Zangezour Copper Molybdenum Combine CJSC

Consolidated Financial Statements
for the year ended 31 December 2015

Contents

KPMG

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Independent Auditors' Report

To General Meeting of Shareholders of
Zangezour Copper Molybdenum Combine CJSC

We have audited the accompanying consolidated financial statements of Zangezour Copper Molybdenum Combine CJSC (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Tigran Gasparyan
Director

Irina Gevorgyan
Audit Director

KPMG Armenia cjsc

KPMG Armenia cjsc
29 April 2016

’000 AMD	**Note**	**2015**	**2014**
ASSETS			
Non-current assets			
Property, plant and equipment	14	189,396,440	190,858,645
Stripping activity asset	15	4,090,780	2,242,217
Intangible assets		54,780	33,389
Available-for-sale investments	16	777,159	777,159
Prepayments for non-current assets	17	1,559,724	901,125
Financial assets at fair value through profit or loss	25	4,941,286	4,688,858
Exploration and evaluation assets	18	28,874,607	28,874,607
VAT receivable		1,401,738	1,438,057
Other non-current assets		101,000	51,000
Total non-current assets		**231,197,514**	**229,865,057**
Current assets			
Inventories	19	10,266,763	10,494,694
Prepaid income tax		4,018,643	2,137,047
Other prepaid taxes		13,028,412	3,258,098
Trade and other receivables	20	2,369,075	1,751,340
Prepayments for current assets	17	1,321,911	2,060,885
Cash and cash equivalents	21	4,908,121	939,473
Other current assets		2,092	2,255
Total current assets		**35,915,017**	**20,643,792**
Total assets		**267,112,531**	**250,508,849**
EQUITY AND LIABILITIES			
Equity	22		
Share capital		54,966,680	54,966,680
Retained earnings		66,792,535	81,674,499
Total equity		**121,759,215**	**136,641,179**
Non-current liabilities			
Loans and borrowings	23	-	37,296,389
Provisions	24	3,224,067	3,306,152
Advances received for provisionally priced sales	27	12,875,279	-
Deferred tax liabilities	13	23,546,651	23,746,398
Total non-current liabilities		**39,645,997**	**64,348,939**
Current liabilities			
Loans and borrowings	23	89,055,499	25,027,055
Provisions	24	259,806	158,223
Advances received for provisionally priced sales	27	6,921,156	17,626,344
Trade and other payables	26	9,470,858	6,707,109
Total current liabilities		**105,707,319**	**49,518,731**
Total liabilities		**145,353,316**	**113,867,670**
Total equity and liabilities		**267,112,531**	**250,508,849**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 53.

'000 AMD	Note	2015	2014
Revenue	5	99,880,719	114,529,787
Cost of sales	6	(78,424,778)	(70,302,219)
Gross profit		**21,455,941**	**44,227,568**
Other income		474,147	211,630
Distribution expenses	7	(7,948,941)	(4,138,714)
Administrative expenses	8	(9,472,107)	(6,205,574)
Donations to social programs	9	(3,613,781)	(3,099,409)
Royalty correction related to prior years	10	-	(8,745,722)
Other expenses	10	(16,268,729)	(18,813,647)
Results from operating activities		**(15,373,470)**	**3,436,132**
Finance income	11	8,910,623	8,401,616
Finance costs	11	(8,758,039)	(16,165,108)
Net finance income/(costs)		**152,584**	**(7,763,492)**
Loss before income tax		**(15,220,886)**	**(4,327,360)**
Income tax benefit/(expense)	13	338,922	(3,593,502)
Loss and total comprehensive loss for the year		**(14,881,964)**	**(7,920,862)**

These consolidated financial statements were approved by management on 28 April 2016 and were signed on its behalf by:

Mger Poloskov
General Director

Karen Karapetyan
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 53.

’000 AMD	**Share capital**	**Retained earnings**	**Total**
Balance at 1 January 2014	54,966,680	89,595,361	144,562,041
Profit and total comprehensive income for the year	-	(7,920,862)	(7,920,862)
Balance at 31 December 2014	**54,966,680**	**81,674,499**	**136,641,179**
Balance at 1 January 2015	54,966,680	81,674,499	136,641,179
Loss and total comprehensive loss for the year	-	(14,881,964)	(14,881,964)
Balance at 31 December 2015	**54,966,680**	**66,792,535**	**121,759,215**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 53.

’000 AMD	2015	2014
Cash flows from operating activities		
Receipts from sales, inclusive of VAT	103,648,305	129,469,794
Payments to suppliers	(76,176,417)	(64,524,918)
Payments to employees	(14,404,491)	(13,287,027)
Payments for income tax*	(3,640,000)	(4,165,010)
Payments for taxes other than on income	(3,455,855)	(6,802,400)
Royalty payments	(15,755,455)	(9,136,723)
Donations to social programs	(3,379,089)	(3,074,913)
Banks charges and conversion losses	(81,389)	(49,786)
Other receipts	50,380	86,029
Other payments	(637,997)	(616,007)
Net cash (used in)/from operating activities	**(13,832,008)**	**27,899,039**
Cash flows from investing activities		
Acquisition of investment in subsidiary, net of cash acquired	-	(1,568,102)
Acquisition of property, plant and equipment	(9,543,497)	(12,412,386)
Additions to exploration and evaluation assets	-	(1,564,216)
Proceeds from sale of property, plant and equipment	700,140	97,798
Interest received	15,656	12,422
Net cash used in investing activities	**(8,827,701)**	**(15,434,484)**
Cash flows from financing activities		
Proceeds from loans and borrowings	38,479,015	8,241,905
Repayments of loans and borrowings**	(15,735,021)	(16,735,075)
Gain from settlement of financial instruments at fair value through profit or loss	8,720,904	-
Interest paid	(4,737,252)	(3,492,389)
Net cash from/(used in) financing activities	**26,727,646**	**(11,985,559)**
Net increase in cash and cash equivalents	**4,067,937**	**478,996**
Cash and cash equivalents at 1 January	939,473	522,300
Effect of exchange rate fluctuations on cash and cash equivalents	(99,289)	(61,823)
Cash and cash equivalents at 31 December (note 21)	**4,908,121**	**939,473**

* Prepayment of income tax of AMD 1,897,579 thousand was set-off with the royalty tax payable during 2015 (2014: AMD 7,312,934 thousand).
** Repayment of a syndicated loan of USD 150,000 thousand from European financial institutions was made through set-off of AMD 46,831,347 thousand with the receipts from a syndicated loan of USD 180,000 thousand from European financial institutions.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 53.

