Zangezour Copper Molybdenum Combine CJSC

Consolidated Financial Statements
for the year ended 31 December 2014

Contents

KPMG Armenia cjsc
8th floor, Erebuni Plaza Business Center,
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia

Telephone + 374 (10) 566 762
Fax + 374 (10) 566 762
Internet www.kpmg.am

Independent Auditors' Report

To General Meeting of Shareholders of
Zangezour Copper Molybdenum Combine CJSC

We have audited the accompanying consolidated financial statements of Zangezour Copper Molybdenum Combine cjsc (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Tigran Gasparyan
Director

KPMG Armenia cjsc

KPMG Armenia cjsc
20 May 2015

Tigran Gasparyan
Engagement Partner

’000 AMD	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	190,858,645	188,239,934
Stripping activity asset	14	2,242,217	-
Intangible assets		33,389	70,992
Available-for-sale investments	15	777,159	777,159
Prepayments for non-current assets	16	901,125	2,132,896
Financial assets at fair value through profit or loss	24	4,688,858	-
Exploration and evaluation assets	17	28,874,607	27,228,012
VAT receivable		1,438,057	-
Other non-current assets		51,000	51,000
Total non-current assets		**229,865,057**	**218,499,993**
Current assets			
Inventories	18	10,494,694	10,056,716
Prepaid income tax		2,137,047	7,665,365
Other prepaid taxes		3,258,098	12,298,108
Trade and other receivables	19	1,751,340	1,249,936
Prepayments for current assets	16	2,060,885	793,240
Cash and cash equivalents	20	939,473	522,300
Other current assets		2,255	2,417
Total current assets		**20,643,792**	**32,588,082**
Total assets		**250,508,849**	**251,088,075**
EQUITY AND LIABILITIES			
Equity	21		
Share capital		54,966,680	54,966,680
Retained earnings		81,674,499	89,595,361
Total equity		**136,641,179**	**144,562,041**
Non-current liabilities			
Loans and borrowings	22	37,296,389	42,537,416
Provisions	23	3,306,152	2,135,420
Deferred tax liabilities	12	23,746,398	22,533,293
Financial liabilities at fair value through profit or loss	24	-	3,953,866
Total non-current liabilities		**64,348,939**	**71,159,995**
Current liabilities			
Loans and borrowings	22	25,027,055	16,803,870
Provisions	23	158,223	-
Advances received for provisionally priced sales		17,626,344	10,139,844
Trade and other payables	25	6,707,109	6,854,223
Payable for acquisition of subsidiary		-	1,568,102
Total current liabilities		**49,518,731**	**35,366,039**
Total liabilities		**113,867,670**	**106,526,034**
Total equity and liabilities		**250,508,849**	**251,088,075**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 50.

'000 AMD	**Note**	**2014**	**2013**
Revenue	5	114,529,787	116,574,115
Cost of sales	6	(70,302,219)	(79,047,084)
Gross profit		**44,227,568**	**37,527,031**
Other income		211,630	196,765
Distribution expenses		(4,138,714)	(3,991,941)
Administrative expenses	7	(6,205,574)	(4,923,987)
Donations to social programs	8	(3,099,409)	(4,492,772)
Royalty correction related to prior years	9	(8,745,722)	-
Other expenses	9	(18,813,647)	(12,023,856)
Impairment loss on property, plant and equipment		-	(518,626)
Results from operating activities		**3,436,132**	**11,772,614**
Finance income	10	8,401,616	4,316,260
Finance costs	10	(16,165,108)	(3,895,730)
Net finance (costs)/income		**(7,763,492)**	**420,530**
(Loss)/profit before income tax		**(4,327,360)**	**12,193,144**
Income tax expense	12	(3,593,502)	(4,647,001)
(Loss)/profit and total comprehensive (loss)/income for the year		**(7,920,862)**	**7,546,143**

These consolidated financial statements were approved by management on 20 May 2015 and were signed on its behalf by:

Neil Stevenson
General Director

Karen Karapetyan
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 50.

'000 AMD	**Share capital**	**Retained earnings**	**Total**
Balance at 1 January 2013	54,966,680	114,695,471	169,662,151
Profit and total comprehensive income for the year	-	7,546,143	7,546,143
Dividends to equity holders	-	(32,646,253)	(32,646,253)
Balance at 31 December 2013	**54,966,680**	**89,595,361**	**144,562,041**
Balance at 1 January 2014	54,966,680	89,595,361	144,562,041
Loss and total comprehensive loss for the year	-	(7,920,862)	(7,920,862)
Balance at 31 December 2014	**54,966,680**	**81,674,499**	**136,641,179**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 50.

’000 AMD	**2014**	**2013**
Cash flows from operating activities		
Receipts from sales, inclusive of VAT	129,469,794	130,355,476
Payments to suppliers	(64,524,918)	(58,693,215)
Payments to employees	(13,287,027)	(12,300,725)
Payments for income tax*	(4,165,010)	(8,193,095)
Payments for taxes other than on income	(6,802,400)	(12,315,601)
Royalty payments	(9,136,723)	(15,895,000)
Donations to social programs	(3,074,913)	(4,271,904)
Banks charges and conversion losses	(49,786)	(58,294)
Other receipts	86,029	62,230
Other payments	(616,007)	(243,324)
Net cash from operating activities	**27,899,039**	**18,446,548**
Cash flows used in investing activities		
Acquisition of investment in subsidiary, net of cash acquired	(1,568,102)	(2,041,800)
Acquisition of property, plant and equipment	(12,412,386)	(15,539,697)
Acquisition of available for sale assets	-	(407,159)
Additions to exploration and evaluation assets	(1,564,216)	(194,178)
Proceeds from sale of property, plant and equipment	97,798	109,278
Dividends received	-	32,897
Interest received	12,422	15,670
Net cash used in investing activities	**(15,434,484)**	**(18,024,989)**
Cash flows from financing activities		
Proceeds from loans and borrowings	8,241,905	62,141,158
Repayments of loans and borrowings	(16,735,075)	(27,406,444)
Dividends to shareholders, gross of withholding tax	-	(32,646,253)
Loss on financial instruments at fair value through profit or loss	-	(164,892)
Interest paid	(3,492,389)	(2,352,800)
Net cash used in financing activities	**(11,985,559)**	**(429,231)**
Net increase/(decrease) in cash and cash equivalents	**478,996**	**(7,672)**
Cash and cash equivalents at 1 January	522,300	897,203
Effect of exchange rate fluctuations on cash and cash equivalents	(61,823)	(367,231)
Cash and cash equivalents at 31 December (note 20)	**939,473**	**522,300**

* Prepayment of income tax of AMD 7,312,934 thousand was set off with the royalty tax payable during 2014.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 50.

1 Reporting entity

(a) Organisation and operations

Zangezour Copper Molybdenum Combine CJSC (the “Company”) and its subsidiary Ler-Ex LLC (the “Group”) are Armenian closed joint stock company and limited liability company as defined in the Civil Code of the Republic of Armenia. The Company was established as a state-owned enterprise in 1952. It was privatised as a closed joint stock company on 1 January 2005 according to Government decree No 1677-A dated 9 December 2004.

The Company’s registered office and actual location where principal activities are carried is 18 Lernagortzneri Street, Kajaran, Syuniq region, Republic of Armenia.

