Singapore
and Beijing

Activity:

Independent trader of steel
products, steel-making raw
materials and pipes and tubes



OUR COMPETITIVE EDGE

- End-to-end service provider
- Value-added financial and operational platforms
- Coverage in mainstream and niche markets

CORE PRODUCTS

SEMI-FINISHED PRODUCTS

- Slabs
- Billets

FLAT PRODUCTS

- Hot rolled plates
- Hot rolled coils, sheets & strips
- Cold rolled coils, sheets & strips
- Pre-Painted & galvanised products

AUTOMOTIVE PRODUCTS

- Hot rolled coils, strips & plates
- Hot dipped galvanized sheets
- Cold rolled sheets

LONG PRODUCTS

- Merchant bars & profiles
- Structural sections
- Reinforcement bars
- Wire rods

OIL AND GAS INDUSTRY PRODUCTS

- Pipes
- Tubes
- Hollow sections

RAW MATERIALS

- Iron ore
- Hot briquetted iron
- Coking coal



FERROUS METALS

● PRODUCTION - STEEL

NIKOLAÏDIS TH. BROS S.A.

Nikolaïdis is a well-established steel facility that produces and extrudes pipes, tubes and hollow sections.

Our emphasis is on quality and reliability with high levels of process controls, managed by a team with both technical and commercial acumen. The facility is optimally organised as a continuous operation line to produce an extensive range of steel pipes, hollow extrusions, galvanised products and industry specific specialised products.

Strategically located near one of the largest ports in the Aegean Sea and with access to major road and rail networks, Nikolaïdis is well-placed to serve customers across both regional and international markets.

Location:
Thessaloniki, Greece

Activity:
Production and extrusion of pipes and hollow sections

Capacity:
100,000 mts per annum

OUR COMPETITIVE EDGE

- Leader in quality and reliability
- Strategic importance to the region
- Over 50 years of industry experience



CORE PRODUCTS

WATER STEEL TUBES

STEEL FIRE PROTECTION TUBES

HOLLOW SECTIONS

SPECIAL PROFILES

GAS TUBES "NIKOL GAS"

TUBES FOR CONSTRUCTION

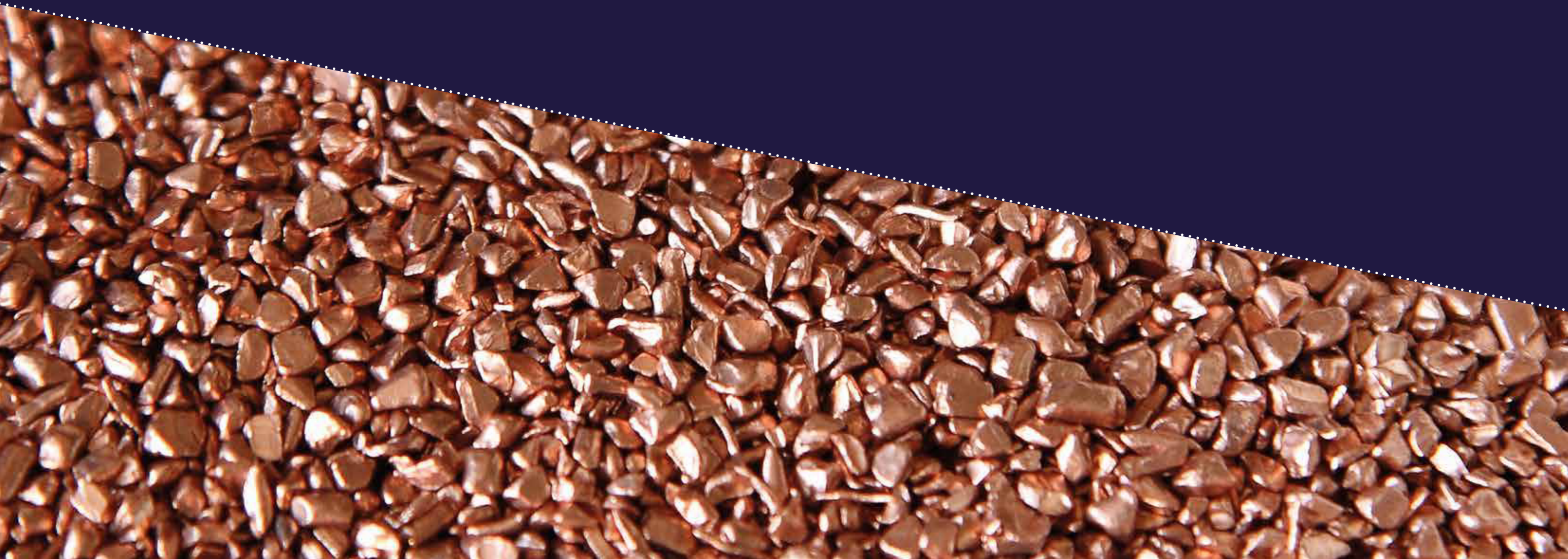
OTHER TUBE FORMS

HOT DIP GALVANISED PRODUCTS



METALCORP GROUP
OUR OPERATIONS

○ : NON-FERROUS
● : METALS



NON-FERROUS METALS

○ TRADING & MARKETING

TENNANT METALS GROUP

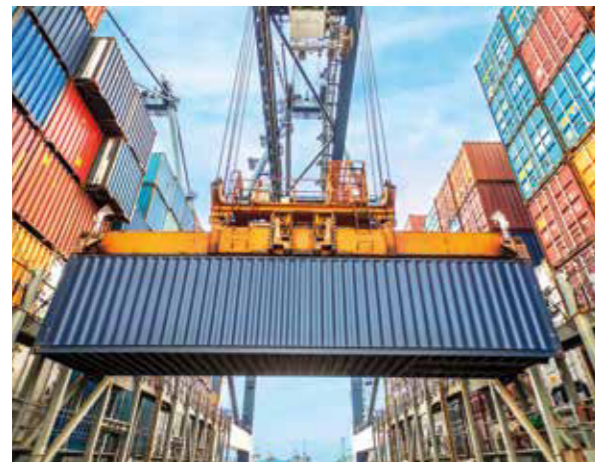
Tennant Metals specialises in the physical supply of non-ferrous products in the form of refined metals, ores and concentrates.

With a global reach and expert local market knowledge, we have successfully developed exclusive long-term offtake agreements making us a partner of choice for both suppliers and customers.

By leveraging the synergies of the Metalcorp group across the supply chain, our teams work together to provide successful marketing outcomes.

Location:
 Monaco (Headquarters)
 Sydney
 Johannesburg

Activity:
 Sourcing of base metals, ores and concentrates



OUR COMPETITIVE EDGE

- Synergies with the Group's international network
- Comprehensive financial and logistical solutions
- Active and prudent risk-management policies

CORE PRODUCTS

Tennant Metals markets a broad product portfolio from Base Metals, ores and concentrates to ferroalloys.

BASE METALS

We actively trade refined base metals with a particular focus on zinc, copper, tin, aluminium and nickel.

We supply primary as well as secondary produced metals.



ORES & CONCENTRATES

We market a range of non-ferrous ores and concentrates, predominantly copper, lead, tin and zinc, which are mainly supplied to smelters and refiners.

FERROALLOYS

Tennant Metals has an ever growing presence in this sector specifically in ferroalloys, ferro chrome, silicon manganese and ferro manganese.



NON-FERROUS METALS

● PRODUCTION - ALUMINIUM

BAGR BERLINER ALUMINIUMWERK "BAGR"

BAGR is a Berlin-based remelting and casting aluminium plant, with a 20-year track record in the production of secondary aluminium.

With a capacity of 90,000 tonnes per annum, we recycle production waste and metal trade scrap into high quality aluminium slabs. Our customer are European based rolling mills and precision plate makers.

We add considerable value in our activities, as not only is recycling aluminium 95% less energy consuming than primary production, also we perform toll-conversion services of varied scrap materials thus saving considerable costs for our partners and performing a valuable environmental service.

Location:
Berlin, Germany

Activity:
Production of rolling slabs
made from secondary
aluminium

Capacity:
90,000 mts per annum



OUR COMPETITIVE EDGE

- Significant environmental and raw materials conservation
- Sophisticated technology
- Quality assurance

CORE PRODUCTS

ROLLING SLABS

We offer a wide range of aluminium alloys. Dimensions and weight are produced to individual customer requirements, and can also be marked.



NON-FERROUS METALS

● PRODUCTION - COPPER

CABLE RECYCLING INDUSTRIES "CRI"

CRI is a copper scrap recycler based near the port of Bilbao in northern Spain, which gives the facility a strategic base to distribute the copper granulates to major manufacturers of semi-finished copper and copper alloy products in Europe.

The facility's process is designed to carefully extract copper wire from scrap cables, yielding low impurity levels in the finished granulates. The agility of our production line enables us to process a full range of electrical cables; from high voltage power cables to simple electrical cables found in household appliances. We are also able to tailor both grain size and quality according to our customers' specifications.

We are justifiably proud of the environmental contribution CRI makes, both in the recycling of cable scrap and the disposal of waste to certified waste management partners or recyclers.

Location:

Bilbao region, Spain

Activity:

Production of copper granulates out of copper scrap

Capacity:

30,000 mts per year



OUR COMPETITIVE EDGE

- Finished products with low impurity levels
- Agile production line
- Positive environmental impact

CORE PRODUCTS

Our high quality copper granulates are used in the production of copper cathodes, brass foundry products, and copper based alloys.