1 Reporting entity

(a) Organisation and operations

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

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

The Group's principal activity is mining and the production of copper concentrate and molybdenum concentrate, which is sold in the Republic of Armenia and abroad. Finished goods are sold in the form of copper and molybdenum concentrates, ferro-molybdenum and sintered molybdenum. The Group's operations are regulated by the Exploitation and Exploration License Agreements between the Group and the Ministry of Economy and Ministry of Energy and Natural Resources (the "License Agreements"). According to the License Agreements, the Group's operations are licensed until 2030 (see note 4(b)).

The Group is owned by Cronimet Mining AG (60%), Pure Iron (15%) (99.7% ultimately owned by Cronimet Holding GmbH), Armenian Molybdenum Production-2 Ltd (12.5%) and Zangezur Mining Ltd (12.5%) (the "Shareholders").

The ultimate parent company of the Group is Cronimet Verwaltungs GmbH, which is controlled by Pilarsky family. Related party transactions are disclosed in note 32.

(b) Armenian business environment

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

2 Basis of accounting

(a) Statement of compliance

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

(b) Liquidity position

As at 31 December 2015 the Group's current liabilities exceeded its current assets by AMD 69,792,302 thousand. The large liquidity gap arose due to a secured bank loan with a carrying amount of AMD 81,012,591 thousand and contractual maturity in 2021 being disclosed as payable on demand following the breach of certain loan agreement covenants as at 31 December 2015.

Management believes that no additional liquidity risk arises because on 27 April 2016 the Group received a Waiver Consent letter from the European Financial Institution Syndicate from the Agent sent on behalf of all Lenders where the latter agreed to waive the breaches of covenants as of 31 December 2015. Whilst management anticipates that the Group may also breach the covenants at the next measurement date (30 June 2016), it is confident that the lenders would agree to waive such later breaches, if relevant, and not request early repayment of the loan from the Group. Hence, management believes that no material uncertainty exists regarding the Group's ability to secure its expected financial needs. Please, refer to notes 23 and 28(f).

3 Functional and presentation currency

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

4 Use of estimates and judgments

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

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

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

- Note 34 (j) *Property, plant and equipment* – determination of units of production depreciation calculations;
- Note 34 (j) *Property, plant and equipment* – useful lives of property, plant and equipment;
- Note 14 *Property, plant and equipment* – impairment test: key assumptions underlying the determination of recoverable amounts;
- Note 18 *Exploration and evaluation assets* - recoverability of exploration and evaluation assets;
- Note 10 *Other expenses* – royalty estimation;
- Note 24 *Provisions*.

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

- Note 4 (b) *Ore reserves* – valuation of mineral reserves that are the basis for future cash flow estimates;
- Note 28 *Financial instruments and risk management* – fair values of financial instruments including commodity options classified as level 3 in the fair value hierarchy;
- Note 34 (b) *Revenue* – determination of the fair values of the embedded derivatives.

(a) Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in note 28 – fair values and risk management.

(b) Ore reserves and exploitation license

There are a number of uncertainties in estimating quantities of ore reserves, including many factors beyond the control of the Group. Ore reserve estimates are based upon engineering evaluations of assay values derived from samplings of drill holes and other openings. Ore resources as at 1 October 2015 were estimated at 1,933,821 thousand tons by Golder Associates Ltd.

Declines in the market price of a particular metal may render certain reserves containing relatively lower grades of mineralisation uneconomic to mine. Further, availability of operating and environmental permits, changes in operating and capital costs, and other factors could materially affect the Group's ore reserve estimates.

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

The Group also holds exploration license for mine located in Hankasar. The exploration operations are licensed till 2017. During 2014 Ler-Ex LLC stopped production operations and concentrated on exploration activities. Following the decline in metal prices, during 2015 the exploration activities were also suspended. No reserve estimates are available yet. In preparing these consolidated financial statements management has assumed that economically feasible reserves will be found in the area and that an exploitation license will be received once exploration activities are completed.

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

5 Revenue

’000 AMD	**2015**	**2014**
Revenue from sale of concentrate	85,599,242	113,691,339
Revenue from the sale of ferro-molybdenum	10,670,512	-
Revenue from the sale of sintered molybdenum	2,302,621	-
Revenue from sale of other products	1,308,344	838,448
Total revenues	**99,880,719**	**114,529,787**

Revenues from sale of concentrates, ferro-molybdenum and sintered molybdenum:

	2015		**2014**	
	’000 AMD	**Dry metric tonnes**	**’000 AMD**	**Dry metric tonnes**
Molybdenum concentrate	8,684,469	3,994	37,452,453	10,838
Copper concentrate	76,914,773	159,140	76,238,886	137,209
Ferro-molybdenum	10,670,512	3,048	-	-
Sintered molybdenum	2,302,621	413	-	-
	98,572,375	**166,595**	**113,691,339**	**148,047**

At 31 December 2015 the Group had outstanding provisionally priced sales of AMD 17,194,631 thousand consisting of 28,792 dry metric tonnes of copper concentrate, 780 dry metric tonnes of ferro-molybdenum and 105 dry metric tonnes of sintered molybdenum (2014: AMD 22,362,045 thousand consisting of 27,428 dry metric tonnes of copper concentrate and 1,861 dry metric tonnes of molybdenum concentrate), which had a fair value of approximately AMD 17,498,858 thousand including the embedded derivative (2014: AMD 21,260,251 thousand).

