

Report pursuant to Chapter 7 Section 9 of the Limited Liability Companies Act to the General Meeting of Afarak Group Plc

Subject matter and objectives of the audit

This audit report is intended only for use by Afarak Group Plc and its shareholders.

We have conducted a special audit of Afarak Group Plc on the basis of the following stated in decision ESAVI/11657/2018 of the Regional State Administrative Agency of Southern Finland (hereinafter referred to as the "RSAA's decision"):

"By its decision, the Regional State Administrative Agency orders audit firm Idman Vilén Grant Thornton Oy, with Authorised Public Accountant Jussi Savio as principal auditor, subject to their agreement, to conduct a special audit of Afarak Group Plc's administration and accounts for the financial periods 1 January to 31 December 2015, 1 January to 31 December 2016 and 1 January to 31 December 2017 and for the period from 1 January to 30 April 2018 in order to clarify the business and legal transactions conducted by Danko Koncar with his probable immediate circle. The Regional State Administrative Agency rejects the application in other respects. The order can be enforced before it has become final."

Based on the RSAA's above-mentioned decision and our risk assessment measures:

- The key objective of the audit was to clarify the business and legal transactions conducted by Danko Koncar with his probable immediate circle.
- The audit focused on the ore trade of selected group companies and on auditing the related potential/probable cash flows.
- In accordance with our professional judgement and risk assessment, we have defined the focus areas of the audit and the audit procedures. These focus areas and audit procedures are set out below in this audit report.

On the duration of the audit

In our view, the duration of the audit has been significantly affected by the considerable delays in the information and answers provided to us by the company. During the audit, we have had to repeatedly remind the company of the requested and lacking information.

We find that it is important to note that, although the audit has taken a long time, we have made every effort to ensure that the audit is carried out efficiently, thoroughly and objectively. We have endeavoured to ensure a sufficiently comprehensive assessment of all areas assessed as significant and the provision of reliable results and findings.

Focus areas of the audit

On the basis of the above-mentioned decision of the RSAA as well as our professional judgement and risk assessment, we have determined the key focus areas for the audit. These focus areas are set out below.

1. Identification of the immediate circle
In order to clarify the business and legal transactions conducted by Danko Koncar with his probable immediate circle, we find it essential to determine Danko Koncar's probable immediate circle.
2. Ore sales and other essential transactions related to ore in the following special purpose entities:
 - 2.1 Afarak Trading Ltd (hereinafter "ATL")
 - 2.2 Türk Maadin Şirketi A.S ("TMS")
 - 2.3 Ilitha Mining (Pty) Ltd ("Ilitha")
 - 2.4 Chromex Mining Ltd ("Chromex")

On pages 4-5 of the decision of the RSAA, the Applicants for the special audit claim that:

“The first concrete suspicion of malfeasance relates to the operation of Afarak Group Plc’s subsidiary ATL in general and to its ore transactions in particular.

As described above, one of Koncar’s key actions for concentrating control to himself has been the establishment of ATL and the transfer of one of Afarak Group Plc’s key operations, i.e. ore sales, to ATL.

According to Applicants’ information, ATL and ore transactions are likely to be used as a means for transferring Afarak Group Plc’s assets to companies closely associated with Koncar.

The likely transfer of assets will first take place through the sale of ore by ATL to companies closely associated with Koncar. These companies are either controlled by Koncar or they have made a secret cooperation agreement with Koncar or Aida Djakov.

The selling price of the ore is probably lower than what could be obtained if the ore was sold on the free market. The Applicants are aware that ATL has turned down third parties’ purchase offers at a higher price than the price for which ATL sells ore to companies closely associated with Koncar.

The companies closely associated with Koncar apparently then resell the Afarak Group Plc’s ore that they have purchased at a low price through ATL. The closely associated companies thus gain the difference between the market price and the price of the purchase from ATL. In practice, this leads to Afarak Group Plc’s assets being gradually drained to companies closely associated with Koncar.

Ore has been traded at least with Hino Resources Co. Ltd, which is, according to the Financial Supervisory Authority, a company controlled by Koncar.”

In particular, the audit took into account the above-mentioned claims of the Applicants and aimed to determine whether these claims were substantiated.

On the basis of our risk assessment, it has been appropriate to focus the audit not only on ATL, but also on other / the aforementioned group companies.

3. Credit notes related to ore trade and payment transactions in ATL

On page 5 of the above-mentioned decision of the RSAA, the Applicants claim that:

“Secondly, Afarak Group Plc’s assets are probably also being transferred to companies closely associated with Koncar through ATL by other means. After ore transactions, companies closely associated with Koncar often file complaints with ATL, which are not justified according to the Applicants. Yet ATL does not contest the complaints, but instead pays the demanded amounts to companies closely associated with Koncar. Afarak Group Plc has thus at least in this respect neglected its obligation to report transactions with closely associated parties.”

On the basis of a sample-based audit of ATL’s sales credit invoices and related payment transactions was sought to determine in particular whether the company has unjustifiably compensated and/or paid for complaints, in particular to companies possibly closely associated with Danko Koncar.

4. **Balancing of ore production data reports with the inventory calculations**

4.1 Ilitha

4.2 Chromex

4.3 TMS

Based on our understanding and risk assessment, it is essential to determine the 'ore flows' of selected ore production sites (stock balances, production, sales and other possible essential events), in particular to identify reported sales volumes and to detect and investigate possible "deviant" ore transfers.

5. Accounting expenses and payment transactions in the following special purpose entities of the group:
 - 5.1 ATL
 - 5.2 TMS
 - 5.3 Ilitha
 - 5.4 Chromex

With reference to the aforementioned decision of the RSAA and in view of the objective of the audit, in order to identify suspected malfeasance (including possible complaints), based on our risk assessment we have considered it appropriate to review, in addition to e.g. sales transactions, selected expenses and payment transactions. This is done also because, based on our risk assessment and professional judgement, in order to identify business and legal transactions conducted by Danko Koncar with his probable/potential immediate circle, it is not appropriate to limit the audit to sales transactions only.

As a risk in terms of selected expense accounts and payments made by companies included in the income statements of the companies was in particular considered that an individual company had been charged, or the company had paid, considerable sums, for example, for consultancy, commissions, or as other administrative expenses, to the potential immediate circle, and had thus transferred assets out of the Group (especially to companies closely associated with Danko Koncar) without proper justification.

Conclusion on the conducted audit

With particular reference to the above-mentioned decision of the RSAA, and the key claims of the Applicants cited therein, the key conclusions on whether grounds for these claims have been established on the basis of the special audit, are set out below. More detailed audit findings and comments on these key conclusions are set out below in this audit report.

- **As a whole, we have not identified any concrete issues on account of which a special audit was ordered due to suspicions.**
- The revenue generated by ore sales is low, especially relative to the Group's revenue as a whole.
- Ore has not been sold to Hino Resources Co. Ltd
- Ore has not been sold to parties which are with certainty known or suspected to belong to Danko Koncar's immediate circle. However, the audit does not allow to establish with certainty which companies are definitely closely associated with Danko Koncar.
- The audit did not reveal any sales where ore would have been sold at a price lower than the world market price. In our view, it is not possible to conduct this review and draw conclusions completely unequivocally, due, inter alia, to the possible freight costs affecting the pricing of the ore and their impact on the selling price.
- The audit did not reveal payments for unfounded complaints by ATL to the suspected companies closely associated with Danko Koncar or to any other companies.
- During the 2017 financial period, ATL paid a total of approximately EUR 11 million through various offsetting procedures to the closely associated companies mentioned below. The Company has provided us with explanations regarding the basis and background of these payments, as described below in this audit report from page 32 onwards. Despite these clarifications, we felt that we did not have full clarity as to why such offsetting procedures had been implemented. However, we did not find any wrongdoings in these payments.
 - o To "Brodotrogir D.D.", a company belonging to the Kermas Group, approximately EUR 4.3 million
 - o To "Kermas Energija D.o.o" and "Kermas Istra D.o.o", companies belonging to the Kermas Group, a total of EUR 2 million

- To Afarak Holdings Ltd, approximately EUR 5.5 million

Key audit procedures and findings

1. Identification of the immediate circle

1.1

General

The Company has provided us with information on the related party transactions reported by the Company in the financial statements for financial periods 2015–2018. On the basis of the above information, the following were treated as closely associated companies:

- Kermas Limited
- Synergy Africa Ltd
- LL-Resources Ltd

In addition, the following were treated as potential closely associated companies in the audit:

- Hino Resources Co. Ltd (the Applicants of the special audit have suggested that the company belongs to the immediate circle and that, for example, according to the 2017 annual report of the Company, the said company owns 14.1% of Afarak Group Plc)

In addition, on the basis of the special audit (focus area 5 findings), we further assumed that the following companies belong to the immediate circle:

- Kermas Energija D.O.O.
- Kermas Istra D.O.O.
- Prodotrogir D.D.

In our view, the three companies mentioned above are part of the Kermas Ltd group which has been named in Afarak Plc's financial statements as a company closely associated with Danko Koncar. More on the transactions between the assumed associated companies and companies belonging to the Afarak Group is disclosed below in this audit report.

1.2

Audit procedures

We have asked the Company for a list of the immediate circle reported by Afarak Group Plc, particularly to be able to determine which companies are closely associated with Danko Koncar.