We are able to tailor both grain size and quality range according to our customers' requirement.



NON-FERROUS METALS

RAW MATERIALS

SOCIÉTÉ DES BAUXITES DE GUINÉE "SBG"

Location:
Conakry, Guinea

Project in development:
Bauxite extraction and alumina refinery

Mining Concession :
502 square km granted for 25 years



GUINEA'S BAUXITE

Guinea, the world's largest reserves of bauxite

- 26% of world production
- 40% of world reserves
- Demand is outstripping supply
- Stability of prices

THE PROJECT

An integrated bauxite mining and alumina processing project in Garafiri, Guinea

OBJECTIVES

- To develop an integrated bauxite alumina refinery and providing 3 million tons per annum of bauxite for export.
- To establish an alumina refinery with a capacity of 1,6 million tons per annum.

HIGH QUALITY BAUXITE

JORC Compliant Resource of 300 million tons of bauxite with alumina content higher than 41% and silica level of less than 2.7%



INTEGRATED ALUMINA REFINERY



The alumina refinery will produce 1.6 million tons per annum of alumina for export, using the Bayer refining process

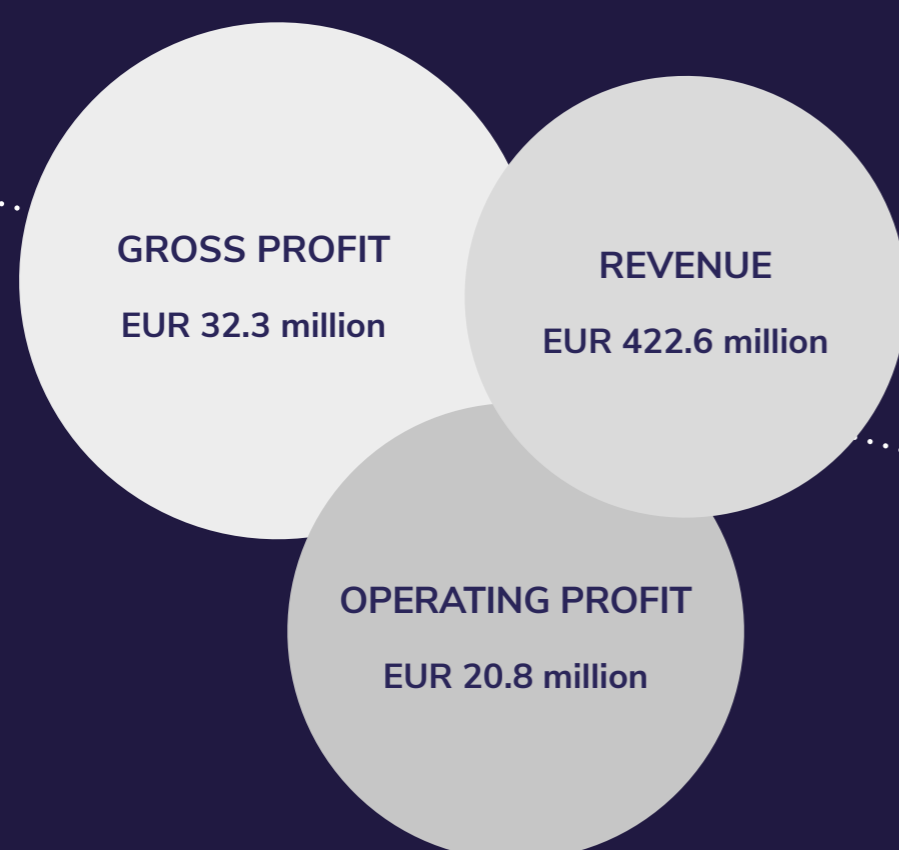
SUSTAINABLE MINING

Surface mining has low operational costs, minimal environmental impact and high efficiency

CORPORATE SOCIAL RESPONSIBILITY

Construction and furnishment of a local school and medical centre benefitting the local community

METALCORP GROUP BUSINESS PERFORMANCE



BUSINESS PERFORMANCE

The Company was able to benefit from the tough market conditions and was able to further grow its business.

Whilst Metalcorp applies a risk-averse strategy through which the gross profit on deals is locked in independent of the market prices, other market participants take positions that lead ultimately to a price risk. Due to the decrease in prices, Metalcorp was able to take over two key teams from market participants that suffered losses as result of this different business model. These teams are focused

on niche markets in special steel and a steel supply chain business.

On the Non-Ferrous side, Metalcorp has developed multi-year offtake agreements in specific markets such as ferrochrome.

Another significant step is made as Société des Bauxites de Guinée S.A. agreed with the government of the Republic of Guinea a framework for the mining convention that defines rights and obligations of both parties resulting from the mining concession granted in February 2016.

The table below provides a segmented overview of the Revenue and Gross profit ("GM") of the Company:

EUR 1.000	Revenue		GM		Result	
	2016	2015	2016	2015	2016	2015
Non-ferrous						
- Trading	308 076	306 377	14 964	10 144	5 933	1 850
- Production	54 125	53 446	4 954	6 407	1 645	560
Total Non-ferrous	362 201	359 823	19 918	16 551	7 578	2 410
Ferrous						
- Trading	50 037	83 549	4 357	7 403	1 056	4 010
- Production	803	-	-288	-	-1 018	-
Total Ferrous	50 840	83 549	4 069	7 403	38	4 010
Other	9 516	3 276	8 345	3 276	1 120	-950
Total	422 557	446 648	32 332	27 230	8 736	5 470

The gross profit of the Group has improved to 7,7% compared to 6,1% last year. The gross margin of the Non-ferrous trading division has increased from 3,3% to 4,9%. Despite lower sales prices, the volume of the business continues to increase. The Ferrous trading division has shifted from the bulk business into higher margin niche business, resulting in a decrease in revenue, but an increase in gross profit percentage. With the additions of this year as described above, the Ferrous trading division is prepared for the future.

The solvency (total group equity divided by the balance sheet total) at the balance sheet date

decreased from 41,4% in 2015 to 34,9% in 2016, mainly due to the increase in activities and the corresponding increase in self-liquidating Trade Finance as included in current liabilities. Trade Finance is utilized to finance the deals of the Trading division and lead to a corresponding increase in inventory and accounts receivable, which are both pledged to the Trade Finance Banks. When receivables are paid by our customers, our Company receives the profit made on these deals and the Trade Finance facility is repaid. The solvency excluding self-liquidating Trade Finance (reference is made to note 14 to the consolidated financial statements) is 43,1% at 31 December 2016.

METALCORP GROUP OUTLOOK



GENERAL

The Company will further explore and develop niche markets as well in the ferrous and the non-ferrous area of products. Furthermore, the Company continues to explore distressed assets that become available due to the market circumstances.

Several assets are on the radar of the Company and it is expected that at least one plant will be added in the course of 2017.

A major contribution is expected from the Company's industrial activities in the production of aluminium, copper granulates and the pipe and tube plant. The Company will continue to further develop the synergies between the different divisions and its global network.

FINANCING

The long-term financing and short-term bank facilities are in place and the relationships with these banks will be maintained. In order to further grow the trading activities, additional trade finance capacity is being developed with the group's current and new banking relationships.

EMPLOYEES

As over the last years, the Company will ensure that the organization remains lean in terms of headcount. Key management positions are filled in by personnel with the required experience, background, and the entrepreneurial spirit and drive to contribute to our growth and success. Additional personnel will only be employed when the growth in our activities requires so.

The Company has taken notice of article 166 and 279 Book 2 of the Netherlands Civil Code which requires the Company to consider the balanced composition between male and female members within a (Supervisory) Board. Together with the quality of the Directors and/or Supervisory Board member, this will be taken into consideration in every appointment.

METALCORP GROUP

RISK & UNCERTAINTIES

The presentation of financial statements requires the management to make estimations and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates impacted by the following risks:

FLUCTUATION IN CURRENCY EXCHANGE RATES

The Company finds its suppliers and customers across the globe, while operations and operating costs are spread across several different countries and currencies. Fluctuation in exchange rates, in particular, movements in US dollar and Australian dollar against the euro, may have a material impact on the Company's financial results. Note that our business is mainly executed on a dollar basis on the purchasing, selling as well as the financing side. If currency is not naturally hedged through back-to-back deals, the exposure is hedged through adequate instruments.

FINANCING, CASH FLOWS AND LIQUIDITY

The trading activities are dependent on trade financing lines availability. We have significant uncommitted trade lines with major banks. These trade financing lines are uncommitted by nature and, therefore, no guarantee can be given that trades presented to these banks will be funded. However, all presented deals thus far are financed by the banks.

PRICE VOLATILITY

The market prices for the various base metals are volatile and cannot be influenced neither controlled. Inventories are therefore subject to valuation changes, which may have a material impact on the Company's financial results. However, the Company enters into back-to-back deals in which serves as a natural hedge that "locks" the market price, so that the Company is not exposed to price fluctuations. In cases where the Company is not covered by this natural hedge, the price risk is mitigated by applying adequate financial instruments.