6 Cost of sales

’000 AMD	**2015**	**2014**
Cost of sales of concentrate, ferro-molybdenum and sintered molybdenum	77,126,647	69,392,749
Cost of other sales	1,298,131	909,470
	78,424,778	**70,302,219**

Cost of sales of concentrate, ferro-molybdenum and sintered molybdenum:

’000 AMD	**2015**	**2014**
Materials	31,133,772	32,344,151
Wages and salaries	12,673,744	11,474,887
Electricity and gas	11,752,338	10,482,832
Depreciation	9,943,301	10,081,944
Tolling costs	6,460,608	-
Outsourced services	4,991,876	4,693,597
Other	124,598	229,272
Ecology taxes	46,410	42,113
Write down of finished goods and work in progress	-	43,953
	77,126,647	**69,392,749**

7 Distribution expenses

’000 AMD	**2015**	**2014**
Transportation of copper	6,693,896	3,403,975
Transportation of molybdenum	119,329	-
Packaging, sorting and maintenance	450,576	271,159
Other	685,140	463,580
	7,948,941	**4,138,714**

8 Administrative expenses

’000 AMD	2015	2014
Wages and salaries	3,967,538	3,110,750
Geological studies, research and other professional services	1,942,120	162,180
Transportation and car maintenance service	1,071,453	907,094
Insurance costs and bank charges	568,338	579,532
Depreciation, amortisation and maintenance expenses	83,464	80,385
Other	1,839,194	1,365,633
	9,472,107	**6,205,574**

9 Donations to social programs

’000 AMD	2015	2014
Donations in cash	3,489,946	2,804,896
Property, plant and equipment, inventory and other donations	123,835	294,513
	3,613,781	**3,099,409**

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

10 Other expenses

’000 AMD	2015	2014
Royalties	9,512,481	14,521,802
Tax expenses related to prior years per tax inspection act	1,160,252	-
Employee benefits other than salary	904,783	971,199
Depreciation	761,433	459,018
Fines and penalties	709,168	54,456
Taxes other than on income	462,331	139,040
Salary expense of subsidiary	432,026	225,803
Termination benefits	289,710	1,329,021
Write off of property, plant and equipment	234,052	136,570
Guarantee provision expense	-	595,770
Write-down of inventories	-	78,832
Other	1,802,493	302,136
	16,268,729	**18,813,647**

Due to the suspension of operations of the subsidiary from mid-2014, the salary expense of production staff and depreciation of production related property, plant and equipment were included in other expenses.

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

The management agreed with the clarified position of the tax authorities and recalculated the royalty expense for 2012 and 2013. Accordingly, amended declarations were submitted to the tax authorities and the Company's prepaid tax balances as at 31 December 2014 were reduced by the amount of the correction. The correction resulted in additional royalty expense in 2014 of AMD 8,745,722 thousand related to 2012 and 2013.

Royalty expense consists of two components:

- royalty calculated at 4% of revenue of AMD 5,140,745 thousand (2014: AMD 5,895,991 thousand);
- royalty calculated as 12.5% of taxable income of AMD 4,371,736 thousand (2014: AMD 8,625,811 thousand).

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

11 Finance income and finance costs

'000 AMD	**2015**	**2014**
Recognised in profit or loss		
Net realized gain from financial instruments at fair value through profit and loss	8,720,904	-
Net unrealized gain from financial instruments at fair value through profit and loss	174,063	8,220,997
Finance income from change in discount rate provision for termination benefits	-	168,197
Interest income on bank accounts	15,656	12,422
Finance income	**8,910,623**	**8,401,616**
Interest expense on loans and borrowings	(6,654,528)	(4,882,241)
Unwinding of discount on site restoration provision and provision for termination benefits	(238,482)	(179,091)
Net foreign exchange loss	(1,865,029)	(11,103,776)
Finance costs	**(8,758,039)**	**(16,165,108)**
Net finance income/(costs) recognised in profit or loss	**152,584**	**(7,763,492)**
Borrowing costs capitalized during the period	(1,507,467)	(1,485,905)

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 10% (2014: 11%). The capitalisation rate was estimated as the weighted average of the borrowing costs applicable to the borrowings of the Company that were outstanding during 2015.

12 Personnel costs

’000 AMD	2015	2014
Wages and salaries	18,911,329	17,245,965
Termination benefits	289,710	1,329,021
Employee benefits other than salary	904,783	971,199
	20,105,822	**19,546,185**

13 Income taxes

(a) Amounts recognised in profit or loss

The Group’s applicable tax rate is the income tax rate of 20% (2014: 20%).

’000 AMD	2015	2014
Current tax expense		
Current year	-	3,990,367
Over provided in prior years	(139,175)	(1,609,970)
	(139,175)	**2,380,397**
Deferred tax expense		
Origination and reversal of temporary differences	(199,747)	1,213,105
	(199,747)	**1,213,105**
Total income tax expense/(benefit)	**(338,922)**	**3,593,502**

Reconciliation of effective tax rate:

	2015		2014	
	’000 AMD	%	’000 AMD	%
Loss before income tax	(15,220,886)	100	(4,327,360)	100
Income tax at applicable tax rate	(3,044,177)	20	(865,472)	20
Non-deductible expenses	2,991,514	(20)	4,333,243	(100)
Overprovided in prior years	(139,175)	1	(1,609,970)	37
Change in unrecognised deductible temporary differences and tax losses	(147,084)	1	1,735,701	(40)
	(338,922)	**2**	**3,593,502**	**(83)**

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 AMD	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Property, plant and equipment	-	-	(17,699,188)	(17,524,339)	(17,699,188)	(17,524,339)
Exploration and evaluation assets (exploration license)			(5,378,162)	(5,378,162)	(5,378,162)	(5,378,162)
Inventories	70,496	61,177	-	-	70,496	61,177
Trade and other receivables	-	-	-	(5,071)	-	(5,071)
Advances received for provisionally priced sales	257,755	548,501	-	-	257,755	548,501
Trade and other payables	-	149,175	-	-	-	149,175
Loans and borrowings	-	-	(1,212,482)	(1,046,995)	(1,212,482)	(1,046,995)
Financial instruments at fair value through profit or loss	-	-	(988,257)	(937,772)	(988,257)	(937,772)
Provisions	324,698	387,088	-	-	324,698	387,088
Tax loss carry-forwards	1,078,489	-	-	-	1,078,489	-
Net tax assets/(liabilities)	**1,731,438**	**1,145,941**	**(25,278,089)**	**(24,892,339)**	**(23,546,651)**	**(23,746,398)**