The Group’s principal activity is mining and the production of copper and molybdenum concentrate, which is sold in the Republic of Armenia and abroad. The Group’s operations are regulated by the Exploitation and Exploration License Agreements between the Group and the Ministry of Economy and Ministry of Energy and Natural Resources (the “License Agreements”). According to the License Agreements, the Group’s operations are licensed until 2030 (see note 4(b)).

The Group is owned by Cronimet Mining AG (60%), Pure Iron (15%) (99.3% ultimately owned by Cronimet Holding GmbH), Armenian Molybdenum Production Ltd (12.5%) and Zangezur Mining Ltd (12.5%) (the “Shareholders”).

The ultimate parent company of the Group is Cronimet Verwaltungs GmbH, which is controlled by Pilarsky family. Related party transactions are disclosed in note 30.

(b) Business environment

The Group’s operations are entirely located in Armenia. Consequently, the Group is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Armenia. The consolidated financial statements reflect management’s assessment of the impact of the Armenian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3 Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the Group’s functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand.

4 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 32 (j) *Property, plant and equipment* – determination of units of production depreciation calculations;
- Note 32 (j) *Property, plant and equipment* – useful lives of property, plant and equipment;
- Note 17 *Exploration and evaluation assets* - recoverability of exploration and evaluation assets;
- Note 9 *Other expenses* – royalty estimation;
- Note 22 *Provisions*.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 4 (b) *Ore reserves* – valuation of mineral reserves that are the basis for future cash flow estimates;
- Note 26 *Financial instruments and risk management* – fair values of financial instruments classified as level 3 in the fair value hierarchy;
- Note 32 (b) *Revenue* – determination of the fair values of the embedded derivatives;

(a) Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 26 – fair values and risk management.

(b) Ore reserves and exploitation license

There are a number of uncertainties in estimating quantities of ore reserves, including many factors beyond the control of the Group. Ore reserve estimates are based upon engineering evaluations of assay values derived from samplings of drill holes and other openings. The Group exploits mine located in Kajaran and holds exploration license for the mine located in Hankasar. Ore reserves of Kajaran mine as at 1 July 2005 were estimated at 2,244,033 thousand tons by “GeoEkonomika” cjsc, a state geological company and approved by the State Committee on reserves of natural resources of the Republic of Armenia. Additionally, declines in the market price of a particular metal may render certain reserves containing relatively lower grades of mineralisation uneconomic to mine. Further, availability of operating and environmental permits, changes in operating and capital costs, and other factors could materially affect the Group’s ore reserve estimates.

The Group’s Kajaran mine operations are regulated by the License Agreement dated 28 June 2008 between the Company and the Ministry of Economy. According to the License Agreement, the Company’s Kajaran mine operations are licensed until 2030. In preparing these consolidated financial statements management has assumed that the Exploitation Licenses will be prolonged beyond 2030. This assumption is based on the provisions of the Mining Code which state that the License can be prolonged based on submitted application.

The Group also holds exploration license for mine located in Hankasar. The exploration operations are licensed till 13 August 2015. Currently the Group is in the process of applying for the prolongation of the exploration licence. Starting from December 2013 the Group stopped its exploitation activities in Hankasar mine and concentrated efforts on performing exploration works in the area under exploration. No reserve estimates are available yet. In preparing these consolidated financial statements management has assumed that economically feasible reserves will be found in the area and that an exploitation license will be received once exploration activities are completed. The assumption in relation to receipt of exploitation license is based on the provisions of the Mining Code which state that the exploitation license is expected to be given after exploration if no significant violations of the Licensee’s obligations took place during the term of the License.

The Group uses the above estimates in evaluating the timing of site restoration costs, useful lives of property, plant and equipment and in impairment testing of exploration license and property, plant and equipment used in or to be used after the exploration.

5 Revenue

’000 AMD	2014	2013
Revenue from sale of concentrate	113,691,339	115,177,950
Revenue from sale of other products	838,448	1,396,165
Total revenues	**114,529,787**	**116,574,115**

Revenues from sale of concentrates:

	2014		2013	
	’000 AMD	Dry metric tonnes	’000 AMD	Dry metric tonnes
Molybdenum concentrate	37,452,453	10,838	34,058,646	10,794
Copper concentrate	76,238,886	137,209	81,119,304	132,744
	113,691,339	**148,047**	**115,177,950**	**143,538**

At 31 December 2014 the Group had outstanding provisionally priced sales of AMD 22,362,045 thousand consisting of 27,428 dry metric tons of copper concentrate and 1,861 dry metric tons of molybdenum concentrate (2013: AMD 21,832,793 thousand consisting of 25,284 dry metric tons of copper concentrate and 1,835 dry metric tons of molybdenum concentrate), which had a fair value of approximately AMD 21,260,251 thousand including the embedded derivative (2013: AMD 22,270,669 thousand).

All sales of molybdenum concentrate were to related parties (note 30).

6 Cost of sales

’000 AMD	2014	2013
Cost of sales of concentrate	69,392,749	77,665,815
Cost of other sales	909,470	1,381,269
	70,302,219	**79,047,084**

Cost of sales of concentrate:

’000 AMD	2014	2013
Materials	32,344,151	34,326,703
Depreciation	10,081,944	16,809,395
Wages and salaries	11,474,887	12,629,147
Electricity and gas	10,482,832	8,453,918
Outsourced services	4,693,597	5,226,718
Other	229,272	176,647
Ecology taxes	42,113	43,287
Write down of finished goods and work in progress	43,953	-
	69,392,749	**77,665,815**

7 Administrative expenses

’000 AMD	2014	2013
Wages and salaries	3,110,750	2,307,434
Internal transportation and car maintenance service	601,387	699,514
Insurance costs and bank charges	579,532	531,656
Depreciation, amortisation and maintenance expenses	80,385	57,480
Other administrative expenses	1,833,520	1,327,903
	6,205,574	**4,923,987**

8 Donations to social programs

’000 AMD	2014	2013
Donations in cash	2,804,896	4,417,437
Property, plant and equipment, inventory and other donations	294,513	75,335
	3,099,409	**4,492,772**

The Group makes contributions to different social programs and institutions involving the community.

9 Other expenses

’000 AMD	2014	2013
Royalty payments	14,521,802	9,380,673
Termination benefits	1,329,021	-
Employee benefits other than salary	971,199	817,690
Guarantee provision expense	595,770	-
Depreciation expense	459,018	189,317
Salary	225,803	-
Write off of property, plant and equipment	136,570	512,827
Write-down of inventories	78,832	358,989
Other	495,632	764,360
	18,813,647	**12,023,856**

During 2015 the management received clarification from tax authorities regarding the method of calculating royalty payments as there are uncertainties in the relevant law in relation to the methodology.

The management agreed with the clarified position of the tax authorities and recalculated the royalty expense for 2012 and 2013. Accordingly, amended declarations were submitted to the tax authorities and the Group's prepaid tax balances were reduced by the amount of the correction. This correction resulted in additional royalty expense of AMD 8,745,722 thousand related to 2012 and 2013.

Should the additional royalty payments of AMD 8,745,722 thousand in relation to the previous years have not been accounted in 2014, profit before tax for 2014 would have been AMD 4,418,362 thousand and the net loss for 2014 would have been AMD 924,284 thousand.