COUNTRY RISKS, POLITICAL, COMMUNITY AND FISCAL INTERVENTION

The Company's operations and projects span numerous countries, some of which have more complex, less stable political or social climates and consequently higher country risk. Political risks include changes in laws, taxes or royalties, expropriation of assets, currency restrictions or renegotiation of, or changes to, mining leases and permits. Similarly, communities in certain regions may oppose mining activities for various reasons. Any of these factors could have an adverse impact on the Company's profitability in a certain geographic region or at certain operations. However, so far the Company has not experienced those problems.

OTHER RISKS

Other risks facing the Company include performance risk on offtake agreements; quality of commodities traded and produced, competition, environmental and insurance risks and uncertainty of additional financing. These risks and the mitigating measures are monitored and managed by the Company on a regular basis and appropriate action is taken whenever this is required.

Amsterdam, 24th March 2017

Management signature





METALCORP GROUP **CONSOLIDATED FINANCIAL STATEMENTS**

- : Consolidated statement of profit or loss
- : Consolidated statement of other comprehensive income
- : Consolidated statement of financial position
- : Consolidated statement of cash flows
- : Consolidated statement of changes in equity
- : Notes to the financial statements
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(before appropriation of result)

EUR 1.000	Note	2016	2015
Continuing Operations			
Revenue	2	422 557	446 648
Cost of sales	2	-390 225	-419 418
Gross profit	2	32 332	27 230
Operating expenses			
Selling expenses	3	-4 150	-3 064
Administrative expenses	3	-7 376	-8 497
		-11 526	-11 561
Operating profit		20 806	15 670
Non-operating expenses			
Unrealized fair value changes	11	-81	-292
Financial income and expense	4	-10 223	-8 056
Net finance cost		-10 304	-8 348
Profit before tax		10 502	7 322
Income tax expense	5	-1 766	-1 852
Profit from continuing operations		8 736	5 470
Profit		8 736	5 470
Profit attributable to:			
Equity holders of Metalcorp Group B.V.		8 353	5 871
Non-controlling interests		383	-401
		8 736	5 470

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR 1.000	2016	2015
Profit	8 736	5 470
Other comprehensive income		
Translation differences foreign associated companies	42	-14
Total comprehensive income	8 778	5 456
Total comprehensive income attributable to:		
Equity holders of Metalcorp Group B.V.	8 449	5 871
Non-controlling interests	329	-415
Total result	8 778	5 456

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(before appropriation of result)

EUR 1.000	Note	31/12/2016	31/12/2015
Assets			
Non-current assets			
Property plant and equipment	6	121 942	116 113
Intangible fixed assets	7	35 379	35 265
Financial fixed assets	8	4 268	4 303
Total non-current assets		161 589	155 681
Current assets			
Inventories	9	33 876	17 880
Receivables, prepayments and accrued income	10	136 335	84 002
Securities	11	6 051	6 136
Cash and cash equivalents	12	10 783	9 516
Total current assets		187 045	117 534
Total assets		348 634	273 215
Equity and liabilities			
Equity			
Share capital		70 000	70 000
Reserves and retained earnings		28 004	19 768
Equity attributable to the owners of the company	13	98 004	89 768
Non-controlling interest	13	23 590	23 261
Total equity		121 594	113 029
Non-current liabilities			
Loans and borrowings	14	75 165	67 343
Deferred tax liabilities	5	4 935	4 935
Total non-current liabilities		80 100	72 278
Current liabilities and accruals	14	146 940	87 909
Total current liabilities		146 940	87 909
Total equity and liabilities		348 634	273 215

CONSOLIDATED STATEMENT OF CASH FLOWS

(before appropriation of result)

EUR 1.000	2016	2015
Operating profit	20 806	15 670
Adjustments for:		
- Depreciation (and other changes in value)	872	668
	872	668
Working capital changes		
- Movements trade receivables	-40 775	10 329
- Movements inventories	-15 996	-1 654
- Movements on loans receivable	-9 905	-14 450
- Movements trade payables	27 650	5 036
- Movements other payables and liabilities	7 132	-1 112
- Movements trade finance	18 005	20 310
	-13 888	18 458
Corporate income tax expense on operating activities	-1 766	-1 852
	-1 766	-1 851
Cash flow from operating activities	6 024	32 944
Investments in intangible fixed assets	-178	-6 787
Investments in property plant and equipment	-6 637	-20 139
Investments in other financial assets	-	-501
Disposals of other financial fixed assets	35	17
Return of capital of subsidiaries	-	-517
Disposals of securities	-4	-8 100
Cash flow from investment activities	-6 784	-36 027
Receipt of long term liabilities	7 822	23 866
Repayment of short term liabilities	6 244	-13 931
Movements on loans receivable	-1 653	-7 006
Other finance income	2 205	-356
Other finance expense	-4 218	-1 859
Interest received	1 689	1 308
Interest paid	-9 899	-7 149
Cash flow from financing activities	2 190	-5 127
Exchange rate and translation differences on movements in cash	-164	-55
Movements in cash	1 267	-8 265

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(before appropriation of result)

EUR 1.000	Issued share capital	Share premium	Translation reserve	Other reserves	Result for the year	Legal entity share in group equity	Third-party share in group equity	Group Equity
2015								
Opening Balance	70 000	9 628	37	3 081	3 741	86 487	19 613	106 100
Total comprehensive income and expense for the period								
Profit/(loss) for the period	-	-	-	-	5 871	5 871	-401	5 470
Foreign currency translation differences	-	-	-	-	-	-	-14	-14
Total comprehensive income and expense for the period	-	-	-	-	5 871	5 871	-415	5 456
Other movements in equity								
Allocation of prior year result	-	-	-	3 741	-3 741	-	-	-
Acquisitions	-	-	-	-	-	-	4 169	4 169
Return of capital of MIOM	-	-	-	-517	-	-517	-	-517
Acquisition minority share	-	-	-	-2 073	-	-2 073	-106	-2 179
Total other movements in equity	-	-	-	1 151	-3 741	-2 590	4 063	1 473
Total	70 000	9 628	37	4 232	5 871	89 768	23 261	113 029
2016								
Opening Balance	70 000	9 628	37	4 232	5 871	89 768	23 261	113 029
Total comprehensive income and expense for the period								
Profit/(loss) for the period	-	-	-	-	8 353	8 353	383	8 736
Foreign currency translation differences	-	-	77	19	-	96	-54	42
Total comprehensive income and expense for the period	-	-	77	19	8 353	8 449	329	8 778
Other movements in equity								
Allocation of prior year result	-	-	-	5 871	-5 871	-	-	-
Other movement	-	-	-	-213	-	-213	-	-213
Total other movements in equity	-	-	-	5 658	-5 871	-213	-	-213
Total	70 000	9 628	114	9 909	8 353	98 004	23 590	121 594

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

1.1 Corporate information

The activities of Metalcorp Group B.V. ("Metalcorp Group" or "the Company") and its group companies primarily consist of the trading and production of metals, ores, alloys and related services. The Company has its legal seat at Orlyplein 10, 1043 DP Amsterdam, the Netherlands, and is registered with the chamber of commerce under number 34189604.

The Company was incorporated as a limited liability company under the laws of the Netherlands on 14 April 2003 for the purpose of establishing an industrial holding company in the Netherlands. Its ultimate shareholder is Cycorp First Investment Ltd. The Company has its corporate headquarters in Amsterdam, which is also the head of the group of legal entities. The consolidated annual accounts comprise the financial information of the Company and of its investments in which it exercises a controlling interest. These investments are fully included in the consolidation.

1.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and its interpretations adopted by the International Accounting Standards Board (IASB), and are in compliance with the provisions of the Dutch Civil Code, Book 2, Title 9. The above Standards and Interpretations are collectively referred to as "IFRS" in these financial statements. Metalcorp Group is exempted from its obligation to prepare consolidated financial statements as Cycorp First Investment Ltd. prepares and publishes consolidated statements. However the Group has voluntarily decided to prepare consolidated financial statements over the financial year 2016. The Company-only financial statements are prepared in accordance with Dutch accounting principles and are presented and published separately from the consolidated financial statements. This statutory company-only annual report of Metalcorp Group B.V. prevails over this annual report from a legal perspective. The objective of this report is to provide an overview of the activities of Metalcorp and its subsidiaries.

Following the requirements of IFRS 3.49 related to the measurement period of acquisitions, the re-measurement of Nikolaïdis led to changes in the comparing figures of mainly deferred taxes (+EUR 3.137 thousand), goodwill (+EUR 5.375 thousand) and receivables (-/-EUR 4.626 thousand) and minority share (- EUR 2.345 thousand). Reference is made to notes 5, 10 and 14.

1.3 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for:

- leasing transactions that are within the scope of IAS 17; and
- measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the signifi-

cance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

1.4 New and revised IFRSs

A number of amendments is effective for annual periods that begin on or after 1 January 2016 and have been adapted in preparing these consolidated financial statements. None of these amendments had a significant effect on the financial statements. The following new and revised IFRSs that are relevant for the Company have been issued but are not yet effective:

Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses
Amendments to IFRS 2 – Classification and measurement of share-based payment transactions
IFRS 9 – Financial Instruments
IFRS 15 – Revenue from Contracts with Customers
IFRS 16 – Leases

The Directors are currently evaluating the impact these new standards and interpretations will have on the financial statements of Metalcorp Group B.V.

