Zangezur Copper Molybdenum Combine CJSC

Consolidated Financial Statements
for the year ended 31 December 2022

Contents

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Independent Auditors' Report

To the Shareholders and the Board of Directors of Zangezur Copper Molybdenum Combine CJSC

Opinion

We have audited the consolidated financial statements of Zangezur Copper Molybdenum Combine CJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2021 were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements on 23 June 2022.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

Karen Safaryan
Director, Audit

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«KPMG ARMENIA»
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Irina Gevorgyan
Managing Partner
Director of KPMG Armenia LLC

KPMG Armenia LLC

KPMG Armenia LLC
23 May 2023

Consolidated Statement of Financial Position
as at 31 December 2022

’000 AMD	Note	31 December 2022	31 December 2021
Assets			
Property, plant equipment, right-of-use assets	15	210,281,310	219,099,509
Stripping activity assets	16	20,219,211	7,726,290
Inventories	19	28,993,970	21,110,939
Intangible assets		321,440	288,418
Equity instruments at fair value through profit or loss		611,287	550,078
Prepayments for non-current assets	17	14,590,344	5,653,671
Input VAT		140,294	187,690
Other non-current assets		260,224	239,680
Non-current assets		**275,418,080**	**254,856,275**
Inventories	19	29,568,730	25,312,764
Other prepaid taxes		2,534,883	2,256,513
Royalty receivables from state budget	20	6,106,168	-
Input VAT		3,563,759	3,548,122
Deferred VAT		243,455	336,076
Trade and other receivables	21	37,333,194	19,483,108
Prepayments for current assets	17	6,304,003	3,657,731
Borrowings given	18	33,831,352	-
Cash and cash equivalents	22	21,548,194	35,720,938
Deposits at banks	23	7,866,619	18,484,982
Other current assets		11,574	29,769,807
Current assets		**148,911,931**	**138,570,041**
Total assets		**424,330,011**	**393,426,316**
Equity			
Share capital	24	54,966,680	54,966,680
Share premium	24	18,167,106	18,167,106
Retained earnings		228,246,873	131,491,940
Total equity		**301,380,659**	**204,625,726**
Liabilities			
Loans and borrowings	27	28,875,933	33,023,964
Provisions	26	3,621,700	3,966,398
Deferred tax liabilities	14	10,622,137	8,634,048
Total non-current liabilities		**43,119,770**	**45,624,410**
Issued bonds	25	-	26,484,802
Loans and borrowings	27	33,457,269	43,688,959
Provisions	26	2,821,836	20,545
Lease liabilities		-	222,291
Contract liabilities	29	10,984,503	17,015,759
Income tax payable		10,511,389	18,770,951
Royalty payables		-	15,707,343
Trade and other payables	28	19,703,366	17,712,496
Other liabilities		2,351,219	3,553,034
Current liabilities		**79,829,582**	**143,176,180**
Total liabilities		**122,949,352**	**188,800,590**
Total equity and liabilities		**424,330,011**	**393,426,316**

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 9 to 54.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2022

'000 AMD	Note	2022	2021
Revenue	6	358,163,585	342,063,978
Cost of sales	7	(129,254,790)	(124,565,517)
Gross profit		**228,908,795**	**217,498,461**
Distribution expenses	8	(7,147,513)	(8,980,181)
Administrative expenses	9	(17,719,899)	(15,598,795)
Donations to social programs	10	(6,466,399)	(5,625,835)
Other income		560,199	724,626
Other expenses	11	(77,263,322)	(63,215,659)
Allowance for expected credit losses	21	(576,653)	(2,149,547)
Results from operating activities		**120,295,208**	**122,653,070**
Net loss from financial instruments at fair value through profit or loss		-	(823,883)
Gain on investment at fair value through profit or loss		61,209	(95,965)
Finance income	12	2,813,411	545,054
Finance costs	12	(6,436,665)	(14,775,715)
Net foreign exchange (loss)/gain		(563,119)	10,232,169
Profit before income tax		**116,170,044**	**117,734,730**
Income tax expense	14	(19,825,153)	(23,106,199)
Profit and total comprehensive income for the year		**96,344,891**	**94,628,531**

Signed and authorized for the release on behalf of the management of the Group on 23 May 2023.

Roman Khudoliy
General Director

Tovmas Melikyan
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 9 to 54.

Consolidated Statement of Changes in Equity for 2022

’000 AMD	Share capital	Treasury share reserve	Retained earnings	Share premium	Total equity
Balance at 1 January 2021	54,966,680	(41,225,060)	3,359,596	-	17,101,216
Total comprehensive income					
Profit for the year	-	-	94,628,531	-	94,628,531
Total comprehensive income for the year	**-**	**-**	**94,628,531**	**-**	**94,628,531**
Transactions with owners of the Company					
Placement of treasuty shares (Note 24)	-	41,225,060	33,913,855	18,167,106	93,306,021
Dividends declared	-	-	(410,042)	-	(410,042)
Total transactions with owners of the Company	**-**	**41,225,060**	**33,503,813**	**18,167,106**	**92,895,979**
Balance at 31 December 2021	**54,966,680**	**-**	**131,491,940**	**18,167,106**	**204,625,726**
Balance at 1 January 2022	54,966,680	-	131,491,940	18,167,106	204,625,726
Total comprehensive income					
Profit for the year	-	-	96,344,891	-	96,344,891
Total comprehensive income for the year	**-**	**-**	**96,344,891**	**-**	**96,344,891**
Transactions with owners of the Company					
Cancellation of dividends declared (Note 24)	-	-	410,042	-	410,042
Total transactions with owners of the Company	**-**	**-**	**410,042**	**-**	**410,042**
Balance at 31 December 2022	**54,966,680**	**-**	**228,246,873**	**18,167,106**	**301,380,659**

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 9 to 54.

Consolidated Statement of Cash Flows for 2022

’000 AMD	2022	2021
Profit before tax	**116,170,044**	**117,734,730**
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation	21,639,569	19,524,934
Impairment losses/(reversal)	1,079,149	1,176,374
Gain/(loss) on disposal of property, plant and equipment	-	(39,242)
Net foreign exchange (gain)/loss	563,119	(10,232,169)
Sales for non-cash consideration	(14,259,214)	(15,745,389)
Provision used during the year	2,059,719	(683,712)
Write down of inventory	(18,387)	1,251,238
Losses on investment at fair value through profit or loss	(61,209)	95,965
Credit loss expense	576,653	2,149,547
Net finance ncome	3,623,254	14,230,661
Working capital adjustments:		
Increase in inventories	(12,120,610)	(10,720,289)
Increase in trade and other receviables	(28,350,573)	(7,606,470)
Increase in prepayments	(3,982,310)	(10,642,895)
Decrease/(increase) in other prepaid taxes	131,673	(1,809,393)
Decrease/(increase) in input VAT	31,760	(1,915,319)
Decrease/(increase) in deferred VAT	92,620	(227,461)
Increase in other curent assets	(19,489)	(283,179)
Increase/(decrease) in trade payable	2,567,625	(24,909,858)
Increase/(decrease) in contract liabilities	1,093,076	(2,906)
(Decrease)/increase in other financial liabilities	(603,242)	2,414,348
(Decrease)/increase in royalty payable	(21,813,511)	15,346,784
Decrease in provisions	-	(634,025)
Decrease in financial liabilities at fair value through profit or loss	-	(591,905)
Cash flow from operations before income taxes paid	**68,399,716**	**87,880,369**
Income tax paid	(26,096,626)	(10,944,178)
Net cash flows from operating activities	**42,303,090**	**76,936,191**
Investing activities		
Acquisition of property, plant and equipment	(24,945,996)	(21,287,938)
Acquisition of intangible assets	(122,127)	(13,954)
Proceeds from sale of property, plant and equipment	-	39,242
Investments in stripping activity assets	(12,492,921)	(1,967,057)
Dividends received	46,054	59,214
Placement of deposits at banks	(16,500,000)	(18,000,000)
Proceeds from bank deposits	27,100,000	-
Proceeds from borrowings given	(33,953,175)	2,700
Interest received	1,638,682	60,073
Net cash flows used in investing activities	**(59,229,483)**	**(41,107,720)**
Financing activities		
Proceeds from loans and borrowings	77,451,497	5,410,071
Repayment of loans and borrowings	(66,597,958)	(46,634,671)
Repayment of issued bonds	(24,000,097)	(14,108,479)
Proceeds from placement of treasury shares	27,629,671	63,820,681
Payment of lease liabilities	(238,700)	(260,399)
Interest paid	(3,913,871)	(11,192,740)
Net cash flows from/(used in) financing activities	**10,330,542**	**(2,965,537)**
Net (decrease)/increase in cash and cash equivalents	**(6,595,851)**	**32,862,934**
Cash and cash equivalents at 1 January	35,720,938	4,327,215
Effect of exchange rate changes on cash and cash equivalents	(7,576,893)	(1,469,211)
Cash and cash equivalents at 31 December (Note 22)	**21,548,194**	**35,720,938**