In addition, we searched public registers (Orbis database) for ownership information on separately selected companies (a total of 18) that came up in the special audit (focus areas 2–5 of the audit). Such companies included companies which came up either as clients in ore transactions or in transactions involving expenses and significant payments. The said review (= could a company closely associated with Danko Koncar be concerned) did not include companies belonging to

Findings:

We have not received the said list. Therefore, the audit has not allowed to unequivocally establish which companies are closely associated with Danko Koncar.

The audit did not identify any companies in which Danko Koncar would have at least 10% ownership according to the said register.

It should, however, be noted that the reviewed companies included several companies on whose owners there was no information in the said register. We could, therefore, not fully ascertain whether Danko Koncar or his immediate

the Afarak Group or companies with which the number of transactions was small, or of which was otherwise known that they could most likely not be in Danko Koncar's control (e.g. well-known international listed companies).

circle have, for example, at least 10% ownership of the companies in question.

In addition, we have inquired from the Company whether any of the companies on the above list (a total of 18 companies) are companies closely associated with Danko Koncar.

According to the information received from the Company, none of the companies on the above list is a company closely associated with Danko Koncar.

2. Ore sales and other essential transactions related to ore

General

The audit was based on the notion that the term 'ore' refers to chrome ore, a raw material obtained from a mine and which has not undergone any other processing operations than separation from the rest of the soil. Ore comes in different forms (chrome ore, lumpy ore), but these are all treated in the same way under the generic term 'ore'. Thus, when reviewing ore sales, products processed from ore are excluded from the scope of the review.

According to our understanding, as ore is exclusively considered to be a raw material obtained from a mine and which has not undergone any other processing operations than separation from the rest of the soil.

In addition, based on our risk assessment, in the audit has been considered that intra-group transactions do not involve significant risks from the point of view of the objective of the audit since intra-group transactions (between 100% group-owned companies) cannot involve transfer of assets out of Afarak Group. In transactions between affiliated companies and subsidiaries, there is a risk that some of the assets are transferred out of the Group to other owners of the affiliated companies (underpriced sale from a subsidiary to an affiliated company or overpriced purchase by a subsidiary from an affiliate), but in this respect the risk has been considered to be clearly lower than in transactions with parties completely outside the Group.

The audit was begun by first auditing financial period 2017, the more comprehensive information from which was utilized, where applicable, in auditing financial periods 1.1.-31.12.2015 and 1.1.-31.12.2016 as well as the period 1.1.-30.4.2018.

Audit procedures

The sample-based audit of ore sales included the following elements:

- How much ore was sold.
- Has ore been sold to parties suspected of possibly belonging to Danko Koncar's immediate circle.
- Have the selling prices of the ore corresponded to the world market prices. If the selling prices of ore have not corresponded to the world market prices of ore, what are the main reasons for the price deviations (for example delivery terms, etc.).

In order to carry out the audit, we requested and were given access to:

- a) Account-specific income statements and balance sheets.
- b) General accounting ledgers
- c) In-house reports on ore sales

- d) Quality certificates, that is, measurements of, inter alia, the products' Cr203, i.e. chromium contents, and H2O, i.e. water contents, carried out by an external assessor.
- e) Sales invoices
- f) Bank statements

2.1 ATL

2.1.1 How much ore was sold

The aim of the audit was to determine the amount of ore sold. Based on the determination of the amount of ore sold, the aim was in particular to estimate the proportion of ore sales in the volume of other sales.

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Audit procedures	Findings:
The amount of ore sold was determined on the basis of various sales and other reports provided by the company.	<p>Financial period 1.1.-31.12.2015: External ore sales amounted to approximately USD 2.3 million. By comparison, the Company's revenue totalled USD 178 million..</p> <p>Financial period 1.1.-31.12.2016: External ore sales amounted to approximately USD 74 thousand. By comparison, the Company's revenue totalled approximately USD 146 million.</p> <p>Financial period 1.1.-31.12.2017: External ore sales amounted to approximately USD 5.9 million. By comparison, the Company's revenue totalled USD 223 million..</p> <p>Period 1.1.-30.4.2018: External ore sales amounted to approximately USD 5.6 million. By comparison, the Company's revenue totalled USD 88 million.</p>
In order to verify the reported amount of ore sold (see the column "Findings" above), the audit reviewed sales invoices on a sample basis (as a whole per financial period/period: 100, of which 50 of the largest and 50 by random sampling) for other than ore sales to verify on a sample-basis that the products sold according to the sales invoices were the same as the ones entered in the accounts.	<p>As a whole, there was nothing to comment in this regard.</p> <p>The sample-based review of the sales invoices confirmed the previously formed notion that the proportion of ore sales of total sales is in our opinion very low (especially when set in proportion to the company's revenue as a whole).</p>

2.1.2 Has ore been sold to parties suspected of possibly belonging to Danko Koncar's immediate circle

General

The Applicants for the special audit state that "Ore transactions have been made at least with Hino Resources Co. Ltd, which is, according to the Financial Supervisory Authority, a company controlled by Koncar."

According to the Company, none of the ore transactions have involved a company closely associated with Danko Koncar.

According to the Company, no ore sales have taken place with Hino Resources Co. Ltd. Neither does the Company have any information to the effect that Hino Resources Co. Ltd is a company controlled by Danko Koncar.

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Audit procedures

On the basis of the Company's general accounting ledger and other sales and accounting reporting obtained, we have analysed the most significant clients regarding ore sales.

Findings:

Ore sales were divided by financial period / period (excluding 2016) regarding the most significant clients, by client (anonymised), as follows:

Financial period 1.1.-31.12.2015:

Client A: USD 1.9m

Financial period 1.1.-31.12.2017:

Client A: \$3.7m

Client B: \$1.5m

Client C: \$0.4m

Client D: \$0.3m

Period 1.1.-30.4.2018:

Client A: \$3.3m

Client B: \$2.1m

According to the Company, none of these clients (clients "A" to "D") is a company closely associated with Danko Koncar.

According to our understanding or the information confirmed by the Company (referring to the aforementioned listing of 18 companies), the companies referred to above did not include companies closely associated with Danko Koncar.

The audit reviewed sales invoices on a sample basis (as a whole per financial period/period: 100, of which 50 of the largest and 50 by random sampling) for other than ore sales.

The reviewed sales invoices did not reveal Hino Resources Co. Ltd or any companies closely associated with Danko Koncar's immediate circle.

The clients in the reviewed invoices are the same as the clients according to the accounts.

The companies that have made the payments are the same as those that are clients in the accounts and in sales invoices.

In conclusion, there is no indication in the audit that ore or any other of the Company's products were sold to Hino Resources Co. Ltd or any companies closely associated with Danko Koncar.

2.1.3 Have the selling prices of the ore corresponded to the world market prices

General:

According to the Company

- ATL has sold South African ore with the US dollar as the trading currency and the clients buying ore on CIF terms, that is, with cost, insurance and freight included in the selling price.
- In ore sales, the final selling price is always based on the analytical findings of the chromite and moisture contents of the product at the port of destination. The invoices prepared for shipment are always conditional and based on findings made at the production plant regarding the product. It is standard practice that the final selling price is adjusted through credit/debit notes.

According to our understanding, the selling price is in principle based on the world market price at the time of conclusion of the contract. Of the bases for the selling price could be mentioned the DMT amount (i.e. the amount from which H₂O (water) has been excluded), and a specific Cr₂O₃ / chromium oxide content, which is the so-called "basis". The sales contract specifies a certain chromium oxide content, under which the buyer has the right to reject the consignment.

Since the actual transactions will not take place until some time after the date of the contract (the difference in the audited cases was approximately 1 to 4 months), it is highly likely that the world market prices on the date of sale may differ considerably from the price at which the transaction actually takes place on the day in question. If the finally determined chromium oxide content differs from the "basis" chromium oxide content in the contract, the final selling price is determined so that a chromium oxide content above the "basis" content increases the price and a lower content decreases the price.

In conducting the audit, we have established default prices (to which the actual prices are compared) as follows:

- Contracts concluded under CIF terms use directly the world market price of the product in question.
- Contracts concluded under FOB terms deduct from the CIF world market price freight costs, which are estimated at approximately USD 60-80.

Financial period 1.1.-31.12.2015

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of an individual ore grade (South African chromite concentrate, 40%-42% content) remained stable for a long time in 2015, at approximately 160 \$/tonne, and decreased since September fairly steadily, ending at approximately 110\$/tonne at year end.

A graph based on the above-mentioned public source www.ferroalloy.net depicting the development of

the world market prices of ore during 2015 is shown at the end of this table.

Regarding sales transactions audited on a sample basis:

- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors, and also with the sales invoices.
- We compared the world market prices with the price at the time of conclusion of the contract.

