non-official translation

PROGRAM PROSPECTUS

Zangezur Copper Molybdenum Combine Closed Joint Stock Company
Official name of the Issuer

closed joint stock company
Organizational form

Lernagorcneri str. 18, 3309 Kajaran, Syunik Marz, Armenia
Tel.: (+374 285) 3 31 31, (+374 60) 500 003
E-mail: info@zcmc.am
Website: www.zcmc.am

Ameriabank CJSC
Lead Arranger's name

closed joint stock company
Organizational form

2 Vazgen Sargsyan str., Yerevan 0010, RA
Tel.: (+37410 56) 11 11; Fax: +37410, 51 31 33
E-mail: info@ameriabank.am
Website: www.ameriabank.am

REGISTRATION OF THE PROGRAM PROSPECTUS BY CBA DOES NOT WARRANT SECURITY OF INVESTMENT, ACCURACY AND AUTHENTICITY OF PRESENTED INFORMATION

Type of Securities	nominal, coupon bonds
Form of Securities	book entry
Number of Securities	subject to the issue size and the face value
Face value of the securities	AMD 100,000 / USD 100
Aggregate Amount of the Securities Issued	max USD 50,000,000 / max AMD 2,500,000,000, but not less than the equivalent of 10% of the total volume of USD bonds placed
Coupon	to be determined by the Issuer at least 5 (five) business days prior to placement start date
Tenor	to be determined by the Issuer at least 5 (five) business days prior to placement start date

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PART 1 PROSPECTUS SUMMARY

INVESTOR NOTICE

THIS SUMMARY MUST BE READ AS AN INTRODUCTION TO THE PROSPECTUS.

ANY DECISION TO INVEST IN THE BONDS SHOULD BE BASED ON A CONSIDERATION OF THE PROSPECTUS AS A WHOLE.

The person in charge of preparation of the summary shall bear legal responsibility for any incomplete or misleading information contained in the summary (including its translation), if such information is incomplete or misleading while considered together with other parts of the Program Prospectus.

Investors can get a copy of the Program Prospectus and accompanying documents in electronic form at www.ameriabank.am and www.zcmc.am.

1.1 Information about the Issuer and its activity

1.1.1 Issuer's details and contact information

Full official name of the Issuer	
in Armenian:	«Զանգեզուրի պղնձամոլիբդենային կոմբինատ» փակ բաժնետիրական ընկերություն
in Russian:	Закрытое Акционерное общество “Зангезурский Медно-Молибденовый Комбинат”
in English:	“Zangezur Copper Molybdenum Combine” Closed Joint Stock Company
Brief official name of the Issuer	
in Armenian:	«ԶՊՄԿ» ՓԲԸ
in Russian:	ЗАО “ЗММК”
in English:	ZCMC CJSC
The Issuer's state registered address:	Lernagorcneri str. 18, 3309 Kajaran, Syunik Marz, Armenia
The Issuer's state registration number:	27.140.00009
The Issuer's location:	Lernagorcneri str. 18, 3309 Kajaran, Syunik Marz, Armenia
Contact details:	Tel.: (+374 285) 3 31 31 (+374 60) 500 003 E-mail: info@zcmc.am Website: www.zcmc.am

In case of questions regarding the Issuer, the contact persons from ZCMC CJSC’s side are Anna Sedrakyan, Armine Stepanyan and Suren Melikyan (e-mail: info@zcmc.am, tel.: (+374 60) 500 003):

1.1.2 **Brief history and strategy of the Issuer**

“Zangezur Copper Molybdenum Combine” CJSC (hereinafter “ZCMC”, “the Issuer” or “the Company) is the leading mining company in the Republic of Armenia (RA). The company operates the Kajaran mine (hereinafter “the Mine”) with its significant molybdenum and copper deposits.

The first geological investigations in Kajaran area started back in 1880s and continued to 1931 when large scale drilling program in this area began. The mine first started production in 1951 and till 1954 the operation was carried out through underground mining, from 1954 to 1962 through underground and open-pit mining. Starting from 1962 operations are carried out only through open-pit mining.

The company was founded on base of N 262 Order of the Ministry of Industry and Trade of RA on 09.12.1997, by means of reorganizing “Zangezur Copper Molybdenum Combine” state enterprise (est. 1952). Later, in 2005, the company was privatised pursuant to the decree N 1677-Ա of RA Government on 09.12.2004.

In 2005, CRONIMET acquired a majority stake (60%) in ZCMC, pursuant to which the Company entered into a new era of its development, defining new strategic goals: to be established as a private company, modernize and improve the operational efficiency in line with the industry’s best international practices.

In 2007 resources estimate in accordance with Russian reporting standards, indicated 2,244 mln tonnes of ore. In 2015 Golder completed a NI 43-101 JORC compliant resource estimate, confirming 1,933 mln tonnes of ore.

The approved resources are more than enough for operating the mine pursuant to current license terms. The license allows the company to extract and treat 22 mln tonnes of ore annually until 2041.

Starting from 2005 to 2018 the Company had invested over 500 mln US dollars for modernizing and improving its extracting and processing capacities. As a result, the production volume had increased from 8.8 to 20 mln tonnes of ore. The company aims to increase its production to 22 mln tonnes in 2019 due to last year’s capital investments.

Company’s perspective plans include:

- concluding the exploration results for comprehensive and accurate full life of mine planning based on geological information;
- designing, construction and exploitation of a new tailing dam;
- improvement of mining infrastructure;
- other projects aimed at increasing production efficency and reducing costs;
- capital expenditures for Smart Armenian Rail Driver (SARD) system implementation (point 3.3.3 of Prospectus):

- Tailing Storage Facility's discharge water management improvement project (point 3.3.3 of Prospectus):

1.1.3 Charter capital of the Issuer

The charter capital of the Company as of 31.12.2018 was AMD 54,966,680,000, which consists of 2,748,334 allocated ordinary registered shares, with nominal value of AMD 20,000 each.

1.1.4 Business overview

The Company produces copper and molybdenum concentrate. The mine is the largest one in South Caucasus by copper and molybdenum deposits.

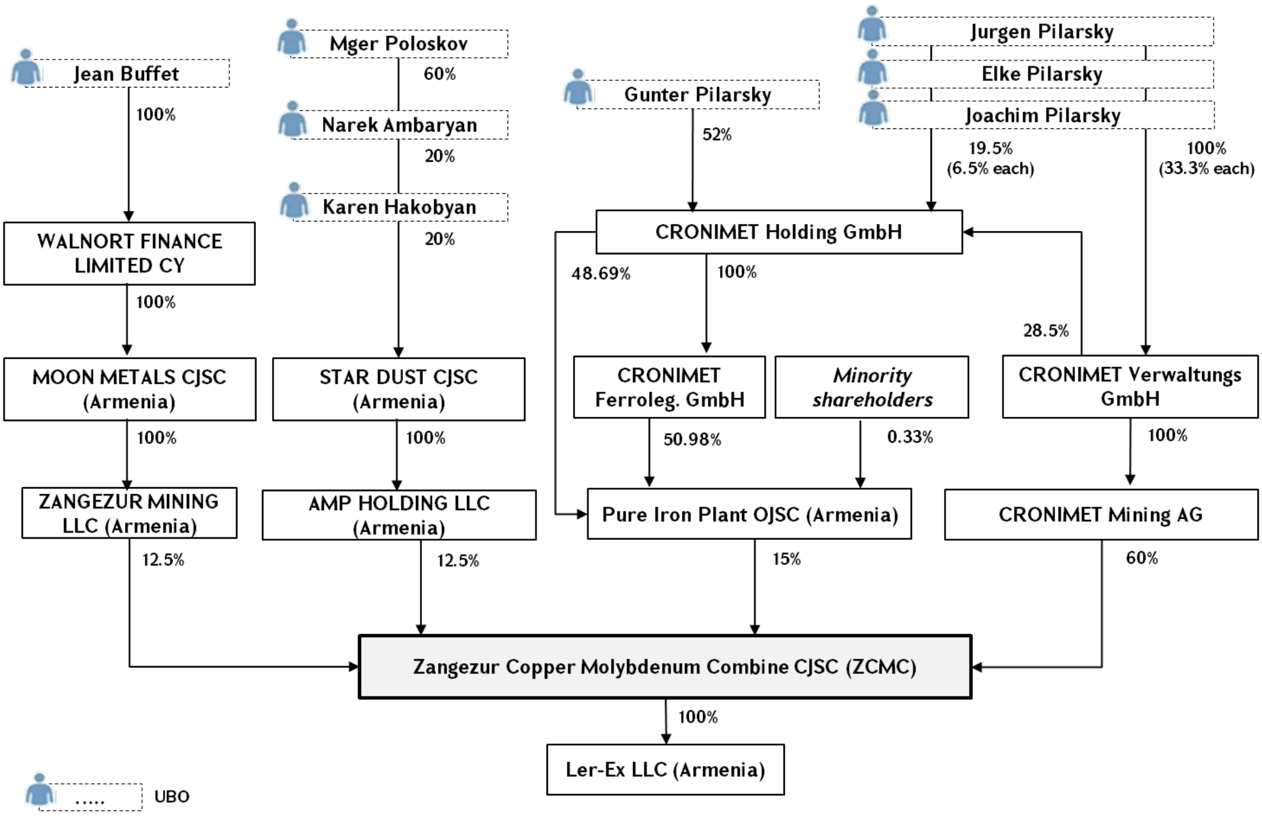
The extracted ore is treated by the Company to produce copper and molybdenum concentrate. The Company exports produced copper concentrate, while molybdenum concentrate is processed at Plant of Pure Iron OJSC and AMP Holding LLC, where it is turned into ferromolybdenum and exported by the Company.