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 9 to 54.

Notes to the Consolidated Financial Statements for 2022

1. Reporting entity

(a) Armenian business environment

The Group's operations are primarily 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. In spite of the existence of the cease fire arrangement, the military forces of Armenia and Azerbaijan have been engaged in border conflict, which has also increased the level of uncertainty in the business environment.

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.

(b) Organisation and operations

Zangezur Copper Molybdenum Combine CJSC (the "Company") and its subsidiary Ler-Ex LLC (the "Subsidiary"), forming the Group (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, Syunik region, Republic of Armenia.

The Group's principal activity is mining and the production of copper and molybdenum concentrate. Finished goods are sold in the form of copper concentrate, molybdenum concentrate and ferro-molybdenum. The Group's operations are regulated by the License agreements between the Group and the Ministry of Energy and Natural Resources (the "License Agreements"). According to the License Agreements, the Group's operations are licensed until 2041.

During 2021 the Group's 60% of shares were sold to Promishlennaya Kompaniya JSC by the Group. The payment was received by the Group during the fourth quarter of 2021. Further Promishlennaya Kompaniya JSC donated 15% of Group's shares to Government of Republic of Armenia. In November 2021 the Group's 15% of shares were sold to Urbanevent Plus LLC. The payment was received by the Group during 2022.

As at 31 December 2022 the shareholder structure of the Group is as follows: AMP Holding LLC (5.625%), Zangezur Mining LLC (12.5%), Promishlennaya Kompaniya JSC (45%), Republic of Armenia (21.875%), Urbanevent Plus LLC (15%) (the "Shareholders").

As at 31 December 2021 the shareholder structure of the Group is as follows: AMP Holding LLC (12.5%), Zangezur Mining LLC (12.5%), Promishlennaya Kompaniya JSC (45%), Republic of Armenia (15%), Urbanevent Plus LLC (15%) (the "Shareholders").

Related party transactions are disclosed in Note 34.

The following subsidiary is included in the consolidated financial statements of the Group:

Subsidiary	Country of incorporation	2022 Ownership/voting	2021 Ownership/voting	Nature of activities
Ler-Ex LLC	Republic of Armenia	100%	100%	Mining

2. Basis of accounting

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

3. Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the functional currency of the Company and each of the Group's consolidated entities and is the currency in which these consolidated financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand unless otherwise indicated.

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 36 (b) – recognition of revenue;
- Note 36(f) – classification of royalty expense;
- Note 36 (h) and Note 16 – determination of the components of ore body and waste estimates;
- Note 19 – classification of long term inventories.

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(a) – ore reserve estimates and exploitation license extension;
- Note 36(h) – useful lives of property, plant and equipment and determination of units of production depreciation calculation;
- Note 26 – provision for site reclamation;
- Note 36(f) – royalty estimate;
- Note 36 (j) – recoverability of assets − impairment of non-financial assets;
- Note 21 – ECL estimate for trade receivables.

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.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 30 – fair values and risk management.

(a) Ore resources and exploitation license

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Group's reported consolidated financial position and results, in the following way:

- The carrying value of property, plant and equipment, stripping activity asset, exploration and evaluation assets, may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in the consolidated statement of profit or loss and other comprehensive income may change where such changes are determined using the unit of production (UOP) method, or where the useful life of the related assets change;
- Capitalised stripping costs recognised in the consolidated statement of financial position as either part of property, plant and equipment, other non-current assets or inventory or charged to profit or loss may change due to changes in stripping ratios;
- Provisions for site restoration and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

The Group operates under a License which expires in 2041, in accordance with License Agreement No. PV-232 dated 27 November 2012. In preparing these consolidated financial statements management has assumed that the License will be prolonged beyond 2041. This assumption is based on the provisions of the Mining Code which state that the License can be prolonged based on submitted application. Further, the Group obtained JORC compliant mineral resource estimate report NI43-101 as of October 2015, issued by Golder Associates.

The Group uses the above estimates in evaluating the timing of site restoration costs, useful lives and impairment of property, plant and equipment, stripping activity asset and exploration and evaluation asset.

5. Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management considers that the Group comprises of one operating segment as the Board of the Group monitors the operating results of the Group as a single business unit. The General director is considered to be the Group's Chief Operating Decision Maker for the purpose of making decisions about resource allocation and performance assessment.

6. Revenue

Revenue from contracts with customers

’000 AMD	**2022**	**2021**
Revenue from sale of copper concentrate	169,475,884	184,340,719
Revenue from sale of ferro-molybdenum	107,871,464	95,236,259
Revenue from the sale of molybdenum concentrate	71,768,502	55,966,743
Revenue from freight/shipping services	6,943,621	5,052,697
Other revenue	2,104,114	1,467,560
Total revenues	**358,163,585**	**342,063,978**

Revenues from sale of concentrates and ferro-molybdenum:

	2022		**2021**	
	’000 AMD	**Dry metric tonnes**	**’000 AMD**	**Dry metric tonnes**
Copper concentrate	169,475,884	222,921	184,340,719	202,540
Ferro-molybdenum	107,871,464	8,560	95,236,259	7,760
Molybdenum concentrate	71,768,502	8,397	55,966,743	7,372
	349,115,850		**335,543,721**	

All revenue from copper and molybdenum concentrate and ferro-molybdenum is recognised at a point in time when control transfers (Note 36(b)) and revenue from freight/shipping services is recognised over time as the services are provided.

At 31 December 2022 the Group had outstanding provisionally priced sales of AMD 47,894,366 thousand consisting of 37,870 dry metric tonnes of copper concentrate, 536 dry metric tonnes of ferro-molybdenum, 1,891 dry metric tonnes of molybdenum (2021: AMD 17,384,462 thousand consisting of 15,458 dry metric tonnes of copper concentrate, 121 dry metric tonnes of ferro-molybdenum, nil molybdenum) which had a fair value of approximately AMD 60,006,099 thousand (2021: AMD 17,481,088 thousand).