Royalty expense consists of two components:

- royalty calculated at 4% of revenue of AMD 5,808,732 thousand (recalculated 2013: AMD 5,915,447 thousand; recalculated 2012: AMD 5,624,744 thousand);
- royalty calculated as 12.5% of taxable income of AMD 8,625,811 thousand (recalculated 2013: AMD 10,145,722 thousand; recalculated 2012: AMD 9,600,939 thousand).

Both revenue and taxable income are adjusted as per the guidelines and requirements in the applicable laws and regulations.

10 Finance income and finance costs

'000 AMD	**2014**	**2013**
Recognised in profit or loss		
Net gain from financial instruments at fair value through profit and loss	8,220,997	4,267,693
Finance income from change in discount rate provision for termination benefits	168,197	-
Dividend income	-	32,897
Interest income on bank accounts	12,422	15,670
Finance income	**8,401,616**	**4,316,260**
Interest expense on loans and borrowings	(4,882,241)	(3,137,757)
Unwinding of discount on site restoration provision	(179,091)	(201,131)
Net foreign exchange loss	(11,103,776)	(556,842)
Finance costs	**(16,165,108)**	**(3,895,730)**
Net finance (costs)/income recognised in profit or loss	**(7,763,492)**	**420,530**
Borrowing costs capitalized during the period	(1,485,905)	(949,570)

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 11.4% (2013: 10.4%). The capitalisation rate was estimated as the weighted average of the borrowing costs applicable to the borrowings of the Group that were outstanding during 2014.

11 Personnel costs

'000 AMD	**2014**	**2013**
Wages and salaries	17,245,965	16,248,176
Termination benefits	1,329,021	-
Employee benefits other than salary	971,199	817,690
	19,546,185	**17,065,866**

12 Income tax expense

(a) Amounts recognised in profit or loss

The Group's applicable tax rate is the income tax rate of 20% (2012: 20%).

'000 AMD	**2014**	**2013**
Current tax expense		
Current year	3,990,367	4,962,955
Over provided in prior years	(1,609,969)	-
	2,380,398	4,962,955
Deferred tax expense		
Origination and reversal of temporary differences	1,213,104	(315,954)
Total tax expense	**3,593,502**	**4,647,001**

Reconciliation of effective tax rate:

	2014		**2013**	
	'000 AMD	**%**	**'000 AMD**	**%**
(Loss)/profit before tax	(4,327,360)	100	12,193,144	100
Income tax at applicable tax rate	(865,472)	20	2,438,629	20
Non-deductible expenses	4,333,243	(101)	1,570,842	13
Change in unrecognised deductible temporary differences and tax losses	125,731	(2)	637,530	5
	3,593,502	**(83)**	**4,647,001**	**38**

Current tax expense over provided in prior years relates to the retrospective amendment of royalty payments for the years 2012 and 2013 (see note 9).

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
’000 AMD	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Property, plant and equipment	-	-	(17,524,339)	(17,216,242)	(17,524,339)	(17,216,242)
Exploration and evaluation assets (exploration license)	-	-	(5,378,162)	(5,378,162)	(5,378,162)	(5,378,162)
Inventories	61,177	65,042	-	-	61,177	65,042
Trade and other receivables	-	-	(5,071)	-	(5,071)	-
Advances received for provisionally priced sales	548,501	129,650	-	-	548,501	129,650
Trade and other payables	149,175	121,200	-	-	149,175	121,200
Loans and borrowings	-	-	(1,046,995)	(1,472,638)	(1,046,995)	(1,472,638)
Financial instruments at fair value through profit or loss	-	790,773	(937,772)	-	(937,772)	790,773
Provisions	387,088	427,084	-	-	387,088	427,084
Net tax assets/(liabilities)	**1,145,941**	**1,533,749**	**(24,892,339)**	**(24,067,042)**	**(23,746,398)**	**(22,533,293)**
Set-off of taxes	(1,145,941)	(1,533,749)	1,145,941	1,533,749	-	-
Net tax assets/(liabilities)	**-**	**-**	**(23,746,398)**	**(22,533,293)**	**(23,746,398)**	**(22,533,293)**

(c) Movement in temporary differences during the year

’000 AMD	**1 January 2014**	**Recognised in profit or loss**	**31 December 2014**
Property, plant and equipment	(17,216,242)	(308,097)	(17,524,339)
Exploration and evaluation assets (exploration license)	(5,378,162)	-	(5,378,162)
Inventories	65,042	(3,865)	61,177
Trade and other receivables	-	(5,071)	(5,071)
Advances received for provisionally priced sales	129,650	418,851	548,501
Trade and other payables	121,200	27,975	149,175
Loans and borrowings	(1,472,638)	425,643	(1,046,995)
Financial instruments at fair value through profit or loss	790,773	(1,728,545)	(937,772)
Provisions	427,084	(39,996)	387,088
	(22,533,293)	**(1,213,105)**	**(23,746,398)**

’000 AMD	**1 January 2013**	**Recognised in profit or loss**	**31 December 2013**
Property, plant and equipment	(18,386,132)	1,169,890	(17,216,242)
Exploration and evaluation assets (exploration license)	(5,378,162)	-	(5,378,162)
Inventories	12,462	52,580	65,042
Trade and other receivables	8,726	(8,726)	-
Advances received for provisionally priced sales	123,044	6,606	129,650
Trade and other payables	192,000	(70,800)	121,200
Loans and borrowings	28,033	(1,500,671)	(1,472,638)
Financial instruments at fair value through profit or loss	198,033	592,740	790,773
Provisions	352,749	74,335	427,084
	(22,849,247)	**315,954**	**(22,533,293)**

(d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

’000 AMD	**2014**	**2013**
Deductible temporary differences	1,822,784	2,106,724
Tax losses (expiring in 2017)	686,752	686,752
Tax losses (expiring in 2018)	2,711,199	2,711,199
Tax losses (expiring in 2019)	912,597	-
	6,133,332	**5,504,675**

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of deductible temporary differences and tax losses of the Group’s subsidiary because it is uncertain whether future taxable profit will be available against which the subsidiary can utilise the benefits therefrom. Currently the Group is in process of exploration works in the area near the Hankasar mine and no reserve estimates are available yet. The future utilisation of the deductible temporary differences and tax losses is dependent on finding economically feasible reserves in that area and the duration of the exploration works.