The Conpany's revenue is mainly generated from sale of copper concentrate and ferromolybdenum, the share of which in total revenue in 2018 was 67% and 30%, respectively (77.5% and 21.1% in 2017). In 2018 the Company sold 242,871 dry metric tons of copper concentrate and 6,980 tons of ferromolybdenum (260,646 and 6,520, respectively in 2017).

1.1.5 Organizational chart

Is presented by Annex 4.

1.1.6 Group structure



1.1.7 Asset quality

As per 2018 audited report, the Issuers' assets totaled AMD 282bln. For the same period the leverage ratio (total capital to total assets) was 41.2%, which is in line with the industry average.

1.2 Issuer and bond-related risks

1.2.1 Brief description of Issuer's risks

Market Risk (product prices): the Issuer's financial ratios are significantly affected by prices of extracted commodities (copper and molybdenum). Historically these prices have been volatile, due to a variety of factors beyond Issuer's control.

Environment, Waste, Health, Safety: toughening of environment, waste, health and safety regulations can result in increased operational and capital expenditures and restrict Issuer's operations.

Sales Market Accessibility: smooth and effective operation of international and regional transport networks and facilities plays an essential role in securing access of the Issuer's goods to markets.

Investment Capital Accessibility: the Issuer operates in mining industry, one of the most capital-intensive branches of economy, requiring continuous large scale investments.

Estimate of Deposits: the Issuer operates in mining industry where every company is exposed to risks associated with the accuracy of the mineral deposits estimates. According to the Issuer's assessment, the accuracy degree of the mine's deposits estimates is quite high and reliable, considering past operation history and the scope of geological works performed by the Issuer.

Energy Prices: the Issuer's operations require significant volumes of energy, fuel and other resources. In this respect the Issuer depends upon third-party energy providers.

Tax and Royalties: royalties are a significant expense item for mining companies. Based on the research of tax regulations applicable to mining companies in other countries carried out by ZCMC and Wood Mackenzie, Armenia can be considered one of the countries with the highest effective royalty rate.

Community Relations: the Issuer has been able to successfully manage its relationships with community authorities, but cannot assure that community expenses will remain the same or will not increase in future.

Currency Risk: almost 100% of the Issuer's revenue is denominated in US dollars, while operational expenses, in particular salary and energy costs – a major item on the income statement – in AMD. The Issuer will be exposed to currency risk only if US dollar depreciates with respect to Armenian dram. There have been no such trends in Armenia lately:

Technological Processes: equipment breakdown, job failures, any major technology breakdown can cause a long stoppage, decrease in production, affecting the Issuer's revenue and profitability.

1.2.2 Risks related to bonds

Interest rate risk: bond prices are inversely dependent on market interest rates: growth of interest rates, all other factors being equal, cause fall of bond prices and vice versa.

Market risk: the price of the Issuer's bonds and their demand on secondary market (in the long or short run) may fall due to change (and/or anticipated change) of economic indicators in local and international markets.

Reinvestment Risk: reinvestment risk is the risk of not being able to invest the income from periodic coupon payments in instruments with yields equal to the Bond's yield to maturity.

Credit/default risk: when purchasing bonds investors bear Issuer's credit risk associated with future possible deterioration of Issuer's financial position, impossibility of paying the coupons and repaying the bonds.

Exchange Rate Risk: Exchange Rate Risk is relevant for investors who have to change their funds from one currency to another when making investment in the Bonds.

Liquidity risk: The Issuer cannot guarantee that investors will be able to sell or buy the Issuer's bonds on secondary market (regulated market) at a favorable price any time during their maturity period.

Inflation Risk: When assessing yields from the Bonds, Investors should take into account, that real coupon yields may be lower from nominal coupon yields due to inflation.

1.3 Development trends of the Issuer

The Company has executed a license agreement ՊԿ-232 on usage of soil for mining purposes with the Ministry for Energy Infrastructure and Natural Resources of the Republic of Armenia, which was last amended in December 2016. According to the license agreement, the Issuer can operate the mine until 2041.

The Company has obtained the following licenses and permits:

1	Mining permit N ՇԱԹԿ-29/232 (former 14/179)	Issued on Movember 27, 2012, valid until May 30, 2041
2	Permit for trade in explosives, blasting equipment and performing blasting works N ՊՆՊՍԱՊԱ	Issued on September 20, 2011, valid for an indefinite period
3	License N 17 for production of explosives and blasting equipment	Issued on June 14, 2004, valid for an indefinite period
4	Emission permit, registration number: 000125	Issued on October 12, 2017, valid for an indefinite period
5	Water Usage Permit N 000116	Issued on July 01, 2016, valid until July 01, 2021
6	Urban construction license N 13731	Issued on February 08, 2010, valid for an indefinite period

According to the Board, the Company can freely run the whole production cycle with the above specified licenses and permits obtained by the Company.

The Company's activity is overseen by the Issuer's management bodies which constantly seek for new opportunities to increase efficiency.

1.4 Auditors and advisors

From 2016 to 2018 the Issuer's financial performance was audited by Ernst & Young CJSC.

Armenia, Yerevan 0001, 1 Northern Ave, office 27
Tel.: (+37410) 50 07 90
Fax: (+37410) 50 07 06
Website: www.ey.com/am

1.5 Management, Staff and Shareholders

Issuer’s management includes General Meeting of Shareholders, Board and executive body (General Director).

Sharefolders of the Issuer:

Shareholder	Shareholding (thousand AMD)	Shareholding (%)
CRONIMET MINING AG	32,980,008	60.000095
PLANT OF PURE IRON OJSC	8,245,002	14.999996
AMP HOLDING LLC	6,870,835	12.500009
ZANGEZUR MINING LLC	6,870,835	12.4999

Issue’s Board is composed of 5 members.

Name, surname	Position	Industry experience
Thomas Heil	Chairman of the Board	15 years
Narek Ambaryan	Board member, First Deputy General Director	7 years
Vahe Hakobyan	Board Member	7 year
Moritz Hill	Board Member	10 years
Johannes Bhatt	Board Member	9 years

Composition of the executive body:

Name, surname	Position	Industry experience
Mger Poloskov	General Director	15 years

Issuer’s staff number as of December 31, 2018 totalled to 4,435:

1.6 Basic information about the bonds

Issued bonds are nominal, coupon paying, book-entry, non-convertible and non-splittable.

Issued AMD and USD bonds shall be placed and redeemed respectively in AMD and USD. Coupon payments shall be made in AMD based on the exchange rate for USD officially announced by CBA of RA on the business day prior to the coupon payment date.

Total value of the issue (offering) shall be max USD 50,000,000 / max AMD 2,500,000,000, but not less than the equivalent of 10% of the total volume of USD bonds allocated (determined by implied USD/AMD exchange rate of 480).