1.5 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three ele-

ments of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as

equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

1.6 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or

share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair

value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

1.7 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 1.6.) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount

of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rate based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.8 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is

accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture or when the investment is classified as held for sale. When the group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to

profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

1.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns rebates and other similar allowances.

Revenue is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amounts of revenue can be measured reliably;
- it is probably that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.11 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the

end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future reductive use which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Euros using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset) all of

the exchange differences accumulated in equity in respect of the operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

1.12 Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

1.13 Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income, because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax based used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all

deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the consequences that would follow from the manner in which the Group expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for

a business combination the tax effect is included in the accounting from the business combination.

1.14 Property, plant and equipment and Intangible fixed assets

Property, plant and equipment and intangible assets are stated at cost, being the fair value of the consideration given to acquire or construct the asset, including directly attributable costs required to bring the asset to the location or to a condition necessary for operation and the direct cost of dismantling and removing the asset, less accumulated depreciation and any accumulated impairment losses.

Intangible assets include goodwill and off-take contracts. For the accounting policies concerning mineral rights reference is made to note 1.15.

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned. Identifiable intangible assets with a finite life are amortized on a straight-line basis and/or in accordance with the unit-of-production method ("UOP") over their expected useful life. Reference is made to note 1.27 for more details on the application of the UOP method. Goodwill is not amortized.

The major categories of property, plant and equipment and intangible assets are depreciated/amortized on a UOP and/or straight-line basis as follows (per annum):

Land and Buildings:	0%
Plant and Equipment:	10% - 33%
Other operating assets:	up to 10%

Assets under finance leases, where substantially all the risks and rewards of ownership transfer to the Group as lessee, are capitalized and depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. All other leases are classified as operating leases, the expenditures for which are charged against income over the accounting periods covered by the lease term.

1.15 Mineral rights

Mineral rights consist of exploration and evaluation expenditure, mineral resources, mineral reserves, and mineral rights.

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral resources and includes costs such as researching and analyzing historical exploration data, exploratory drilling, trenching, sampling and the costs of pre-feasibility studies.

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another company, is charged to the statement of income as incurred except when:

- the expenditure is expected to be recouped from future exploitation or sale of the area of interest; and it is planned to continue with active and significant operations in relation to the area;
- or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure is capitalized.

Purchased exploration and evaluation assets are recognized at their fair value at acquisition.

Capitalized exploration and evaluation expenditure is recorded as a component of mineral rights in property, plant and equipment. All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalized expenditure is not expected to be recovered it is charged to the statement of income.

Mineral reserves, resources and rights (together Mineral Rights) which can be reasonably valued, are recognized. In the assessment of fair values on acquisition, Mineral Rights for which values cannot be reasonably determined are not recognized. Exploitable Mineral Rights are amortized using the UOP over the commercially recoverable reserves and, in certain circumstances, other mineral resources. Mineral resources are included in amortization calculations where there is a high degree of confidence that they will be extracted in an economic manner.

1.16 Impairment

At the end of each reporting period the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication

that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis can be identified, Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount, does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.17 Inventories

Production Inventories are stated at the lower of cost and net realizable value. Costs of inventories

are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Trading inventories are stated at Fair Value less costs to sell.

1.18 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.19 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets, and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. These are stated at fair value with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments, or FVTPL.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the invest-

ment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

1.20 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables (including trade and other receivables), bank balances and cash, and others are measured at amortized cost using the effective interest method, less any impairment.

1.21 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in

a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

1.22 De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no

longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or losses allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

1.23 Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale issue or cancellation of the Company's own equity instruments.

1.24 Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "Other financial liabilities".

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as hedging instrument.

A financial liability other than held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The profit or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses"-line item.

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial liability or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

1.25 De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

1.26 Derivatives and hedging activities

Derivative instruments, which mainly include contracts to sell or purchase commodities that do not meet the own use exemption, as well as FX derivatives to a minor extent, are initially recognized at fair value when the Company becomes a party to the contractual provisions of the instrument and are subsequently re-measured to fair value at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotations or using models and other valuation techniques, the key inputs for which include current market and contractual prices of the underlying instrument, time to expiry, yield curves, volatility of the underlying instrument and counterparty risk.

Gains and losses on derivative instruments for which hedge accounting is not applied, other than the revenue adjustment mechanism embedded within provisionally priced sales, are recognized in cost of goods sold.

Those derivatives qualifying and designated as hedges are either:

- (i) Fair Value Hedge of the change in fair value of a recognized asset or liability or an unrecognized firm commitment, or
- (ii) Cash Flow Hedge of the change in cash flows to be received or paid relating to a recognized asset or liability or a highly probable transaction.

A change in the fair value of derivatives designated as a Fair Value Hedge is reflected together with the change in the fair value of the hedged item in the statement of income.

A change in the fair value of derivatives designated as a Cash Flow Hedge is initially recognized as a cash flow hedge reserve in shareholders' equity. The deferred amount is then released to the statement of income in the same periods during which the hedged transaction affects the statement of income. Hedge ineffectiveness is recorded in the statement of income when it occurs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in shareholders' equity and is recognized in the statement of income when the committed or forecast transaction is ultimately recognized in the statement of income.

A derivative may be embedded in a "host contract". Such combinations are known as hybrid instruments and at the date of issuance, the embedded derivative is separated from the host contract and accounted for as a stand-alone derivative if the criteria for separation are met. The host contract is accounted for in accordance with its relevant accounting policy.

1.27 Critical accounting policies, key judgments and estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates.

The Company has identified the following areas as being critical of understanding the Company's financial position as they require management to make complex and/or subjective judgments and estimates about matters that are inherently uncertain:

Depreciation and amortization of property plant and equipment and mineral rights

Mineral rights and certain plant and equipment are depreciated / amortized using UOP rate of depreciation / amortization, and therefore the annual charge to operations, can fluctuate from initial estimates. This could generally result when there are significant changes in any of the factors or assumptions used in estimating mineral reserves, notably changes in the geology of the reserves and assumptions used in determining the economic feasibility of the reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight line basis, where those lives are limited to the life of the project, which in turn is limited to the life of the proven and probably mineral reserves. Estimates of proven and probable reserves are prepared by experts in extraction, geology and reserve determination.

Assessments of extraction, geology and reserve determination, assessments of UOP rates against the estimated reserve and resource base and the operating and development plan are performed regularly.

Impairments

Investments in Associates and other investments, advances, and loans and property, plant and equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable or at least annually for goodwill and other indefinite life intangible assets.

If an asset's recoverable amount is less than the assets' carrying amount, an impairment loss is recognized. Future cash flow estimates which are used to calculate the asset's fair value are based on expectations about future operations primarily comprising estimates about production and sales volumes, commodity prices, reserves and resources, operating rehabilitations and restoration costs and capital expenditures. Changes in such estimates could impact recoverable values of these assets.

Estimates are reviewed regularly by management.

Valuation of derivative instruments

Derivative instruments are carried at fair value and the company evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 7.

Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiably inputs (Level 2); or using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring the Company to make market based assumptions (Level 3).

Provisions

The amount recognized as a provision, including tax, legal, restoration and rehabilitation, contractual and other exposures or obligations is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Group assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

Fair Value measurements

In addition to recognizing derivative instruments at fair value, as discussed above, an assessment of fair value of assets and liabilities is also required in accounting for other transactions most notably, business combinations and disclosures related to fair values of marketing inventories, financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs take into account externally verifiable inputs. However, such information is by nature subject to uncertainty; particularly where comparable market based transactions rarely exist.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SEGMENT INFORMATION

2.1 General

The Company is organized in two segments, Non-ferrous and Ferrous, with the following sub-segments: Trading, Production and Raw Materials. This structure is used by management to assess the performance of the Company.

The Non-ferrous production is headed by BAGR Berliner Aluminiumwerk GmbH, which is the leading independent secondary producer of aluminium slabs. BAGR is located in Berlin, Germany and has a highly efficient team of qualified professionals who turn aluminium scrap, alloy additives and small quantities of primary aluminium into high-quality aluminium slabs. These are then further processed by our customers into strips, sheets, plates and cuttings. The Group has a second Non-ferrous production base with Cable Recycling Industries S.L. a secondary copper producer based in Bilbao.

The Non-ferrous Trading activities are managed by Tennant Metals, which trades in all the LME metals and a range of specialty and bulk metals and acts as principal in the vast majority of its trading activities.

The main metals traded by Tennant Metals are aluminium, copper, lead, tin and zinc.

The Ferrous division is headed by Steelcom and its trading activities cover a wide range of steel-making raw materials (such as coal, metallurgical coke, iron ore, pig iron, hot briquetted iron (HBI) and direct reduced iron (DRI), semi-finished products (such as slabs and billets), and finished industrial steel products (such as long and flat finished steel products, from structural sections to high-value-added coated and pre-painted products). Furthermore, since September 2016 Steelcom runs a steel automotive supply chain business. Steelcom is well positioned to serve international clients and suppliers due to its global presence, its renowned back office, its trade finance facilities and its operating track record of over 50 years.

The Raw Materials consist of a team of professionals that has the objective to develop resources projects to establish off-take agreements and partnerships with third parties.

2.2 Segment Revenues and Results

The following is an analysis of the Group's revenue, gross profit ("GM") and results from continuing operations by reportable segment.