13 Property, plant and equipment

’000 AMD	Land and buildings	Plant and equipment	Mining Facilities	Fixtures and fittings	Construction in progress	Total
Deemed cost						
Balance at 1 January 2013	55,752,874	161,013,422	2,028,626	601,796	35,408,026	254,804,744
Additions	329,277	3,720,179	55,092	32,304	12,555,779	16,692,631
Disposals	-	(1,889,036)	-	(2,910)	(361,839)	(2,253,785)
Transfers	125,080	7,909,580	(64,087)	2,699	(7,973,272)	-
Balance at 31 December 2013	**56,207,231**	**170,754,145**	**2,019,631**	**633,889**	**39,628,694**	**269,243,590**
Balance at 1 January 2014	**56,207,231**	**170,754,145**	**2,019,631**	**633,889**	**39,628,694**	**269,243,590**
Additions	152,187	1,591,164	218,113	60,456	12,451,000	14,472,920
Disposals	-	(3,446,436)	-	(14,401)	(157,784)	(3,618,621)
Transfers	104,303	1,381,255	7,932	125	(1,493,615)	-
Balance at 31 December 2014	**56,463,721**	**170,280,128**	**2,245,676**	**680,069**	**50,428,295**	**280,097,889**
Depreciation						
Balance at 1 January 2013	8,696,322	55,287,284	10,187	345,703	-	64,339,496
Depreciation for the year	2,199,038	15,432,163	29,239	83,467	-	17,743,907
Impairment loss	58,332	460,294	-	-	-	518,626
Disposals	-	(1,595,605)	-	(2,768)	-	(1,598,373)
Balance at 31 December 2013	**10,953,692**	**69,584,136**	**39,426**	**426,402**	**-**	**81,003,656**
Balance at 1 January 2014	**10,953,692**	**69,584,136**	**39,426**	**426,402**	**-**	**81,003,656**
Depreciation for the year	1,580,013	9,524,273	32,820	77,924	-	11,215,030
Disposals		(2,967,108)	-	(12,334)	-	(2,979,442)
Transfers	74,468	(74,468)	-	-	-	-
Balance at 31 December 2014	**12,608,173**	**76,066,833**	**72,246**	**491,992**	**-**	**89,239,244**
Carrying amounts						
At 1 January 2013	47,056,552	105,726,138	2,018,439	256,093	35,408,026	190,465,248
At 31 December 2013	45,253,539	101,170,009	1,980,205	207,487	39,628,694	188,239,934
At 31 December 2014	**43,855,548**	**94,213,295**	**2,173,430**	**188,077**	**50,428,295**	**190,858,645**

Depreciation expense of AMD 10,081,944 thousand (2013: AMD 16,809,395 thousand) has been charged to cost of goods sold, AMD 44,272 thousand (2013: AMD 48,569 thousand) to administrative expenses, and AMD 459,018 thousand (2013: AMD 189,317 thousand) to other expenses.

During 2014 borrowing costs of AMD 1,485,905 thousand (2013: AMD 949,570 thousand) were capitalized on construction in progress.

At 31 December 2014 property, plant and equipment with a carrying amount of AMD 34,102,270 thousand are pledged as security for secured bank loan (see note 22).

(a) Impairment loss

During 2013 the Group stopped exploitation activities in Hankasar mine due to the actual grade of copper and molybdenum extracted being significantly lower than that stated in the exploitation license leading to negative margin on operations. At the same time in order to maintain current workforce, the Group used this equipment to produce copper and molybdenum concentrate by processing ore extracted and transported from Kajaran mine. Consequently, new items of property, plant and equipment were purchased for this activity. As at 31 December 2013 the Group determined the items of property, plant and equipment with a net book value of AMD 1,059,277 thousand used for processing ore from Kajaran mine in the plant located near Hankasar mine to be impaired. The recoverable amount of these assets was determined as the higher of value in use and the fair value less cost to sell. Since the cash flow testing conducted by the management resulted in a lower value, the recoverable amount was estimated based on the fair value less costs to sell of each individual item of property, plant and equipment. Management estimated the recoverable amount of these assets to be AMD 540,651 thousand at 31 December 2013. The impairment loss of AMD 518,626 thousand was allocated to individual assets affected. Subsequently, in August 2014 the Group stopped the production of copper and molybdenum in the plant located near Hankasar mine. No additional impairment was recorded in 2014 as the recoverable amount of such property, plant and equipment approximated their carrying amount as at 31 December 2014.

The management has determined that the other items of property, plant and equipment, in particular mining facilities and related equipment, will be used after the completion of exploration activities on the basis that sufficient economic resources will be identified in the exploration area. Consequently, management believes that there is no indication of impairment in relation to mining facilities and related equipment as at 31 December 2014 and 2013.

(b) Change in estimates

As at 1 January 2014, the Group conducted an annual review of the useful lives of its property, plant and equipment based on the analysis of the historical pattern of usage. This review resulted in changes in the expected usage of certain items of buildings and plant and equipment.

As a result, the expected useful lives of these assets increased, and the effect of these changes on depreciation expense, recognised in cost of sales, in current and future periods is as follows:

’000 AMD	**2014**	**2015**	**2016**	**2017**	**Later**
Decrease in depreciation expense	3,740,387	3,174,724	2,992,163	2,941,315	38,415,164

14 Stripping activity asset

In 2014, The Group started intensive stripping activities in Shlorkut site of Kajaran mine from which the extraction of ore is planned in the coming years. The Group capitalised the pre-production stripping costs of Shlorkut site of AMD 2,242,217 thousand as stripping activity asset.

15 Available-for-sale investments

’000 AMD	2014	2013
Available-for-sale investments measured at fair value	**777,159**	**777,159**

The fair value of available-for-sale equity investments of AMD 777,159 thousand was determined by reference to their quoted market prices; these investments are listed in the NASDAQ OMX Armenia.

The Group’s exposure to credit, currency and interest rate risks related to available-for-sale investments is disclosed in note 26.

16 Prepayments and advances

’000 AMD	2014	2013
Prepayments for non-current assets		
Prepayments for property, plant and equipment	901,125	2,132,896
Prepayments for current assets		
Prepayments for inventory	1,102,044	599,434
Other	958,841	193,806
	2,060,885	793,240
	2,962,010	**2,926,136**

17 Exploration and evaluation assets

AMD’000	2014	2013
Exploration license acquired through business combination	26,936,526	26,936,526
Other exploration and evaluation costs	1,938,081	291,486
	28,874,607	**27,228,012**

Exploration license relates to the mine area located near Hankasar, Syuniq region. Operations under exploration license acquired are regulated by the License Agreement dated 13 November 2012 between the Group and the Ministry of Energy and Natural Resources, according to which, the Group’s exploration operations are licensed till 13 August 2015. Currently the Group is in the process of applying for the prolongation of the exploration licence.

Other exploration and evaluation expenditures of AMD 1,938,081 thousand at 31 December 2014 (2013: AMD 291,486 thousand) relate to costs incurred on the exploration and evaluation of potential mineral reserves and include costs for exploratory drilling and explosion performed by outsourced companies.

18 Inventories

’000 AMD	2014	2013
Raw materials and consumables	5,804,872	4,487,398
Spare parts	3,699,156	4,037,451
Finished goods	365,637	711,821
Construction materials	132,037	131,237
Work in progress	-	27,664
Other	492,992	661,145
	10,494,694	**10,056,716**
Write-down of inventories in the current year	(78,832)	(358,989)

19 Trade and other receivables

’000 AMD	2014	2013
Trade receivables – sales of concentrates	558,848	-
Trade receivables – sale of other products	102,334	207,132
Other receivables	235,732	60,125
Trade and other receivables included in loans and receivables category	**896,914**	**267,257**
Value added tax recoverable	854,426	982,679
Total trade and other receivables	**1,751,340**	**1,249,936**

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

20 Cash and cash equivalents

’000 AMD	2014	2013
Petty cash	3,055	100
Bank balances	936,418	522,200
Cash and cash equivalents in the statement of financial position and in the statement of cash flows	**939,473**	**522,300**

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

21 Capital and reserves

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares** **2014**	**2013**
Authorised shares		
Par value	AMD 20,000	AMD 20,000
On issue at 1 January and 31 December, fully paid	**2,748,334**	**2,748,334**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

(b) Dividends

In accordance with Armenian legislation, the Group's distributable reserves are limited to the balance of retained earnings as recorded in the Group's statutory financial statements prepared in accordance with International Financial Reporting Standards, except for restrictions on retained earnings as described below.