(c) Movement in temporary differences during the year

'000 AMD	**1 January 2015**	**Recognised in profit or loss**	**31 December 2015**
Property, plant and equipment	(17,524,339)	(174,849)	(17,699,188)
Exploration and evaluation assets (exploration license)	(5,378,162)	-	(5,378,162)
Inventories	61,177	9,319	70,496
Trade and other receivables	(5,071)	5,071	-
Advances received for provisionally priced sales	548,501	(290,746)	257,755
Trade and other payables	149,175	(149,175)	-
Loans and borrowings	(1,046,995)	(165,487)	(1,212,482)
Financial instruments at fair value through profit or loss	(937,772)	(50,485)	(988,257)
Provision of site restoration	387,088	(62,390)	324,698
Tax loss carry-forwards	-	1,078,489	1,078,489
	(23,746,398)	**199,747**	**(23,546,651)**

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

(d) Unrecognised deferred tax assets

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

’000 AMD	**2015**	**2014**
Deductible temporary differences	4,873,680	2,721,314
Tax losses (expiring in 2017)	-	686,752
Tax losses (expiring in 2018)	1,981,008	2,711,199
Tax losses (expiring in 2019)	912,597	912,597
	7,767,285	**7,031,862**

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. During 2014 Ler-Ex LLC stopped production operations and concentrated on exploration activities. Following the decline in metal prices, during 2015 the exploration activities were also suspended. No results of exploration works are available. The future utilisation of the deductible temporary differences and tax losses is dependent on finding economically feasible reserves in that area and the duration of the exploration works.

14 Property, plant and equipment

'000 AMD	Land and buildings	Plant and equipment	Mining Facilities	Fixtures and fittings	Construction in progress	Total
Deemed cost						
Balance at 1 January 2014	56,207,231	170,754,145	2,019,631	633,889	39,628,694	269,243,590
Additions	152,187	1,591,164	218,113	60,456	12,451,000	14,472,920
Disposals	-	(3,446,436)	-	(14,401)	(157,784)	(3,618,621)
Transfers	104,303	1,381,255	7,932	125	(1,493,615)	-
Balance at 31 December 2014	**56,463,721**	**170,280,128**	**2,245,676**	**680,069**	**50,428,295**	**280,097,889**
Balance at 1 January 2015	56,463,721	170,280,128	2,245,676	680,069	50,428,295	280,097,889
Additions	143,221	2,753,823	-	45,483	8,406,917	11,349,444
Disposals/write-offs	-	(4,860,920)	-	(15,390)	(284,934)	(5,161,244)
Transfers	201,887	74,724	-	-	(276,611)	-
Balance at 31 December 2015	**56,808,829**	**168,247,755**	**2,245,676**	**710,162**	**58,273,667**	**286,286,089**
Depreciation						
Balance at 1 January 2014	10,953,692	69,584,136	39,426	426,402	-	81,003,656
Depreciation for the year	1,580,013	9,524,273	32,820	77,924	-	11,215,030
Disposals	-	(2,967,108)	-	(12,334)	-	(2,979,442)
Transfers	74,468	(74,468)	-	-	-	-
Balance at 31 December 2014	**12,608,173**	**76,066,833**	**72,246**	**491,992**	**-**	**89,239,244**
Balance at 1 January 2015	12,608,173	76,066,833	72,246	491,992	-	89,239,244
Depreciation for the year	1,572,540	9,685,707	36,657	77,334	-	11,372,238
Disposals/write-offs	-	(3,711,765)	-	(10,068)	-	(3,721,833)
Balance at 31 December 2015	**14,180,713**	**82,040,775**	**108,903**	**559,258**	**-**	**96,889,649**
Carrying amounts						
At 1 January 2014	45,253,539	101,170,009	1,980,205	207,487	39,628,694	188,239,934
At 31 December 2014	43,855,548	94,213,295	2,173,430	188,077	50,428,295	190,858,645
At 31 December 2015	**42,628,116**	**86,206,980**	**2,136,773**	**150,904**	**58,273,667**	**189,396,440**

Depreciation expense of AMD 9,943,301 thousand (2014: AMD 10,081,944 thousand) has been charged to cost of goods sold, AMD 71,352 thousand (2014: AMD 44,272 thousand) to administrative expenses, AMD 761,433 thousand (2014: AMD 459,018 thousand) to other expenses and AMD 204,005 thousand was capitalised on stripping activity asset (2014: AMD 229,698 thousand).

During 2015 borrowing costs of AMD 1,507,467 thousand (2014: AMD 1,485,905 thousand) were capitalized on construction in progress.

At 31 December 2015 property, plant and equipment with a carrying amount of AMD 60,754,901 thousand are pledged as security for secured bank loans (see note 23).

(a) Impairment

At 31 December 2015 considering the operating losses and declining copper and molybdenum prices the Company determined that there is an indication of impairment of its property, plant and equipment. Based on the assessment performed, the carrying amount of the cash generating unit was determined to be lower than its recoverable amount by around AMD 10 billion, and no impairment loss was recognised.

The cash flow projections included specific estimates in accordance with the Company's six-year mining plan and a terminal value thereafter.

The following table shows the significant unobservable inputs used and sensitive assumptions and the effect of reasonably possible alternative assumptions.

Sensitive assumptions	Reasonably possible alternative assumption	Property, plant and equipment would be impaired by
• The content of copper in ore in the terminal period is assumed to be 0.29%.	The content of copper were lower by 0.01 percentage points.	AMD 550,102 thousand
• Projected average sales prices for copper and molybdenum in the terminal period are USD 6,214 and USD 20, respectively. The projection is based on the median prices forecasted by 17 investment banks/houses.	The projected sales prices for copper and molybdenum were lower by 5%.	AMD 14,286,669 thousand
• A real discount rate of 12.3% was applied. The discount rate was estimated based on an industry weighted average cost of capital, with a possible debt leveraging of 86%at a market interest rate of 9%.	The risk-adjusted discount rate was higher by 1 percentage point.	AMD 7,133,234 thousand

15 Stripping activity asset

In 2014, The Company 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.

’000 AMD	**Total**
Cost	
Balance at 1 January 2014	-
Additions	2,242,217
Balance at 31 December 2014	**2,242,217**
Balance at 1 January 2015	2,242,217
Additions	1,848,563
Balance at 31 December 2015	**4,090,780**

16 Available-for-sale investments

’000 AMD	**2015**	**2014**
Available-for-sale investments measured at fair value	**777,159**	**777,159**

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

The Group’s exposure to credit, currency and interest rate risks related to available-for-sale investments is disclosed in note 28.