Quantity of bonds to be offered shall be determined pursuant to the value of the issue and nominal value.

Face value of one bond is AMD 100,000 / USD 100.

Bonds maturity date shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

The frequency of coupon payment shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

Annual coupon interest before taxes shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

The net proceeds of the Bonds will be used by the Issuer for refinancing existing liabilities, capital expenditures and improvement of current capital structure.

1.7 Comprehensive description of bonds offering

Start and end dates of the allocations, details of purchasing process and terms of sale shall be determined by the Issuer at least 5 (five) business days prior to the allocation start date.

1.8 Final terms publication form

Final terms of bonds issue, allocation, circulation and repayment shall be determined by the Issuer at least 5 (five) business days prior to the allocation start date.

The Issuer shall publish the final terms of each issue of bonds on its website.

1.9 Brief financial data

FINANCIAL RESULTS

AMD '000

	2018 (audited)	2017 (audited)
Sales	199,900,935	188,553,245
COGS	(103,087,295)	(98,836,312)
Gross profit	**96,813,640**	**89,716,933**

Distribution expenses	(10,252,977)	(10,298,126)
Admin. expenses	(14,339,312)	(12,663,416)
Other income	1,333,215	556,122
Royalty expenses	(20,666,081)	(17,842,943)
Social contributions (donations)	(7,900,100)	(3,481,634)
Other expenses	(11,687,791)	(6,528,755)
Operational profit	**33,300,594**	**39,458,181**
Finance costs	**(8,863,738**	**(23,344,400)**
Other non operational expenses	(394,771)	-
Profit before tax	**24,272,085**	**16,109,919**
Income tax expense	(8,733,843)	(5,264,349)
Net Profit	**15,538,242**	**10,845,570**

BALANCE SHEET

AMD '000

	2018 (audited)	2017 (audited)
PPE	150,414,550	144,110,339
Construction in progress	58,669,882	50,183,365
Intangible assets	408,203	99,040
Other non-current financial assets	6,450,472	928,484
Other non-current assets	20,908,860	18,241,757
Total non-current assets	**236,851,967**	**213,562,985**
Inventories	20,431,684	13,151,871
Prepayments	6,805,004	8,150,173
Trade receivables	9,600,820	13,579,858
Cash and equivalents	525,227	5,678,570
Other current assets	7,912,099	2,584,127
Total current assets	**45,274,834**	**43,144,599**
Total assets	**282,126,801**	**256,707,584**
Share capital	54,966,680	54,966,680
Retained earnings	51,016,078	36,511,813
Total equity	**105,982,758**	**91,478,493**
Loans and borrowings	23,757,102	49,306,949
Other non-current liabilities	57,510,431	43,683,356
Total non-current liabilities	**81,267,533**	**92,990,305**
Loans and borrowings	43,591,519	22,831,584
Trade payables	22,563,854	14,887,920
Advances received	22,809,090	13,785,285
Other payables	4,577,997	13,039,545
Other current liabilities	1,334,050	7,694,352
Total current liabilities	**94,876,510**	**72,238,686**
Total liabilities	**176,144,043**	**165,228,991**
Total liabilities and equity	**282,126,801**	**256,707,484**

CASH FLOW

AMD '000

	2018 (audited)	2017 (audited)
Cash and equivalents at the beginning of the period	5,678,570	4,791,358
Net cash flows from operating activities	24,025,191	46,552,965
Net cash flows used in investing activities	(19,283,712)	(15,695,246)
Net cash flows from financing activities	(9,318,524)	(30,007,648)
Cash and equivalents at the end of the period	525,227	5,678,570

FINANCIAL RATIOS

	2018 (audited)	2017 (audited)
EPS	5,654 դրամ	3,946 դրամ
ROE	15.7%	12.6%
ROA	5.8%	4.5%
NPM	7.8%	5.8%
Shareholder equity ratio	0.38	0.36
Debt-to-equity	1.66	1.81
Absolute liquid ratio	0.01	0.08
Quick ratio	0.18	0.38
Current ratio	0.48	0.60
Trade receivables turnover ratio	17.2	23.9
Trade receivable days outstanding	21.2	15.3
Inventory turnover ratio	6.1	8.4
Days of inventory on hand	59.5	43.5
Trade payables turnover ratio	5.5	8.8
Trade payable days outstanding	66.3	41.4

Ratio calculation formulas aare presented by Annex 3:

INVESTOR NOTICE

THIS SUMMARY SHALL BE TREATED AS BRIEF DESCRIPTION OF THE PROGRAM PROSPECTUS.

INVESTORS SHALL BE GUIDED BY THE FULL PROGRAM PROSPECTUS WHILE MAKING A DECISION ABOUT PURCHASING THE OFFERED SECURITIES.

THE PERSON IN CHARGE OF PREPARATION OF THIS SUMMARY SHALL BEAR CIVIL RESPONSIBILITY FOR ANY INCOMPLETE OR MISLEADING INFORMATION CONTAINED IN THE SUMMARY (INCLUDING ITS TRANSLATION), IF SUCH INFORMATION IS INCOMPLETE OR MISLEADING WHILE CONSIDERED TOGETHER WITH OTHER PARTS OF THE PROGRAM PROSPECTUS.

PART 2INFORMATION ABOUT THE BONDS

2.1 Risk Factors

Interest Rate Risk: Interest rate changes in the economy may cause the investors to revise the yield on Issuer's bonds. Bond prices in the secondary market are inversely dependent on interest rates: growth of interest rates, all other factors being equal, cause fall of bond prices and vice versa.

Market Risk: The price of the Issuer's bonds and their demand on secondary market (in the long or short run) may fall due to current economic indicators and their anticipated changes on internal and international markets. The investor should consider that the market prices of the securities may fluctuate and may drop or rise over time. The Investor should also consider that regardless of fluctuations and expectations of changes in the market prices, the amounts of coupon payments and redemption of bonds, expressed in the currency of issue, do not change.

Reinvestment Risk: Investors who purchase the Issuer's bonds with the aim of holding them to maturity and receiving yield to maturity as per bond purchase transaction terms should consider that they are bearing the reinvestment risk, which assumes the impossibility to invest the income from the Issuer's periodic coupon payments in instruments with yields equal to the bond's yield to maturity defined on the day of bond purchase transaction.

Credit/Default Risk: When purchasing bonds investors bear the Issuer's credit risk associated with possible deterioration of Issuer's financial position in future, impossibility of making coupons payments or redeeming the bonds at face value and the Issuer's possible bankruptcy.

Currency Risk: The issued bonds are denominated in USD and AMD, so the investments shall be made and paid back (the amounts paid for purchase and redemption of bonds) in USD and AMD, respectively. In this context, currency risk is relevant for those investors who, in order to invest funds in these bonds, have to convert them from one currency to another.

Liquidity Risk: In order to ensure higher liquidity of bonds, the Issuer plans to assign them certain investment qualities (periodic coupon payments, competitive yield, listing and admission to trading on regulated markets, as well as negotiations for engaging market-makers). Yet the Issuer cannot guarantee that investors will be able to sell or buy the Issuer's bonds on secondary market (regulated market) at a favorable price any time during their maturity period.

Inflation or Purchasing Power Risk: When assessing nominal coupon rate of bonds Investors should consider that if there is inflation in the Republic of Armenia, the actual yield of bonds may be lower (to the extent of inflation) than the nominal coupon rate of bonds offered by the Issuer.

2.2 General information

The net proceeds of the Bonds will be used by the Issuer for refinancing existing liabilities, capital expenditures and improvement of current capital structure.

Engaging funds through bond issuance will let the company to attain more effective liability management and ensure diversification of funding sources.

2.3 Information about the Offered Bonds

2.3.1 Type and Category of Securities

Nominal coupon non-splittable and non-convertible bonds. The issued bonds do not have an identification code yet.

2.3.2 Country

Bonds were issued in the Republic of Armenia (RA) in accordance with the laws and bylaws of the RA. Disagreements and lawsuits (if any) shall be resolved in accordance with the RA legislation.

2.3.3 Form of Securities

Book-entry bonds. The register of the owners/nominee-holders shall be maintained by "Central Depository of Armenia" OJSC (26/1 Vazgen Sargsyan St., 5th floor, Yerevan, 0010, Armenia; phone: (+374) 60 615555), hereinafter referred to as " the Depository", according to the rules and procedures of the Depository.