7. Cost of sales

’000 AMD	**2022**	**2021**
Cost of sales of concentrate, ferro-molybdenum and sintered molybdenum	127,195,415	122,968,947
Cost of other sales	2,059,375	1,596,570
	129,254,790	**124,565,517**

Cost of sales of concentrates and ferro-molybdenum:

’000 AMD	**2022**	**2021**
Materials	34,580,746	35,495,362
Wages and salaries	25,323,010	23,255,431
Tolling costs	15,735,099	15,940,788
Outsourced services	15,531,781	16,090,613
Depreciation	15,302,844	14,367,986
Electricity and gas	13,184,949	10,801,166
Transportation	7,120,135	6,551,349
Ecology taxes	231,073	207,516
Other	185,778	258,736
	127,195,415	**122,968,947**

8. Distribution expenses

’000 AMD	**2022**	**2021**
Transportation of copper	5,115,072	6,983,915
Transportation of molybdenum	540,662	688,844
Wages and salaries	188,235	148,115
Packaging, sorting and maintenance	83,280	73,380
Other	1,220,264	1,085,927
	7,147,513	**8,980,181**

9. Administrative expenses

’000 AMD	**2022**	**2021**
Wages and salaries	10,535,869	8,674,156
Audit, consulting and other professional services	1,921,393	1,315,175
Office, utility and communicaiton expense	1,562,294	1,427,714
Depreciation and amortisation	963,218	967,656
Materials	681,077	692,959
Insurance cost and bank charges	566,687	696,038
Transporation services	377,529	828,966
Office rent	312,480	312,480
Business trips, trainings and representative expenses	137,216	423,631
Other	662,136	260,018
	17,719,899	**15,598,795**

10. Donations to social programs

’000 AMD	2022	2021
Donations in cash	5,904,971	5,259,452
Property, plant and equipment, inventory and other donations	561,428	366,383
	6,466,399	**5,625,835**

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

11. Other expenses

’000 AMD	2022	2021
Duties and taxes other than on income*	36,347,539	11,506,348
Royalty expense	33,454,912	39,561,074
Impairment of prepayments	1,079,149	2,690,347
Wages and salaries	1,008,789	1,403,311
Materials	1,008,482	885,958
Business trips	494,589	625,055
Fines and penalties	391,588	23,675
Depreciation	309,370	387,577
Impairment of property and equipment	181,487	856,876
Recognition of payables under streaming arrangement	-	3,922,020
Write-down of inventories	-	623,164
Other	2,987,417	730,254
	77,263,322	**63,215,659**

* Expenses represent state duties imposed on exports of copper and molybdenum concentrates in accordance with changes in “Law on State Duties” effective from 5 September 2021.

12. Finance income/(costs)

’000 AMD	2022	2021
Interest income from loans	1,195,255	12,183
Interest income on deposits	1,113,374	484,982
Interest income on bank accounts	458,727	47,889
Other interest income	46,055	-
Finance income	**2,813,411**	**545,054**
Interest expense on issued bonds, loans and borrowings	(6,009,090)	(14,412,886)
Unwinding of discount on site restoration provision (Note 26)	(396,874)	(338,014)
Interest on finance lease	(4,838)	(24,815)
Finance costs	**(6,410,802)**	**(14,775,715)**

13. Personnel costs

’000 AMD	2022	2021
Wages and salaries	44,139,380	40,137,719
Termination benefits	908,653	1,310,639
	45,048,033	**41,448,358**

14. Income taxes

(a) Amounts recognised in profit or loss

The Group’s applicable tax rate is the income tax rate of 18% (2021: 18%).

’000 AMD	2022	2021
Current tax expense		
Current year income tax	17,837,064	23,770,952
	17,837,064	**23,770,952**
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	1,988,089	(664,753)
	1,988,089	**(664,753)**
Total income tax expense	**19,825,153**	**23,106,199**

Reconciliation of effective tax rate:

	2022		2021	
	’000 AMD	**%**	**’000 AMD**	**%**
Profit before income tax	116,170,045	100	117,734,731	100
Income tax at applicable tax rate	20,910,608	18	21,192,252	18
Non-deductable expenses	-	-	1,913,947	1.6
Non-taxable income	(1,055,432)	(1)	-	-
	19,855,176	**17%**	**23,106,199**	**20%**

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 AMD	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Property, plant and equipment	-	-	(11,018,308)	(10,768,043)	(11,018,308)	(10,768,043)
Intangible assets	6,497	3,041	-	-	6,497	3,041
Inventories	429,545	544,985	-	-	429,545	544,985
Stripping assets	-	-	(2,684,718)	(385,579)	(2,684,718)	(385,579)
Trade and other receivables	837,222	774,364	-	-	837,222	774,364
Prepayments for current assets	216,842	-	-	-	216,842	-
Loans given	631,692	631,692	-	-	631,692	631,692
Trade and other payables	504,373	-	-	(4,655)	504,373	(4,655)
Loans and borrowings	-	-	(74,189)	(136,929)	(74,189)	(136,929)
Provision for site restoration	528,907	667,064	-	-	528,907	667,064
Lease liabilities	-	40,012	-	-	-	40,012
Net tax asset/(liability)	**3,155,078**	**2,661,158**	**(13,777,215)**	**(11,295,206)**	**(10,622,137)**	**(8,634,048)**

	Assets		Liabilities		Net	
'000 AMD	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Property, plant and equipment	-	-	(10,768,043)	(10,062,485)	(10,768,043)	(10,062,485)
Intangible assets	3,041	3,155	-	-	3,041	3,155
Inventories	544,985	439,466	-	-	544,985	439,466
Stripping assets	-	-	(385,579)	(264,646)	(385,579)	(264,646)
Trade and other receivables	774,364	271,315	-	-	774,364	271,315
Loans given	631,692	3,725	-	-	631,692	3,725
Trade and other payables	-	-	(4,655)	(177,496)	(4,655)	(177,496)
Loans and borrowings	-	-	(136,929)	(273,622)	(136,929)	(273,622)
Provision for site restoration	667,064	679,374	-	-	667,064	679,374
Lease liabilities	40,012	82,413	-	-	40,012	82,413
Net tax asset/(liability)	**2,661,158**	**1,479,448**	**(11,295,206)**	**(10,778,249)**	**(8,634,048)**	**(9,298,801)**

(c) Movement in deferred tax balances

All movements in deferred tax balances are recognised in profit or loss.

(d) Unrecognised deferred tax assets

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

'000 AMD	**2022**	**2021**
Deductible temporary differences	658,689	667,403
Tax losses	162,986	165,459
	821,675	**832,862**

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.

15. Property, plant and equipment

'000 AMD	Land and bulidings	Plant and equipment	Mining facilities	Fixtures and fittings	Construction in progress	Right-of-use asset	Total
Cost							
Balance at 1 January 2021	75,374,168	228,155,432	923,604	1,361,229	70,999,815	888,281	377,702,529
Additions	1,915,003	8,557,593	4,392,172	217,288	11,971,331	982	27,054,369
Disposals/Write off	(868,235)	(1,764,518)	(475)	(6,830)	(3,717,992)	-	(6,358,050)
Transfers	1,886,310	8,296,240	-	-	(10,182,550)	-	-
Balance at 31 December 2021	**78,307,246**	**243,244,747**	**5,315,301**	**1,571,687**	**69,070,604**	**889,263**	**398,398,848**
Balance at 1 January 2022	78,307,246	243,244,747	5,315,301	1,571,687	69,070,604	889,263	398,398,848
Additions	7,592	9,551,329	-	169,464	9,627,507	-	19,355,892
Disposals/Write off	(657,548)	(13,980,687)	(5,059,154)	(94,051)	(263,268)	-	(20,054,708)
Transfers	1,335,391	7,907,779	-	-	(9,243,170)	-	-
Balance at 31 December 2022	**78,992,681**	**246,723,168**	**256,147**	**1,647,100**	**69,191,673**	**889,263**	**397,700,032**
Depreciation and impairment losses							
Balance at 1 January 2021	(23,852,870)	(135,275,295)	(90,687)	(932,398)	-	(449,493)	(160,600,743)
Depreciation for the year	(2,361,155)	(16,737,318)	(14,357)	(117,877)	-	(303,294)	(19,534,001)
Disposals/Write off	203,232	629,207	475	2,491	-	-	835,405
Balance at 31 December 2021	**(26,010,793)**	**(151,383,406)**	**(104,569)**	**(1,047,784)**	**-**	**(752,787)**	**(179,299,339)**
Balance at 1 January 2022	(26,010,793)	(151,383,406)	(104,569)	(1,047,784)	-	(752,787)	(179,299,339)
Depreciation for the year	(2,504,988)	(18,705,085)	-	(116,655)	-	(126,462)	(21,453,190)
Disposals/Write off	415,357	12,831,359	-	87,091	-	-	13,333,807
Transfers	-	(24)	-	24	-	-	-
Balance at 31 December 2022	**(28,100,424)**	**(157,257,156)**	**(104,569)**	**(1,077,324)**	**-**	**(879,249)**	**(187,418,722)**
Carrying amounts							
At 1 January 2021	51,521,298	92,880,137	832,917	428,831	70,999,815	438,788	217,101,786
At 31 December 2021	52,296,453	91,861,341	5,210,732	523,903	69,070,604	136,476	219,099,509
At 31 December 2022	**50,892,257**	**89,466,012**	**151,578**	**569,776**	**69,191,673**	**10,014**	**210,281,310**