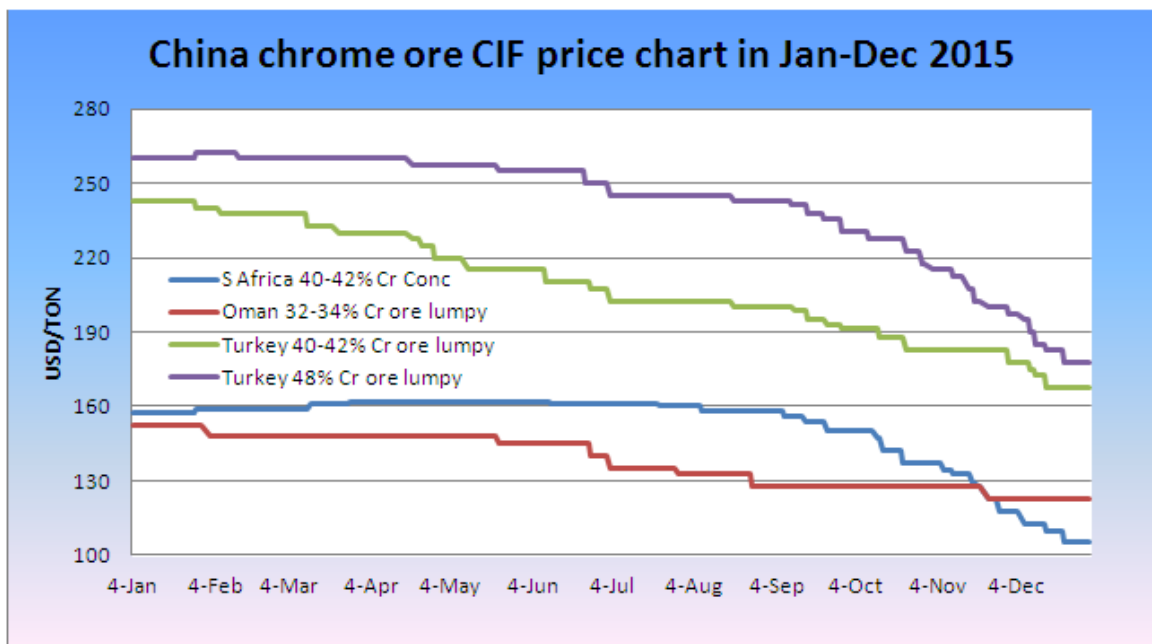
Sales during this financial period were made with the US dollar as the trading currency and on CIF terms.

The sales volumes, chromite and moisture contents and dollar sales tallied with the quality certificates issued by external quality assessors, and also with the sales invoices.

As regards the comparison between the world market prices and the prices at the time of conclusion of the contract, we note the following key findings:

- Compared against the above-mentioned reference points (in particular the delivery terms), the unit selling prices examined are in line with the world market prices.
- The CR203 contents of the ore concentrate sold were significantly higher, approximately 45-50. According to our understanding, there is no quoted world market price for CR203 content 50, and thus it was not possible to verify the accuracy of such selling prices. The total value of the conditional sales invoices of these sales was approximately EUR 1 million.

Source: www.ferroalloy.net



Financial period 1.1.-31.12.2016

Findings:

In relation to the scope of the audit, ore sales during the financial period were small-scale (ore sales totalling approximately 74 thousand dollars), and we did not, therefore, consider the correctness of the selling prices to be

significant for the purposes of the audit. Thus, the selling prices of ore during the financial period were not audited in greater detail.

Financial period 1.1.-31.12.2017

Audit procedures

We investigated the world market prices of ore by using a public source (www.ferroalloy.net).

Regarding the sales transactions audited:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors, and also with the sales invoices.
- We ensured that the payments according to the sales invoices had been paid to the company's bank account.

Findings:

To give an example, the world market price of an individual ore grade (chromite concentrate, 40%-42% content) was high (approximately 350-400 \$/tonne) in January to March 2017, but during April to May, the price began to fall significantly (for example, in May to approximately 130 \$-140 \$/tonne), after which (since June), the price has varied between approximately 160 \$-250 \$/tonne.

A graph based on the above-mentioned public source www.ferroalloy.net depicting the development of the world market prices of ore during 2017 is shown at the end of this table.

Sales during this financial period were made with the US dollar as the trading currency and on CIF terms, on FOB terms with the US dollar as the trading currency as well as on FOB terms with ZAR as the trading currency.

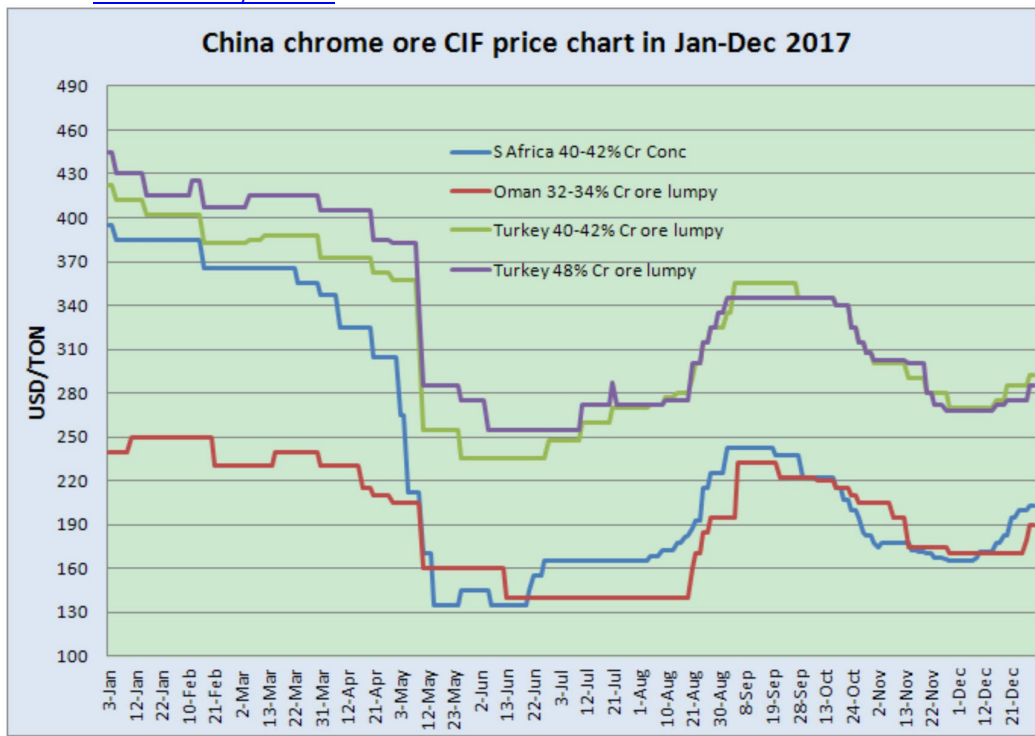
The unit selling prices examined against the above-mentioned reference points (in particular the delivery terms) are in line with the world market prices.

The sales volumes, chromite and moisture contents and dollar sales tallied with the quality certificates issued by external quality assessors, and also with the sales invoices.

The total amounts according to the audited sales invoices have been paid to the company's bank account.

In conclusion, there are no significant differences in this respect, i.e.: selling prices can be derived (with the assumptions stated above) from sales contracts that are in line with the world market price (taking into account the freight costs in the market price according to CIF) and the quality certificates for the actual chromium contents.

Source: www.ferroalloy.net



Period 1.1.-30.4.2018

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of an individual ore grade (chromite concentrate, 40%-42% content) remained reasonably constant in January to April 2018, at approximately 200-250\$/tonne.

A graph based on the above-mentioned public source www.ferroalloy.net depicting the development of the world market prices of ore during 2018 is shown at the end of this table.

Regarding the sales transactions audited:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors, and also with the sales invoices.

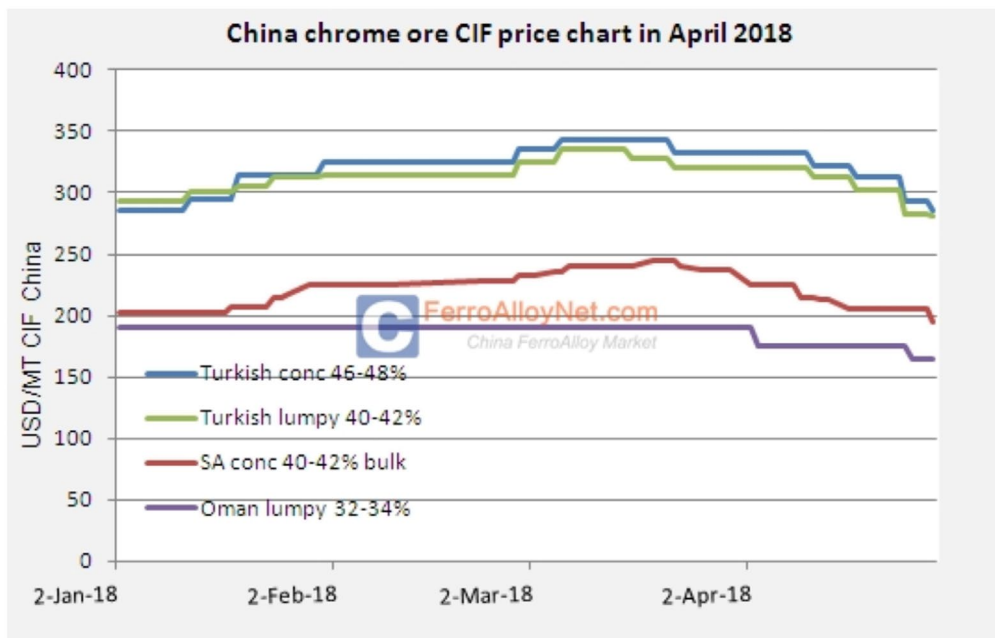
The sales volumes, chromite and moisture contents and dollar sales tallied with the quality certificates issued by external quality assessors, and also with the sales invoices.

As regards the comparison between the world market prices and the prices at the time of conclusion of the contract, we note the following key findings:

- In US dollars, USD 3 590 thousand's worth of ore was sold on CIF delivery terms, the selling prices of which under the contract correspond to world market prices.

- In conclusion, there are no significant differences in this respect, i.e.: selling prices can be derived (with the assumptions stated above) from sales contracts that are in line with the world market price (taking into account the freight costs in the market price according to CIF) and the quality certificates for the actual chromium contents.