17 Prepayments and advances

’000 AMD	**2015**	**2014**
Prepayments for non-current assets		
Prepayments for property, plant and equipment	1,559,724	901,125
Prepayments for current assets		
Prepayments for inventory	558,528	1,102,044
Other	763,383	958,841
	1,321,911	2,060,885
	2,881,635	**2,962,010**

18 Exploration and evaluation assets

AMD'000	2015	2014
Exploration license acquired through business combination	26,936,526	26,936,526
Other exploration and evaluation costs	1,938,081	1,938,081
	28,874,607	**28,874,607**

Exploration license relates to the mine area located near Hankasar, Syuniq region. Operations under exploration license acquired are regulated by the License Agreement dated 13 November 2012 between the Group and the Ministry of Energy and Natural Resources. The Group's exploration operations are licensed till 2017.

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

During 2014 the subsidiary stopped production operations and concentrated on exploration activities. Following the decline in metal prices, during 2015 the exploration activities were also suspended. No results of exploration works are available as at the date of these consolidated financial statements. Management believes that the exploration and evaluation assets are not impaired as they expect to continue the exploration works in the foreseeable future and expect economically feasible reserves to be found in the Hankasar mine area.

19 Inventories

'000 AMD	2015	2014
Raw materials and consumables	4,752,920	5,804,872
Spare parts	3,681,443	3,699,156
Finished goods	874,121	365,637
Molybdenum concentrate given for processing*	440,474	-
Construction materials	55,155	132,037
Other	462,650	492,992
	10,266,763	**10,494,694**
Write-down of inventories in the current year	-	(78,832)

* The Company has service agreements signed with related parties for tolling of molybdenum concentrate to ferro-molybdenum and sintered molybdenum. The ownership during the tolling process is retained by the Company. The corresponding expense for services received is presented in note 6.

20 Trade and other receivables

’000 AMD	**2015**	**2014**
Trade receivables – sales of concentrates	-	558,848
Trade receivables – sale of other products	956,387	102,334
Other receivables	488,109	235,732
Trade and other receivables included in loans and receivables category	**1,444,496**	**896,914**
Value added tax recoverable	924,579	854,426
Total trade and other receivables	**2,369,075**	**1,751,340**

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 28.

21 Cash and cash equivalents

’000 AMD	**2015**	**2014**
Petty cash	2,250	3,055
Bank balances	4,905,871	936,418
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows	**4,908,121**	**939,473**

The Group’s exposure to currency and interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

22 Capital and reserves

(a) Share capital

	Ordinary shares	
Number of shares unless otherwise stated	**2015**	**2014**
Authorised shares		
Par value	AMD 20,000	AMD 20,000
On issue at 1 January and 31 December, fully paid	**2,748,334**	**2,748,334**

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

As at 31 December 2015 60% of the Company’s shares are pledged under a secured bank loan (see note 23).

(b) Dividends

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

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

No dividends were declared in 2015 (2014: nil). The declaration of dividends is restricted per the syndicated loan agreement of USD 180,000 thousand from European financial institutions (see note 23).

23 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 28.

'000 AMD	**2015**	**2014**
Non-current liabilities		
Secured bank loans and credit lines	-	37,296,389
	-	**37,296,389**
Current liabilities		
Secured bank loans and credit lines	84,048,928	22,647,431
Unsecured borrowings from related party	-	2,379,624
Unsecured borrowing from shareholder	5,006,571	-
	89,055,499	**25,027,055**

In August 2015 the Company received a syndicated loan of USD 180,000 thousand from European financial institutions. The loan was partially used to repay the USD 150,000 thousand syndicated loan received in 2013 from European financial institutions.

The loan is secured by the Company's property, plant and equipment (see note 14), Company's shares (see note 22), bank balances and sales agreements with customers, as well as a guarantee from the parent company.

Bank overdrafts are secured by the bank balances of the Company.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2015		31 December 2014	
’000 AMD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan	USD	Libor+6.5%	2021	87,075,000	81,012,591	-	-
Unsecured borrowing from shareholder	USD	Libor+4.95%	On demand	5,006,571	5,006,571	-	-
Unsecured borrowing from related party	USD	Libor+4.95%	On demand	-	-	2,379,624	2,379,624
Secured bank loan	USD	Libor+4.95%	2018	-	-	56,705,602	51,470,664
Secured bank overdraft	USD	9%	2020	3,036,337	3,036,337	8,473,156	8,473,156
Total interest-bearing liabilities				**95,117,908**	**89,055,499**	**67,558,382**	**62,323,444**

(a) Secured bank loan – breach of loan covenant

A secured bank loan with a carrying amount of AMD 81,012,591 thousand and contractual maturity in 2021 has been disclosed as payable on demand as certain loan agreement covenants have not been complied with, which gives right to the lender to demand immediate repayment of the loan as at 31 December 2015.

On 27 April 2016 the Group received the Waiver Consent letter from the European Financial Institution Syndicate from the Agent sent on behalf of all Lenders where the latter agreed to waive the breaches and confirmed that will not request early repayment of the loan from the Group.

(b) Unsecured borrowing from shareholder

Unsecured borrowing from shareholder with a carrying amount of AMD 5,006,571 thousand is subordinated to the secured bank loan agreement with syndicate of European Financial Institutions. Thus unsecured borrowing from shareholder has been disclosed as payable on demand due to the non-compliance with certain financial covenants set under the secured bank loan agreement with syndicate of European Financial Institutions and consequent classification of the secured bank loan as on demand as at 31 December 2015. In accordance with the respective clause of the agreement for unsecured borrowing with shareholder, the shareholder would have right to demand the repayment of this loan. The shareholder does not intend, and following the receipt of Waiver Consent letter above, is legally not able to request the repayment of the borrowing before the maturity of the secured bank loan in 2021.

(c) Secured bank overdraft

Balance represents secured revolving overdraft facilities with Armenian banks. The overdraft agreements mature in 2020. The balances have been disclosed as current liabilities as according to the terms of overdraft agreements, the revolving facilities should be repaid within one year since each withdrawal.