According to legal requirements, the Group is required to create a non-distributable reserve from its retained earnings for an amount equal to 15% of its share capital for the purpose of covering future losses.

No dividends were declared in 2014. In 2013 dividends to the ordinary shareholders of AMD 32,646,253 thousand in total or AMD 11,879 per issued share were declared and paid to the shareholders.

22 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

'000 AMD	**2014**	**2013**
Non-current liabilities		
Secured bank loans and credit lines	37,296,389	40,103,576
Unsecured borrowings from shareholder	-	2,433,840
	37,296,389	**42,537,416**
Current liabilities		
Secured bank loans and credit lines	22,647,431	15,411,573
Unsecured borrowings from shareholder	2,379,624	1,392,297
	25,027,055	**16,803,870**

In September 2013 the Group received a syndicated loan of USD 150,000 thousand from European financial institutions. The loan was partially used to repay the USD 75,000 thousand syndicated loan received in 2011 from European financial institutions. Management has assessed that the terms of the new syndicated loan have not been substantially modified compared to the terms of the repaid loan. Hence, the resulting difference between the present value of the amount repaid and the amortised cost of the loan as of the repayment date of AMD 613,098 thousand was recognised as an adjustment to the effective interest rate and amortised over the remaining life of the new syndicated loan.

The loan is secured by the Group's property, plant and equipment (see note 13) and the copper concentrate sales agreements with customers. Simultaneously the Group entered into call and put options agreement to manage the bank's risk of change in the prices of the collateral (see note 23).

Bank credit line is secured by the bank balances of the Group.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2014		31 December 2013	
'000 AMD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan	USD	Libor+4.95%	2018	56,705,602	51,470,664	60,852,217	53,482,805
Secured bank credit line	USD	8%	2015	4,237,313	4,237,313	-	-
Secured bank credit line	USD	8%	2015	4,235,843	4,235,843	-	-
Unsecured borrowing from related party	USD	Libor+4.95%	On demand	2,379,624	2,379,624	-	-
Unsecured borrowing from related party	USD	Libor+7%	2017	-	-	3,418,545	3,418,545
Secured bank credit line	USD	10%	2014	-	-	2,032,344	2,032,344
Unsecured borrowing from shareholder	USD	Libor+8%	2014	-	-	407,592	407,592
Total interest-bearing liabilities				**67,558,382**	**62,323,444**	**66,710,698**	**59,341,286**

23 Provisions

’000 AMD	Provision for site restoration	Financial guarantee provision	Employee termination benefits	Total
Balance at 1 January	2,135,420	-	-	2,135,420
Provision (reversed)/made during the year	-	595,770	1,329,021	1,924,791
Provision used during the year	-	-	(410,808)	(410,808)
Effect of changes in discount rate	(351,991)	-	(168,197)	(520,188)
Effect of changes in foreign exchange rate	-	-	156,069	156,069
Unwinding of discount	152,011	-	27,080	179,091
Balance at 31 December	**1,935,440**	**595,770**	**933,165**	**3,464,375**
Non-current	1,777,217	595,770	933,165	3,306,152
Current	158,223	-	-	158,223

(a) Site restoration

The provision of site restoration is in respect of the Group’s constructive obligation to restore contaminated land affected during the use of the tailing dam (Artsvanik dam) for the purpose of mine exploitation and concentrate production.

The total amount of the estimated cash flows required to settle the obligation is AMD 3,390,753 thousand considering the effect of average forecasted inflation rate of 3.9% for Armenia. An annual discount rate of 9.5% was used to discount restoration costs to be made in 8 years’ time. The timing of provision has been taken based on the management estimate on when the Group will realize its restoration obligation in respect of existing tailing dam as at 31 December 2014. The discount rate represents the nominal risk free rate (rate for long term Armenian Government bonds) adjusted for estimated country risk premium.

The provision has decreased as compared to the amount recognized as at 31 December 2013 due to changes in estimated annual discount rate. The decrease of site restoration provision arising from these changes in estimates was recognized as a decrease to the related asset.

During 2013, overall site restoration obligations of Armenian mining companies was clarified and enforced legally by the revised Law on Mining. The clarified law introduced a scheme under which the Group is required to make payments to a specified government fund. The calculation of the required payments should be performed according to the formula determined by the Government under a separate legal act. On 11 February 2013 the Government issued a legal act on the method of calculation of payments for a site restoration obligation which needs to be prepared by management and approved by the state authorities. As of the date this consolidated statement of financial position was authorized for issue the management has not sent the calculations for approval by the state authorities.

The Group did not create any provision for site restoration obligation related to the total mine area as the management does not believe that the present value of such obligations at 31 December 2014 will be material to this separate statement of financial position. The management's estimate is based on the assessed remote timing of the site restoration. Based on the evaluation of the ore reserves (see note 4(b)), current ore reserves will be sufficient for over 100 years at current extraction levels.

(b) Financial guarantee

The provision for guarantee at 31 December 2014 relates to the guarantee issued by the Group to secure a third party loan from an Armenian bank. As at 31 December 2014 the Group recognised a provision for the full amount of the provided guarantee as there are indications that the beneficiary of the guarantee will not be able to discharge its liabilities. An annual discount rate of 10.3% was used to discount the amount of the guarantee of AMD 734,000 thousand for 2 years.

The timing of provision has been taken based on the management estimate of the duration of the legal process.

(c) Employee termination benefits

The provision for termination benefits as at 31 December 2014 relates to the Group's contractual obligation to pay the amount of AMD 1,779,667 thousand to the former management of the Group on termination of their employment contracts in July 2014. Subsequently these employees were appointed in different new positions within the Group and the payment schedule of termination benefits was deferred until the termination of the current positions.

An annual discount rate of 6.5% was used to discount the payments to be made in 1-7 years' time based on the management estimate of the timing of the termination of the new positions.

24 Financial instruments at fair value through profit or loss

Financial assets at fair value through profit or loss of AMD 4,688,858 thousand (2013: financial liabilities at fair value through profit or loss AMD 3,953,866 thousand) represent the fair value of call and put options on copper with three counterparties. The options expire in December 2017.

The fair value determined at the initial recognition date using option pricing model of AMD 5,752,343 thousand (USD 14,135,606) has been considered as transaction cost and has been included in the amortised cost of the loan (see note 22) because the management believes that the initial loss on the financial instrument represents part of the cost to obtain the loan.

The Group's exposure to credit, currency and liquidity risks related to financial instruments at fair value through profit or loss are disclosed in note 26.