Source: www.ferroalloy.net



2.2 TMS

2.2.1 How much ore was sold

Financial period 1.1.-31.12.2015

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Findings:

The company's revenue amounted to 24.4 million Turkish lira (approximately 8-9 million euros at the 2015 average rate 3).

Of the revenue, the share of external revenue was approximately 4.4 million Turkish lira (approximately 1.5-2 million euros at the 2015 average rate 3). In practice, the sales consist of sales to one client.

Financial period 1.1.-31.12.2016

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Findings:

The company's revenue amounted to 29.8 million Turkish lira (approximately 8-9 million euros at the 2016 average rate 4).

Of the revenue, the share of external revenue was approximately 8.5 million Turkish lira (approximately 2-3 million euros at the 2016 average rate 4). The sales consist of two clients, one of which is significantly more important.

Financial period 1.1.-31.12.2017

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Findings:

The company's revenue amounted to 50.4 million Turkish lira (approximately 12-13 million euros at the 2017 average rate 4).

Of the revenue, the share of external revenue was approximately 9 million Turkish lira (approximately 2-3 million euros at the 2017 average rate 4). The sales consist of one client.

Period 1.1.-30.4.2018

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Findings:

The company's revenue amounted to 16 million Turkish lira (approximately 3-4 million euros at average rate 5 at the beginning of 2018).

Of the revenue, the share of external revenue was approximately 4.1 million Turkish lira, which is approximately 0.9 million euros (at the average rate 5 at the beginning of 2018). The sales consist in practice of one client.

2.2.2 Has ore been sold to parties suspected of possibly belonging to Danko Koncar's immediate circle

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Audit procedures

On the basis of the company's general accounting ledger and other sales and accounting reporting obtained, we have analysed the most significant clients regarding ore sales.

Findings:

In practice, the company's external sales consist of sales to one Turkish client/company.

According to the company, the client in question is not a company closely associated with Danko Koncar.

2.2.3 Have the selling prices of the ore corresponded to the world market prices

General:

In practice, the company's external sales have consisted exclusively of local sales (no sales outside Turkey).

According to the account given by the company:

- the prices are based on delivery to either the Gemlik or Izmir "storage terminal"
- "delivered at port stockyard", that is, the selling price includes "tracking costs" from the mine to the worksite at the port warehouse as well as supervision costs for chromite and moisture content assays
- to local sales (deliveries within Turkey) cannot be applied, for example, such delivery terms as FOB or CIF terms
- local selling prices are not (directly) comparable to the market prices (for example, the FOB or CIF terms)
- the loading, freight and insurance costs per delivery are approximately 56 \$/mt – 60 \$/mt.

Financial period 1.1.-31.12.2015

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of Turkish lumpy ore (40%-42% content) has decreased quite strongly and steadily during 2015, from approximately 240 at the beginning of the year to approximately 170 at the end of the year. The said website did not have corresponding data on chromite concentrate, but based on daily data, for example, on the last day of 2015, the price (46%-48%) was approximately 180, and at the beginning of 2015 approximately 260.

A graph based on the above-mentioned public source (www.ferroalloy.net) depicting the development of the world market prices of ore during 2015 is shown above on page 9 of this audit report.

Regarding sales transactions audited on a sample basis:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors.

In the audited sales transactions, comparing the price at the (time of) concluding the contract with the world market price at the corresponding time did not reveal any significant differences, i.e.: the selling prices can be derived (with the assumptions stated above) from sales contracts that are in line with the world market price, taking into account the delivery terms and the quality certificates for the actual chromium contents.

In comparing the sales volumes and sales dollars (/liras) with the quality certificates issued by external quality assessors, we found no discrepancies.

Financial period 1.1.-31.12.2016

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of Turkish lumpy ore (40%-42% content) has increased quite strongly during 2016, from the level at the beginning of the year (approximately 10\$/tonne), increasing to a level higher than 200 \$/tonne during the summer, and increasing strongly during October to November, reaching a level of approximately 400 \$/tonne at the end of the year. A graph based on the above-mentioned public source www.ferroalloy.net depicting the development of the world market prices of ore during 2016 is shown at the end of this table.

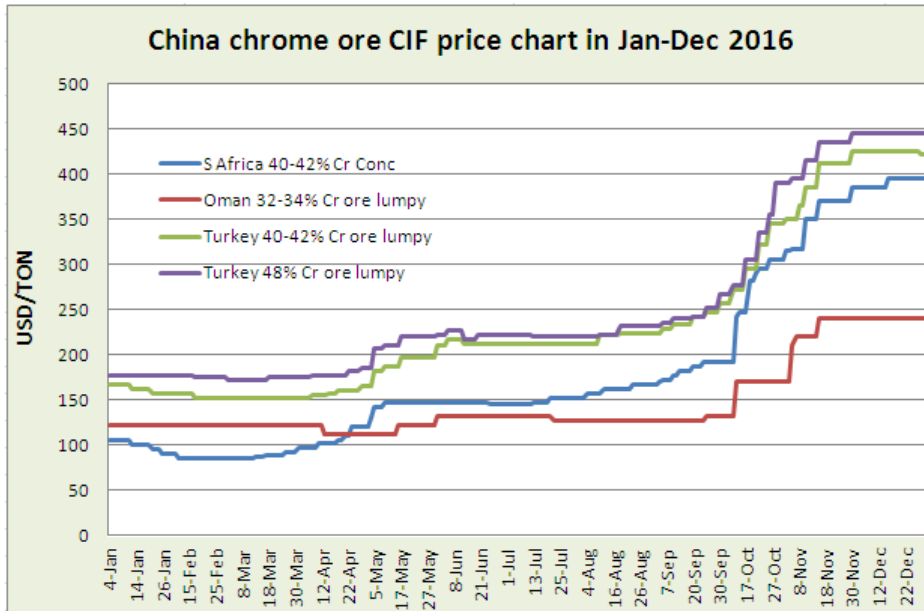
Regarding sales transactions audited on a sample basis:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors.

In the audited sales transactions, comparing the price at the (time of) concluding the contract with the world market price at the corresponding time did not reveal any significant differences, i.e.: the selling prices can be derived (with the assumptions stated above) from sales contracts that are in line with the world market price, taking into account the delivery terms and the quality certificates for the actual chromium contents.

In comparing the sales volumes and sales dollars (/liras) with the quality certificates issued by external quality assessors, we found no discrepancies.

Source: www.ferroalloy.net



Financial period 1.1.-31.12.2017

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of Turkish lumpy ore (40%-42% content) fluctuated quite strongly in 2017, from a level of approximately 420 at the beginning of the year to a mid-year level of approximately 230, reaching an end-year level of approximately 290. The said website did not have corresponding data on ore concentrate, but based on daily data, for example, on the last day of 2017, the price (46%-48%) was approximately 290, in June 2017 approximately 250 and at the beginning of 2017 approximately 410.

A graph based on the above-mentioned public source (www.ferroalloy.net) depicting the development of the world market prices of ore during 2017 is shown above on page 11 of this audit report.

Regarding sales transactions audited on a sample basis:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors.

In the audited sales transactions, comparing the price at the (time of) concluding the contract with the world market price at the corresponding time did not reveal any significant differences, i.e.: the selling prices can be derived (with the assumptions stated above) from sales contracts that are in line with the world market price, taking into account the delivery terms and the quality certificates for the actual chromium contents.

In comparing the sales volumes and sales dollars (/liras) with the quality certificates issued by external quality assessors, we found no discrepancies.

Period 1.1.-30.4.2018

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

Between January and April, the world market price of Turkish lumpy ore did not fluctuate significantly - from a level of approximately 290 at the beginning of the year to a level of approximately 280 at the end of April.

A graph based on the above-mentioned public source (www.ferroalloy.net) depicting the development of the world market prices of ore during 2018 is shown above on page 12 of this audit report.

Regarding sales transactions audited on a sample basis:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors.

In the audited sales transactions, comparing the price at the (time of) concluding the contract with the world market price at the corresponding time did not reveal any significant differences, i.e.: the selling prices can be derived (with the assumptions stated above) from sales contracts that are in line with the world market price, taking into account the delivery terms and the quality certificates for the actual chromium contents.

In comparing the sales volumes and sales dollars (/liras) with the quality certificates issued by external quality assessors, we found no discrepancies.

2.3 Ilitha

General

According to Afarak Group's financial statements for 2017, its ownership of Ilitha Mining (Pty) Ltd (hereinafter referred to as "Ilitha") was 41.05%. Based on the response submitted by Afarak's Board of Directors, clearly most of Afarak Group's ore sales take place through South African companies, of which we believe Ilitha to be the largest. Ilitha has a mine where ore is mined. For this reason, the audit was based on the assumption that all Ilitha's revenue consists of ore sales. The ore is sold both within the Group to ATL and Afarak Mogale (Pty) Ltd and to parties outside the Group. From the point of view of Ilitha's audit, the audit determined that the biggest risk for Afarak Group would be if the affiliated company Ilitha had sold underpriced ore to parties outside the Group.

According to our understanding, the sales have mainly been carried out under the FOT, FOB and FCA terms of sale, where the buyer pays the sea freight. On the other hand, the world market prices are determined under the CIF terms, where the seller pays the freight. Therefore, in sales carried out under the FOT and FCA terms, Ilitha has added freight costs to the CIF price. There were a few calculations in the materials provided to us that show how the price charged to the customer was formed. In these cases could be established that the price to which freight and other costs were added was the world market price (China Base Price). On the other hand, it was not possible to determine unequivocally in the audit the accuracy with which the assumed freight and other costs added to the world market price correspond to the actual corresponding costs.