24 Provisions

’000 AMD	Provision for site restoration	Financial guarantee provision	Employee termination benefits	Total
Balance at 1 January	1,935,440	595,770	933,165	3,464,375
Provision used during the year	(125,740)	-	(37,253)	(162,993)
Change in provision	(363,470)	-	290,453	(73,017)
Effect of changes in foreign exchange rate	-	-	17,026	17,026
Unwinding of discount	177,258	-	61,224	238,482
Balance at 31 December	**1,623,488**	**595,770**	**1,264,615**	**3,483,873**
Non-current	1,487,166	595,770	1,141,131	3,224,067
Current	136,322	-	123,484	259,806

(a) Site restoration

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

The total amount of the estimated cash flows required to settle the obligation is AMD 2,702,031 thousand (2014: AMD 3,390,753 thousand) considering the effect of average forecasted inflation rate of 4.0% (2014: 3.9%) for Armenia. An annual discount rate of 9.6% was used to discount restoration costs to be made in 7 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 2015. The discount rate represents the nominal risk free rate (rate for long term Armenian Government bonds) adjusted for estimated country risk premium.

The provision has decreased as compared to the amount recognized as at 31 December 2014 due to changes in estimated cash flows and estimated annual discount rate. The decrease of site restoration provision arising from these changes in estimates was recognized as a decrease to the related asset.

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

The Group did not create any provision for site restoration obligation related to the total mine area as the management does not believe that the present value of such obligations at 31 December 2015 will be material to this separate statement of financial position. The management’s estimate is based on the assessed remote timing of the site restoration. Based on the evaluation of the ore reserves (see note 4(b)), current ore resources will be sufficient for over 50 years at current extraction levels.

(b) Financial guarantee

The provision for guarantee at 31 December 2015 relates to the guarantee issued by the Group to secure a third party loan from an Armenian bank. As at 31 December 2015 the Group recognized a provision for the full amount of the provided guarantee as there are indications that the beneficiary of the guarantee will not be able to discharge its liabilities. An annual discount rate of 10.3% was used to discount the amount of the guarantee of AMD 734,000 thousand for 2 years.

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

(c) Employee termination benefits

The provision for termination benefits as at 31 December 2015 relates to the Group's contractual obligation to pay the amount of AMD 1,758,624 thousand (2014: AMD 1,779,667 thousand) to the former management of the Group on termination of their employment contracts in July 2014. Subsequently these employees were appointed in different new positions within the Group and the payment schedule of termination benefits was deferred until the termination of the current positions.

An annual discount rate of 7.7% (2014: 6.5%) was used to discount the payments to be made in 1-6 years' time based on the management estimate of the timing of the termination of the new positions.

25 Financial instruments at fair value through profit or loss

Financial assets at fair value through profit or loss of AMD 4,941,286 thousand (2014: AMD 4,688,858 thousand) represent the fair value of call and put options on copper with one counterparty (2014: three counterparties). The options expire in December 2017.

The fair value determined at the initial recognition date using option pricing model of AMD 5,752,343 thousand (USD 14,135,606 thousand) has been considered as transaction cost and has been included in the amortised cost of the loan from European financial institutions (see note 23) because the management believes that the initial loss on the financial instrument represents part of the cost to obtain the loan.

The Group's exposure to credit, currency and liquidity risks related to financial instruments at fair value through profit or loss are disclosed in note 28.

26 Trade and other payables

’000 AMD	**2015**	**2014**
Payables for acquisitions of inventory and property, plant and equipment	6,229,263	4,286,200
Payables for services received	2,330,188	970,710
Trade and other payables included in other financial liabilities category	**8,559,451**	**5,256,910**
Salaries and related taxes payable	765,961	791,629
Withholding taxes payable	-	165,483
Royalty payable	-	95,363
Other payables and accrued expenses	145,446	397,724
Other payables	**911,407**	**1,450,199**
	9,470,858	**6,707,109**

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

27 Advances received for provisionally priced sales

Included in advances received for provisionally priced sales are advances of AMD 12,875,279 thousand (2014: nil) which are subject to set-off against the sales of copper and molybdenum concentrate during 2020-2021. These balances bear interest rate of 1 month USD Libor plus 4.95%.

The remaining advances of AMD 6,921,156 thousand (2014: AMD 17,626,324 thousand) represent non-interest bearing advances received for provisionally priced sales to the customers.

28 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
Loans and receivables	Discounted cash flows	Not applicable
Other financial liabilities*	Discounted cash flows	Not applicable

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

These financial instruments are classified as Level 2 in the fair value hierarchy.

(c) Financial instruments measured at fair value

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

'000 AMD	Level 1	Level 2	Level 3	Total
31 December 2015				
Derivatives embedded in sales contracts	-	44,558	259,670	304,228
Available-for-sale investments	777,159	-	-	777,159
Financial assets at fair value through profit or loss	-	-	4,941,286	4,941,286
	777,159	**44,558**	**5,200,956**	**6,022,673**

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

Level 2 Derivatives embedded in copper sales contracts

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

Level 3 Copper collars

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

’000 AMD	**2015**	**2014**
Balance at 1 January	4,688,858	(3,953,866)
Total gain recognised in profit or loss from level 3 instruments held at year end	8,894,967	8,220,997
Settlement	(8,720,904)	-
Effect of foreign exchange rate fluctuations	78,365	421,727
Balance at 31 December	**4,941,286**	**4,688,858**

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

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

	Effect in profit or loss	
’000 AMD	**Favourable**	**Unfavourable**
10% changes in the annual volatility	248,238	(98,272)

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values. Key inputs and assumptions used in the model at 31 December 2015 include:

- Forward market prices of copper from USD 4,697 to USD 4,712;
- Implied volatility surface of the market prices of copper (17% to 23%).

Level 3 Derivatives embedded in molybdenum sales contracts

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

(d) Financial risk management

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

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

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

Risk management framework

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

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

(e) Credit risk

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

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

(i) Exposure to credit risk

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

	Carrying amount	
'000 AMD	**2015**	**2014**
Bank balances	4,905,871	936,418
Trade and other receivables	1,444,496	896,914
Financial assets at fair value through profit or loss	4,941,286	4,688,858
	11,291,653	**6,522,190**

(ii) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances. Approximately 47% (2014: 55%) of the Company's revenue from concentrate, ferro-molybdenum and sintered molybdenum is attributable to sales transactions with related parties.