25 Trade and other payables

’000 AMD	2014	2013
Payables for acquisitions of inventory and property, plant and equipment	5,256,910	4,847,462
Trade and other payables included in other financial liabilities category	**5,256,910**	**4,847,462**
Salaries and related taxes payable	791,629	1,581,157
Withholding taxes payable	165,483	44,473
Royalty payable	95,363	-
Other payables and accrued expenses	397,724	381,131
Other payables	**1,450,199**	**2,006,761**
	6,707,109	**6,854,223**

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26 Fair values and risk management

(a) Financial instruments not measured at fair value

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

’000 AMD	Note	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
31 December 2014					
Financial assets not measured at fair value					
Cash and cash equivalents	20	936,418	-	936,418	936,418
Trade and other receivables	19	896,914	-	896,914	896,914
		1,833,332	**-**	**1,833,332**	**1,833,332**
Financial liabilities not measured at fair value					
Loans and borrowings	22	-	62,323,444	62,323,444	62,323,444
Trade and other payables	25	-	5,256,910	5,256,910	5,256,910
		-	**67,580,354**	**67,580,354**	**67,580,354**

’000 AMD	Note	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
31 December 2013					
Financial assets not measured at fair value					
Cash and cash equivalents	20	522,200	-	522,200	522,200
Trade and other receivables	19	267,257	-	267,257	267,257
		789,457	**-**	**789,457**	**789,457**
Financial liabilities not measured at fair value					
Loans and borrowings	22	-	59,341,286	59,341,286	59,341,286
Trade and other payables	25	-	4,847,462	4,847,462	4,847,462
		-	**64,188,748**	**64,188,748**	**64,188,748**

(b) Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by their levels in the fair value hierarchy.

’000 AMD	Level 1	Level 2	Level 3	Total
31 December 2014				
Derivatives embedded in sales contracts	-	(852,600)	(249,195)	(1,101,795)
Available-for-sale investments	777,159	-	-	777,159
Financial liabilities at fair value through profit or loss	-	-	4,688,858	4,688,858
	777,159	**(852,600)**	**4,439,663**	**4,364,222**

’000 AMD	Level 1	Level 2	Level 3	Total
31 December 2013				
Derivatives embedded in sales contracts	-	431,666	6,210	437,876
Available-for-sale investments	777,159	-	-	777,159
Financial liabilities at fair value through profit or loss	-	-	(3,953,866)	(3,953,866)
	777,159	**431,666**	**(3,947,656)**	**(2,738,831)**

Level 2 Derivatives embedded in copper sales contracts

The fair value of the embedded derivative relating to copper concentrate sales has been calculated using forward prices as at the reporting date quoted in the metal markets.

Level 3 Copper collars

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of copper collars:

’000 AMD	**2014**	**2013**
Balance at 1 January	(3,953,866)	(990,164)
Total gain/(loss) recognised in profit or loss from level 3 instruments held at year end	8,220,997	4,267,693
Transfers of the fair value determined at the initial recognition date of options expired in 2013	-	(1,640,100)
Effect of foreign exchange rate fluctuations	421,727	(3,844)
Settlement	-	164,892
Issues	-	(5,752,343)
Balance at 31 December	**4,688,858**	**(3,953,866)**

The fair value of financial instruments at fair value through profit or loss was measured using the Black-Scholes model for option pricing.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements of copper collars changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

	Effect in profit or loss	
’000 AMD	**Favourable**	**Unfavourable**
10% changes in the annual volatility	216,341	(256,831)

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values. Key inputs and assumptions used in the model at 31 December 2014 include:

- Forward market prices of copper from USD 6,189 to USD 6,349;
- Implied volatility surface of the market prices of copper (16% to 22%).

Level 3 Derivatives embedded in molybdenum sales contracts

Derivatives embedded in sales contracts related to molybdenum concentrate are classified as a level 3 asset. Because of the lack of observable forward prices for molybdenum concentrate, the fair value of the embedded derivative has been calculated using the latest quoted metal price as at the balance sheet date, which the Group considers as an approximation to the forward price in view of the short quotation periods for molybdenum contracts.

(c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group does not require collateral in respect of financial assets. Credit evaluations are performed on all counterparties other than related parties, requiring credit over a certain amount.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
'000 AMD	**2014**	**2013**
Bank balances	936,418	522,200
Trade and other receivables	896,914	267,257
	1,833,332	**789,457**

(ii) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances.

Approximately 55% (2013: 54%) of the Group's revenue from concentrate is attributable to sales transactions with related parties.

The rest of the revenue from concentrate is attributable to sales transactions with three (2013: two) customers. No losses have occurred so far on the Group's trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
'000 AMD	**2014**	**2013**
Foreign	558,848	-
Domestic	102,334	207,132
	661,182	**207,132**

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
'000 AMD	**2014**	**2013**
Copper and molybdenum customers	558,848	-
Other products customers	102,334	207,132
	661,182	**207,132**

Impairment losses

The aging of trade receivables at the reporting date was:

'000 AMD	**Gross 2014**	**Impairment 2014**	**Gross 2013**	**Impairment 2013**
Not past due	**661,182**	**-**	**207,132**	**-**

(iii) Investments

The Group limits its exposure to credit risk by investing only in liquid securities and dealing with counterparties that have a high credit rating.

(iv) Bank balances

The Group held bank balances of AMD 936,418 thousand at 31 December 2014 (2013: AMD 522,200 thousand), which represents its maximum credit exposure on these assets. At 31 December 2014 7% of total exposure is held with an A+ rated bank by Fitch (2013: AMD 16%). The remaining 93% of total exposure at 31 December 2014 is held with top 10 Armenian banks.

(e) Liquidity risk

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

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

2014 **'000 AMD**	**Carrying amount**	**Contractual cash flows**	**On demand**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-5 yrs**
Non-derivative financial liabilities							
Secured bank loan	51,470,664	61,597,636	-	10,086,618	9,881,419	19,069,545	22,560,054
Secured bank credit line	4,237,313	4,237,313	-	14,810	4,222,503	-	-
Secured bank credit line	4,235,843	4,235,843	-	13,055	4,222,788	-	-
Unsecured borrowing from related party	2,379,624	2,379,624	2,379,624	-	-	-	-
Trade and other payables	5,256,910	5,256,910	-	5,256,910	-	-	-
Advances received for provisionally priced sales	17,626,344	17,626,344	-	17,626,344	-	-	-
Issued financial guarantees	595,770	734,000	-	-	-	734,000	-
	85,802,468	**96,067,670**	**2,379,624**	**32,997,737**	**18,326,710**	**19,803,545**	**22,560,054**

2013

’000 AMD	**Carrying amount**	**Contractual cash flows**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-5 yrs**
Non-derivative financial liabilities						
Secured bank loan	53,482,805	68,075,191	5,351,267	9,014,378	17,412,064	36,297,482
Secured bank credit line	2,032,344	2,032,344	2,032,344	-	-	-
Unsecured borrowings from shareholder	3,826,137	4,331,833	1,036,350	593,875	1,134,197	1,567,411
Trade and other payables	4,847,462	4,847,462	4,605,073	242,389	-	-
Payable for acquisition of subsidiary	1,568,102	1,568,102	1,568,102	-	-	-
Advances received for provisionally priced sales	10,139,844	10,139,844	10,139,844	-	-	-
Issued financial guarantees	-	936,820	936,820	-	-	-
Issued financial guarantee	-	400,000	400,000	-	-	-
	75,896,694	**92,331,596**	**26,069,800**	**9,850,642**	**18,546,261**	**37,864,893**
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss	3,953,866	3,953,866	165,280	348,339	1,131,859	2,308,388
	3,953,866	**3,953,866**	**165,280**	**348,339**	**1,131,859**	**2,308,388**

The disclosure above shows net cash flow amounts for derivatives as they are net cash settled. The contractual cash flows of the secured bank loan include the cash flows from transaction costs.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(f) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group, primarily U.S. Dollars (USD).