2.3.1 How much ore was sold

The aim of the audit was to determine the amount of ore sold. Especially in the case of Ilitha, the aim in determining the amount of ore sold was, in particular, to estimate the proportion of ore sales in the volume of other sales.

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Findings:

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Financial period 1.1.-31.12.2015:

The company's revenue amounted to 106 million rands (approximately 8 million euros at the 2015 average rate 14). Of this, the share of ore sales to parties outside the Afarak Group was approximately 53 million rand (approximately 4 million euros).

Financial period 1.1.-31.12.2016:

The company's revenue amounted to 158 million rands (about 10 million euros at the 2016 average rate 16). Of this, the share of ore sales to parties outside the Afarak Group was approximately 92 million rands (approximately 6 million euros). Ore was sold to a total of six different clients. Of these, the two largest clients accounted for 88 million rands (approximately 5 million euros) of the sales.

Financial period 1.1.-31.12.2017:

The company's revenue amounted to 335 million rands (approximately 22 million euros at the 2017 average rate 15), of which 206 million rands (approximately 14 million

euros) to parties outside Afarak Group. Ore was sold to a total of seven different clients.

Period 1.1.-30.4.2018:

The company's revenue amounted to 112 million rands (approximately 7 million euros at the 2018 average rate 16 at the beginning of the year), of which 37 million rands (approximately 2 million euros) to parties outside Afarak Group. Ore was sold to a total of four different clients.

2.3.2 Has ore been sold to parties suspected of possibly belonging to Danko Koncar's immediate circle

General

The Applicants claim that "Ore transactions have been made at least with Hino Resources Co. Ltd, which, according to the Financial Supervisory Authority, is a company controlled by Koncar."

Financial period 1.1.-31.12.2015

Audit procedures

On the basis of the company's general accounting ledger and other sales and accounting reporting obtained, we have analysed the most significant clients regarding ore sales.

Findings:

In the 2015 financial period, ore sales were divided between the most significant clients, by client (anonymised), as follows:

Client A: \$2.1m

Client B: \$0.8m

Client C: \$0.3m

Client D: \$0.2m

The data obtained and the analyses based on them did not include in the sales the previously mentioned Hino Resources Co. Ltd or any such companies that, according to our understanding or the information confirmed by the Company (referring to the list of 18 companies mentioned earlier), would be companies closely associated with Danko Koncar.

Financial periods 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Audit procedures

On the basis of the company's general accounting ledger and other sales and accounting reporting obtained, we have analysed the most significant clients regarding ore sales.

Findings:

Ore sales were divided by financial period / period regarding the most significant clients, by client (anonymised), as follows:

Financial period 1.1.-31.12.2016:

Client A: \$4.4m
Client B: \$0.7m
Client C: \$0.2m
Client D: \$0.1m

Financial period 1.1.-31.12.2017:

Client A: \$5.0m
Client B: \$4.6m
Client C: \$1.5m
Client D: \$0.7m
Client E: \$0.6m
Client F: \$0.5m

Period 1.-4.2018:

Client A: \$1.6m
Client B: \$0.9m
Client C: \$0.5m
Client D: \$0.1m

The data obtained and the analyses based on them did not include in the sales the previously mentioned Hino Resources Co. Ltd or any such companies that, according to our understanding or information confirmed about the Company (referring to the list of 18 companies mentioned earlier) would be companies closely associated with Danko Koncar.

For selected major clients, we have in addition reviewed on a sample basis 100 sales invoices (per financial period/period) for other than ore sales and verified the payments received on these invoices. On the basis of this can be concluded that the clients on the sales invoices are the same as the clients according to the accounts.

The sales reviewed do not include among the clients in the accounts Hino Resources Co. Ltd or any such companies that, according to our understanding or information confirmed about the Company (referring to the list of 18 companies mentioned earlier) would be companies closely associated with Danko Koncar.

The clients in the reviewed invoices are the same as the clients according to the accounts. The companies that have made the payments are the same as those that are clients in the accounts and in the sales invoices. Thus, nothing in the reviewed materials suggests that ore or any other products sold by the company would have been sold to Hino Resources Co. Ltd.

2.3.3 Have the selling prices of the ore corresponded to the world market prices

General

According to our understanding, the selling price is based on the world market price at the time of conclusion of the contract. Since the actual transactions will not take place until some time after the date of the contract (the difference in the audited cases was approximately 1 to 4 months), it is obvious/likely/possible that the world market prices on the date of sale may differ considerably from the price at which the transaction actually takes place on the day in question.

Financial period 1.1.-31.12.2015

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of the ore grade "chromite concentrate, 40%-42% content" was approximately 160 \$/tonne in January to September in 2015, but began to decrease significantly in October (at the end of December, the price was approximately 100 \$/tonne).

A graph based on the above-mentioned public source (www.ferroalloy.net) depicting the development of the world market prices of ore during 2015 is shown above on page 9 of this audit report.

Regarding the sales transactions:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors.

We were given access to the sales contracts for all ore sales during the financial period, as well as quality certificates which verify the sales (quality and quantity) by an external party.

The sales were made on other than CIF terms and, therefore, we do not consider it possible to compare the selling prices directly with world market prices. Compared to the world market prices, the difference is approximately 100-110 \$/tonne. According to our understanding, at least a part of the difference is due to freight costs.

The sales volumes and chromite and moisture contents tallied with the quality certificates issued by external quality assessors.

Financial period 1.1.-31.12.2016

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of the ore grade "chromite concentrate, 40%-42% content" was low in January to September in 2016 (approximately 100-200 \$/tonne), but began to rise significantly in October (at the end of December, the price was already approximately 400 \$/tonne).

A graph based on the above-mentioned public source (www.ferroalloy.net) depicting the development of the world market prices of ore during 2016 is shown above on page 16 of this audit report.

Regarding the sales transactions:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors, and also with the sales invoices.

We were given access to the sales invoices and sales contracts for all ore sales during the financial period, as well as quality certificates which verify the sales (quality and quantity) by an external party. The sales were made on other than CIF terms and, therefore, we do not consider it possible to compare the selling prices directly with world market prices.

Compared to the world market prices, the difference is approximately 60-125 \$/tonne. According to our understanding, at least a part of the difference is due to freight costs.

The sales volumes, chromite and moisture contents and dollar sales tallied with the quality certificates issued by external quality assessors, and also with the sales invoices.

Financial period 1.1.-31.12.2017

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of the ore grade "chromite concentrate, 40%-42% content" was high (approximately 350-400 \$/tonne) in January to March 2017, but began to decrease significantly during April to May, (for example, in May approximately 130 \$-140 \$/tonne), after which (since June), the price has varied between approximately 160 \$-250 \$/tonne.

A graph based on the above-mentioned public source (www.ferroalloy.net) depicting the development of the world market prices of ore during 2017 is shown above on page 11 of this audit report.

Regarding the sales transactions:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors, and also with the sales invoices.

In connection with one client, we noted one sale where the Cr₂O₃ content of the material was 39.56%, in other words below the limit (40%) under which the buyer is under the contract entitled to reject the consignment. According to the account we received, the prices were renegotiated with the client because market prices fell strongly as the time of delivery of the consignment approached. Compared to the original amount, the client bought significantly more, and the price was 1,025 ZAR per DMT although the world market price on the date of the original contract (dated 1.5.2017) was approximately ZAR 4,000 (USD 300). Compared to the world market prices, the difference is approximately 60-125 \$/tonne. According to our understanding, at least a part of the difference is due to freight costs.

The sales volumes, chromite and moisture contents and dollar sales tallied with the quality certificates issued by external quality assessors, and also with the sales invoices.

Period 1.1.-30.4.2018

Audit procedures

We found out the world market prices of ore by using a public source (www.ferroalloy.net).

Findings:

To give an example, the world market price of the ore grade "chromite concentrate, 40%-42% content" remained reasonably constant in January to April 2018, at approximately 200-250\$/tonne.

A graph based on the above-mentioned public source (www.ferroalloy.net) depicting the development of the world market prices of ore during 2018 is shown above on page 12 of this audit report.

Regarding sales transactions audited on a sample basis:

- We compared the world market prices with the price at the time of conclusion of the contract.
- We compared, among others, sales volumes, chromite and moisture contents and dollar sales with quality certificates issued by external quality assessors, and also with the sales invoices.

We were given access to the sales invoices and sales contracts for all ore sales outside the Group during the financial period, as well as quality certificates which verify the sales (quality and quantity) by an external party. The reviewed unit prices of sales are essentially in line with world market prices.

The sales volumes, chromite and moisture contents etc., and dollar sales tallied with the quality certificates issued by external quality assessors, and also with the sales invoices.

2.4 Chromex

2.4.1 How much ore was sold

Financial period 1.1.-31.12.2015

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Findings:

The company's revenue amounted to 131 million rands (approximately 9 million euros at the 2015 average rate 15).

Of the revenue, the share of external revenue was approximately 4 million rands (approximately 0.3 million euros at the 2015 average rate 15). The sales consist in practice of one client.

According to our understanding, the company referred to above is a large international company, and also for this reason we find it unlikely that the company in question would belong to Danko Koncar's immediate circle.

Financial period 1.1.-31.12.2016

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Findings:

The company's revenue amounted to 16 million rands (approximately 1 million euros at the 2016 average rate 16).

The revenue consists exclusively of intra-group sales.

Financial period 1.1.-31.12.2017

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Findings:

The company's revenue amounted to 160 million rands (approximately 9-10 million euros at the 2017 average rate 17).

