

Zangezur Copper Molybdenum Combine CJSC

**Consolidated Financial Statements
for the year ended 31 December 2023**

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Independent Auditors' Report

To the Shareholders and 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 2023, 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 material 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 2023, 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 Accounting 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.

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 Accounting 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:

Davit Shamsyan
Engagement Partner

KPMG Armenia LLC
29 April 2024



Irina Gevorgyan
Managing Partner
Director of KPMG Armenia LLC

Consolidated Statement of Financial Position as at 31 December 2023

| '000 AMD | Note | 31 December 2023 | 31 December 2022 Restated* | 31 December 2021 Restated* |
|---|------|---------------------|----------------------------------|----------------------------------|
| Assets | | | | |
| Property, plant, equipment and right-of-use assets | 15 | 220,544,139 | 210,281,310 | 219,099,509. |
| Stripping activity assets | 16 | 34,126,874 | 20,219,211 | 7,726,290 |
| Inventories | 19 | 27,575,718 | 28,993,970 | 21,110,939 |
| Intangible assets | | 688,147 | 321,440 | 288,418 |
| Borrowings given | 18 | 71,217,495 | - | - |
| Equity instruments at fair value through profit or loss | | - | 611,287 | 550,078 |
| Prepayments for non-current assets | 17 | 14,198,232 | 14,590,344 | 5,653,671 |
| Input VAT | | 135,551 | 140,294 | 187,690 |
| Other non-current assets | | 302,688 | 260,224 | 239,680 |
| Non-current assets | | 368,788,844 | 275,418,080 | 254,856,275 |
| Inventories | 19 | 39,179,761 | 29,568,730 | 25,312,764 |
| Borrowings given | 18 | 7,815,161 | 33,831,352 | - |
| Prepayments for current assets | 17 | 12,334,627 | 6,304,003 | 3,657,731 |
| Royalty receivable from State budget | | - | 6,106,168 | - |
| Input VAT | | 4,552,977 | 3,563,759 | 3,548,122 |
| Deferred VAT | | 299,405 | 243,455 | 336,076 |
| Other prepaid taxes | | 5,825,534 | 2,534,883 | 2,256,513 |
| Trade and other receivables | 20 | 37,550,000 | 37,333,194 | 19,483,108 |
| Deposits at banks | 22 | 1,006,904 | 7,866,619 | 18,484,982 |
| Cash and cash equivalents | 21 | 12,264,564 | 21,548,194 | 35,720,938 |
| Other current assets | | 16,463 | 11,574 | 29,769,807 |
| Current assets | | 120,845,396 | 148,911,931 | 138,570,041 |
| Total assets | | 489,634,240 | 424,330,011 | 393,426,316 |
| Equity | | | | |
| Share capital | 23 | 54,966,680 | 54,966,680 | 54,966,680 |
| Share premium | | 18,167,106 | 18,167,106 | 18,167,106 |
| Retained earnings | | 294,076,569 | 222,198,156 | 126,575,329 |
| Total equity | | 367,210,355 | 295,331,942 | 199,709,115 |
| Liabilities | | | | |
| Loans and borrowings | 25 | 17,848,538 | 28,875,933 | 33,023,964 |
| Lease liabilities | 26 | 3,441,069 | - | - |
| Provisions | 24 | 3,546,636 | 3,621,700 | 3,966,398 |
| Deferred tax liabilities | 14 | 20,145,795 | 16,670,854 | 13,550,659 |
| Total non-current liabilities | | 44,982,038 | 49,168,487 | 50,541,021 |
| Issued bonds | | - | - | 26,484,802 |
| Loans and borrowings | 25 | 10,857,492 | 33,457,269 | 43,688,959 |
| Lease liabilities | 26 | 665,851 | - | 222,291 |
| Provisions | 24 | 2,898,338 | 2,930,881 | 20,545 |
| Contract liabilities | 28 | 16,676,447 | 10,984,503 | 17,015,759 |
| Income tax payable | | 15,014,759 | 10,511,389 | 18,770,951 |
| Royalty payable | | 12,318,515 | - | 15,707,343 |
| Trade and other payables | 27 | 19,010,445 | 19,594,321 | 17,712,496 |
| Other liabilities | | - | 2,351,219 | 3,553,034 |
| Current liabilities | | 77,441,847 | 79,829,582 | 143,176,180 |
| Total liabilities | | 122,423,885 | 128,998,069 | 193,717,201 |
| Total equity and liabilities | | 489,634,240 | 424,330,011 | 393,426,316 |

* Comparative financial information has been restated due to change in accounting policies (Note 36).