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD. This provides an economic hedge without a need to enter into derivatives contracts.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group’s policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

'000 AMD	**USD-denominated 2014**	**USD-denominated 2013**
Trade and other receivables	558,848	-
Cash and cash equivalents	62,154	83,875
Loans and borrowings	(62,323,444)	(59,341,286)
Advances received for provisionally priced sales	(17,626,344)	(9,976,410)
Trade and other payables	(1,111,860)	(1,369,830)
Financial assets at fair value through profit or loss	4,688,858	-
Financial liabilities at fair value through profit or loss	-	(3,953,866)
Net exposure	**(75,751,788)**	**(74,557,517)**

The following significant exchange rates applied during the year:

in AMD	**Average rate**		**Reporting date spot rate**	
	2014	**2013**	**2014**	**2013**
USD	415.76	409.60	474.97	405.64

Sensitivity analysis

A 20% strengthening/(weakening) of the AMD, as indicated below, against USD at 31 December would have increased (decreased) equity and profit or loss before taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013, except that the reasonable strengthening/(weakening) of the AMD was determined to be 10%.

	Strengthening		**Weakening**	
'000 AMD	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2014	-	15,150,358	-	(15,150,358)
31 December 2013	-	7,455,751	-	(7,455,751)

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
'000 AMD	**2014**	**2013**
Fixed rate instruments		
Financial liabilities	(8,473,156)	(2,032,344)
Variable rate instruments		
Financial liabilities	(53,850,288)	(57,308,942)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss	
'000 AMD	**100 bp increase**	**100 bp decrease**
2014		
Variable rate instruments	(538,502)	538,502
2013		
Variable rate instruments	(573,089)	573,089

(iii) Commodity price risk

The Group's major commodity price exposure is to the prices of copper and molybdenum concentrate. Forward prices of these commodities at the reporting date affect the fair value of the embedded derivatives in sales contracts.

Sensitivity analysis

A change of 10% in forward prices of copper and molybdenum at the reporting date in relation to provisionally priced sales would have affected profit or loss before taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Effect in profit or loss	
'000 AMD	**Favourable**	**Unfavourable**
2014		
10% changes in the forward prices	2,049,088	(2,890,230)
2013		
10% changes in the forward prices	1,121,657	(1,922,348)

A sensitivity analysis of financial instruments at fair value through profit or loss (copper options) is disclosed in note 26(c).

(g) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows, as well as loans and borrowings. With these measures the Group aims for steady profits growth.

27 Significant subsidiaries

		2014	2013
Subsidiary	**Country of incorporation**	**Ownership/voting**	**Ownership/voting**
Ler-Ex LLC	Republic of Armenia	100%	100%

The Group acquired 100% shares in Ler-Ex LLC during 2012.

28 Contingencies

(a) Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Environmental contingencies

The Group is subject to various state laws and regulations that govern emissions of air pollutants; discharges of water pollutants; and generation, handling, storage and disposal of hazardous substances, hazardous wastes and other toxic materials. The Group has not provided for any potential environmental contingency as the management does not consider any environmental contingent liability to be probable in the foreseeable future. However, environmental legislation in Armenia is in the process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

(d) Capital commitments

During 2014, the Group continued implementation and also entered into several new contracts to purchase equipment and services. The commitments related to these contracts at 31 December 2014 amounted to AMD 2,395,924 thousand (2013: AMD 4,005,268 thousand).

29 Operational risks

(a) Mines

Mines by their nature are subject to many operational risks and factors that are generally outside of the Group's control and could impact the Group's business, operating results and cash flows. These operational risks and factors include, but are not limited to (i) unanticipated ground and water conditions and adverse claims to water rights, (ii) geological problems, including earthquakes and other natural disasters, (iii) metallurgical and other processing problems, (iv) the occurrence of unusual weather or operating conditions and other force majeure events, (v) lower than expected ore grades or recovery rates, (vi) accidents, (vii) delays in the receipt of or failure to receive necessary government permits, (viii) the results of litigation, including appeals of agency decisions, (ix) uncertainty of exploration and development, (x) delays in transportation, (xi) labour disputes, (xii) inability to obtain satisfactory insurance coverage, (xiii) unavailability of materials and equipment, (xiv) the failure of equipment or processes to operate in accordance with specifications or expectations, (xv) unanticipated difficulties consolidating acquired operations and obtaining expected synergies and (xvi) the results of financing efforts and financial market conditions.

(b) Copper and molybdenum price volatility

The Group's financial performance is heavily dependent on the price of copper, which is affected by many factors beyond the Group's control. Copper is a commodity traded on the London Metal Exchange (LME), the New York Commodity Exchange (COMEX) and the Shanghai Futures Exchange (SHFE). The Group's copper is sold at prices based on those quoted on the LME. The price of copper as reported on this exchange is influenced significantly by numerous factors, including (i) the worldwide balance of copper demand and supply, (ii) rates of global economic growth, trends in industrial production and conditions in the housing and automotive industries, all of which correlate with demand for copper, (iii) economic growth and political conditions in China, which has become the largest consumer of refined copper in the world, and other major developing economies, (iv) speculative investment positions in copper and copper futures, (v) the availability and cost of substitute materials and (vi) currency exchange fluctuations, including the relative strength of the USD. The copper market is volatile and cyclical. During the year ended 31 December 2014, LME monthly average closing spot prices ranged from USD 6,423 to USD 7,295 per ton for copper. The LME spot copper price closed at USD 6,270 per ton on 19 May 2015.

A sustained period of low copper prices would adversely affect the Group's profits and cash flows.

The Group's financial performance is also significantly dependent on the price of molybdenum. Molybdenum is characterized by volatile, cyclical prices, even more so than copper. Molybdenum prices are influenced by numerous factors, including (i) the worldwide balance of molybdenum demand and supply, (ii) rates of global economic growth, especially construction and infrastructure activity that requires significant amounts of steel, (iii) the volume of molybdenum produced as a by-product of copper production, (iv) inventory levels, (v) currency exchange fluctuations, including the relative strength of the USD and (vi) production costs of U.S. and foreign competitors.

Molybdenum demand depends heavily on the global steel industry, which uses the metal as a hardening and corrosion inhibiting agent. Approximately 80 percent of molybdenum production is used in this application. The remainder is used in specialty chemical applications such as catalysts, water treatment agents and lubricants. Approximately 65 percent of global molybdenum production is a by-product of copper mining, which is relatively insensitive to molybdenum prices.

The price of molybdenum oxide was averaging to approximately USD 28,405 per ton during 2014 in comparison with USD 22,621 per ton during 2013. The LME spot price of USD 17,300 per ton of molybdenum oxide was registered on 19 May 2015.

A sustained period of low molybdenum prices would adversely affect the Group's profits and cash flows.