The revenue consists exclusively of intra-group sales.

Period 1.1.-30.4.2018

Audit procedures

The amount of ore sold was determined on the basis of various sales and other reports provided by the company.

Findings:

The company's revenue amounted to 43 million rands (approximately 3 million euros at the 2018 average rate 14).

In practice, the revenue consists exclusively of intra-group sales (external sales amounted to only approximately 100 thousand rands).

2.4.2 Has ore been sold to parties suspected of possibly belonging to Danko Koncar's immediate circle

Financial period 1.1.-31.12.2015

Audit procedures

On the basis of the company's general accounting ledger and other sales and accounting reporting obtained, we have analysed the most significant clients regarding ore sales.

Findings:

In practice, the company's external sales consist of sales to one client.

According to our understanding, the company referred to above is unlikely to belong to Danko Koncar's immediate circle. This is a client, which also according to the Company (Afarak), is also not a company closely associated with Danko Koncar.

The data obtained and the analyses based on them did not reveal in the sales the previously mentioned Hino Resources Co. Ltd or any such companies that, according to our understanding or information confirmed about the Company (referring to the list of 18 companies mentioned earlier) would be companies closely associated with Danko Koncar.

Financial periods 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Findings:

Since the revenue did not include external sales/the amount of external sales was low, we did not consider it appropriate to investigate the clients of intra-group sales.

2.4.3 Have the selling prices of the ore corresponded to the world market prices

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Findings

Since the revenue did not include external sales/the amount of external sales was low, we did not consider it appropriate to investigate the pricing of the sales in question.

3. Credit notes related to ore transactions and payment transactions at ATL

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Audit procedures

To detect, for example, any complaints etc. paid or otherwise credited to clients, we reviewed extensively, on a sample basis, sales credits in the general ledger (approximately/primarily the 50 largest credit

Findings:

We received the credit notes we requested, and there were no credits among these that did not have a proper basis.

notes/entries per financial period), picking out negative sales transactions and credit notes and asking the company about the bases for them.

As a part of the review of the bank statement material (see more under Focus area 5), we investigated possible payments to clients known to the company (especially those to which ore had been sold and, if necessary, we investigated the bases for these payments).

On the basis of the review of the bank statements, we found the payments made and the comments received to be appropriate.

We also examined the accounting material for possible credits/credit entries made to the suspected/possible companies closely associated with Danko Koncar.

The material obtained and the analyses based on them did not include in the credit notes/credits the previously mentioned Hino Resources Co. Ltd or any such companies that, according to our understanding or information confirmed by the Company (referring to the list of 18 companies mentioned earlier) would be companies closely associated with Danko Koncar.

4. Balancing of ore production data reports with inventory accounting

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

General (on the audit procedures)

Regarding reported ore production, we compared the ore production reported in Afarak Group Plc's financial statements for 2015-2017 to separate information on ore production acquired in the audit.

We prepared a "bridging calculation" related to ore flows, in which especially the reported initial stock balance, production, sales, and other possible transfers and/or entries were determined. We compared the calculated closing balance of the inventory based on the "bridging calculation" to the reported balance. In addition, we compared the reported sales volumes to separate sales reports and paid particular attention to any "correction entries" (e.g. "loss"/"waste") and, if necessary, inquired the company about the bases of such entries.

4.1 Ilitha

Financial period 1.1.-31.12.2015

Findings

According to Afarak Group Plc's financial statements for 2015, the mining volume was 461 781 tonnes (462 thousand tonnes). This production volume could be derived from separate production data obtained for the purpose of the audit. Ilitha accounted for approximately 180 thousand tonnes of the annual production.

The company's ore production amounted to approximately 180 thousand tonnes. Ore sales amounted to approximately 200 thousand tonnes.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The "correction entries" included in the reported information amounted to approximately 6 thousand tonnes, the cost effect of which in the income statement was, according to our understanding, approximately 1 million rands (i.e. approximately EUR 50-70 thousand at the indicative average rate for 2015). Due to the small cost impact, it was not considered appropriate to investigate the grounds for these entries in more detail.

Financial period 1.1.-31.12.2016

Findings:

According to Afarak Group Plc's financial statements for 2016, the mining volume was 262 266 tonnes (262 thousand tonnes). This production volume could be derived from separate production data obtained for the purpose of the audit. Ilitha accounted for approximately 200 thousand tonnes of the annual production.

The company's ore production amounted to approximately 200 thousand tonnes. Ore sales amounted to approximately 200 thousand tonnes.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The "correction entries" included in the reported information amounted to approximately 5 thousand tonnes, the cost effect of which in the income statement was, according to our understanding, approximately 1 million rands (i.e. approximately EUR 40-60 thousand at the indicative average rate for 2016). Due to the small cost impact, it was not considered appropriate to investigate the grounds for these entries in more detail.

Financial period 1.1.-31.12.2017

Findings:

According to Afarak Group Plc's financial statements for 2017, the mining volume was 503 914 tonnes (504 thousand tonnes). This production volume could be derived from separate production data obtained for the purpose of the audit. Ilitha accounted for approximately 310 thousand tonnes of the annual production.

The company's ore production amounted to approximately 310 thousand tonnes. Ore sales amounted to approximately 320 thousand tonnes.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The "correction entries" included in the reported information amounted to approximately 25 thousand tonnes, the cost effect of which in the income statement was, according to our understanding, approximately 1 million rands (i.e. approximately EUR 240-260 thousand at the indicative average rate for 2017).

Period 1.1.-30.4.2018

Findings:

The company's ore production amounted to approximately 100 thousand tonnes. Ore sales amounted to approximately 115 thousand tonnes.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The reported information did not include relevant “correction entries” etc.

4.2 Chromex

Financial period 1.1.-31.12.2015

Findings:

According to Afarak Group Plc's financial statements for 2015, the mining volume was 461 781 tonnes (462 thousand tonnes). This production volume could be derived from separate production data obtained for the purpose of the audit. Chromex accounted for approximately 185 thousand tonnes of the annual production.

The company's ore production amounted to 185 thousand tonnes which consisted entirely of lumpy ore (“LG6, Chrome”). Ore sales amounted to 187 thousand tonnes, which consisted almost exclusively of intra-group sales.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The reported information did not include any “correction entries” etc.

Financial period 1.1.-31.12.2016

Findings:

According to Afarak Group Plc's financial statements for 2016, the mining volume was 262 thousand tonnes (262,266 tonnes). This production volume could be derived from separate production data. Chromex accounted for approximately 69 tonnes of the annual production.

The company's ore production amounted to 69 tonnes. Ore sales amounted to 14 thousand tonnes, which consisted exclusively of intra-group sales.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The “correction entries” included in the reported information amounted to approximately 1 tonne, the cost effect of which in the income statement was, according to our understanding, approximately 0.5 million rands (i.e. approximately EUR 20-40 thousand at the indicative average rate 17 for 2016). Due to the small cost impact, it was not considered appropriate to investigate the grounds for these entries in more detail.

Financial period 1.1.-31.12.2017

Findings:

According to Afarak Group Plc's financial statements for 2017, the mining volume was 503 914 tonnes (504 thousand tonnes). This production volume could be derived from separate production data. Chromex accounted for approximately 138 thousand tonnes of the annual production.

The company's ore production amounted to 138 thousand tonnes. Ore sales amounted to 117 thousand tonnes, which consisted exclusively of intra-group sales.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The “correction entries” included in the reported information amounted to approximately 15 thousand tonnes, the cost effect of which in the income statement was, according to our

understanding, approximately 17 million rands (i.e. approximately EUR 1 million at the average rate 17 for 2017). We enquired about the nature and basis of these entries from the company. According to the account received, the entries in question relate mainly to write-downs related to current assets.

In addition, we investigated, in particular, the approval process of those entries: based on the information provided by the company, the entries are based on the approval of the members of the executive management team received by email.

Period 1.1.-30.4.2018

Findings:

The company's ore production amounted to 64 thousand tonnes. Ore sales amounted to 51 tonnes, which consisted in practice exclusively of intra-group sales.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The "correction entries" included in the reported information amounted to approximately 2 thousand tonnes, which, according to our understanding, was not relevant to the extent that we would have considered it appropriate to investigate it more thoroughly.

4.3 TMS

Financial period 1.1.-31.12.2015

Findings:

According to Afarak Group Plc's financial statements for 2015, the mining volume was 461 781 tonnes (462 thousand tonnes). This production volume could be derived from separate production data obtained for the purpose of the audit. TMS accounted for approximately 49 thousand tonnes of the annual production.

The company's ore production amounted to 49 thousand tonnes. Ore sales amounted to 47 thousand tonnes, of which approximately 20% consisted of sales outside the Group.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The "correction entries" included in the reported information amounted to approximately 0.3 thousand tonnes (300 tonnes), which, according to our understanding, was due to ("moisture loss") loss/waste caused by moisture.

Financial period 1.1.-31.12.2016

Findings:

According to Afarak Group Plc's financial statements for 2016, the mining volume was 262 thousand tonnes (262,266 tonnes). This production volume could be derived from separate production data. TMS accounted for approximately 60 thousand tonnes of the annual production.

The company's ore production amounted to 60 thousand tonnes. Ore sales amounted to 54 thousand tonnes, of which approximately 25% consisted of sales outside the Group.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The "correction entries" included in the reported information amounted to

approximately 0.6 thousand tonnes (approximately 600 tonnes), which, according to our understanding, was due to (“moisture loss”) loss/waste caused by moisture.