The rest of the revenue from concentrate is attributable to sales transactions with three customers (2014: three). No losses have occurred so far on the Group's trade receivables.

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

	Carrying amount	
'000 AMD	**2015**	**2014**
Domestic	956,387	102,334
Foreign	-	558,848
	956,387	**661,182**

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

	Carrying amount	
'000 AMD	**2015**	**2014**
Copper and molybdenum customers	-	558,848
Other products customers	956,387	102,334
	956,387	**661,182**

Impairment losses

The aging of trade receivables at the reporting date was:

'000 AMD	**Gross 2015**	**Impairment 2015**	**Gross 2014**	**Impairment 2014**
Not past due	588,764	-	617,405	-
Past due 0 – 30 days	175,917	-	1,868	-
Past due 31 – 120 days	172,314	-	41,909	-
Past due more than one year	19,392	-	-	-
	956,387	**-**	**661,182**	**-**

(iii) Investments

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

(iv) Bank balances

The Group held bank balances of AMD 4,905,871 thousand at 31 December 2015 (2014: AMD 936,418 thousand), which represents its maximum credit exposure on these assets. At 31 December 2015 73% of total exposure is held with an A+ rated bank by Fitch (2014: AMD 7%). The remaining 27% of total exposure at 31 December 2015 is held with top 10 Armenian banks.

(f) Liquidity risk

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

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

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

2015 **’000 AMD**	**Carrying amount**	**Contractual cash flows**	**On demand**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2 yrs and more**
Non-derivative financial liabilities							
Bank overdrafts	3,036,337	3,036,337	-	-	3,036,337	-	-
Secured bank loan	81,012,591	87,075,000	87,075,000	-	-	-	-
Unsecured borrowing from shareholder	5,006,571	5,006,571	5,006,571	-	-	-	-
Trade and other payables	8,559,451	8,559,451	-	8,559,451	-	-	-
Advances received for provisionally priced sales	19,796,435	19,796,435	-	6,921,156	-	-	12,875,279
Issued financial guarantees	595,770	734,000	-	-	-	734,000	-
	118,007,155	**124,207,794**	**92,081,571**	**15,480,607**	**3,036,337**	**734,000**	**12,875,279**

2014 **’000 AMD**	**Carrying amount**	**Contractual cash flows**	**On demand**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2 yrs and more**
Non-derivative financial liabilities							
Bank overdrafts	8,473,156	8,473,156	-	27,865	8,445,291	-	-
Secured bank loan	51,470,664	61,597,636	-	10,086,618	9,881,419	19,069,545	22,560,054
Unsecured borrowing from related party	2,379,624	2,379,624	2,379,624	-	-	-	-
Trade and other payables	5,256,910	5,256,910	-	5,256,910	-	-	-
Advances received for provisionally priced sales	17,626,344	17,626,344	-	17,626,344	-	-	-
Issued financial guarantees	595,770	734,000	-	-	-	734,000	-
	85,802,468	**96,067,670**	**2,379,624**	**32,997,737**	**18,326,710**	**19,803,545**	**22,560,054**

The contractual cash flows of the secured bank loan include the cash flows from transaction costs.

As disclosed in note 23, the Group breached a covenant on the secured bank loan with a carrying amount of AMD 81,012,591 thousand. Since the lenders have the right to request the repayment of this loan on demand, the full carrying amount of this loan was indicated as “On demand”. In April 2016 the lenders have confirmed that early repayment will not be requested. Consequently, the contractual cash flows of this loan will be AMD 111,398,380 thousand and should be paid as follows: “0-6 months” – AMD 6,870,750 thousand; “6-12 months” – AMD 6,766,814 thousand; “1-2 years” – AMD 14,941,037 thousand; “2-5years” – AMD 82,819,779 thousand. The contractual cash flows of the unsecured shareholder loan, subordinated to the above secured bank loan will be AMD 6,424,825 thousand and should be paid as follows: “2-5years” – AMD 6,424,825 thousand. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(g) Market risk

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

(i) Currency risk

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

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

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

Exposure to currency risk

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

'000 AMD	**USD-denominated 2015**	**USD-denominated 2014**
Trade and other receivables	-	558,848
Cash and cash equivalents	3,595,949	62,154
Financial assets at fair value through profit or loss	4,941,286	4,688,858
Loans and borrowings	(89,055,499)	(62,323,444)
Advances received for provisionally priced sales	(19,796,435)	(17,626,344)
Trade and other payables	(1,413,371)	(1,111,860)
Net exposure	**(101,728,070)**	**(75,751,788)**

The following significant exchange rates applied during the year:

in AMD	**Average rate**		**Reporting date spot rate**	
	2015	**2014**	**2015**	**2014**
USD	477.95	415.76	483.75	474.97

Sensitivity analysis

A 10% strengthening/(weakening) of the AMD, as indicated below, against USD at 31 December would have increased (decreased) equity and profit or loss before taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014, except that the reasonable strengthening/(weakening) of the AMD was determined to be 20%.

	Strengthening		Weakening	
’000 AMD	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2015	-	10,172,807	-	(10,172,807)
31 December 2014	-	15,150,358	-	(15,150,358)

(ii) Interest rate risk

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

Profile

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

	Carrying amount	
’000 AMD	**2015**	**2014**
Fixed rate instruments		
Financial liabilities	(3,036,337)	(8,473,156)
Variable rate instruments		
Financial liabilities	(98,894,441)	(53,850,288)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss	
’000 AMD	**100 bp increase**	**100 bp decrease**
2015		
Variable rate instruments	(988,944)	988,944
2014		
Variable rate instruments	(538,503)	538,503

(iii) Commodity price risk

The Company’s major commodity price exposure is to the prices of copper concentrate, ferro-molybdenum and sintered molybdenum. Forward prices of these commodities at the reporting date affect the fair value of the embedded derivatives in sales contracts.

Sensitivity analysis

A change of 10% in forward prices of copper and molybdenum at the reporting date in relation to provisionally priced sales would have affected profit or loss before taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Effect in profit or loss	
’000 AMD	**Favourable**	**Unfavourable**
2015		
10% changes in the forward prices	803,635	(803,635)
2014		
10% changes in the forward prices	2,049,088	(2,890,230)

A sensitivity analysis of financial instruments at fair value through profit or loss (copper options) is disclosed in note 28(b).