During 2022 borrowing costs of AMD 1,672,357 thousand (2021: AMD 1,557,816 thousand) were capitalized on construction in progress.

At 31 December 2022 property, plant and equipment with a carrying amount of AMD 70,530,890 thousand (2021: AMD 63,352,318 thousand) are pledged as security for secured bank loans.

At 31 December 2022 the gross book value of fully depreciated property, plant and equipment, which are in use, amounted AMD 45,413,050 thousand (2021: AMD 40,986,404 thousand).

16. Stripping activity assets

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 and capitalized the pre-production stripping costs as stripping activity asset in the amount of AMD 20,219,211 thousand (2021: AMD 7,726,290 thousand). The management of the Group has determined the Shlorkut site as a separate component of its surface mine.

During 2022 additional stripping activities were performed in the area, and expenses were capitalized in the amount of AMD 12,492,921 thousand (2021: AMD 1,967,057 thousand). The area is not yet available for extraction.

17. Prepayments

’000 AMD	**2022**	**2021**
Prepayments for non-current assets		
Prepayments for property, plant and equipment	14,090,707	5,161,696
Other non-current prepayments	499,637	491,975
	14,590,344	**5,653,671**
Prepayments for current assets		
Prepayments for inventory	4,381,123	2,814,017
Prepayments for services	1,671,595	762,029
Other	251,285	81,685
	6,304,003	**3,657,731**
	20,894,347	**9,311,402**

18. Borrowings given

				2022		**2021**	
’000 AMD	**CCY**	**Interest rate**	**Year of maturity**	**Carrying amount**	**Face value**	**Carrying amount**	**Face value**
Unsecured borrowings given	AMD	8.0%	2023	2,229,414	2,229,414	-	-
Unsecured borrowings given	USD	7.6%	2023	31,601,938	31,601,938	-	-
				33,831,352	**33,831,352**	-	-

19. Inventories

'000 AMD	2022	2021
Spare parts	13,753,182	11,854,513
Raw materials and consumables	7,878,881	4,812,559
Molybdenum concentrate given for processing*	6,566,035	5,961,719
Finished goods	1,835,404	2,462,335
Construction materials	265,642	242,121
Other	1,969,535	2,697,854
	32,268,679	**28,031,101**
Write-down of inventories in the current year	(2,699,949)	(2,718,337)
	29,568,730	**25,312,764**
Non-current inventories − ore stockpiles** (at cost)	**28,993,970**	**21,110,939**

* The Company has service agreements signed with related parties for tolling of molybdenum concentrate to ferro-molybdenum. The ownership during the tolling process is retained by the Company. The corresponding expense for services received is presented in Note 7.

** Non-current inventories represent lower grade ore that cannot be processed at targeted economic return at current market prices and are stockpiled with the expectation that it will be processed.

20. Royalty receivable from the state budget

During 2022 the Group made royalty tax prepayments equal to royalty expense of 2021, actual royalty tax expense for 2022 was lower. After submission of royalty tax report for 2022 to tax authorities the prepaid amount will be available for use. The management estimates to utilize the amount within one year.

21. Trade and other receivables

'000 AMD	2022	2021
Trade receivables (not subject to provisional pricing)	5,134,229	7,475,226
Receivables from related parties*	9,839,250	-
Other receivables	2,090,905	1,076,305
Trade and other receivables at amortised cost	**17,064,384**	**8,551,531**
Allowance for expected credit losses	(3,219,681)	(2,643,028)
	13,844,703	**5,908,503**
Trade receivables (subject to provisional pricing) − at fair value	23,488,491	13,574,605
Total trade and other receivables	**37,333,194**	**19,483,108**

* During 2022 the Company signed a cessation agreement with a related party with maturity date on 1 July 2023. As a result of this agreement AMD 5,059,154 thousand and AMD 4,780,096 thousand were transferred from property, plant, and equipment and from trade and other receivables, respectively. The receivables from related parties are not overdue and not secured.

Trade receivables (not subject to provisional pricing) are non-interest-bearing and are generally on terms of up to 1 year.

Trade receivables (subject to provisional pricing) are non-interest bearing, but as discussed in Note 30, are exposed to future commodity price movements over the quotational period (QP) and, hence, fail the "solely payments of principal and interest" (SPPI) test and are measured at fair value up until the date of settlement.

These trade receivables are initially measured at the amount which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP. Approximately 90% of the provisional invoice (based on the provisional price (calculated as the average price in the week prior to delivery for copper and the average price in the month prior to delivery for molybdenum) is received in cash when the goods are loaded onto the ship, which reduces the initial receivable recognised under IFRS 15. The QPs can range between one and two months post shipment and final payment is due between 30-60 days from the end of the QP. Refer Note 30 for details of fair value disclosures.

Set out below is the information about the credit risk exposure on the Group's trade receivables (not subject to provisional pricing):

'000 AMD	**Less than 3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**More than 1 year**	**Total**
31 December 2022						
Expected credit loss rate	0.08%	5.41%	6.58%	1.61%	90.75%	18.87%
Gross carrying amount	11,988,176	553,964	531,174	534,597	3,456,473	17,064,384
Expected credit loss	(9,370)	(29,958)	(34,945)	(8,627)	(3,136,781)	(3,219,681)
Net carrying amount	**11,978,806**	**524,006**	**496,229**	**525,970**	**319,692**	**13,844,703**

'000 AMD	**Less than 3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**More than 1 year**	**Total**
31 December 2021						
Expected credit loss rate	2.51%	1%	0.11%	0.32%	40.50%	31.00%
Gross carrying amount	409,658	324,696	1,055,202	273,644	6,488,331	8,551,531
Expected credit loss	(10,304)	(3,251)	(1,095)	(865)	(2,627,513)	(2,643,028)
Net carrying amount	**399,354**	**321,445**	**1,054,107**	**272,779**	**3,860,818**	**5,908,503**

The table below shows the credit quality of the Group's trade receivables (not subject to provisional pricing):

'000 AMD	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	4,277,602	3,750,888	438,403	**8,466,893**
Gross carrying amount as at 31 December 2021	734,354	1,328,846	6,488,331	**8,551,531**
Gross carrying amount as at 31 December 2022	12,542,140	1,065,771	3,456,473	**17,064,384**

The movement of expected credit loss allowance for trade receivables during the year is presented below.