2.3.4 Face Value and Quantity of Bonds

Face value of one bond is AMD 100,000 (one hundred thousand) for AMD bonds and USD 100 (one hundred) for USD bonds. The quantity of bonds to be issued and placed (sold) shall be determined based on the volume of the issue and face value of the bond.

2.3.5 Currency of the Issue:

Bonds shall be issued in AMD and USD.

2.3.6 Information about Classification of the Offered Bonds

According to the civil code of the RA, in case of the Issuer's liquidation, the claims of creditors shall be satisfied in the following order:

1) firstly, the claims of the creditors regarding the obligations secured by pledged property of the liquidated legal entity shall be satisfied;

2) secondly, the claims of citizens, to whom the liquidated legal entity is liable for the damage caused to their lives or health shall be satisfied (through compounding of respective regular payments);

3) thirdly, severance allowances and salaries of employees working based on employment agreements and royalties on copyright contracts shall be paid;

4) fourthly, outstanding compulsory payments to the state budget shall be made;

5) in the fifth place settlements with the rest of the creditors (other than those who issued subordinated loans) shall be made;

6) in the sixth place settlements with creditors who issued subordinated loans shall be made.

Claims of each level shall be satisfied after full satisfaction of the claims of the previous level. Claims of the persons holding the bonds offered by the Issuer shall be satisfied in the fifth place.

2.3.7 **Rights Arising out of the Bonds**

The bonds create the following rights:

1) Receive coupon yield and maturity value of bonds in accordance with the Program Prospectus. Investors are not required to perform additional actions for exercising the right of receiving the coupon rate and redemption value of bonds. Coupon rate and redemption value of bonds shall be transferred to the investor's bank account in accordance with the trilateral agreement on transfer of the incomes from bonds (hereinafter "the Trilateral Agreement") to be executed between the Depositary and the Account Operator as well as on the respective agreement executed between the investor and its custodian.

2) Implement actions permitted by law to satisfy its claims arising from the title to bonds where the Issuer fails to make coupon payments and/or pay the redemption value of bonds when due;

3) Pledge the bonds in accordance with the legislation;

4) Sell the bonds on (if listed) or off the exchange at its own choice in accordance with the RA Law "On the Securities Market" (hereinafter "the Law"). Investors should take into account that the sale of corporate securities admitted to trading on regulated market outside the regulated market (securities exchange) is forbidden by Law;

5) Exercise other rights envisaged under legislation.

The owner of the bonds shall transfer the purchase price of the bonds to the respective bank account, fulfill all monetary and non-monetary obligations arising from the purchase and sale of bonds and other actions, as well as perform other obligations stipulated by law within the period specified in the issue terms.

2.3.8 Nominal Coupon Rate and Payment of Interest

Nominal coupon rate shall be paid on bonds, the amount of which shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

The frequency of coupon rate payments shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

Coupons on bonds denominated in AMD and USD shall be calculated in AMD and USD, respectively, and shall be paid to investors in AMD. Coupons on USD bonds shall be paid based on the average USD rate set by the Central Bank of Armenia as of the business day prior to coupon payment date.

Coupon cut-off dates shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

Coupons shall be paid to the owners and/or nominee-holders of bonds on coupon cut-off dates. Where coupon cut-off date is a non-business day, payment shall be made on the first business day following that date.

Only the persons (owners/nominee-holders) registered in register of owners/nominee-holders of the bonds as of the end of the date proceeding the coupon cut-off date shall be entitled to receive coupons.

According to Trilateral Agreement, the Issuer shall make available the whole amount of coupon on Account Operator's AMD account with the Depositary by 12:00 p.m. of coupon payment date.
Amounts of coupon payments payable to the owners and/or nominee-holders of bonds shall be rounded up to AMD 0.1 (according to arithmetic rules of rounding to the nearest whole decimal place). Arithmetic rule of rounding is the method of rounding when the integer part of the number remains unchanged if the decimal number subject to rounding is 0-4, and when it changes increasing by one digit if the decimal number subject to rounding is 5-9.
According to the Trilateral Agreement the Issuer shall make coupon payments in non-cash form. The Account Operator shall transfer back to the Issuer's account part of the funds which will be impossible to transfer to the owner and/or nominee-holder of the securities due to the absence of or impossibility to verify bank accounts registered in the register of securities owners as of its closing date in the Unified System of Securities Registration and Settlement. Thereafter, the Issuer shall exercise best reasonable efforts to identify the investor by any possible means of communication and to transfer the payable amounts to the latter. Where it will be impossible to identify the investor, the Issuer shall transfer the payable amount to the notary or court as a deposit (in cases provided by law) in accordance with the RA legislation.

To this end Ameriabank CJSC shall be deemed a settlement bank (hereinafter "the Settlement Bank") which will assist the Issuer in calculation of coupon payments and amounts payable to owners/nominee-holders of the securities.

According to the Trilateral Agreement based on the coupon payment the Depositary shall provide the information about coupon payment to the CBA by 2:00 p.m. of the coupon payment day.

Amount of the coupon payment shall be calculated by the following formula:

C = (FV x C) / k,

where

C is the coupon

FV is the face value of a bond

C is the annual nominal rate of the coupon

k is the number of coupon payments per annum (where coupon payments are made on quarterly basis, k=4)

Accrued interest shall be calculated by the following formula:

$$AI = FV \times \frac{C}{k} \times \frac{DCS}{DCC}$$

- AI is the accrued interest
- FV is the face value of a bond
- C is the annual nominal rate of the coupon
- k is the number/frequency of coupon payments per annum (where coupon payments are made on quarterly basis, k=4)
- Day count convention for the Issuer's bonds is Actual/Actual
    - DCS is the actual number of days from the issue / previous coupon date before the transaction to the transaction settlement date, based on the relevant day count convention [D2M2Y2 - D1M1Y1]
    - DCC is the number of days within a coupon period based on the relevant day count convention [D3M3Y3 - D1M1Y1]
    - D1M1Y1 is the settlement / coupon date before the transaction date
    - D2M2Y2 is the transaction settlement date
    - D3M3Y3 is the next coupon date/maturity date

2.3.9 **Maturity Date and Redemption Value**

Maturity date shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

The redemption value of one USD bond is USD 100 (one hundred) and that of an AMD bond is AMD 100,000 (one hundred thousand).

The register of the owners/nominee-holders of bonds shall be closed the day before the maturity date. Only the persons registered in register of owners/nominee-holders of the bonds by closing hour of the register shall be entitled to receive the redemption value of bonds.

According to Trilateral Agreement, the Issuer shall make available the payable redemption amount of bonds on Account Operator's AMD account with the Depositary by 12:00 p.m. of the maturity date.

The redemption amounts shall be paid to the owners/nominee-holders of the bonds on the maturity date. If the maturity date is a non-business day, the redemption amounts shall be paid on the business day following that date.

According to the Trilateral Agreement the Issuer shall pay the redemption amounts in non-cash form. The Account Operator shall transfer back to the Issuer's account part of the funds which will be impossible to transfer to the owner and/or nominee-holder of the securities due to the absence of or impossibility to verify bank accounts registered in the register of securities owners as of its closing date in the Unified System of Securities Registration and Settlement. Thereafter, the Issuer shall exercise best reasonable efforts to identify the investor by any possible means of communication and to transfer the payable amounts to the latter. Where it will be impossible to identify the investor, the Issuer shall transfer the payable amount to the notary or court as a deposit (in cases provided by law) in accordance with the RA legislation.

According to the Trilateral Agreement, based on the payment of the redemption amount, the Depositary shall provide the information about such payment to the CBA by 2:00 p.m. of the maturity date.

Redemption value of AMD and USD bonds shall be paid in AMD and USD respectively.

Considering the currency of the face value of bonds and the requirement to make bank-to-bank transfers for payment of the redemption amount (where the Investor does not have a bank account in the currency of the issue with the Settlement Bank), Investors should take into account that the commissions for transfer (bank-to bank transfer) of the redemption amount shall be borne by the Investor. Therefore, the Investors shall receive the redemption amount less the commissions charged according to current fees and rates of the Settlement Bank and other intermediary banks (if any).

There is no option of partial or early redemption of bonds.