30 Related party transactions

(a) Control relationships

In accordance with Government Decree No 1677-A dated 9 December 2004 the Company was privatised by the state and commencing 1 January 2005 the ownership structure of the Group is as follows:

Cronimet Mining AG	60%
Pure Iron (99.3% ultimately owned by Cronimet Holding GmbH)	15%
Armenian Molybdenum Production Ltd	12.5%
Zangezur Mining Ltd	12.5%

The ultimate parent of the Group is Cronimet Verwaltungs GmbH which is controlled by Pilarsky family.

Publicly available financial information is produced by the Group's parent company.

(b) Transactions with key management personnel

Key management and their close family members controlled 12.5% of the voting shares of the Company until 1 July 2014.

(i) Board of Directors and key management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 11):

'000 AMD	**2014**	**2013**
Salaries and bonuses		
Board of Directors	361,713	-
Key management	867,078	908,271
	1,228,791	**908,271**

(c) Other related party transactions

The Group's other related party transactions are disclosed below.

(i) Revenue

'000 AMD	Transaction value 2014	Transaction value 2013	Outstanding balance 2014	Outstanding balance 2013
Sale of molybdenum concentrate:				
Shareholders	38,156,010	33,986,719	(5,834,023)	(2,840,394)
Sale of copper concentrate:				
Entity under significant influence of the ultimate controlling party	25,065,485	27,718,799	(9,962,301)	(2,175,675)
Sale of other products:				
Entities under significant influence of the Board of Directors	124,433	236,498	17,407	132,457
Services provided (other income):				
Entities under significant influence of the Board of Directors	4,065	970	-	226
	63,349,993	**61,942,986**	**(15,778,917)**	**(4,883,386)**

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured. Transaction value of sale of molybdenum and copper concentrate with related parties does not include the derivatives embedded in sales contracts.

(ii) Expenses

'000 AMD	Transaction value 2014	Transaction value 2013	Outstanding balance 2014	Outstanding balance 2013
Purchase of materials:				
Shareholder	5,320	-	-	-
Entities under significant influence of the Board of Directors	20,564,104	2,011,124	(419,112)	(30,694)
Purchase of property, plant and equipment:				
Entities under significant influence of the Board of Directors	88,680	457,422	(2,974)	(6,832)
Services received:				
Parent company	52,456	-	-	-
Entities under significant influence of the Board of Directors	5,479,447	2,897,316	(1,301,926)	(207,956)
	26,190,007	**5,365,862**	**(1,724,012)**	**(245,482)**

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(iii) Loans

’000 AMD	**Amount loaned 2014**	**Amount loaned 2013**	**Outstanding balance 2014**	**Outstanding balance 2013**
Loans received:				
Shareholder	-	-	-	(3,826,137)
Entities under significant influence of shareholders	2,510,740	-	(2,379,624)	-

31 Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that:

- property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRSs; and
- available-for-sale financial assets and investments at fair value through profit or loss are stated at fair value.

32 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. Transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon delivery of goods to the specified location in Yerevan.

The Group's concentrate sales contracts, in general, provide for a provisional payment as specified in individual contracts, which are based upon provisional assays and historical quoted metal prices. Final settlement is done based on market metal prices averaged over a specified future quotation period. Typically, the future quotation period for copper is up to three months and for molybdenum up to two months after the month of shipment.

The Group's provisionally priced sales contracts contain an embedded derivative that, because it is unrelated to the commodity sale, is required to be separated from the host contract for accounting purposes. The embedded derivative is recorded as a trade receivable or advance received for provisionally priced sales on the statement of financial position with a corresponding adjustment to revenue and marked to market (fair value) through revenue each period with reference to the appropriate commodity forward curve until the date of final settlement.

(c) Donations to social programs

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(d) Finance income and costs

The Group's finance income and finance costs include:

- interest income;
- dividend income;
- interest expense;
- unwinding of discount on provision for site restoration and provision for termination benefits;
- net fair value losses on financial liabilities through profit and loss;
- foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(e) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to AMD at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AMD at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss.

(f) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(i) Termination benefits

Termination benefits are expensed when the Company can no longer withdraw the offer of those benefits. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(g) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Total royalty expense is an allowable deductable expense for the taxable income calculation purposes.

(h) Royalties

Royalties are the expected payables to the state budget calculated in accordance with guidelines and requirements in the applicable laws and regulations and are based on the profitability levels of licensed operations. Royalties are calculated using rates enacted or substantively enacted at the reporting date. Royalties are recognised in profit or loss annually based on the combination of the revenues and taxable income adjusted as per the guidelines and requirements in the applicable laws and regulations. Royalties consist of two components: royalty calculated at 4% of revenue and royalty calculated as 12.5% of taxable income adjusted as per the guidelines and requirements in the applicable laws and regulations

Management believes that royalty expense does not represent an income tax as the total revenue factor (a gross measure) is significant in determining the amount of royalty payable. Royalties are treated as other operating expenses.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of finished goods is based on the weighted average cost principle.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2007, the date of transition to IFRSs, was determined by reference to its fair value at that date (“deemed cost”).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

For assets used in the production line, depreciation is charged based on the units of production method using the total estimated ore reserves and the actual extracted and treated ore. For all other assets, depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	
– certain workshop buildings and constructions	units of production method
– other buildings	4 to 60 years
• Plant and equipment	
– plant and equipment for transportation and removal of waste	units of production method
– other plant and equipment	3 to 100 years
• Mining facilities	98 years
• Fixtures and fittings	1 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(k) Intangible assets

(i) Software

Software that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Software 10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(l) Exploration and evaluation assets

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and includes costs such as costs of geological and geophysical studies, exploratory drilling, sample testing, the costs of assembling and production equipment and overheads associated with exploration activities. In accordance with the Group's accounting policy borrowing costs that relate to exploration and evaluation assets are not capitalized.

Exploration and evaluation expenditure for each area of interest are capitalized and are carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recovered through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing or planned for the future.

Exploration and evaluation assets are classified as tangible or intangible based on their nature. The exploration and evaluation assets are no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

Activities prior to the acquisition of the mineral rights are pre-exploration. Pre-exploration costs are expensed and include such costs as initial technical and economical assessment of a project, geological model definition of minerals and its evaluation, and overheads associated with the pre-exploration activities.

(m) Financial instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and current bank accounts.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held to maturity financial assets or financial assets at fair value through profit and loss. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost. Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities - measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Derivative financial instruments

Derivative financial instruments comprise financial assets and liabilities at fair value through profit or loss, which represent the fair value of call and put options on copper concentrate. The Group holds commodity options for hedging purposes.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the transaction price at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in the profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(n) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security, observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognized when the land is contaminated.

A corresponding asset is recognized in property, plant and equipment. Site restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax risk-free rate. The unwinding of the discount is expensed as incurred and recognized in profit or loss as a finance cost.

At each year end the Group re-measures the provision for site restoration based on the best estimate of the settlement amount and the market-based discount rate.

Changes in the site restoration provision that result from the changes in the estimated timing or amount of outflow of resources embodying economic benefits required to settle the obligation, or a change in discount rate, are added to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

The depreciable amount of the related asset is depreciated over its useful life. Once the related asset has reached the end of its useful life, all subsequent changes in the site restoration provision are recognized in profit or loss as they occur.

(ii) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees are recognized when losses are considered probable and can be measured reliably.

33 New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

New or amended standard	Summary of the requirements	Possible impact on financial statements
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.