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2023

| '000 AMD | Note | 2023 | 2022 |
|---|------|--------------------|--------------------|
| | | | Restated* |
| Revenue | 6 | 312,305,560 | 358,163,585 |
| Cost of sales | 7 | (117,212,195) | (129,254,790) |
| Gross profit | | 195,093,365 | 228,908,795 |
| Distribution expenses | 8 | (6,272,753) | (7,147,513) |
| Administrative expenses | 9 | (20,578,414) | (17,719,899) |
| Donations to social programs | 10 | (9,244,113) | (6,466,399) |
| Other income | | 557,021 | 560,199 |
| Other expenses | 11 | (22,294,949) | (58,058,315) |
| Reversal/(allowance) for expected credit losses | | 81,066 | (576,653) |
| Results from operating activities | | 137,341,223 | 139,500,215 |
| Gain on investment at fair value through profit or loss | | - | 61,209 |
| Finance income | 12 | 5,013,971 | 2,813,411 |
| Finance costs | 12 | (3,079,753) | (6,436,665) |
| Net foreign exchange gain/(loss) | | 3,059,093 | (563,119) |
| Profit before income tax | | 142,334,534 | 135,375,051 |
| Income tax expense | 14 | (66,723,555) | (40,162,266) |
| Profit and total comprehensive income for the year | | 75,610,979 | 95,212,785 |

* Comparative financial information has been restated due to change in accounting policies (Note 36).

Signed and authorized for the release on behalf of the management of the Group on 26 April 2024.

| | | |
|---|---|--|
|  Roman Khudoliy General Director |  |  Tovmas Melikyan Chief Accountant |
|---|---|--|

Consolidated Statement of Changes in Equity for 2023

| '000 AMD | Share capital | Share premium | Retained earnings | Total equity |
|--|-------------------|-------------------|----------------------|--------------------|
| Balance at 1 January 2022 (as previously reported) | 54,966,680 | 18,167,106 | 131,491,940 | 204,625,726 |
| Change in accounting policies (Note 36) | - | - | (4,916,611) | (4,916,611) |
| Restated balances at 1 January 2022 | 54,966,680 | 18,167,106 | 126,575,329 | 199,709,115 |
| Total comprehensive income | | | | |
| Profit for the year (restated*) | - | - | 95,212,785 | 95,212,785 |
| Total comprehensive income for the year | - | - | 95,212,785 | 95,212,785 |
| Transactions with owners of the Group | | | | |
| Cancellation of dividends declared (Note 23) | - | - | 410,042 | 410,042 |
| Total transactions with owners of the Group | - | - | 410,042 | 410,042 |
| Balance at 31 December 2022 (restated*) | 54,966,680 | 18,167,106 | 222,198,156 | 295,331,942 |
| Balance at 1 January 2023 | 54,966,680 | 18,167,106 | 222,198,156 | 295,331,942 |
| Total comprehensive income | | | | |
| Profit for the year | - | - | 75,610,979 | 75,610,979 |
| Total comprehensive income for the year | - | - | 75,610,979 | 75,610,979 |
| Transactions with owners of the Group | | | | |
| Difference on initial recognition between nominal value and fair value of long-term borrowings given at below market rate (Note 18) | - | - | (2,987,580) | (2,987,580) |
| Difference on initial recognition between nominal value and fair value of long-term receivables (Note 20) | - | - | (744,986) | (744,986) |
| Total transactions with owners of the Group | - | - | (3,732,566) | (3,732,566) |
| Balance at 31 December 2023 | 54,966,680 | 18,167,106 | 294,076,569 | 367,210,355 |

* Comparative financial information has been restated due to change in accounting policies (Note 36).