2.3.10 **Annual Rate of Securities**

Annual rate of securities shall be determined by the Issuer at least 5 (five) business days prior to the placement start date based on the formula specified in clause 2.4.3.1 herein.

2.3.11 **Information about New Issue**

The resolution about bonds issue/offering program was adopted by the Issuer's Board (minutes #3/2019). The resolution defines the maximum volume within which the Issuer can make placement(s) of bonds based on separate decision(s). Final terms and conditions of bonds shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

2.3.12 **Restrictions on Free Circulation of the Securities**

According to the Issuer's charter or the resolution of the Issuer's authorized body on bonds issue/offering program (hereinafter "the Issuer's Resolution") no restrictions shall be applied to the bonds issue/placement and investors other than the restriction on the volume of bonds purchased by one investor during placement, provided that such decision is made by the Issuer at least 5 (five) business days prior to the placement start date.

There are no restriction on free circulation of the bonds other than those prescribed by laws and bylaws.

The Issuer shall apply to "Armenia Securities Exchange" OJSC (hereinafter "the Securities Exchange") to list the bonds and according to the current legislation listed bonds may be traded only on the Securities Exchange.

The Investors may, sell the bonds (if listed and admitted to trading) on Securities Exchange or on OTC market in accordance with law, but they should take into account that sale of corporate securities admitted to trading on regulated market outside the regulated market (securities exchange) is forbidden by RA legislation. The following transactions are an exception:

- Transactions executed by the Central Bank of Armenia (CBA)(transactions between CBA and specialized companies of the financial market)
- Purchase or redemption of the securities by the Issuer

2.3.13 **Taxation of the Income from Securities**

Important notice! In this section the Issuer exercised its best efforts and used the available information to present approaches to taxation of income from securities in the Republic of Armenia. Nevertheless, the Issuer declares that investors should not consider this information as tax advice and should not be guided only by it when making investments. The Issuer does

not guarantee that at the time when the Investor receives and reads this Prospectus the information contained in it will comply with the current tax legislation of the RA or will be applied by the tax authorities of the RA. In any case, the Issuer recommends that investors resort to specialized tax advice. The Issuer declares that hereby they waive the responsibility for any additional financial claims of investors with respect to changes in the tax legislation and taxation schemes.

Income from the Issuer's bonds shall be subject to profit tax (for legal entities) and income tax (for individuals).

2.3.13.1 *Taxation of Income from Bonds (Profit Tax)*

In the Republic of Armenia profit tax is paid by residents and non-residents of the RA with the exception of the Republic of Armenia state administration bodies, local self-governing bodies, state non-profit organizations and the Central Bank. According to the RA tax code (hereinafter "the Tax Code"), an organization is considered RA resident (hereinafter referred to as "resident organization") if located in the RA.

Taxation of Resident Legal Entities

The object of taxation for residents is the taxable profit earned in the Republic of Armenia and abroad. Taxable profit is the positive difference between the taxpayer's gross income and deductions defined by the Tax Code.

Profit tax shall apply to the taxable profit of resident legal entities at the rate of 20 (twenty) percent.

Taxation of Non-Resident Legal Entities

The object of taxation for non-resident legal entities is the taxable profit earned in the Republic of Armenia. According to the Tax Code, the profit generated from sources located in the Republic of Armenia includes also the passive income received by a non-resident from a resident or non-resident. Only the income received by a non-resident from the activities of other persons through investment of its property or assets in the Republic of Armenia is considered a passive income of a non-resident (dividends, interest, royalties and other passive income).

Taxation of the income received by a non-resident in the Republic of Armenia from the sources located in the Republic of Armenia is performed by the respective tax agent of the area where income is paid. According to the Tax Code, the tax agents withhold the 10% (ten percent) profit tax from the income received by a non-resident in the Republic of Armenia at the area where income is paid.

2.3.13.2 *Taxation of Income from Bonds (Income Tax)*

In the Republic of Armenia income tax is paid by RA resident and non-resident individuals. According to the Tax Code resident individuals mean the individuals (i) whose actual presence in the Republic of Armenia during any 12 months period starting or ending within a tax year (from January 1 until and including December 31) extends for 183 or more days or (ii) whose center of vital interests is in the Republic of Armenia or (iii) the individuals engaged in state service in the Republic of Armenia and temporarily working outside the territory of Armenia. Center of vital interest is the location, where the family or economic interests of an individual are concentrated. In particular, the center of vital interests of an individual is considered to be in the Republic of Armenia if his/her house or apartment, family, the principal place of professional or other activities is in the Republic of Armenia.

Taxation of Resident Individuals

The object of taxation for resident individuals is the taxable income earned in the Republic of Armenia and abroad.

Interest is taxed at 10 percent income tax. When paying income to resident individuals, the income tax is withheld by tax agent. Income tax is withheld from each interest payment.

Taxation of Non-Resident Individuals

The object of taxation for non-resident individuals is the taxable income earned in the Republic of Armenia. Taxable income is the positive difference between the taxpayer's gross income and deductions made in accordance with the Tax Code.

Rules of bond income taxation and the applicable income tax rate are the same as for non-resident individuals.

Tax agent of the resident and non-resident individuals (in terms of the income tax) and of the non-resident legal entities (in terms of the profit tax) is the Issuer.

2.4 Terms and Conditions of the Offering

2.4.1 **Terms and Statistics of the Offering**

The form of the bond placement (auction or direct sales), as well as placement start date shall be determined by the Issuer at least 5 (five) business days prior to the placement start date. The Issuer shall determine also the method of arranging the placement: via Armenian Securities Exchange or OTC market.

Placement of bonds via Armenian Securities Exchange shall be performed in accordance with the Rules of Organization of Corporate Securities Placement.

In case of OTC placement the following terms shall apply:

Payment for purchase of bonds shall be made based on the submitted purchase order by 4:30 p.m. of the same business day. Where respective amounts are paid after 4:30 p.m. of the bond purchase day, they shall be considered credited on the business day following the payment day. Payment for purchase of bonds shall be considered duly made from the moment the amount is credited to the special bank account opened by the Lead Arranger for this purpose (hereinafter "Special Account").

Persons submitting the bond purchase order should know that should their orders be rejected or satisfied partially, keeping of the fund paid for purchase of bonds on special account before returning them pursuant to the terms of bonds issue shall not be considered illegal retention of funds or avoidance to return such funds, and no interest shall accrue on such funds.

Any and all costs for purchase of bonds via bank transfer (bank fees and commissions, whatsoever) shall be borne by investors.

Where the investors fail to make the relevant payment within the defined term (by 4:30 p.m. of the same business day) upon submitting the bond purchase order such order shall be deemed invalid.

The amount to be paid for purchasing the number of bonds specified in bonds purchase order shall be determined by the following formula:

$V = P \times Q$, where

- *V is the amount required for purchasing the number of bonds specified in bonds purchase order.*
- *P is the price of bond as of the boond purchase date specified in bonds purchase order which is calculated pursuant to clause 2.4.3.1 of the Prospectus.*
- *Q is the number of bonds the investor wishes to purchase.*

2.4.1.1 ***Total Value of the Offering***

Total value of the issue (offering) shall be maximum USD 50,000,000 (fifty million) for USD bonds and maximum AMD 2,500,000,000 (two billion and five hundred million) for AMD bonds, but not less than 10 (ten) percent of total value of USD bonds placed and traded by the Issuer before placement of AMD bonds. Amount of the latter in AMD shall be determined based on the following rate: USD 1= AMD 480. The volume of each tranche within the placement shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

2.4.1.2 ***Start and End Dates of the Offering***

Period of bonds placement including start and end dates of placement shall be determined by the Issuer at least 5 (five) business days prior to the placement start date.

The Issuer may postpone or cancel the bonds offering and placement in case of Force Majeure circumstances.

If during the period of placement the Issuer introduces a supplement to the Program Prospectus which contains material changes of the information specified in the Prospectus or a new material circumstance or fact, based on the investor's request the Issuer shall cancel the Investor's acceptance and return the amounts received from the latter during the term of placement or buy back the securities sold to the investor before such supplement was introduced at least at a price the securities were purchased by the Investor. The buyback request shall be submitted to the Lead Arranger in writing. The term for submitting a buyback request shall not be shorter than 5 business days starting from the date the supplement to Program Prospectus is published.