(h) Capital management

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

29 Significant subsidiaries

		2015	2014
Subsidiary	**Country of incorporation**	**Ownership/voting**	**Ownership/voting**
Ler-Ex LLC	Republic of Armenia	100%	100%

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

30 Contingencies and commitments

(a) Insurance

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

(b) Taxation contingencies

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

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

(c) Environmental contingencies

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

(d) Capital commitments

During 2015, the Group continued implementation and also entered into several new contracts to purchase equipment and services. The commitments related to these contracts at 31 December 2015 amounted to AMD 2,103,297 thousand (2014: 2,395,924 thousand).

31 Operational risks

(a) Mines

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

(b) Copper and molybdenum price volatility

The Group's financial performance is heavily dependent on the price of copper, which is affected by many factors beyond the Group's control. Copper is a commodity traded on the London Metal Exchange (LME), the New York Commodity Exchange (COMEX) and the Shanghai Futures Exchange (SHFE). The Group's copper is sold at prices based on those quoted on the LME. The price of copper as reported on this exchange is influenced significantly by numerous factors, including (i) the worldwide balance of copper demand and supply, (ii) rates of global economic growth, trends in industrial production and conditions in the housing and automotive industries, all of which correlate with demand for copper, (iii) economic growth and political conditions in China, which has become the largest consumer of refined copper in the world, and other major developing economies, (iv) speculative investment positions in copper and copper futures, (v) the availability and cost of substitute materials and (vi) currency exchange fluctuations, including the relative strength of the USD. The copper market is volatile and cyclical During the year ended 31 December 2015, LME monthly average closing spot prices ranged from USD 4,642 to USD 6,302 per ton for copper. The LME spot copper price closed at USD 4,800 per ton on 31 March 2016.

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

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

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

The price of molybdenum was averaging to approximately USD 14,892 per ton during 2015 in comparison with USD 28,405 per ton during 2014. The LME spot price of USD 12,200 per ton of molybdenum was registered on 31 March 2016.

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

32 Related parties

(a) Control relationships

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

Cronimet Mining AG	60%
Pure Iron (99.7% owned by Cronimet Holding GmbH)	15%
Armenian Molybdenum Production-2 Ltd	12.5%
Zangezour Mining Ltd	12.5%

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

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

(b) Transactions with key management personnel

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

(i) Board of Directors and key management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 12):

'000 AMD	**2015**	**2014**
Salaries and bonuses		
Board of Directors	718,988	361,713
Key management	698,140	867,078
	1,417,128	**1,228,791**

(c) Other related party transactions

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

(i) Revenue

'000 AMD	Transaction value 2015	Transaction value 2014	Outstanding balance 2015	Outstanding balance 2014
Sale of molybdenum concentrate, ferro-molybdenum, sintered molybdenum:				
Shareholders	16,116,348	38,156,010	(10,353,126)	(5,834,023)
Entity under significant influence of the ultimate controlling party	5,281,584	-	(287,527)	-
Sale of copper concentrate:				
Entity under significant influence of the ultimate controlling party	25,314,954	25,065,485	(3,598,930)	(9,962,301)
Sale of other products:				
Entities under significant influence of the Board of Directors	-	124,433	-	17,407
Sale of property, plant and equipment and services provided (other income):				
Shareholders	7,025	-	-	-
Entities under significant influence of the Board of Directors	-	4,065	-	-
	46,719,911	**63,349,993**	**(14,239,583)**	**(15,778,917)**

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

(ii) Expenses

’000 AMD	Transaction value 2015	Transaction value 2014	Outstanding balance 2015	Outstanding balance 2014
Purchase of materials:				
Shareholder	9,388	5,320	-	-
Entities under significant influence of the Board of Directors	4,776,582	20,564,104	(564,036)	(419,112)
Purchase of property, plant and equipment:				
Shareholder	321,184	-	-	-
Entity under significant influence of the ultimate controlling party	736,400	-	(7,540)	-
Entities under significant influence of the Board of Directors	783	88,680	-	(2,974)
Services received:				
Shareholder	6,945,635	52,456	(198,073)	-
Entity under significant influence of the ultimate controlling party	1,146,020	-	(70,865)	-
Entities under significant influence of the Board of Directors	1,508,562	5,479,447	(169,628)	(1,301,926)
Donations provided:				
Entities under significant influence of the Company	670,000	-	-	-
Entity under significant influence of the ultimate controlling party	270,000	-	-	-
	16,384,554	**26,190,007**	**(1,010,142)**	**(1,724,012)**

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

Services received from the entity under significant influence of the ultimate controlling party mainly include geological studies and research performed by non-related parties sub-contracted by the related parties.

(iii) Loans

’000 AMD	Amount loaned 2015	Amount loaned 2014	Outstanding balance 2015	Outstanding balance 2014
Loans received:				
Shareholder	2,374,641	-	(5,006,571)	-
Entities under significant influence of shareholders	-	2,510,740	-	(2,379,624)

33 Basis of measurement

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

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

34 Significant accounting policies

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

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(b) Revenue

Goods sold

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

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

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

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

(c) Donations to social programs

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

(d) Finance income and costs

The Group's finance income and finance costs include:

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

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

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

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

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

(e) Foreign currency

Foreign currency transactions

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

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

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

(f) Employee benefits

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

(i) Termination benefits

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

(g) Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

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

(h) Royalties

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

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

(i) Inventories

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(k) Stripping activity asset

Production stripping costs that improve access to the ore to be mined in the future are recognized as stripping activity asset if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable.

(l) Intangible assets

(i) Software

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

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

- Software 10 years

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

(m) Exploration and evaluation assets

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

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

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

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

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

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

(n) Financial instruments

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

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

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

(ii) Non-derivative financial liabilities - measurement

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

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

(iii) Derivative financial instruments

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

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

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

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

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

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

(iv) Share capital

Ordinary shares

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

(o) Impairment

(i) Non-derivative financial assets

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

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

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

(ii) Non-financial assets

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

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

(p) Provisions

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

(i) Site restoration

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

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

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

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

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

(ii) Financial guarantees

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

35 New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

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