’000 AMD	Stage 1	Stage 2	Stage 3	Total
Expected credit loss allowance as at 1 January 2021	**52,782**	**211,692**	**229,007**	**493,481**
Provision for expected credit losses	(39,227)	(209,732)	2,398,506	2,149,547
Expected credit loss allowance as at 31 December 2021 and 1 January 2022	**13,555**	**1,960**	**2,627,513**	**2,643,028**
Provision for expected credit losses	25,773	41,612	509,268	576,653
Expected credit loss allowance as at 31 December 2022	**39,328**	**43,572**	**3,136,781**	**3,219,681**

22. Cash and cash equivalents

Cash and cash equivalents comprise bank balances with local banks.

23. Deposits at banks

During 2022, The Group placed two term deposits in two Armenian banks with interest rate of 9.5% per annum. The repayment date of both deposits is 15 April 2023 with the interest being paid at the end of the term.

Subsequent to the reporting date in April 2023 the Group received deposited funds.

24. Capital and reserves

(a) Share capital and share premium

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.

During 2021 60% of the Group’s treasury shares (1,649,003 treasury shares with nominal value of AMD 20 thousand each) were sold to Promishlennaya Kompaniya JSC. The payment was received by the Group in the fourth quarter of 2021. Further Promishlennaya Kompaniya JSC donated 15% (412,251 treasury shares) of Group’s shares to the Government of the Republic of Armenia.

In November 2021 the Group’s 15% of shares (412,250 treasury shares with nominal value of AMD 20 thousand each) were sold to Urbanevent Plus LLC. As at 31 December 2021 the total amount of receivable for sold shares comprised AMD 29,485,340 thousand included in other current assets in the consolidated statement of financial position. The payment was received by the Group subsequent to the reporting date.

The difference between the repurchase price and the placement price of sold treasury shares was recognized as share premium in total amount of AMD 18,167,106 thousand.

(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 consolidated financial statements prepared in accordance with International Financial Reporting Standards, except for restrictions on retained earnings as described below.

At the Shareholders' Meeting in May 2021, the Group declared dividends in respect of the year ended 31 December 2020, totaling AMD 410,042 thousand on ordinary shares (AMD 597 per share).

The decision on dividends declared in May 2021 was cancelled in 2022.

25. Issued bonds

During 2019 the Group issued interest-bearing domestic bonds with nominal value of AMD 2,500,000 thousand and USD 50,000 thousand maturing in 2022. Annual interest rates ranging from 7.5% to 11%. As at 31 December 2022 the balance of issued bonds was full repaid (2021: AMD 26,484,802 thousand).

The bonds were issued by the Group for financing liabilities, capital investment projects and improving the current structure of equity financing. The instruments were listed on Armenia Securities Exchange.

26. Provisions

'000 AMD	Provision for site restoration	Vacation reserve	Total
Non-current	3,988,393	-	3,988,393
Current	42,299	301,949	344,248
Balance at 1 January 2021	**4,030,692**	**301,949**	**4,332,641**
Provision used during the year	(466,484)	-	(466,484)
Changes in estimates	84,721	(301,949)	(217,228)
Unwinding of discount	338,014	-	338,014
Balance at 31 December 2021	**3,986,943**	**-**	**3,986,943**
Non-current	3,966,398	-	3,966,398
Current	20,545	-	20,545
Balance at 31 December 2021	**3,986,943**	**-**	**3,986,943**
Provision used during the year	(40,366)	-	(40,366)
Changes in estimates	(701,988)	2,802,073	2,100,085
Unwinding of discount	396,874	-	396,874
Balance at 31 December 2022	**3,641,463**	**2,802,073**	**6,443,536**
Non-current	3,621,700	-	3,621,700
Current	19,763	2,802,073	2,821,836

(a) Site restoration

Artsvanik tailing dam

The Group has a 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 provision for restoration works of Artsvanik dam constitutes AMD 2,875,908 thousand as at 31 December 2021 (2021: AMD 3,149,539 thousand).

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 7,810,515 thousand (2021: AMD 7,616,789 thousand) considering the effect of average forecasted inflation rate of 5.82% (2021: 4.99%) for Armenia. An annual discount rate of 12% (2021: 10.05%) was used to discount restoration costs to be made in 12 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 2022. The discount rate represents the rate for long term Armenian government bonds.

The provision increased as compared to the amount recognized for previous period due to changes in estimated volume of restoration works, estimated annual discount rate and inflation rate. Changes to the estimated future costs have been dealt with prospectively by recognizing an adjustment to the site restoration liability and a corresponding adjustment to the asset to which it relates.

Hankasar tailing dam

The Group has a constructive obligation to restore contaminated land affected during the use of the tailing dam (Hankasar dam) for the purpose of mine exploitation and concentrate production. The provision for restoration works of Hankasar dam constitutes AMD 306,214 thousand as at 31 December 2022 (2021: AMD 281,021 thousand).

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 275,529 thousand considering the effect of average forecasted inflation rate of 5.82% (2021: 4.99%) for Armenia. An annual discount rate of 12% (2021: 10.05%) was used to discount restoration costs to be made in 3 years' time between 2023 and 2025. The timing of provision has been taken based on the management estimate on when the Company will realize its restoration obligation in respect of existing tailing dam. The discount rate represents the rate for long term Armenian government bonds.

Mine closure and waste dumps

During 2013, overall site restoration obligations of Armenian mining companies were 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.

The volume, timing and costs of restoration works are stipulated in Mine closure plan of the Group. The nature of these restoration activities includes: recultivation of the surface and slopes of the waste dumps, strengthening and recultivation of the open-pit walls, restoration of the drainage system in the area of the dumps, breaking up and covering the roadways connecting the open pit, dumps and plant with a soil and vegetation layer, restoration of all disturbed lands, filling up small borrow pits.

The provision for restoration works related to mine closure and waste dumps constitutes AMD 459,341 thousand as at 31 December 2022 (2021: AMD 556,383 thousand).

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 2,819,630 thousand. An annual discount rate of 12% (2021: 10.1%) was used to discount restoration costs to be made in 20 years' time.

The timing of provision has been taken based on the term of existing License Agreement of the Group. The discount rate represents the rate for long term Armenian government bonds.

27. 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 30.

'000 AMD	**2022**	**2021**
Non-current liabilities		
Secured bank loans and credit lines/overdrafts	8,016,060	21,515,320
Unsecured bank loans and credit lines/overdrafts	-	3,596,404
Secured loans from other organizations	20,859,873	7,912,240
	28,875,933	**33,023,964**
Current liabilities		
Secured bank loans and credit lines/overdrafts	15,627,368	15,741,639
Unsecured bank loans and credit lines/overdrafts	-	1,441,900
Secured loans from other organizations	17,829,901	15,862,326
Unsecured loans from other organizations	-	10,643,094
	33,457,269	**43,688,959**
	62,333,202	**76,712,923**

Secured bank loans and overdrafts are from Armenian banks and are secured by property, plant and equipment (Note 15).