EUR 1.000	Revenue		GM		Result	
	2016	2015	2016	2015	2016	2015
Non-ferrous						
- Trading	308 076	306 377	14 964	10 144	5 933	1 850
- Production	54 125	53 446	4 954	6 407	1 645	560
Total Non-ferrous	362 201	359 823	19 918	16 551	7 578	2 410
Ferrous						
- Trading	50 037	83 549	4 357	7 403	1 056	4 010
- Production	803	-	-288	-	-1 018	-
Total Ferrous	50 840	83 549	4 069	7 403	38	4 010
Other	9 516	3 276	8 345	3 276	1 120	-950
Total	422 557	446 648	32 332	27 230	8 736	5 470

Segment revenue reported above represents revenue generated from external customers. Apart from service fees charged between entities for services provided, there were no inter-segment sales in the current year. Revenue includes contracts related to a number of different commodities in the amount

of EUR 20 million that were established with related parties.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Profit represents the profit after tax earned by each segment.

2.3 Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

EUR 1.000	Assets		Liabilities	
	2016	2015	2016	2015
Non-ferrous				
- Trading	103 180	37 498	89 278	32 411
- Production	32 447	39 176	36 237	22 470
Total Non-ferrous	135 627	76 674	125 515	54 881
Ferrous				
- Trading	43 822	22 148	29 069	30 518
- Production	32 063	12 604	12 956	7 685
Total Ferrous	75 885	34 752	42 025	38 203
Other	137 122	161 789	59 500	67 102
Total	348 634	273 215	227 040	160 186

EUR 1.000	Depreciation and amortization		Additions to non-current assets	
	2016	2015	2016	2015
Non-ferrous				
- Trading	-	8	96	501
- Production	469	607	-83	754
Total Non-ferrous	469	615	13	1 255
Ferrous				
- Trading	-	24	-	-118
- Production	164	-	129	29 640
Total Ferrous	164	24	129	29 522
Other	239	29	5 766	1 312
Total	872	668	5 908	32 089

The additions to non-current assets in the trading division also include the additions of financial instruments as reported in Note 8 Financial Fixed Assets.

It is included in this overview, as it is a significant position that is reported to management on a regular basis.

2.4 Geographical Information

The Group operates globally and operations are managed by the following geographical analysis:

EUR 1.000	Revenue		GM		Non-Current assets	
	2016	2015	2016	2015	2016	2015
Region						
Europe	262 223	283 482	25 536	23 765	51 977	51 772
Middle East	51 285	48 967	2 174	425	-	5
Asia-Pacific	81 222	66 288	3 443	498	16 987	16 891
Americas	9 747	47 809	413	2 542	-	20
Africa	18 080	102	766	-	92 625	86 993
Total	422 557	446 648	32 332	27 230	161 589	155 681

The allocation of Revenue and GM is based on the country of incorporation of the sales counterparty. This may not necessarily be the country of the counterparty's ultimate parent and/or final destination of product.

Note that the Non-Current assets also contain the financial instruments as reported in Note 8 Financial

Fixed Assets, as this is a significant position that is reported to management on a regular basis. This amount (EUR 4.265 thousand) is included in the Asia Pacific segment.

None of the customers contribute over 10% of revenue.

NOTE 3. EXPENSES

EUR 1.000	2016	2015
Selling expenses		
Personnel	4 096	3 018
Sales and marketing expenses	54	46
Total selling expenses	4 150	3 064
Administrative expenses		
Personnel	2 056	2 159
Professional services fees	1 784	1 107
Facilities and offices	1 479	1 045
Other operating expenses	1 227	3 559
Depreciation and amortization	830	625
Total administrative expenses	7 376	8 497
Operating expenses	11 526	11 561
Breakdown: depreciation and amortization		
Property Plant and Equipment	808	622
Intangible assets	64	46
total depreciation and amortization	872	668
Allocated to production costs	-42	-43
As included in administrative expenses	830	625

The average number of employees of the Group during the year, converted to full-time equivalents was 157 (2015: 154) of which 148 are employed outside the Netherlands (2015: 146). In the personnel expenses an amount of EUR 689 thousand related to

social security premiums (2015: EUR 1.092 thousand) and an amount of EUR 396 thousand related to pension premiums are included (2015: EUR 429 thousand).

NOTE 4. FINANCIAL INCOME AND EXPENSES

EUR 1.000	2016	2015
Financial income and expense		
Other interest income and similar income	1 689	1 308
Interest expenses and similar charges	-9 899	-7 149
Other financing income	710	1 456
Other financing expenses	-4 218	-1 859
Total financial income and expense	-11 718	-6 244
Income from foreign exchange		
Forex gains	4 428	12 140
Forex losses	-2 933	-13 952
Total income from foreign exchange	1 495	-1 812
Total financial income and expense	-10 223	-8 056

NOTE 5. TAXATION

Income taxes consist of the following:

EUR 1.000	2016		2015	
Current income tax expense	-1 766		-1 817	
Deferred income tax	-		-35	
Total income tax expense	-1 766		-1 852	

EUR 1.000	2016		2015	
	%	EUR	%	EUR
Taxable result		10 503		7 322
Tax burden based on Dutch nominal rate	25,0%	2 613	25,0%	1 822
Exempted Income	-1,8%	-191	7,5%	549
Tax rate differences.	-6,2%	-656	-7,6%	-554
Taxation on result on ordinary activities	16,8%	1 766	24,8%	1 817

The effective Group tax rate differs from the statutory Dutch income tax rate applicable to the Company mainly due to the exempted income related to unrealized fair value changes and the effect of carry forward losses.

No deferred taxes were accounted for in the consolidated statement of income or in other

comprehensive income/loss.

Following the requirements of IFRS 3.49, the deferred taxes related to the acquisition of Nikolaïdis are re-measured, this has led to a change in the deferred taxes as of 31 December 2015 in the amount of EUR 3.137 thousand. This is reflected under deferred tax liabilities in the balance sheet.

NOTE 6. PROPERTY PLANT AND EQUIPMENT

The movements in Property plant and equipment are as follows:

EUR 1.000	Land and buildings	Plant and machinery	Other operating assets	Mineral rights	Total
Gross carrying amount					
1 January 2015	1 113	15 461	2 712	85 076	104 362
Additions	-	641	113	1 917	2 671
Acquisition	9 310	8 100	58	-	17 468
31 December 2015	10 423	24 202	2 883	86 993	124 501
Accumulated depreciation and impairments					
1 January 2015	143	6 042	1 581	-	7 766
Depreciation	-	476	146	-	622
31 December 2015	143	6 518	1 727	-	8 388
Net book value at 31 December 2015	10 280	17 684	1 156	86 993	116 113

EUR 1.000	Land and buildings	Plant and machinery	Other operating assets	Mineral rights	Total
Gross carrying amount					
1 January 2016	10 423	24 202	2 883	86 993	124 501
Additions	470	256	279	5 632	6 637
31 December 2016	10 893	24 458	3 162	92 625	131 138
Accumulated depreciation and impairments					
1 January 2016	143	6 518	1 727	-	8 388
Depreciation	-	617	191	-	808
31 December 2016	143	7 135	1 918	-	9 196
Net book value at 31 December 2016	10 750	17 323	1 244	92 625	121 942

The Plant and Machinery as at 1 January 2016 represent the production facilities of BAGR, CRI and Nikolaïdis. Part of the equipment for the BAGR facilities is leased for which reference is made to Note 15 – Leasing. The additions of 2016 in Plant and Machinery and Other operating assets are related to capitalized maintenance expenses that extend the economic life, which are written off in line with

the accounting principles as set out in Note 1. The additions in Mineral rights are related to the further development of the projects and an overview of the Mineral rights as of 31 December 2016 is provided in the table below. As reported under subsequent events (page 85), SBG agreed in principle with the government of the republic of Guinea a mining convention.

Company	Country	License area	EUR
Société des Bauxites de Guinée	Guinea	Garafiri	86 868
Minerals and Mining Ltd.	Sierra Leone	Makumre	5 757
Total as at 31 December 2016			92 625

The annual impairment test did not lead to any write-offs. For the accounting treatment of Mineral rights and the impairments, reference is made to note 1.15 and note 1.16.

NOTE 7. INTANGIBLE FIXED ASSETS

A summary of the movements of intangible fixed assets is given below:

EUR 1.000	Contract based intangible assets	Goodwill	Other intangible assets	Total
Gross carrying amount				
1 January 2015	12 617	10 500	230	23 347
Acquisitions	-	12 134	29	12 163
Exchange rate differences	-29	-	-	-29
31 December 2015	12 588	22 634	259	35 481
Accumulated amortization and impairments				
1 January 2015	-	-	170	170
Amortization	-	-	46	46
31 December 2015	-	-	216	216
Net book value at 31 December 2015	12 588	22 634	43	35 265

EUR 1.000	Contract based intangible assets	Goodwill	Other intangible assets	Total
Gross carrying amount				
1 January 2016	12 588	22 634	259	35 481
Additions	-	-	47	47
Exchange rate differences	131	-	-	131
31 December 2016	12 719	22 634	306	35 659
Accumulated amortization and impairments				
1 January 2016	-	-	216	216
Amortization	-	-	64	64
31 December 2016	-	-	280	280
Net book value at 31 December 2016	12 719	22 634	26	35 379

The Contract based Intangible assets are related to a portfolio of supply contracts that the Company obtained through past acquisitions. No impairment of these finite-life intangible assets was recognized during 2016, as the fair value less costs to sell of the related cash-generating units was in excess of their carrying amounts. The contracts are amortized in accordance with the unit-production method. The production related to these contracts has started or is expected to commence within one to four years. The contracts are expected to produce over a period between 10 and 16 years. The valuation of these contracts is assessed by calculating the net present values of the supply that will be provided over the contract-term using long term price forecast for the metals provided by third parties. As the contracts relate to operations that are in development, the discount rates are set at similar levels used for project development applicable to the regions in which the operations are located.