Where there are funds to be returned, the Lead Arranger shall return them in non-cash form within 3 (three) business days upon making a decision about postponing or cancellation.

Amounts received after making a decision about cancellation of the placement and during the period of placement shall be returned to Investors together with the accrued coupon. In such cases the coupon shall be calculated for the period between the first day of placement and the day when the decision about cancellation of placement was made.

The CBA may decide to suspend the placement of bonds pursuant to law.

The Lead Arranger may suspend the placement by its own initiative maximum for 10 (ten) business days only by consent of the CBA .

If within one business day upon the end of cancellation period the placement does not restart, the Lead Arranger shall make a decision about termination of the placement and shall return the amounts received during the period of placement to the persons who purchased the securities pursuant to the order determined by Law within 10 (ten) business days upon the end of cancellation term.

2.4.1.3 ***Application Process***

Where the bonds are placed via Securities Exchange, the investors shall be guided by the Rules of Organization of Corporate Securities Placement.

In case of OTC placement, the following steps shall be performed:

To purchase bonds, the investors should fill in the bond purchase order(s) and submit it to the Lead Arranger in a due manner thereby accepting the terms and conditions of the issue and agreeing to be bound by them.

Upon completing the bond purchase order and submitting it to the Lead Arranger in due manner but in any case not later than 4:30 p.m. of the bonds purchase day, the person who is going to purchase bonds shall transfer the amount required for purchasing the number of bonds specified in *bonds purchase order to the Special Account based on the formula for calculation of the amounts due.*

Once the funds are credited to the Special Account the Lead Arranger shall submit to the Depositary the bonds placement order based on which the securities shall be credited to the investor's or investor's nominee-holder's securities account.

The funds credited to the Special Account after the end of bonds placement term shall be returned and the relevant bond purchase orders shall not be satisfied irrespective of the term of their delivery to and/or receipt by the Bank.

Bond purchase order shall be considered properly delivered to the Lead Arranger only if delivered by any of the channels specified below (or delivered in person to the Lead Arranger's office) with receipt acknowledgment.

Issuer's contact details:

- ***Address**: 2 Vazgen Sargsyan St., Yerevan, 0010, RA; Capital Markets Unit, Corporate and Investment Banking Department, AMERIABANK CJSC*

  or

- ***email**: CapitalMarkets@ameriabank.am*

  or

- ***CBAnet address:** CaptialMarkets Ameriabank/AMERIA/CBANet@CBANet*

  or

- ***Personal delivery**: by visiting any of the Bank's branches and completing the relevant purchase order with the client manager*

- ***or***

  via Internet Banking

Form of bonds purchase order for legal entity investors is specified in the *Annex **1***. Form of bonds purchase order for physical entity investors is specified in the *Annex **2***.

Physical and/or legal entities wishing to purchase bonds may submit more than one bonds purchase order.

To purchase bonds physical and/or legal entities should fill in the required fields of the purchase order.

Investors should specify the product of the number indicated in "Quantity of purchased bonds" field and the number indicated in "Purchase price of unit bond" field in "Total amount paid against the purchased bonds" field of the order.

2.4.1.4 ***Possibility to Reduce Total Value of the Offering***

The possibility to reduce total value of the offering during placement may be determined by the Issuer at least 5 (five) business days prior to the placement start date.

In case of OTC placement, depending on the order of placement some bonds purchase order(s) may be satisfied partially.

A bonds purchase order may be satisfied partially if at the time of submitting the order, the number of bonds indicated in it exceeds the number of available bonds subject to placement.

Where several orders are submitted simultaneously and the total number of bonds indicated in them exceeds the number of currently available bonds to be placed, the orders shall be satisfied in proportion to the number of bonds specified in each individual application.

Where the bonds purchase order is executed partially and there is an amount payable to the investor, the Issuer shall transfer it to the respective Investor's bank account within 3 (three) business days after placement.

Where the bonds are placed via the Securities Exchange and the bonds purchase order is satisfied partially, the amounts shall be returned in accordance with the Rules of Organization of Corporate Securities Placement.

2.4.1.5 ***Order Recall Term***

In case of OTC placement, orders of the investors who fail to make the relevant payment within the defined term (by 4:30 p.m. of the same business day) upon submitting the bonds purchase order shall be deemed invalid and shall not be placed.

Except for the cases specified above, bond purchase orders may not be recalled once they are properly delivered, received by the Lead Arranger (with receipt confirmation) and paid for.

2.4.1.6 ***Minimum and Maximum Amounts***

During the period of placement limitations on the quantity and amount of bonds may be defined where such decision is made by the Issuer at least 5 (five) business days prior to the placement start date.

2.4.1.7 *Payments for the Securities*

In case of OTC placement individuals and/or legal entities shall transfer the price of purchased bonds to the Special Account. Once relevant orders are satisfied investors can receive securities ownership statement from their Custodian or Securities Account Operator upon being notified about execution of their orders from the Lead Arranger.

Where bonds are placed via Armenian Securities Exchange, persons wishing to purchase bonds shall make an advance deposit in accordance with the Rules of Organization of Corporate Securities Placement.

2.4.1.8 *Publication of Offering Results*

Offering results shall be published at least on the Issuer's official website immediately after placement.

2.4.1.9 *Priority Right*

In case of OTC placement, bonds shall be placed based on the bonds purchase orders and the order of receiving payments for them, i.e. the investor whose payment for the bond purchase order to the Special Account was received earlier is granted a priority right.

Where bonds are placed on Armenian Securities Exchange, bond purchase orders shall be satisfied based on the type and form of auction and shall be subject to the Rules of Organization of Corporate Securities Placement.

There are no persons who have a priority right to purchase the issued bonds.

2.4.2 **Placement Plan**

2.4.2.1 *Groups of Investors*

Target group of the offering includes physical and legal entities, qualified and institutional investors and individual entrepreneurs.

2.4.2.2 *Notification about Execution of Orders*

In case of OTC placement Investors shall be notified about execution of their orders by the Lead Arranger by the end of the business day following the day of submitting the order. Investors shall be notified about execution of their orders via the channels they have submitted the bonds purchase order to the Lead Arranger.

In case of on-exchange placement Investors shall be notified about execution of their orders in the manner prescribed by the Rules of Organization of Corporate Securities Placement.

2.4.3 Offering Price

2.4.3.1 *Price of Securities*

The full price of bonds for each 100 bonds at face value from the start date of placement shall be calculated by the following formula:

$$DP = \frac{C}{f}\sum_{t=1}^{N}\frac{1}{\left(1+\frac{y}{100*f}\right)^{i-1+\tau}} + \frac{100}{\left(1+\frac{y}{100*f}\right)^{N-1+\tau}}$$

where

$$\tau = \frac{DSN}{DCC}$$

DP is the Bond's price

DSN is the number of days within the period from settlement/trade date till the next coupon payment date based on the relevant day count convention

DCC is the number of days in coupon period in which the settlement date falls based on relevant day count convention

f is the number of coupon payments per year

N is the number of remaining coupons as of the settlement day

C is the annual cupon rate per 100 face value

Y is the yield to maturity

In case of OTC placement, before the start date of placement sell price of bonds for the whole period of placement (per days) shall be published at least on the Lead Arranger’s official website.

Any and all costs for purchase of bonds via bank transfer (bank fees and commissions, whatsoever) shall be borne by investors.

Investors shall at their own cost and expense open with the Depositary or some other licensed sub-custodian a personal securities account for account-keeping of securities.

2.4.4 Placement

2.4.4.1 *Underwriters*

At the time of publication of the Prospectus, no guaranteed placement agreement was executed with any underwriter.

2.4.4.2 *Non-Guaranteed Placement Arrangers*

The Issuer has executed with Ameriabank CJSC (2 Vazgen Sargsyan St., Yerevan, 0010, Armenia) an Agreement on Financial Mediation Services on Bonds Placement to carry out non-guaranteed placement of bonds.

According to the agreement AMERIABANK CJSC shall exercise its best efforts to arrange non-guaranteed placement of the nominal non-documentary coupon bonds issued by the Issuer with aggregate amount of up to USD 50,000,000 (fifty million) and up to AMD 2,500,000,000 (two billion five hundred million), but not less than 10% of the total volume of placed and traded foreign currency bonds.