At 31 December 2022, the Group had available USD 46,400 thousand (31 December 2021: USD 26,400 thousand) of undrawn committed borrowing facilities.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2022		2021	
'000 AMD	**CCY**	**Interest rate**	**Year of maturity**	**Carrying amount**	**Face value**	**Carrying amount**	**Face value**
Secured bank loans and credit lines/overdrafts	USD	7.95%-9%	2025	23,793,721	23,643,428	37,106,666	37,256,959
Unsecured bank loans and credit lines/overdrafts	USD	7.5%	2022-2025	-	-	24,060,920	23,774,566
Secured loans from other organizations	USD	(4.5% + CRR), (LIBOR+ 5.5%/7%)	2022-2023	38,919,887	38,689,774	10,643,094	10,643,094
Unsecured loans from other organizations	USD	8.5%-9.15%	2022-2025	-	-	5,038,304	5,038,304
Total loans and borrowings				**62,713,608**	**62,333,202**	**76,848,984**	**76,712,923**

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		2022	Liabilities			2021
'000 AMD	**Loans and borrowings**	**Issued bonds**	**Total**	**Loans and borrowings**	**Issued bonds**	**Liabilities for shares repurchased**	**Total**
Balance at 1 January	**76,712,923**	**26,484,802**	**103,197,725**	**134,329,697**	**28,550,985**	**39,084,742**	**201,965,424**
Changes from financing cash flows							
Proceeds from issue	77,451,497	-	77,451,497	5,410,071	-	-	5,410,071
Repayment	(66,597,958)	(24,000,097)	(90,598,055)	(46,634,671)	-	(14,108,479)	(60,743,150)
Total changes from financing cash flows	**10,853,539**	**(24,000,097)**	**(13,146,558)**	**(41,224,600)**	**-**	**(14,108,479)**	**(55,333,079)**
The effect of changes in foreign exchange rates	(11,573,911)	(2,525,381)	(14,099,292)	(3,561,037)	(1,641,690)	(1,449,286)	(6,652,013)
Non-cash transactions	(13,888,388)	1,533,273	(12,355,115)	(14,187,574)	-	(25,447,875)	(39,635,449)
Other	229,039	(1,492,597)	(1,263,558)	1,356,437	(424,493)	1,920,898	2,852,842
Balance at 31 December	**62,333,202**	**-**	**62,333,202**	**76,712,923**	**26,484,802**	**-**	**103,197,725**

The "Other" line includes the effect of accrued but not yet paid interest on liabilities for shares repurchased, lease liabilities, issued bonds and loans and borrowings. The Group classifies interest paid as cash flows from financing activities.

28. Trade and other payables

'000 AMD	**2022**	**2021**
Payables for acquisition of inventory and property, plant and equipment	8,521,279	11,506,299
Payables for services received	7,419,242	5,478,350
Dividends declared	-	410,042
Other payables and accrued expenses	3,762,845	417,805
	19,703,366	**17,712,496**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 30.

29. Contract liabilities

'000 AMD	**2022**	**2021**
Current advances received for provisionally priced sales	10,105,868	16,035,212
Contract liability of freight/shipping revenue	878,635	980,547
	10,984,503	**17,015,759**

From time to time, the Group recognises contract liabilities in relation to some metal in concentrate sales which are sold under FCA and CIP Incoterms, whereby a portion of the cash may be received from the customer before the freight/shipping services are provided. The revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the year was AMD 980,547 thousand (2021: AMD 744,045 thousand).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 was AMD 878,635 thousand (2021: AMD 980,547 thousand). All the other remaining performance obligations are expected to be recognised within one year.

The opening balance of contract liabilities at 1 January 2022 was AMD 980,547 thousand. The movement in contract liabilities from one period to the next depends on the value of deferred revenue relating to freight/shipping services that are still in the process of being provided at period end i.e., because a shipment of copper concentrate subject to CIP Incoterms is still on the way at period end.

Included in current advances received for provisionally priced sales are advances of AMD 10,105,868 thousand (2021: AMD 16,035,212 thousand) which are subject to set-off against the sales of copper and molybdenum concentrate during 2022. These balances bear interest rate of 1 month USD Libor plus 4.5%-4.95%.

’000 AMD	**Advances received for provisionally priced sales current**	**Contract liability for shipping services**	**Total**
Current	16,035,212	980,547	17,015,759
Balance as at 1 January 2022	16,035,212	980,547	17,015,759
Advances received	317,704,769	6,841,708	324,546,477
Advances repayment	(323,669,963)	(6,943,620)	(330,613,583)
Interest accrued on advances	588,018	-	588,018
Interest repayment	(552,168)	-	(552,168)
Balance as at 31 December 2022	**10,105,868**	**878,635**	**10,984,503**
Current	10,105,868	878,635	10,984,503
Current	16,159,864	744,045	16,903,909
Balance as at 1 January 2021	16,159,864	744,045	16,903,909
Advances received	305,675,495	6,611,401	312,286,896
Advances repayment	(305,160,371)	(6,374,899)	(311,535,270)
Interest accrued on advances	1,697,960	-	1,697,960
Interest repayment	(2,337,736)	-	(2,337,736)
Balance as at 31 December 2021	**16,035,212**	**980,547**	**17,015,759**
Current	16,035,212	980,547	17,015,759

30. Fair values and risk management

(a) Accounting classifications and fair values

The estimated fair value of all the financial assets and liabilities approximates their carrying amounts.

(b) Measurement of fair values

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Financial assets measured at amortised cost	Discounted cash flows	Not applicable
Other financial liabilities*	Discounted cash flows	Not applicable

* Other financial liabilities include loans and borrowings and trade payables.

Financial instruments measured at fair value

’000 AMD	Level 1	Level 2	Level 3	Total
31 December 2022				
Derivatives embedded in copper sales contracts	-	9,959,953	-	**9,959,953**
Derivatives embedded in molybdenum sales contracts	-	-	10,194,693	**10,194,693**
Derivatives embedded in ferro-molybdenum sales contracts	-	-	3,333,845	**3,333,845**
31 December 2021				
Derivatives embedded in copper sales contracts	-	13,555,595	-	**13,555,595**
Derivatives embedded in molybdenum sales contracts	-	-	19,010	**19,010**

The fair value of the embedded derivatives has been calculated using forward prices as at the reporting date available in the metal markets.

Sensitivity analysis

An increase of 5% in forward prices of copper and molybdenum at the reporting date would have increased profit or loss before taxes by AMD 3,223,003 thousand as at 31 December 2022 (31 December 2021: AMD 687,625 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

A 5% decrease in forward prices of copper and molybdenum at 31 December 2022 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(c) Financial risk management

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

- credit risk (see Note 30(c)(ii));
- liquidity risk (see Note 30(c)(iii));
- market risk (see Note 30(c)(iv)).

(i) Risk management framework

Management has overall responsibility for the establishment and oversight of the Group's risk management framework. Management reports regularly to the Board of Directors on its activities.

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.

(ii) 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 trade and other receivables, cash and cash equivalents, bank deposits and borrowings given.

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

		Carrying amount	
'000 AMD	**Note**	**2022**	**2021**
Trade and other receivables	21	37,333,194	19,483,108
Borrowings given	18	33,831,352	-
Cash and cash equivalents	22	21,548,194	35,720,938
Deposits at banks	23	7,866,619	18,484,982
		100,579,359	**73,689,028**

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of its trade customers. At 31 December 2022, the Company had nine customers (2021: two customers) that each owed the Company more than AMD 1,000,000 thousand each and accounted for approximately 91.2% (2021: 78%) of all receivables owing.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance relates to individually significant exposures which are impaired.

The Group does not require collateral in respect of trade and other receivables.

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

'000 AMD	Carrying amount	
	2022	**2021**
Foreign	35,480,427	17,044,722
Domestic	1,852,767	2,438,386
	37,333,194	**19,483,108**

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

'000 AMD	**Carrying amount**	
	2022	**2021**
Copper and molybdenum customers	23,488,491	13,574,605
Other products – other customers	13,844,703	5,908,503
	37,333,194	**19,483,108**

None of the Company's customers have external credit ratings assigned. Most of the customers trade with the group for more than 3 years.

Expected credit loss assessment for corporate customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies such as Moody's Investor Services. The management considers the demographics of the Group's customer base, including the default risk of the country, in which customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances.

Cash and cash equivalents and bank deposist

The Group held cash and cash equivalents in banks of AMD 21,548,194 thousand at 31 December 2022 (2021: AMD 35,720,938 thousand) and bank deposits of AMD 7,866,619 thousand at 31 December 2022 (2021: AMD 18,484,982 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents and bank deposist are held with reputable Armenian banks rated Ba3 by Moody's Investor Services and the Group does not expect them to fail to meet their obligations.