Goodwill is related to the investments in the production activities (2016: EUR 20.820 thousand; 2015: EUR 20.820 thousand) and the trading activities (2016: EUR 1.814 thousand; 2015: EUR 1.814 thousand).

The acquisition of 2015 included in Goodwill is related to Nikolaïdis. Note that compared to the Annual Report 2015, the amount changed from EUR 6.758 thousand to EUR 12.133 thousand following the requirements of IFRS 3.49 (measurement period of the purchase price allocation). The recoverable amount of each cash-generating unit, used in the annual impairment tests performed in the fourth quarter, is based on its value in use. Key assumptions used in the impairment tests for the cash-generated units were sales growth rates, operating result and the rates used for discounting the projected cash flows. These cash flow projections were determined using management's internal forecasts that cover a period of 5 years, based on the financial plans as approved by the Company's management. The annual impairment test did not lead to any impairments of goodwill. The present value of estimated cash flows has been calculated using a pre-tax discount rate of 8,7% in respect of our trading activities and 11,10% in respect of our production activities. The pre-tax discount rate reflects the current market assessment of the time value of money and the specific risks of the cash-generating unit.

NOTE 8. FINANCIAL FIXED ASSETS

A summary of the movements in the financial fixed assets is given below:

EUR 1.000	Associated companies	Other receivables	Total
Book Value			
Balance at 1 January 2015	17	3 802	3 819
Additions	-	501	501
Sales, redemptions	-17	-	-17
Balance at 31 December 2015	-	4 303	4 303

Book Value			
Balance at 1 January 2016	-	4 303	4 303
Sales, redemptions	-	-35	-35
Balance at 31 December 2016	-	4 268	4 268

The "Other receivables" includes loans given to various companies to finance the start-up of production facilities for which we will receive potential

off-takes in return. All these loans are secured by underlying assets of those companies. The addition is the result of a transfer from current assets.

NOTE 9. INVENTORIES

EUR 1.000	31/12/2016	31/12/2015
Manufacturing		
Raw materials and consumables	5 045	5 377
Finished products	1 824	1 521
Trading		
Finished products	27 007	10 982
Total inventories	33 876	17 880

The manufacturing inventories consist of finished products and raw materials and consumables of BAGR, CRI and Nikolaïdis. The finished products are already sold and in the course of delivery to the client.

The trading inventories are commodities that are

already sold by, but still held by the Trading companies as the Company still retains the principal risks and rewards of ownership. These inventories are pledged as a security for trade finance facilities.

No impairment has been recorded for the inventories during the year.

NOTE 10. RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

EUR 1.000	31/12/2016	31/12/2015
Trade receivables	86 291	45 516
Shareholder	-	-
Related parties	18 260	16 607
Other receivables	6 174	7 419
Taxation	1 150	538
Prepayments and accrued income	24 460	13 922
Total receivables, prepayments and accrued income	136 335	84 002

The trade receivables are mainly related to the Ferrous trading activities (2016: EUR 22.289 thousand; 2015: EUR 25.282 thousand) and the Non-ferrous trading activities (2016: EUR 51.311 thousand; 2015: EUR 18.217 thousand), which are both pledged as collateral for trade financed loans. The credit risk of the trade receivables is insured at renowned insurance firms and almost all trade receivables were collected in the first quarter of 2017. With regards to the receivables from related parties and the shareholder, an interest of 7%-9,75% per annum is charged. Within other receivables an amount of EUR 4,7 million is included (2015: EUR 4,6 million) in relation to a manganese project that Metalcop initiated and then sold to a third party for further

development. The Company is entering in discussions to collect this receivable. The Company deems it reasonable to expect the stated amount out of the total nominal value of USD 7,0 million. Prepayments and accrued income include prepayments for material purchased and down payments received from customers as well as for the acquisition of a company that will further increase the industrial asset base of the group and sustain the further growth. The amount presented under related parties as of 31 December 2015 is EUR 4.626 lower compared to the Annual Report 2015 due to the requirements of IFRS 3.49 (measurement period of a purchase price allocation) in relation to the acquisition of Nikolaïdis.

NOTE 11. SECURITIES

EUR 1.000	01/01/2016	Acquisition	Disposal	Revaluation	31/12/2016
Unlisted securities	6 029	-	-4	26	6 051
Listed securities	107	-	-	-107	-
Total	6 136	-	-4	-81	6 051

The unlisted securities include a portfolio of shares of the Company's parent company, which are held for trading in relation with future business acquisitions (reference is made to note 18).

NOTE 12. CASH AND CASH EQUIVALENTS

An amount of EUR 5,3 million of the Cash and Cash Equivalents is restricted as this cash is mainly deposited at multiple renowned trade finance banks and serve as cash collateral for trade finance tran-

sactions at 31 December 2016. Trade finance has a self-liquidating character, which means that the cash becomes unrestricted upon completion of the trade finance transaction.

NOTE 13. SHARE CAPITAL AND RESERVES

The movement in Equity is provided in the Consolidated statement of changes in equity as presented on page 49.

Issued Share Capital

The issued share capital of the Company amounts to EUR 70 million (2015: EUR 70 million) divided into 70 million ordinary shares of EUR 1 per share. The total number of authorized shares is 110 million (2015: 110 million shares). The majority of the shares are owned by Lunala Investments S.A. (Luxembourg).

Translation Reserve

The translation reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of intercompany loans of permanent nature.

Revaluation Reserve

In accordance with Dutch law (art. 2:390) the result that applies to the evaluations of securities without a frequent market listing is non-distributional and allocated to the revaluation reserve (legal reserve).

NOTE 14. LIABILITIES

EUR 1.000	31/12/2016	31/12/2015
Long-term liabilities		
Bank loans (> 1 year)	1 789	2 811
Bonds	65 379	56 412
Long term leasing	1 572	1 615
Other Long-term Liabilities	6 425	6 504
	75 165	67 343
Current liabilities and accruals		
Bank loans (< 1 year)	91 671	66 545
Short term portion of leasing	233	244
Trade payables	39 617	11 967
Related parties	886	1 752
Taxes and social security charges	1 020	399
Other current liabilities	1 027	955
Accrued liabilities and deferred income	12 486	6 047
	146 940	87 909

Long Term Liabilities

The Long term liabilities are those bank loans and lease obligations which are due in more than 1 year. None of these are due in more than 5 years. Bank loans (>1 year) represent a subordinated loan provided until 2018 with a rate of Euribor plus 3,45% and is due in quarterly instalments. Bonds represent listed bonds on the Frankfurt Exchange, which was further increased in the course of 2016 through private placements. The term of the

bond is 5 years with an interest of 8,75% per annum (paid out annually). The Fair value of the bond amounts to EUR 59,2 million at 31 December 2016. With regards to Long term leasing, reference is made to Note 15. Other long-term liabilities represent the loan given by a Greek bank to our newest steel production facility, Nikolaïdis. The loan has a term of 10 years with an interest of Euribor plus 3,75%.

Current Liabilities and Accruals

All liabilities due in less than a year plus bank credit related to trade finance are classified as current liability. Inventory and debtors have been pledged

as collateral. The following rates with respective amounts apply to the bank loans:

EUR	Max. Facility	Amount 2016
Trade finance		
Uncommitted facilities - interest applied deal by deal based on framework agreements	Deal-by-deal basis	66 300
Working capital facilities		
Euribor + markup 3% - 7%	19 000	13 403
4% - 10% fixed	12 275	11 968
Total bank loans (< 1 year)		91 671

NOTE 15. LEASING

The obligations for leases entered into are shown below:

EUR 1.000	2016	2015
Lease installments < 1 year	233	244
Lease installments 1 - 5 years	1 572	1 615
Total lease installments	1 805	1 859

The lease obligations contain financial lease liabilities of plant and equipment. The assets leased under financial leasing terms have been accounted for in the balance sheet under tangible fixed assets at

EUR 2.004 thousand at 31 December 2016. BAGR is not the legal owner of these assets. The charge in the profit and loss account for FY 2016 amounts to EUR 85 thousand.

NOTE 16. FINANCIAL INSTRUMENTS

The table below provides an overview of the financial instruments of the group divided into the classes Fair Value through Profit and Loss ("FVTPL"), Loans and Receivables, and Available-for-Sale. Held-to-maturity instruments are not applicable.