Financial period 1.1.-31.12.2017

Findings:

According to Afarak Group Plc's financial statements for 2017, the mining volume was 503 914 tonnes (504 thousand tonnes). This production volume could be derived from separate production data. TMS accounted for approximately 53 thousand tonnes of the annual production.

The company's ore production amounted to 53 thousand tonnes. Ore sales amounted to 60 thousand tonnes, of which approximately 20% consisted of sales outside the Group.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The “correction entries” included in the reported information amounted to approximately 0.5 thousand tonnes (500 tonnes), which, according to our understanding, was due to (“moisture loss”) loss/waste caused by moisture.

Period 1.1.-30.4.2018

Findings:

The company's ore production amounted to 20 thousand tonnes. Ore sales amounted to 17 thousand tonnes, of which approximately 20% consisted of sales outside the Group.

Taking into account the initial stock balance, reported production and sales, the calculated final balance of the stock tallied with the reported amount. The “correction entries” included in the reported information amounted to 173 tonnes, which, according to our understanding, was due to (“moisture loss”) loss/waste caused by moisture.

5. Accounting expenses and payment transactions

General

In the audit was assumed that intra-group transactions do not involve any significant risk from the point of view of the objective of the audit because intra-group transactions (between 100% group-owned companies) cannot mean the transfer of assets out of Afarak Group. In transactions between affiliated companies and subsidiaries, there is a risk of partial transfer of the assets out of the Group to other owners of the affiliated companies (e.g. underpriced sale by a subsidiary to an affiliated company or overpriced purchase by a subsidiary from an affiliate), but in this respect the risk has been found to be significantly lower than in transactions with parties completely outside the Group.

The audit was started by first auditing financial period 2017, utilising the more comprehensive information obtained from it, where applicable, in auditing financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and the period 1.1.-30.4.2018. This information contains, for example, information on what has been purchased from suppliers and service providers.

5.1 ATL

Financial period 1.1.-31.12.2015

<u>Audit procedures</u>	<u>Findings:</u>
We reviewed selected expense accounts in the company's account-specific income statement. The	Regarding the review of the expenses, we did not find any inappropriate purchases/expenses that would have

audit was based on the risk assessment that possible inappropriate expenses could be included in any expense accounts and, therefore, the audit was targeted at the largest accounts, mainly on the basis of the balance of the accounts.

indicated significant business or legal transactions between the Company and Danko Koncar and his possible immediate circle.

As for the selected accounts, we reviewed the contents of the expenses from the general ledger. Based on the review of the contents of the general ledger, we requested access to individual purchase invoices or other receipts to obtain proof of the contents of the purchases.

Expenses were reviewed more extensively for the 2017 financial period, and the invoices of suppliers that were reviewed at the time were not reviewed again in the audit of this financial period.

We reviewed the bank statement material and examined separately the basis of the selected/observed payments. The audit highlighted large incoming or outgoing sums of money for further clarification. In terms of outgoing sums, the focus was no longer on suppliers which had been identified as major suppliers during the expense review, and the contents of the purchases made from which were thus already known. In terms of incoming sums, the focus was no longer on payments received from clients who had been identified as significant clients in the review of the sales and the sales to whom had already been separately reviewed in connection with the audit of the sales and where a connection between the sales entered in the accounts and the payments received had been established.

We found payments that had been made for commissions to Pleroma Co Ltd during January and September 2015. According to the account we received, there was malfeasance in connection with the execution of a payment of USD 100,003.71 in January, where the money never reached the party to which it was intended. In September, the company repaid half, or USD 50,040.47, based on a contract. A criminal complaint was filed in the matter. In other respects, we did not find any exceptional payments or received remittances on the basis of the review of the bank statements.

Financial period 1.1.-31.12.2016

Audit procedures

We reviewed selected expense accounts in the company's account-specific income statement. The audit was based on the assumption that possible inappropriate expenses could be included in any expense accounts and, therefore, the audit was targeted at the largest accounts, mainly on the basis of the balance of the accounts.

Findings:

During the financial period, the company made write-downs in loan receivables as follows:

Yhtiö	tuhatta euroa
Sloane Mining Services	482
Procomex SA	600
Luda Commodities SA	412
Yhteensä	1 494

We have requested the minutes/an extract of the minutes of the Board meeting at which the write-downs had been decided, but we have not been given access to such. According to the information provided by the Company, the Company's Board of Directors approved the said write-downs when it approved and signed the Company's financial statements. According to the information received from the Company, none of the above-mentioned companies is a company closely associated with Danko Koncar.

As for the selected accounts, we reviewed the contents of the expenses from the general ledger. Based on the review of the contents of the general ledger, we requested access to individual purchase invoices or other receipts to obtain proof of the contents of the purchases.

Regarding the review of the expenses, we did not find any inappropriate purchases/expenses that would have indicated significant business or legal transactions between the Company and Danko Koncar and his possible immediate circle.

Expenses were reviewed more extensively for the 2017 financial period, and the invoices of suppliers that were reviewed at the time were not reviewed again in the audit of this financial period.

We reviewed the bank statement material and examined separately the basis of the selected/observed payments. The audit highlighted large incoming or outgoing sums of money for further clarification. In terms of outgoing sums, the focus was no longer on suppliers which had been identified as major suppliers during the expense review, and the contents of the purchases made from which were thus already known. In terms of incoming sums, the focus was no longer on payments received from clients who had been identified as significant clients in the review of the sales and the sales to whom had already been reviewed in connection with the audit of the sales and where a connection between the sales entered in the accounts and the payments received had been established.

During the financial period, payments corresponding to those noted in the findings for 2018 (below in the report) have been made, based on a contract, on behalf of Afarak Holdings Ltd ("AHL") to Destiny Springs Investments 11 (PTY) Ltd. During the financial period, payments have in addition been made directly to Iliitha on behalf of Chromex. The audit did not reveal with complete clarity why payments have been made by "bypassing" companies. According to the information received from the Company, none of the companies in question is a company closely associated with Danko Koncar.

Financial period 1.1.-31.12.2017

Audit procedures

We reviewed selected expense accounts in the company's account-specific income statement. The audit was based on the assumption that possible inappropriate expenses could be included in any expense accounts and, therefore, the audit was targeted at the largest accounts, mainly on the basis of the balance of the accounts.

As for the selected accounts, we reviewed the contents of the expenses from the general ledger. Based on the review of the contents of the general ledger, we requested access to individual purchase invoices or other receipts to obtain proof of the contents of the purchases.

We reviewed the bank statement material and examined separately the basis of the selected/observed payments. The audit highlighted large incoming or

Findings:

Ore purchases which ATL also makes from parties outside the Group. These consist of purchases made from a Turkish supplier (Ekin Maden Ticaret). The purchase prices according to the contracts were in line with the world market prices at the time of conclusion of the contract. According to our information, all purchases made from Ekin Maden Ticaret have been delivered to EWW for processing.

Regarding the review of the expenses, we did not find any inappropriate purchases/expenses that would have indicated significant business or legal transactions between the Company and Danko Koncar and his possible immediate circle.

Our attention was drawn particularly to the following payments (see table below on page 34):

outgoing sums of money for further clarification. In terms of outgoing sums, the focus was no longer on suppliers which had been identified as major suppliers during the expense review, and the contents of the purchases made from which were thus already known. In terms of incoming sums, the focus was no longer on payments received from clients who had been identified as significant clients in the review of sales and the sales to whom had already been reviewed in connection with the audit of the sales and where a connection between the sales entered in the accounts and the payments received had been established.

According to our understanding, all companies mentioned in the above-mentioned table are part of the Kermas Group which is considered to belong to the immediate circle. According to the information provided by the Company, the first 4 lines listed in the table are payments to Kermas.

In addition, according to the information provided by the company, the payment (EUR 5m) on the fifth line of the table was paid to AHL on 6 June 2017.

According to Arafak Group's financial statements, on 31 December 2016, the Group had a loan receivable totalling EUR 3.5 million from Kermas Ltd. On the basis of ATL's financial statements, ATL has not had direct debts to Kermas. The following is an account of how these were incurred.

According to the account given to us, ATL has made payments on behalf of Kermas based on the financing system of AHL's and Kermas' joint venture Synergy Africa (Chromex). Originally, the companies agreed to finance the company in proportion to their holdings (AHL 51% and Kermas 49%), but due to exchange rate differences and the money returned by the joint venture to Arafak, over the years Kermas' share of the loans given to Synergy Africa has grown to be clearly larger than AHL's share. Because of this, ATL has made payments to Kermas' creditors on Kermas' behalf and on AHL's behalf to Kermas. At ATL, the payments were used to offset the dividend debt to AHL. At AHL on the other hand, the system should reduce the company's dividend receivables and increase the receivables from joint ventures (could not be verified as yet). We reviewed the entries and payment transactions related to the process described above. According to our understanding, Arafak's Board of Directors was informed of the payments to be made to Kermas. Representatives of the Company asked their lawyers about the need to have the payments confirmed by the Board, but in the lawyers' view the operational management had the right to decide on the payments. We assumed that the view was based on the fact that the payments were based on the Joint Venture Agreement (JV Agreement) and, therefore, the payment transactions themselves were only a result of compliance with the agreement. The USD 4,294k paid in June 2017 was due to the fact that Kermas' and Arafak's loans were in different currencies and, therefore, the amounts of the loans in GBP have differed. Based on documents brought to the notice of Arafak's Board of Directors, it could be established that after the payment, Arafak's and Kermas' loan receivables from Synergy Africa tallied in the GBP currency. In September 2017, a sum of GBP 2,142k was paid to Kermas based on the fact that Synergy Africa had

repaid loans to Afarak alone. We verified from bank accounts that ATL had received a total of GBP 4,372k from Synergy Africa in July-September. From this was, in turn, paid to Kermas an amount equalling its shareholding in Synergy Africa, i.e. GBP 2,142k.