Impairment on cash and cash equivalents andbank deposists has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for trade receivables.

Borrowings given

The Group has provided borrowings to related parties. The balances have maturities of less than one year. The borowings given are not secured, are not past due and are not impaired.

The Group uses a similar approach for assessment of ECLs for borrowings given to those used for trade receivables.

(iii) 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.

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

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

2022

’000 AMD	Carrying amount	Total contractual cash flows	On demand	Less than 2 months	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities							
Interest-bearing loans and borrowings	62,333,202	65,723,452	-	5,759,894	28,399,246	14,388,851	17,175,461
Trade payables	19,703,366	19,703,366	-	-	19,703,366	-	-
Other financial liability	2,351,219	2,351,219	-	-	2,351,219	-	-
	84,387,787	**87,778,037**	**-**	**5,759,894**	**50,453,831**	**14,388,851**	**17,175,461**

2021

’000 AMD	Carrying amount	Total contractual cash flows	On demand	Less than 2 months	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities							
Interest-bearing loans and borrowings	76,712,923	79,302,842	-	19,090,665	27,639,380	20,772,665	11,800,132
Trade payables	17,712,496	17,712,496	-	-	17,497,442	215,054	-
Issued bonds	26,484,802	26,484,802	-	-	26,484,802	-	-
Lease liabilities	222,289	222,289	-	-	222,289	-	-
Other financial liability	3,553,034	3,553,036	-	-	3,553,036	-	-
	124,685,544	**127,275,465**	**-**	**19,090,665**	**75,396,949**	**20,987,719**	**11,800,132**

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

The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders. 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.

(iv) 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.

The group does not use hedge instruments during the hike of commodity markets.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currency of the Group. The currency in which these transactions primarily are denominated is the US Dollar (USD) and Euro (EUR).

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD. Interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without a need to enter into derivative 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:

'000 AMD	**USD-denominated**	**EUR-denominated**	**RUB-denominated**	**Other**
	2022	**2022**	**2022**	**2022**
Trade and other receivables	35,886,072	-	-	-
Cash and cash equivalents	13,353,384	-	1,139,496	-
Loans and borrowings	(28,501,850)	-	-	-
Borrowings given	(31,601,938)	-	-	-
Trade payables	(2,039,204)	(218,976)	(1,148,825)	(4,468)
Net exposure	**(12,903,536)**	**(218,976)**	**(9,329)**	**(4,468)**

'000 AMD	**USD-denominated**	**EUR-denominated**	**RUB-denominated**	**Other**
	2021	**2021**	**2021**	**2021**
Trade and other receivables	17,705,356	585,012	45,501	267
Cash and cash equivalents	35,072,458	35,629	5,639	-
Loans and borrowings	(76,712,923)	-	-	-
Trade payables	(2,568,504)	(193,410)	(26,094)	(13,969)
Net exposure	**(26,503,613)**	**427,231**	**25,046**	**(13,702)**

The following significant exchange rates have been applied during the year:

in AMD	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
USD 1	434.86	503.2	393.57	480.14
EUR 1	459.48	595.18	420.06	542.61
RUB 1	6.48	6.83	5.59	6.42

Sensitivity analysis

A reasonably possible strengthening (weakening) of the AMD, as indicated below, against USD and EUR at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss net of taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 AMD	Strengthening	Weakening
	Profit or (loss)	Profit or (loss)
31 December 2022		
AMD (10% movement) against USD	1,294,354	(1,290,354)
AMD (10% movement) against EUR	21,898	(21,898)
31 December 2021		
AMD (10% movement) against USD	2,650,361	(2,650,361)
AMD (10% movement) against EUR	42,723	(42,723)

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either teir 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.

Exposure to interest rate risk

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

'000 AMD	Carrying amount	
	2022	2021
Fixed rate instruments		
Financial assets	33,831,352	-
Financial liabilities	(62,333,202)	(76,712,923)
	(28,501,850)	**(76,712,923)**

In particular, fixed-rate financial liabilities include bank loans and loans from related parties.

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 fair value through other comprehensive income. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

(d) 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. With these measures the Group aims for steady profits growth.

The Group's adjusted net debt to equity ratio at 31 December was as follows:

'000 AMD	**2022**	**2021**
Total liabilities	122,949,352	188,800,590
Less: cash and cash equivalents	(21,548,194)	(35,720,938)
Net debt	**101,401,158**	**153,079,650**
Total equity	**301,380,659**	**204,625,726**
Debt to equity ratio at 31 December	**0.34**	**0.75**

31. Capital commitments

The Group entered into several contracts for the purchase of equipment, spare parts and services. The commitments related to these contracts at 31 December 2022 amounted to AMD 11,672,033 thousand (2021: AMD 12,706,321thousand).

32. Contingencies

(a) Insurance

The insurance industry in the Republic of 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) Litigation

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the results of operations or financial position of the Group.

(c) Taxation contingency

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.

Transfer pricing legislation enacted in the Republic of Armenia starting from 1 January 2020. The legislation is effective for the financial year 2020 and onwards. The local transfer pricing rules are closer to OECD guidelines, but with uncertainty in practical application of tax legislation in certain circumstances.

Transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Transfer pricing rules apply to the transactions listed below, if the total amount of the controlled transaction exceeds AMD 200 million in the tax year:

- cross-border transactions between related parties;
- cross-border transactions with companies registered in offshore zones, regardless of being related party or not;
- certain in-country transactions between related parties, as determined under the Armenian Tax Code.

Since there is no practice of applying the transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

These circumstances may create tax risks in Armenia that are more significant than in matured markets. 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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) 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. Management is of the opinion that the Group has met the government’s requirements concerning environmental matters, and therefore 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 the Republic of 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.

33. Operational risks

(a) Mines

Mines by their nature are subject to many operational risks and factors that are generally outside of the Company's control and could impact the Company'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) labor 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 Company's financial performance is heavily dependent on the price of copper, which is affected by many factors beyond the Company'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 Company'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 2022, LME daily closing spot prices ranged from USD 7,000 to USD 10,730 per ton for copper and averaged to USD 8,797 per ton. The LME spot copper price closed at USD 9,082 per ton on 14 April 2023.

The Company'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 was averaging to approximately USD 41,290 per ton during 2022 in comparison with USD 34,192 per ton during 2021. The LME spot price of USD 37,479 per ton of molybdenum was registered on 14 April 2023.

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

34. Related parties

(a) Parent and ultimate controlling party

The ownership structure of the Group is disclosed in Note 1. The Group's ultimate controlling party is Gleb Trotsenko.

No publicly available consolidated financial statements are produced by the Group's ultimate parent company or any other intermediate parent company.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in personnel costs:

'000 AMD	2022	2021
Salaries and bonuses	**2,207,178**	**1,233,365**

(c) Other related party transactions

'000 AMD	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2022	2021	2022	2021
Sale of goods and services				
Entities under common control	13,770,242	800	12,010,536	145,080
Purchase of goods				
Entities under common control	306,661	6,198	(370,084)	(30,000)
Services received				
Shareholders	6,671,501	14,689,690	(620,993)	(911,593)
Entities under common control	488,278	-	(109,455)	-
Donations provided				
Entities under common control	3,143,942	2,365,850	-	-
Prepayments given				
Entities under common control	-	-	150,000	-
Interest income				
Entities under common control	1,195,255	-	1,129,677	-
Loans given:				
Entities under common control	33,953,175	-	33,831,352	-

None of the balances are secured. All outstanding balances with related parties are to be settled in cash within six months of the reporting date. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

35. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the trade receivables subject to provisional pricing, which are measured at fair value on each reporting date.