2015 EUR 1.000	note	FVTPL	Loans and receivables	Available- for-sale	Total
Financial Fixed assets - other receivables	8	-	4 303	-	4 303
Receivables, prepayments and accrued income	10	-	84 002	-	84 002
Securities	11	836	-	5 300	6 136
Cash and cash equivalents	12	9 516	-	-	9 516
Total financial assets		10 352	88 305	5 300	103 957
Borrowings (> 1 year)	14	-	67 343	-	67 343
Current liabilities and accruals	14	50	87 859	-	87 909
Total financial liabilities		50	155 201	-	155 251

2016 EUR 1.000	note	FVTPL	Loans and receivables	Available- for-sale	Total
Financial Fixed assets - other receivables	8	-	4 268	-	4 268
Receivables, prepayments and accrued income	10	-	136 335	-	136 335
Securities	11	751	-	5 300	6 051
Cash and cash equivalents	12	10 783	-	-	10 783
Total financial assets		11 534	140 603	5 300	157 437
Borrowings (> 1 year)	14	-	75 165	-	75 165
Current liabilities and accruals	14	-	146 940	-	146 940
Total financial liabilities		-	222 105	-	222 105

Fair Value Measurements

Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. Metalcorp Group B.V. classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Metalcorp Group B.V. can assess at the measurement date; or

Level 2 - Inputs other than quoted inputs included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; or

Level 3 - Unobservable inputs for the assets or liabilities, requiring Metalcorp Group B.V. to make market based assumptions.

In the table above (in which the financial instruments are presented) only the securities are valued at fair value as well as the FVTPL part of the Current liabilities.

The Fair Value hierarchy of these items are provided in the table below:

2015 EUR 1.000	Level 1	Level 2	Level 3	Total
Financial Fixed assets - other receivables	-	-	-	-
Receivables, prepayments and accrued income	-	-	-	-
Securities	107	-	6 029	6 136
Cash and cash equivalents	-	-	-	-
Total financial assets	107	-	6 029	6 136
Borrowings	-	-	-	-
Current liabilities and accruals	50	-	-	50
Total financial liabilities	50	-	-	50

2016 EUR 1.000	Level 1	Level 2	Level 3	Total
Financial Fixed assets - other receivables	-	-	-	-
Receivables, prepayments and accrued income	-	-	-	-
Securities	-	-	6 051	6 051
Cash and cash equivalents	-	-	-	-
Total financial assets	-	-	6 051	6 051
Borrowings	-	-	-	-
Current liabilities and accruals	-	-	-	-
Total financial liabilities	-	-	-	-

During the year no amounts were transferred between Level 1, Level 2 and Level 3 of the fair value hierarchy. As at 31 December 2016 no financial assets and liabilities were subject to offsetting. The level 3 securities are mainly related to unlisted

shares. In circumstances where Metalcorp Group B.V. cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value.

Financial and Capital Risk Management

The Group has exposure to the following risks arising from financial instruments:

Credit risk Liquidity risk Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans related to Raw materials:

The Financial fixed assets are secured by underlying assets of those companies. Reference is made to note 8.

The Receivables, prepayments and accrued income mainly consists of Trade Receivables which is secured by adequate credit insurance.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. During 2016 and 2015 none of the Group's revenue attributable to sales transactions with a single multinational customer exceeded 10% of the total revenue.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's payment and delivery terms and conditions are offered. This is done in close cooperation with the Trade Finance banks and Credit insurance companies. Nevertheless, in principle insurance coverage is obtained for all Trade Receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

With regards to its hedging activities, that primarily take place in the trading activities, the Company implemented a policy that hedging is only allowed under a tri-partite agreement in order to avoid margin calls.

Market risk

Market risk is the risk that results out of changes in market prices, such as foreign exchange rates, interest rates, market prices and equity prices and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Group. In principle all derivatives are accounted at FVTPL; if required and appropriate, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Production facilities mainly enter in to euro agreements and therefore, the currency risk is insignificant.

The Trading activities are mainly exposed to the USD/EUR exchange rate, as the trades are predominantly in USD and the reporting currency is in EUR. However, the currency risk is limited as contract deals are denominated in USD for both purchases and sales. Purchases are financed by means of trade finance in USD as well. As the purchase, sale and financing are all in USD, and as trading occurs in principle on a back-to-back basis, the deals are naturally hedged.

Interest rates

To limit the interest rate risk, the Company decided to only give out and obtain loans with a fixed interest rate. For overdraft facilities the risk is limited due to the short term of these facilities.

Market price risk

The Production facilities mainly produce on the basis of tolling agreements. In these agreements the purchase of material is related to the sale and the price risk is mitigated.

The Company mainly enters into back-to-back deals, which means that the market price risk is naturally hedged. In case that that a trade is subject to price risk, this is hedged through adequate instruments. When instruments are required, the Company prepares a sensitivity analysis with regards to the impact of the changes in commodity price and (if applicable) the changes in foreign currency risks. Based on this analysis an adequate non speculative hedging strategy is applied.

At 31 December 2016, the Company has a limited number of hedging instruments, which are presented under Current liabilities and accruals. These instruments are designated as FVTPL and include trade related financial and physical forward purchase and sale commitments. Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where

available and are presented to reflect the expected gross future cash in/outflows.

It is the Group's policy that transactions and activities in trade related financial instruments are netted. Note that the Company only purchases futures and options. In principle the Company does not write futures and options.

2016	EUR 1,000
Commodity related contracts	
Futures	3
Options	-
Total Current liabilities FVTPL	3

The total loss in the consolidated statement of income amounts to EUR 177 thousand. All derivatives mature within the first three months of 2017. The Company had instruments for a total of EUR 3 thousand at 31 December 2017.

Equity price risk

The Company invested into listed and unlisted

shares of junior mining companies to secure its (future) off-take contracts. These securities are presented in Note 11 Securities. The Company is closely involved in these mining companies and monitors the progress on an on-going basis. Management is of the opinion that, by nature, the market index of junior mining companies increases when production starts.

NOTE 17. REMUNERATION OF KEY MANAGEMENT

The remuneration of key management (director and CEO) of the legal entity is as follows:

EUR 1,000	2016	2015
Short-term employee benefits	354	120
Post-employment benefits	-	-
Other long-term benefits	-	-
Total	354	120

NOTE 18. TRANSACTIONS WITH RELATED PARTIES

In 2016, the Company conducted various transactions with related parties.

EUR 1.000	Note	2016	2015
Related parties <1yr	10	18 260	16 607
Total Receivables		18 260	16 607
Related parties <1yr	14	886	1 752
Total Liabilities		886	1 752

The Company has 848 shares in its parent company (2015: 848 shares) that can be used in future transactions and are included in the unlisted securities (reference is made to note 11). Transactions can take

place between the Group and its related parties that are part of the Monaco Resources Group. Reference is made to Note 2.

NOTE 19. GUARANTEES

The Company has provided several corporate guarantees to subsidiaries and related parties and in principle these are all related to trade finance. The possibility of any cash outflow with regards to these guarantees is remote.

NOTE 20. CONTINGENT ASSETS AND LIABILITIES

In the course of business, the company is involved in discussions with business partners from time to time. These discussions may include the interpretation and compliance with the terms and conditions of agreements and may also include claims made by the company, as well as against the company. At year end, no claims against the company existed - if any - that were assessed to be probable, nor possible to be successful.

NOTE 21. AUDITOR'S REMUNERATION

EUR 1.000	2016	2015
Audit of the financial statements	414	235
Other audit engagements	15	28
Total professional service fees	429	263

NOTE 22. LIST OF PRINCIPAL OPERATING, FINANCIAL AND INDUSTRIAL SUBSIDIARIES AND INVESTMENTS

Name	Country of incorporation	Ownership interest	
		2016	2015
Consolidated (direct)			
BAGR Non-Ferrous Group mbH	Germany	100,0%	100,0%
Tennant Metals Group B.V.	The Netherlands	100,0%	100,0%
Metalcorp Finance B.V.	The Netherlands	100,0%	100,0%
Metalcorp Iron Ore and Mining B.V.	The Netherlands	100,0%	73,2%
Orlyplein Investment B.V.	The Netherlands	100,0%	100,0%
Steelcorp Industries B.V.	The Netherlands	100,0%	100,0%
Steelcom Group B.V.	The Netherlands	100,0%	100,0%
Tennant Metals UK Ltd.	United Kingdom	100,0%	100,0%
Yinchen B.V.	The Netherlands	100,0%	100,0%
Consolidated (indirect)			
A&A Metals S.A.	Switzerland	100,0%	100,0%
BAGR Berliner Aluminiumwerk GmbH	Germany	94,0%	94,0%
Cable Recycling Industries S.L.	Spain	94,0%	94,0%
Mining & Minerals Ltd.	Sierra Leone	79,9%	79,9%
Management Inmuebles Vizcaya, S.L.	Spain	94,0%	94,0%
MCG-SRR B.V.	The Netherlands	100,0%	100,0%
Norwich Sarl	Luxembourg	94,0%	94,0%
NB Investments B.V.	The Netherlands	100,0%	100,0%
Nikolaïdis Th. Bros. S.A.	Greece	70,0%	70,0%
Société des Bauxites de Guinée S.A.	Guinea	76,1%	76,1%
Steelcom Pipe International LLC	USA	100,0%	100,0%
Steelcom Austria GesmbH	Austria	100,0%	0,0%
Steelcom International GmbH	Switzerland	100,0%	100,0%
Steelcom USA LLC	USA	100,0%	100,0%
Steel and Commodities S.A.M.	Monaco	100,0%	100,0%
Steel and Commodities Iberica S.L.	Spain	100,0%	100,0%
Steel and Commodities Singapore PTE Ltd.	Singapore	100,0%	100,0%
Steel and Commodities India private Ltd.	India	100,0%	100,0%
Steelcom Steel and Commodities GmbH	Germany	100,0%	100,0%
Tennant Metals GmbH	Germany	100,0%	100,0%
Tennant Metals (Pty) Ltd.	Australia	100,0%	100,0%
Tennant Metals S.A.M.	Monaco	100,0%	100,0%
Tennant Metals South Africa (Pty) Ltd.	South Africa	100,0%	100,0%
SBG Bauxite and Alumina N.V.	The Netherlands	94,0%	94,0%
Non-consolidated (Associates)			
Kanabeam Zinc Ltd.	Namibia	24,4%	24,4%

In 2016 the following key changes are effected:

- The company renamed Steelserv Group B.V. into Steelcom Group B.V.
- The 100% shareholding in Steelcom S.A.M. was contributed into Steelcom Group B.V.
- Steelcom Austria GesmbH was incorporated.