For particular tranches of the placement, AMERIABANK CJSC may attract a co-arrangers(s) based on respective agreements. In such cases, information about them shall be presented in the final conditions specified in clause 1.8 of the Prospectus.

Investors should consider that

- in the case of non-guaranteed placement it is probable that only part of the declared volume of bonds is placed by the end of the placement period, i.e. partial placement may occur.
- regardless of the actual volume of bonds placed by the end of the placement period the placement shall be deemed complete.

2.4.4.3 *Terms of Placement*

According to the Agreement on Financial Mediation Services on Bonds Placement executed with AMERIABANK CJSC the Issuer shall pay to the Lead Arranger a service fee comprised of the following two components:

- Fee in the amount of 1.25% (one point twenty five percent) of the total value of bonds placed (VAT exclusive)
- Retainer fee in the amount of AMD 21,000,000 (twenty one million) (VAT exclusive)

2.4.4.4 *Guaranteed Placement Agreement*

No guaranteed placement agreement has been executed.

2.4.4.5 *Banks and Custodians Accepting Payments*

In case of OTC placement payments for the purchased bonds shall be made to the special transit account with AMERIABANK CJSC (2 Vazgen Sargsyan St., Yerevan, 0010, Armenia). Where the investor purchases the bonds via its brokerage firm, the payment procedure details should be discussed with the latter.

In case of on-exchange placement investors shall make an advance deposit to pay for the securities. Where the investor purchases the bonds via its brokerage firm, the payment procedure details should be discussed with the latter.

Recording and/or registration of the rights and obligations over the Issuer's bonds shall be made through the Depositary which shall maintain the register of the owners/nominee-holders via an Account Operator acting within the Depositary system.

Bonds can be recorded also by a custodian licensed by the CBA (sub-custodian of the Depositary) via opening and managing a securities account for the bonds owner/nominee-holder with the given custodian.

Depositary address: 26/1 Vazgen Sargsyan Street, 5th floor, Yerevan, Armenia; phone: (+374) 60 615555)

Ameriabank CJSC is the Account Operator maintaining the bonds register.

Before purchasing bonds investors shall open a personal securities account with the Depositary or some other licensed sub-custodian.

2.5 Admission to and Organization of Trading

2.5.1 Admission to Trading

After registration of the Program Prospectus by the CBA and placement of bonds the Issuer shall apply to Armenian Securities Exchange OJSC for listing the placed bonds on the regulated market and admission to trading. The Application for listing the bonds on the regulated market and admission to trading may be rejected by the Exchange.

If bonds are not admitted to trading, the placement shall deemed canceled.

2.5.2 **Eligible Markets**

At present the bonds registered by the Issuer under this Program Prospectus are not admitted to public trading on any market.

2.5.3 **Market Makers**

The Issuer has not yet executed a market maker agreement on the secondary market with specialized entities.

After listing of the placed bonds on the Armenian Securities Exchange OJSC and admission to trading the Issuer shall execute a market maker agreement on the secondary market with specialized entities.

Immediately after executing the market maker agreement on the secondary market with specialized entities the Issuer shall within reasonable term notify the owners/nominee-holders of the bonds about effectiveness of the agreement.

2.6 Additional Information

2.6.1 **Advisors**

When preparing this Prospectus, the Issuer has not resorted to the services of other advisors (other than the placement services provided by the Lead Arranger).

2.6.2 **Audit Opinion**

Except for the Issuer’s historical financial statements (2017-2018) specified in this Program Prospectus which were audited by independent auditors, no other information contained in this Program Prospectus was audited by independent auditors.

2.6.3 **Issuer’s Rating**

The Issuer has not been assigned a credit rating, but since May 2019 the Issuer has been negotiating with international agencies to obtain a rating.

PART 3INFORMATION ABOUT THE ISSUER

3.1 Independent Auditors

The Issuer's financial statements for 2017 and 2018 have been audited by Ernst & Young CJSC:

Address: 1 Northern Ave., office 27, Yerevan 0001, Armenia

Phone: + 374 (10) 50 07 90

Fax: + 374 (10) 50 07 06

Website: www.ey.com/am

3.2 Risk Factors

Before investing in the Issuer's bonds any potential investor should carefully consider the below specified risk factors specific to the Issuer's operations.

3.2.1 Geopolitical Risks

3.2.1.1 *Sales Market Accessibility*

Smooth and effective operation of international and regional transport networks and facilities plays an essential role in securing access of the Issuer's goods to markets. Any geopolitical developments that may in any way impede, disrupt or terminate the Issuer's access to international and regional transport systems or their servicing infrastructures, or in any way disrupt the operation of the entities servicing such systems and infrastructures, may have a material effect on the Issuer's business continuity, financial position and results.

The Issuer transports copper concentrate to the end user from Kajaran to Yerevan by truck, from Yerevan to Poti by railway and from Poti to the final destination port via sea transportation systems and infrastructure.

Ferromolybdenum is transported by trucks. Haulage is carried out through Georgia and Turkey to two European destinations: Rotterdam or Carlsruhe through Austria, Slovakia or Czech Republic.

Findings of the joint research conducted by ZCMC and world-renowned research and consultancy group Wood Mackenzie with solid reputation in mining industry allow concluding that the Issuer's logistics management chain is properly organized to handle supply of the Issuer's output.

In the Issuer's opinion, the current geopolitical situation and the development trajectory allow to predict that the Issuer's risk of access to markets is low and manageable.

3.2.1.2 *Risk of Trade Restrictions*

The Issuer may experience temporary difficulties delivering and selling goods to consumers if the governments of the countries consuming the Issuer's output impose trade restrictions on Armenia.

The Issuer believes that currently the status quo in Armenia–China (in relation to copper concentrate) and Armenia–EU (in relation to ferromolybdenum) political and economic relations, development dynamics and trajectories allow to predict that the risk of trade restrictions is low and manageable.

3.2.2 Macroeconomic Risks

3.2.2.1 *Market Conditions*

Change in the demand for the Issuer's goods may affect the Issuer's financial performance and position. The Issuer's financial performance may experience material fluctuations as a result of changes in industrial and consumer demand for the refined, processed or metal concentrate, as well as global economic shocks, slowdown in growth rates or recession.

Moreover, changes in technological and industrial processes, average industrial consumption or consumer habits may influence the demand to the extent they may increase or reduce the necessity of the Issuer's output.

Similarly, the Issuer's financial results and/or position may be affected by such force majeure circumstances as acts of God, strikes, fire, flood, wars, collapse of transportation infrastructure, government actions or other circumstances beyond reasonable control of the Issuer.

3.2.3 Geological Risks

3.2.3.1 *Assessment of Resources*

The Issuer operates in the mining industry. Like any other company operating in this industry, the company is exposed to the risk of accurate assessment of resources and has resources assessment uncertainty risk. As long as the ore/mineral is not actually extracted and processed, the resources and content of the mineral in the ore should be an estimated and not actually measured value.

In this Prospectus, the Issuer may present calculations and references to the measured or indicated volumes of mineral deposits, such calculations being made by the Issuer or its advisor based on the customary assessment methods used in mining industry. The Issuer may revise the assessed value of resources and its estimates in future, based on the actual production data.

No assurance can be given that the actual volume of mineral resources conforms to geological, metallurgical or other forecasts and expectations, or that the volume and grade of ore will be as assessed and projected.

According to the Issuer's assessment, the accuracy degree of the mine resource estimates is quite high and reliable, considering Mine operation period and the scope of geological works performed by the Issuer.

3.2.3.2 *Prospecting and Exploration Works*

The prospecting and exploration works carried out by the Issuer may require substantial capital investments, be labor- and time-intensive, however turn out to be unsuccessful. Generally, prospecting and exploration works require large scale capital and ongoing expenses in order to generate admissible estimated parameters of measured and indicated resources and determine metallurgical processes for ore extraction.

The assessment of resources is mostly based on the interpretation of geological data retrieved from drilling holes and other sampling methods and the estimation of operating costs (based on measures of projected volume and ore content, recovery rate).

As a result, actual financial results and position of the Issuer in future, economic gain received from operation of the measured and indicated resources of the mine may differ from initial estimates.