36. Significant accounting policies

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

(a) Basis of consolidation

(i) 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.

(ii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as measured at FVOCI financial asset depending on the level of influence retained.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Revenue

The Group is principally engaged in the business of producing copper/molibdenym concentrate and in some instances, provides freight/shipping services. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

From time to time, the Group recognises contract liabilities in relation to some metal in concentrate sales which are sold under CIP Incoterms, whereby a portion of the cash may be received from the customer before the freight/shipping services are provided. See Note 30 for further details of contract liabilities.

Copper/molybdenum in concentrate (metal in concentrate) sales

The majority of the Group's sales of metal in concentrate allow for price adjustments based on the market price at the end of the relevant QP stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months.

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognised. For those arrangements subject to CIP shipping terms, a portion of the transaction price is allocated to the separate freight/shipping services provided.

For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement.

These subsequent changes in fair value are recognised in the consolidated statement of profit or loss and other comprehensive income each period and presented as revenue adjustment.

Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments.

Freight/shipping services

As noted above, a proportion of the Group's metal in concentrate sales are sold under CIP Incoterms, whereby the Group is responsible for providing freight/shipping services (as principal) after the date that the Group transfers control of the metal in concentrate to its customers. The Group, therefore, has separate performance obligations for freight/shipping services which are provided solely to facilitate sale of the commodities it produces.

Other Incoterms commonly used by the Group are CPT, FCA, where the Group has no responsibility for freight or insurance once control of the products has passed at the loading port in Yerevan, and Delivered at Place (DAP) where control of the goods passes when the product is delivered to the agreed destination. For arrangements which have these Incoterms, the only performance obligations are the provision of the product at the point where control passes.

For CIP arrangements, the transaction price (as determined above) is allocated to the metal in concentrate and freight/shipping services using the relative stand-alone selling price method. Under these arrangements, a portion of consideration may be received from the customer in cash at, or around, the date of shipment under a provisional invoice. Therefore, some of the upfront consideration that relates to the freight/shipping services yet to be provided, is deferred. It is then recognised as revenue upon completion of the Group's performance obligation. The costs associated with these freight/shipping services are also recognised upon completion of the Group's performance obligation.

Payment of the freight/shipping costs may occur in advance of the services being provided (and is therefore recognized as a contract liability). The final portion is paid once the services have been completed. The period of time between receipt of these upfront amounts and the satisfaction of the freight/shipping services is usually up to four months. Given the quantum of these amounts and the short time frame between receipt of cash and satisfaction of the performance obligation, the Group has applied the practical expedient to not adjust the promised consideration for the effects of a significant financing component as the period between the transfer of the promised good or service to a customer and when the customer pays for that good or service is one year or less.

Principal versus agent considerations

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

In some arrangements subject to CIP Incoterms, the Group is responsible for providing freight/shipping services. While the Group does not actually provide nor operate the vessels, trucks or trains, the Group has determined that it is principal in these arrangements because it has concluded it controls the specified services before they are provided to the customer. This is on the basis that the Group obtains control of a right to freight/shipping services after entering into the contract with the customer, but before those services are provided to the customer. The terms of the Group's contract with the service provider give the Group the ability to direct the service provider to provide the specified services on the Group's behalf.

In addition, the Group has concluded that the following indicators provide evidence that it controls the freight/shipping services before they are provided to the customer:

- The Group is primarily responsible for fulfilling the promise to provide freight/shipping services. Although the Group has hired a service provider to perform the services promised to the customer, it is the Group itself that is responsible for ensuring that the services are performed and are acceptable to the customer (i.e., the Group is responsible for fulfilment of the promise in the contract, regardless of whether the Group performs the services itself or engages a third-party service provider to perform the services);

- The Group has discretion in setting the price for the services to the customer as this is negotiated directly with the customer.

Determining the timing of satisfaction of freight/shipping services

The Group concluded that revenue for freight/shipping services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the freight/shipping services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. The Group determined that the input method is the best method for measuring progress of the freight/shipping services because there is a direct relationship between the Group's effort (i.e., time elapsed) and the transfer of service to the customer. The Group recognises revenue on the basis of the time elapsed relative to the total expected time to complete the service.

(c) Finance income/(costs)

The Group's finance costs include:

- interest expense;
- unwinding of discount on provision for site reclamation;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

(d) 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 translated 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 assets and liabilities denominated in foreign currencies that are measured at fair value are translated to AMD at the exchange rate at the date that the fair value was determined. 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 translation are recognised in profit or loss.

(e) Short-term 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.

(f) Income tax

Income tax expense comprises current and deferred tax. It is 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 comprises 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. Total current tax includes current income tax and royalty tax.

(ii) Royalties

In addition to corporate income taxes, the Group's consolidated financial statements also include, and recognize as taxes on income, other types of taxes on net income.

Royalties, resource rent taxes and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income − rather than physical quantities produced or as a percentage of revenue − after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in other expenses.

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.

(iii) 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;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are 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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

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.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average 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.

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

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

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.

If significant 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 recognized net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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 Average capacity from 18 to 352 million tons
– other buildings	10 to 100 years
• Plant and equipment	
– plant and equipment for transportation and removal of waste	units of production method Average capacity from 18 to 352 million tons
– other plant and equipment	2 to 100 years
• Mining facilities	25 years
• Fixtures and fittings	2 to 70 years

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

(iv) Mining property

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in future periods. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in future periods, the costs are recognized as a non-current asset, referred to as a stripping activity asset or mining property, if the following criteria are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

If any of the criteria are not met, the production stripping costs are charged to the consolidated statement of profit or loss as operating costs as they are incurred or included in the cost of inventory produced.

In identifying components of the ore body, the Company works closely with the mining operations personnel to analyze the mine plan. Generally, a component will be a subset of the total ore body, and a mine may have several components. The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs.

A relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Company uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of property, plant and equipment in the consolidated statement of financial position.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Included within mining property is also exploration and evaluation expenditure which relates to costs incurred on the exploration and evaluation of potential mineral reserves before the start of the development of the mine and mine development costs which include costs such as costs of geological and geophysical studies, exploratory drilling, sample testing, the costs of assembling and production equipment, initial stripping costs and overheads associated with such activities.

(i) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange). Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Derivative financial instruments

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized 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 recognized immediately in profit or loss.

(j) Impairment

(i) Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(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 amounts of the assets in the CGU (group of CGUs) 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.

(k) Charter capital

Charter capital is classified as equity.

Additional paid-in capital

Fair value of below-market interest rate loans received from group companies at initial recognition is the present value of the expected future cash flows, discounted using market-based interest rate. The difference between the nominal amount of the loans and their fair value at initial recognition is classified as additional paid-in capital net of deferred tax.

(l) 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 reclamation provision

Site restoration costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its site restoration provision at each reporting date.

The Group recognises a site restoration provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: closing mine, waste sites, tailings dams and related constructions and restoring, reclaiming and revegetating affected areas.

When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/ construction of the mine. Costs related to restoration of waste damps and mine closure are provided for at their net present values and recognised in profit or loss.

Changes in the estimated timing of site restoration or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the site restoration liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16, otherwise the change is recognised in profit or loss.

Any reduction in the site restoration liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of profit or loss and other comprehensive income.

If the change in estimate results in an increase in the site restoration liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of profit or loss and other comprehensive income as part of finance costs. For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

(m) Comparative information

Certain comparative information in prior period is reclassified to conform to changes in presentation in the current year.

37. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

(a) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments. There will be no impact on retained earnings on adoption of the amendments.

(b) Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Group is closely monitoring the developments.

(c) Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts.*
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2.
- Definition of Accounting Estimates (Amendments to IAS 8).