- Steelcom Pipe International LLC is renamed into Steelcom USA LLC (in the overview still reflected as Steelcom Pipe International LLC). The original Steelcom USA LLC is in the process of winding down.
- W.P. Pals Holding B.V. is converted into SBG Bauxite and Alumina N.V.

SIGNING OF THE FINANCIAL STATEMENTS

Amsterdam, 24th March 2017

.....
Pascale Younès
Director

.....
Ioannis Zaimis
Chairman of the Supervisory Board

.....
Christina Soteriou
Member of the Supervisory Board

.....
Sebastien Maurin
Vice-Chairman of the Supervisory Board

METALCORP GROUP

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

Reference is made to the Independent Auditor's Report on page 87.

SUBSEQUENT EVENTS

- Société des Bauxites de Guinée S.A. agreed in principle with the government of the Republic of Guinea a mining convention that defines rights and obligations of both parties resulting from the mining concession granted in February 2016.
- On 1st March 2017, the company successfully acquired a controlling stake in Alu Stockach GmbH, a secondary aluminium producer based in the south of Germany. This company provides significant synergy effects in combination with our existing facility in Berlin, BAGR Berliner Aluminiumwerke GmbH.

APPROPRIATION OF RESULTS

The profit earned in a financial year is at the disposal of the general meeting. The Company may pay dividends only insofar as its equity exceeds the paid-in and called-up capital plus the reserves the company is required by law to maintain. Dividends are paid after adoption of the annual accounts, if the annual accounts demonstrate that dividend payments are permissible. Dividends are due and payable immediately after they are declared, unless the general meeting fixes another date in the relevant resolution. A shareholder's claim to a dividend will lapse five years after the dividend becomes due and payable. The general meeting may resolve to pay interim dividends and to pay dividends from a reserve that the Company is not required by law to maintain. The general meeting may resolve to pay dividends in kind. The shares held by the Company in its own capital are to be disregarded in the calculation of the amount of dividend to be paid on shares. In accordance with the prospectus of the bond (see Note 14 to the consolidated financial statements) the dividend is limited to 50%.

APPROPRIATION OF RESULT FOR THE FINANCIAL YEAR 2015

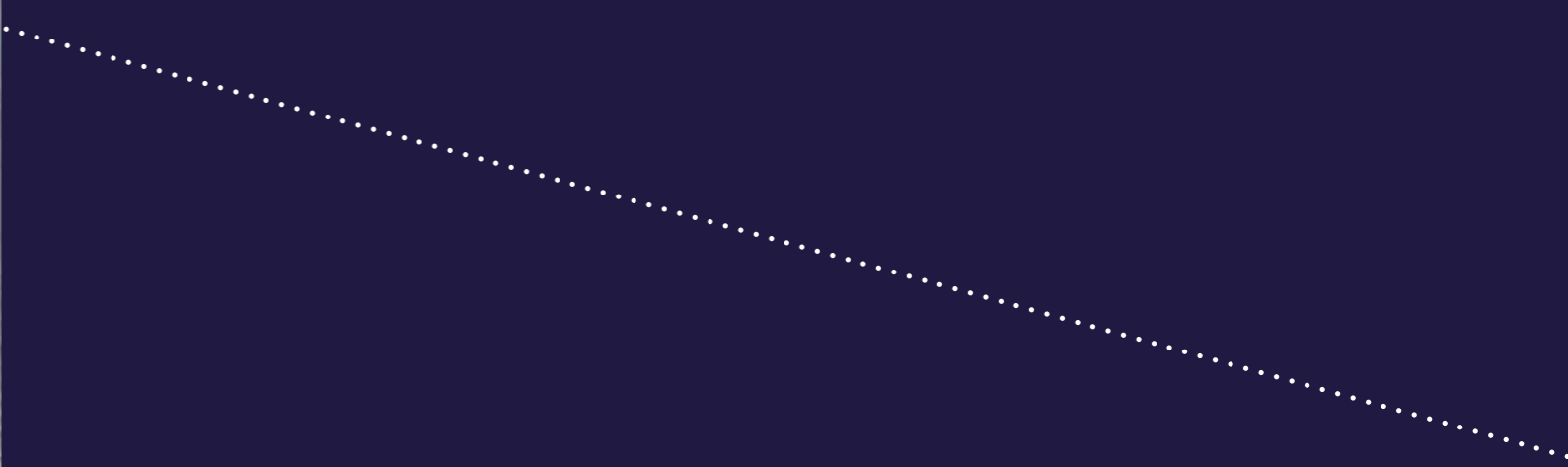
The Company-only annual report of 2015 was approved in the General Meeting of Shareholders. The General Meeting of Shareholders has determined that the appropriation of result in accordance with the proposal being made to add the result of 2015 to the other reserves.

PROPOSED APPROPRIATION OF RESULT FOR THE FINANCIAL YEAR 2016

The Board of Directors proposes to transfer the result over the financial year 2016 to the other reserves. The financial statements do not yet reflect this proposal.



METALCORP GROUP
**INDEPENDENT
AUDITOR'S REPORT**



To: the general meeting of Metalcorp Group B.V.

REPORT ON THE FINANCIAL STATEMENTS 2016

Our Opinion

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of Metalcorp Group B.V. as at 31 December 2016 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European-Union (EU-IFRS).

What we have audited

We have audited the accompanying financial statements for the year ending 2016 of Metalcorp Group B.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of Metalcorp Group B.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:
 Consolidated statement of profit or loss
 Consolidated statement of other comprehensive income
 Consolidated statement of financial position
 Consolidated statement of cash flows
 Consolidated statement of changes in equity
 Notes to the financial statements

The financial reporting framework that has been applied in the preparation of the consolidated financial statements are International Financial Reporting Standards as adopted by the European Union.

The basis for our opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibility under those standards is further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of Metalcorp B.V. in accordance with the IFAC Code on independence requirements. Furthermore, we have complied with the §§ 43, 49, 55 WPO; §§ 2f, 20ff (statue for German Auditors) and §§ 319 HGB (German Commercial Code).

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 judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the general meeting of Metalcorp Group B.V., but these are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter and description

Optimization of the group structure

The Company constantly reviews optimization of its group structure, which has led to internal transfer of companies between group companies.

IT-Systems

The company has further developed IT-Systems in 2016 to optimize internal procedures and accounting practices.

Our audit response on Key audit matter

The individually material transactions were subject to substantive testing and the accounting documents were agreed with supporting documentation (e.g. contractual agreements). Furthermore, the associated accounting treatment was reviewed with a focus on fair presentation and disclosure. Also the correct application of the transactions in the accounting system is tested.

We reviewed the design and implementation of the developed IT-System-Applications. Subsequently the operative effectiveness was tested with specific focus on the translation from local accounting policies to IFRS.

Furthermore, we carried out testing relating to internal controls, including IT-General-Controls surrounding major IT-Applications and critical interfaces.

Responsibilities of the management board and the supervisory board

The management is responsible for:

the preparation and fair presentation of the financial statements in accordance with EU-IFRS and for the preparation of the directors' report, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management should prepare the financial statements using the going concern basis of accounting unless the management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our Opinion

We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Metalcorp Group B.V. on 29. November 2016 by engagement letter dated on 29. November 2016.

Berlin, 24 March 2017
Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft
Charlottenstraße 68
10117 Berlin



Stephan Martens
Partner



Detlef Schröder
Partner

APPENDIX

Appendix to our auditor's report on the financial statements 2016 of Metalcorp Group B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with International Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Concluding on the appropriateness of the management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.

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

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board 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.

From the matters communicated with the supervisory board, 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, not communicating the matter is in the public interest.

[Translator's notes are in square brackets]

General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer (German Public Auditors) or Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services - not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmässiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and record and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring Independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

Where there are deficiencies, the client is entitled to subsequent fulfilment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfil [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfil [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies, associated with technicalities] contained in Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties- by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) *The liability limitation of § [Article] 323 (2) [paragraph 2] HGB [Handelsgesetzbuch: German Commercial Code] applies to statutory audits required by law.*

(2) *Liability for negligence; An individual case of damages*
If neither No. 1 is applicable nor a regulations exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung"; Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) *Preclusive deadlines*
A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

- preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client.
- examinations of tax assessments in relation to the taxes mentioned in (a)
- negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
- participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charge separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

- the treatment of nonrecurring tax matters, e.g. in the field of estate tax, capital transactions tax, real estate acquisition tax
- participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
- the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners of shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the service offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays; slaes tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.



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