



## Address of the Chairman of the board of directors Alexander Lokshin

### DEAR READERS!

In 2017, JSC Atomredmetzoloto celebrated its 10th anniversary as one of the recognized leaders of global uranium industry renowned as a reliable, efficient and impeccable supplier of strategic feedstock for the Russian nuclear industry. For those ten years, the company had been on the track of establishment and development, recurrent upgrading and overcoming its current challenges. Currently, we are a dynamically developing company with established vertical governance and a brilliant team of professionals completing ROSATOM's tasks under any, even the most complex, conditions.

The company is working on its operational performance improvement. In the reporting period, we have managed not only to prevent cost growth but also to continue reducing the unit cost of production in uranium mining. Such high results could not be achieved without streamlining the volumes and cutting the underground uranium mining costs at PJSC PIMCU, and increasing in-situ leaching production volumes at JSC Dalur and JSC Khiagda (+14% vs. 2016). These are our key performance indicators. Undoubtedly, they must not be underestimated like the entire performance of our company proving once again that no challenge is impossible for it.

The holding has been sustainably supplying the industry with Russian natural uranium. Here, our Company pays special attention to development of modern processes. We were able to make environmentally friendly and economically efficient in-situ leaching (ISL) to account for 44% of the total Russian production volume. The development driver was commissioning of key infrastructural assets at

JSC Khiagda in 2015 to 2016 including the production facility, sulfur acid works and power facility. The rated capacity with production of circa 1,000 tpa is expected to be achieved in 2019.

Employees' lives and health remain the highest value for the Holding's enterprises. The actions aimed at improving safety allowed the Mining Division to prevent fatal injuries in 2017.

The Holding's enterprises are responsible especially for preservation of favorable environment in the operating regions. The positive experience of the most efficient uranium mining asset, JSC Dalur, has been rated highest winning the award of the prestigious international project Environmental Culture. Peace and Harmony organized by V.I. Vernadsky Fund and supported by the Federation Council of the Federal Assembly of the Russian Federation. The award for implementation of environmental protection operation has been given to JSC Dalur's representatives during the reception at the Presidential Administration of the Russian Federation.

In 2017, foundations were laid for implementation of the innovative project that would change the approach to uranium mining radically. The Smart Mine project based on digitalization of all processes is no longer fantasy. The project would allow creating high-performance production and casting a new glance at uranium mining process economy in the nearest future. I wish our colleagues success in their creative work!

I must also note the Holding's operations in implementation of non-uranium projects. The Scandium project has become successful after the pilot

batch of high-purity scandium oxide was produced during the reporting year. Additionally, 2017 saw attraction of new customers as well as increase of contractual volumes and periods for sale of sized coal produced by PJSC PIMCU.

The brightest and, I would even say, historical event of the reporting year was start of infrastructure construction at the new uranium mine No. 6 at PJSC PIMCU, which, in its turn, defines the development pattern both of the enterprise and the city of Krasnokamensk. Given the continuing surplus of supply in the uranium market, the Priargunsky Works managed to end Y2017 with positive balances. Such success, undoubtedly, became possible only due to the efficient and concerted efforts of the entire Holding's team as well as its skillful and efficient management system.

I am sure that the upcoming year and the next decade will become not less fruitful and successful for the experienced and skillful team of ARMZ Uranium Holding Co.



## Address of the Director General Vladimir Verkhovtsev

### DEAR COLLEAGUES,

In 2017, ARMZ Uranium Holding Co. celebrated its 10th anniversary. I am proud to present the 10th report of JSC Atomredmetzoloto describing the decade's events and trends as well as important strategic initiatives that have determined, in many respects, further development of our Company and the entire Russian nuclear industry.

Those were no easy times as influence of external factors made us revise our strategic targets and management system, change the Holding's structure consolidating Russian uranium mining assets since 2013.

Still and despite the uranium market volatility, the Holding's team has managed to show high operation and financial performance. The flexible management system, accumulated experience and focus on innovations and use of cutting-edge processes have allowed our Company to remain the leader among uranium majors and ensure successful development of non-nuclear businesses.

The most important outcome of the reporting year and, I daresay, the entire decade has become start of financing the construction of Mine No. 6 at PJSC PIMCU. The first installment of RUB 389 MM has been provided for construction of infrastructural facilities. Launching the mines would grant new opportunities both for the single enterprise and the city of Krasnokamensk, the uranium capital of Russia.

Profitable operations of PJSC PIMCU in 2017 (RUB 7 MM) are another significant achievement emphasizing efficient operations of the management under extremely unfavorable market conditions.

The reporting year saw continued work for achieving ROSATOM's strategic targets. The Holding's team ensured reduction of unit production cost of mining by 2% versus 2016 by increasing

the share of uranium production at enterprises mining uranium using in-situ leaching.

We consider organizing output of new products for the Russian and international markets another important task. Last year saw the start of high-purity scandium oxide production. ROSATOM approved the Holding's initiative for titanium, lithium and other rare metal mining. Within the framework of our most large-scale project being construction of the MPC at Pavlovskoye lead-zinc field on Novaya Zemlya Archipelago, field engineering survey operations have been completed, design has been started and preliminary agreements have been executed with anchor product customers.

The production achievement of PJSC PIMCU is high expert appraisal of models of self-propelled mining machinery developed by the enterprise. Mine No. 8 saw startup of commercial operations of the integrated automated access control system being the project aimed at improving labor safety and injury reduction.

JSC Khiagda is systematically increasing its production level and started development of Vershinnoye Uranium Deposit in 2017. As the developing and most prospective enterprise of the holding, JSC Khiagda would become, in 2018, the pilot site for implementation of the Smart Mine innovative project that would change the shape of domestic uranium mining in the nearest future by ensuring its transition to smart management of specific processes and deposit development lifecycle based on digital processes.

The most efficient enterprise of the holding, JSC Dalur, has started preparing for development of its new Dobrovolnoye Uranium Deposit in the Zverinogolovskoye District (Kurgan Region). Its commissioning will allow maintaining the current uranium output in the long term. The project is supported by the regional government as one of the most important for its social and economic development.

JSC Atomredmetzoloto is working systemically on improving investment

cases of its operation regions. In 2016, the Krasnokamensk Priority Social and Economic Development Area (PSEDA) was founded in the Trans-Baikal Territory and its operations will diversify the city's economy. Given ARMZ support, 2017 saw the first three businesses included in the PSEDA's registry of residents, over 20 new jobs created and RUB 5 MM transferred to the city's budget. The largest investment project implemented by AtomSpeccement, JSC provides for construction of the grinding facility at the special cement plant and employment of 120 local residents.

ARMZ is supporting actions for development of its operation regions. RUB 7 million was given to charity during the reporting year. The implemented initiatives include construction of the school at Uksyanskoye in the Kurgan Region which was proclaimed the best school in the region. The funds of the consolidated taxpayer group have been used to reconstruct the Krasnokamensk - Matsievskaya motorway and other social infrastructure facilities.

In 2018, the Holding has the following critical tasks: continuing construction of key facilities at uranium Mine No. 6 and becoming more successful in improving production performance and increasing revenue from its new business projects.

Achieving such large-scale objectives is possible only with the team of professionals currently existing at ARMZ. Experienced, ambitious and responsible specialists are our pride and the cornerstone of further development and prosperity of our Company.