In addition should be mentioned a payment of approximately EUR 200t made to Destiny Springs Investments on the basis of an agreement according to which ATL's parent company AHL undertook to lend Destiny Springs 50 million rands (approximately 3 million euros at the 2017 average rate 17. When ATL made payments on behalf of AHL, these payments were used to reduce ATL's dividend liability to AHL. According to the information received from the Company, none of the companies in question (Destiny Springs Investments) is closely associated with Danko Koncar.

According to the Company, a payment of EUR 4.3m to Brodotrogir D.D related to the fact that the payment was used to offset a debt owed to the company's parent company (Kermas Energy Ltd).

In other respects, we did not find any exceptional payments or received remittances.

We tallied the bank statement material through spot checks with the accounts to verify the connection.

The audit did not find anything to comment on.

For individual/selected transactions, we reviewed/verified the transaction's connection to the general ledger. We also tallied the bank statement balances of 31 December 2017 with the balances according to the accounts.

We did not find any discrepancies/anything to comment on.

Selite	Ajankohta	EUR	USD (kurssilla 1,1)
Payment on behalf of Kermas International as per loan	Kesäkuu 2017	4 294 389	4 723 828
Payment on behalf of Kermas International, advance for	Syyskuu 2017	1 000 008	1 100 009
Payment on behalf of Kermas International, advance for	Syyskuu 2017	1 000 008	1 100 009
Final part repayment	Syyskuu 2017	280 083	308 091
ATL repayment of loan 28.3.20	Kesäkuu 2017	5 000 000	5 500 000
		11 574 488	12 731 937

Period 1.1.-30.4.2018

Audit procedures

We reviewed selected expense accounts in the company's account-specific income statement. The audit was based on the risk assumption that possible inappropriate expenses could be included in any

Findings:

In conclusion, the audit did not reveal any expenses that could have been considered unusual.

expense accounts and, therefore, the audit was targeted at the largest accounts, mainly on the basis of the balance of the accounts.

We searched public registers (Orbit database) for ownership information on selected companies that came up in the special audit in connection with some expense items or payments or in other contexts (reference to "1. Identification of the immediate circle"). Such companies included companies that could potentially be closely associated with Danko Koncar or whose financial impact was so significant that we felt it was appropriate to clarify the ownership and other backgrounds of those companies in terms of the purpose of the special audit.

Regarding the review of the expenses, we did not find any inappropriate purchases/expenses that would have indicated significant business or legal transactions between the Company and Danko Koncar and his possible immediate circle.

We reviewed the bank statement material and examined separately the basis of the selected/observed payments. The audit highlighted large incoming or outgoing sums of money for further clarification. In terms of outgoing sums, the focus was no longer on suppliers which had been identified as major suppliers during the expense review, and the contents of the purchases made from which were thus already known. In terms of incoming sums, the focus was no longer on payments received from clients who had been identified as significant clients in the review of the sales and the sales to whom had already been reviewed in connection with the audit of the sales and where a connection between the sales entered in the accounts and the payments received had been established.

Of the payments could be mentioned 25 million rand payments (approximately 1.8 million euros at the 2018 average rate 14) to Destiny Springs Investments on the basis of an agreement according to which ATL's parent company AHL undertook to lend Destiny Springs 50 million rands. When ATL has made payments on behalf of AHL, these payments were been used to reduce ATL's dividend liability to AHL. The audit did not provide full clarity as to why money was circulated through such a set-off procedure.

5.2 TMS

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Audit procedures

We reviewed selected expense accounts in the company's account-specific income statement. The audit was based on the assumption that possible inappropriate expenses could be included in any expense accounts and, therefore, the audit was targeted at the largest accounts, mainly on the basis of the balance of the accounts.

We searched public registers (Orbit database) for ownership information on selected companies that

Findings:

The audit did not reveal any expenses that could have been considered unusual. The audited expense accounts included, in our view, ordinary expenses related to the company's business.

Regarding the review of the expenses, we did not find any inappropriate purchases/expenses that would have

came up in the special audit in connection with some expense items or payments or in other contexts (reference to “1. Identification of the immediate circle”). Such companies included companies that could potentially be closely associated with Danko Koncar or whose financial impact was so significant that we felt it was appropriate to clarify the ownership and other backgrounds of those companies in terms of the purpose of the special audit.

indicated significant business or legal transactions between the Company and Danko Koncar and his possible immediate circle.

We reviewed the bank account material and examined separately the basis of the selected/observed payments. The audit highlighted large incoming or outgoing sums of money for further clarification. In terms of outgoing sums, the focus was no longer on suppliers which had been identified as major suppliers during the expense review and the contents of the purchases made from which were thus already known. In terms of incoming sums, the focus was no longer on payments received from clients who had been identified as significant clients in the review of sales and the sales to whom had already been reviewed in connection with the audit of the sales and where a connection between the sales entered in the accounts and the payments received had been established.

We did not find any unusual payments.

5.3 Ilitha

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Audit procedures

We reviewed selected expense accounts in the company's account-specific income statement. The audit was based on the assumption that possible inappropriate expenses could be included in any expense accounts and, therefore, the audit was targeted at the largest accounts, mainly on the basis of the balance of the accounts.

Findings:

Based on a spot-check inspection, we noted, among others, the following about different expenses:

- The largest part of the expenses consisted of expenses related to mine management purchased from one the mining contractor. The audit did not find the contractor in question to be closely associated with Afarak Group.
- The expenses clearly related to business operations also in other respects and were, for example, electricity and crushing invoices.
- On the basis of a spot-check type review, the amount of expenses paid for consultancy etc. to parties outside the Group was so small that it has probably not been possible to transfer significant amounts of the company's assets outside the Group through the expenses.

- Purchases from Afarak Group were considered to involve a lower risk than purchases from outside the Group.
- The intra-group purchases consisted mainly of commission expenses paid to ATL and administrative service charges paid to Chromex.

We searched public registers (Orbit database) for ownership information on selected companies that came up in the special audit in connection with some expense items or payments or in other contexts (reference to “1. Identification of the immediate circle”). Such companies included companies that could potentially be closely associated with Danko Koncar or whose financial impact was so significant that we felt it was appropriate to clarify the ownership and other backgrounds of those companies in terms of the purpose of the special audit.

In conclusion, the audit did not reveal any expenses that could have been considered unusual.

Regarding the review of the expenses, we did not find any inappropriate purchases/expenses that would have indicated significant business or legal transactions between the Company and Danko Koncar and his possible immediate circle.

We reviewed the bank statement material and examined separately the basis of the selected/observed payments. The audit highlighted large incoming or outgoing sums of money for further clarification. In terms of outgoing sums, the focus was no longer on suppliers which had been identified as major suppliers during the expenses review and the contents of the purchases made from which were thus already known. In terms of incoming sums, the focus was no longer on payments received from clients who had been identified as significant clients in the review of sales and the sales to whom had already been reviewed in connection with the audit of the sales and where a connection between the sales entered in the accounts and the payments received had been established.

We did not find any unusual payments.

5.4 Chromex

Financial periods 1.1.-31.12.2015, 1.1.-31.12.2016 and 1.1.-31.12.2017 as well as the period 1.1.-30.4.2018.

Audit procedures

We reviewed selected expense accounts in the company’s account-specific income statement. The audit was based on the assumption that possible inappropriate expenses could be included in any expense accounts and, therefore, the audit was targeted at the largest accounts, mainly on the basis of the balance of the accounts.

Findings:

The audit did not reveal any expenses that could have been considered unusual. In addition, based on a spot-check audit, we note the following on various costs, e.g.:

- Of the significant accounts, the account for the write-downs of inventories is particularly noted - for example, in financial period 2017, when the account balance was 17 million rands (or at the 2017 average rate 17 approximately 1 million euros). Regarding the said

account, we investigated, in particular, the approval process: based on the information provided by the company, the entries are based at least partly on the approval of the members of the executive management team received by email.

In our view, the audited expense accounts included ordinary expenses related to the company's business.

We reviewed the bank statement material and examined separately the basis of the selected/observed payments. The audit highlighted large incoming or outgoing sums of money for further clarification. In terms of outgoing sums, the focus was no longer on suppliers which had been identified as major suppliers during the expenses review and the contents of the purchases made from which were thus already known. In terms of incoming sums, the focus was no longer on payments received from clients who had been identified as significant clients in the review of sales and the sales to whom had already been reviewed in connection with the audit of the sales and where a connection between the sales entered in the accounts and the payments received had been established.

We did not find any unusual payments.

On the special auditor

As stated on page 1 of this audit report, the Regional State Administrative Agency for Southern Finland ordered audit firm Idman Vilén Grant Thornton Oy, with Authorised Public Accountant Jussi Savio as principal auditor, subject to their agreement, to conduct a special audit.

The following is noted separately and for the sake of clarity:

- "Idman Vilén Grant Thornton Oy" (Business ID 0206206-1) has, on 31 July 2023 merged with the company "Moore Idman Oy" (Business ID 3298980-2).
- Due to the above-mentioned merger, in the signature section of this audit report, the name of the audit firm is "Moore Idman Oy".

In Tampere, on 26 January 2024

Moore Idman Oy, audit firm

Jussi Savio
Authorised Public Accountant