Consolidated Statement of Cash Flows for 2023

| '000 AMD | 2023 | 2022 Restated* |
|---|---------------------|---------------------|
| Profit before tax | 142,334,534 | 135,375,051 |
| <i>Adjustments to reconcile profit before tax to net cash flows</i> | | |
| Depreciation and amortisation | 23,529,826 | 21,639,569 |
| Impairment losses | 2,008,637 | 1,079,149 |
| Net foreign exchange (gain)/loss | (3,059,093) | 563,119 |
| Sales for non-cash consideration | (14,421,453) | (14,259,214) |
| (Reversal of provisions)/provisions made during the year | (259,340) | 2,059,719 |
| (Reversal)/write down of inventory | 4,354 | (18,387) |
| Gains on investment at fair value through profit or loss | - | (61,209) |
| Impairment of investment at fair value through profit or loss | 657,292 | - |
| Credit loss (recovery)/expense | (81,066) | 576,653 |
| Net finance (income)/expense | (1,934,218) | 3,623,254 |
| <i>Working capital adjustments:</i> | | |
| Increase in inventories | (8,197,133) | (12,120,610) |
| Increase in trade and other receivables | (806,124) | (28,350,573) |
| Increase in prepayments | (6,045,056) | (3,982,310) |
| Decrease in other prepaid taxes | 2,815,517 | 131,673 |
| (Increase)/decrease in input VAT | (984,475) | 31,760 |
| (Increase)/decrease in deferred VAT | (55,950) | 92,620 |
| Decrease/(increase) in other current assets | 104,041 | (19,489) |
| (Decrease)/increase in trade and other payables | (524,630) | 2,567,625 |
| Increase in contract liabilities | 4,187,908 | 1,093,076 |
| Decrease in royalty payable | (3,338,078) | (9,729,540) |
| Decrease in other financial liabilities | (2,351,219) | (603,242) |
| Cash flow from operations before income taxes paid | 133,584,274 | 99,688,694 |
| Income tax paid | (17,738,848) | (26,096,626) |
| Royalties paid | (23,490,510) | (31,288,978) |
| Net cash flows from operating activities | 92,354,916 | 42,303,090 |
| Investing activities | | |
| Acquisition of property, plant and equipment | (28,849,477) | (24,945,996) |
| Acquisition of intangible assets | (499,938) | (122,127) |
| Proceeds from sale of property, plant and equipment | 244,506 | - |
| Investments in stripping activity assets | (13,907,663) | (12,492,921) |
| Dividends received | - | 46,054 |
| Placement of deposits at banks | (39,601,980) | (16,500,000) |
| Proceeds from bank deposits | 46,453,180 | 27,100,000 |
| Borrowings given | (45,641,070) | (33,953,175) |
| Interest received | 2,606,371 | 1,638,682 |
| Net cash flows used in investing activities | (79,196,071) | (59,229,483) |
| Financing activities | | |
| Proceeds from loans and borrowings | 11,642,788 | 77,451,497 |
| Repayment of loans and borrowings | (33,192,652) | (66,597,958) |
| Repayment of issued bonds | - | (24,000,097) |
| Proceeds from placement of treasury shares | - | 27,629,671 |
| Payment of lease liabilities | (152,478) | (238,700) |
| Interest paid | (1,562,644) | (3,913,871) |
| Net cash flows (used in)/from financing activities | (23,264,986) | 10,330,542 |
| Net decrease in cash and cash equivalents | (10,106,141) | (6,595,851) |
| Cash and cash equivalents at 1 January | 21,548,194 | 35,720,938 |
| Effect of exchange rate changes on cash and cash equivalents | 822,511 | (7,576,893) |
| Cash and cash equivalents at 31 December (Note 21) | 12,264,564 | 21,548,194 |

* Comparative financial information has been restated due to change in accounting policies (Note 36).