3.2.3.3 *Slope Stability Risk*

Along with the development of the open pit, the mine is getting deeper, which presents certain geological and technical challenges (probability of slope collapse). On the other hand, if an attempt is made to reduce the slope or provide additional road access to prevent such collapse, it may adversely affect the volume of the Issuer's measured and indicated resources.

The Company has taken all possible measures to stabilize the slope in accordance with the Mine operating license. Good geology of the Mine is favorable to ensuring the slope stability.

3.2.4 *Financial Risks*

The Issuer takes various measures in order to mitigate, eliminate or manage the risks specified below. Among such measures is hedging against market risks and increasing operational efficiency. In particular, Wood Mackenzie consulting firm ranks the Issuer’s operating cost efficiency in the second quartile of the international comparative scale.

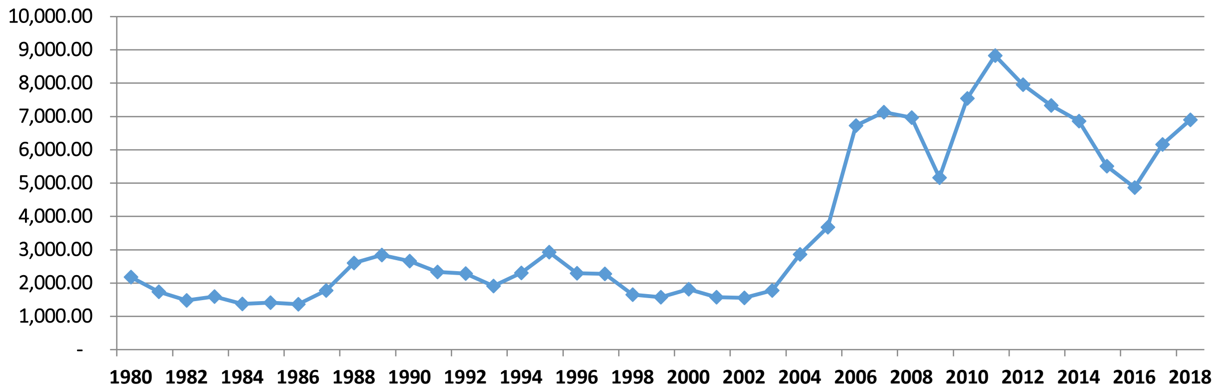
3.2.4.1 *Partner Risk*

The Issuer distributes its output to a number of buyers who have a long-standing experience in the global trade of base metals and are financially stable and reputable companies. During the historic period the Issuer hasn’t faced any situations where the buyers would experience liquidity or payment issues. The Issuer’s partners are global companies with billion-dollar assets and turnover who are major players on the global market with financial stability and payment capacity proven throughout years of operations.

3.2.4.2 *Market Risk (Prices)*

The Issuer’s financial ratios are significantly affected by prices of extracted commodities (copper and molybdenum). Historically these prices have had wide volatility swings due to a variety of factors beyond Issuer’s control (e.g., USD 2,000 per tonne in 1980 vs. USD 9,800 in Q1 2011, currently being within USD 5,500 – 6,500 range), including international macroeconomic and geopolitical situation, supply and demand for extracted metals on the international market, introduction of alternatives to extracted metals driven by new technology and their prices, inventory levels held by value chain intermediaries or end users, actions of the commodity market participants (including speculative ones) and FX rates. In addition, market prices for copper and other metals have been historically exposed to drastic short-term changes.

Table 1. Annual average copper price at London Metal Exchange (LME), USD per tonne



Source: LME, 2019

Over the past two years, about 72.3% of the Issuer's revenues has been generated from sales of copper and 25.6% came from sales of ferromolybdenum.

The Issuer cannot accurately forecast the behavior of metal prices in the future. Further drop in the international prices of extracted metals, namely copper, may have a material effect on the Issuer's financial position and results. If market prices of the extracted metals on the international markets fall below a certain threshold, the Issuer may consider restriction, modification or termination of mining and ore enrichment processes.

For the market risk management purpose, the Issuer hedges the market risks associated with the extracted metals, which reduces potential negative effect of the market risk on the Issuer's financial results and position. In particular, the Issuer uses various futures and option instruments reducing the market risk.

<u>Copper</u>

Copper is a commodity traded on the LME, the COMEX and the SHFE. The Issuer sells copper at spot prices based on those quoted on the LME. The price of copper as reported on this exchange is influenced significantly by numerous factors beyond the Issuer's control, including, but not limited to:

- Development trends in industrial production, automotive industry and construction,
- Economic growth and political conditions in China, which is the largest consumer of refined copper in the world,

- Speculative investment positions in copper and copper futures,
- Availability and cost of substitute materials,
- Inventory levels maintained by producers, governments and others and actions of the copper market players.

The copper market is volatile and cyclical. During the FY ended December 31, 2018, LME settlement price ranged from USD 6,020 to USD 7,080 per tonne of copper.

The Company's forecasts in the financial model are based on USD 6,669 per tonne of copper. According to the company's estimations, 10% drop/increase of the average copper price in 2019, all things being equal, could result in 15% drop/increase of gross profit and 17% drop/increase of net profit.

Molybdenum

Molybdenum is sold at prices based on those quoted[1] on the LME, which are also cyclical and volatile due to the following factors:

- Global economic growth, especially construction and infrastructure development indicators, which require significant volumes of steel,
- Volume of molybdenum produced as a result of copper production,
- Inventory levels.

The demand for molybdenum is largely dependent on the volumes of stainless steel production since it is used to enhance hardness and corrosion resistance of stainless steel. About 80% of molybdenum production worldwide is used for this purpose. The rest is used in chemical industry as catalysts, additives for water treatment and lubricants. Approximately 65 % of molybdenum is produced as a by-product of copper mining. As a result, the volume is comparably not resilient to the molybdenum prices. In 2018, average price of ferromolybdenum was USD 28,997 per tonne vs. USD 20,228 a year earlier, while the average price for the first five months of 2019 stood at USD 28,214 as of May 31.

3.2.4.3 *Currency Risk*

About 100% of the Issuer's revenue is denominated in USD, while the cost of production, and especially its essential component payroll obligations, as well as the electricity and gas costs are denominated in AMD and in 2018 made 17% and 10% of the production cost respectively. The Issuer will be exposed to currency risk only if US dollar depreciates with respect to Armenian dram.

Over the past years there have been no such trends in Armenia. Moreover, trade conditions in Armenia, current account deficit and capital account dynamics recently, all things being equal, allow to predict that the probability of such risk (USD devaluation in relation to AMD (exchange rate decrease)) is not high.

[1] Changes have occurred in molybdenum quotes which starting from March 2019 are based on Cash-Settled Future (LME Molybdenum (Platts)) instead of previous molybdenum quotes. The latter were based on physically settled LME Molybdenum contract.

However, appreciation of the AMD exchange rate against the US dollar in future, if such development could be considered a probable scenario, could have a negative, but not material effect on the Issuer's financial results and position.

3.2.4.4 ***Investment Capital Accessibility***

The Issuer operates in mining industry, one of the most capital-intensive branches of economy, requiring continuous large-scale investments to maintain the mineral extraction and processing volumes at least at the current level. Specifically, prospecting, exploration, proving, economic feasibility, organization of extraction, and ore enrichment (in some companies further smelting and refining), maintenance and/or enhancement of machinery, equipment and production capacities, compliance with applicable laws and regulations require substantial capital investments as compared to other industries.

The Issuer should continue making capital investments in order to maintain current extracting and processing capacities.

The Issuer cannot assure that its operations will generate sufficient free cash or the Issuer will be able to access long-term capital markets to finance its capital expenditures, or the Issuer will be unconditionally able to maintain its production capacities and volumes to continue its exploration, exploitation, mining and processing activities at current or higher level.

The above specified refers to the risks associated with investment capital accessibility for the development capex. The Company's management believes that the Company is able to generate sufficient financial results and cash flows required for sustaining capex necessary to maintain production capacity, and the associated risk is not material.

3.2.4.5 ***Insurance Risks***

Not all risks related to the Issuer's geological prospecting, extraction and production processes are subject to insurance. This circumstance is not related to the Issuer's desire but is due to the fact that insurance against some risks associated with mining is not always available and where available the costs can be prohibitive.

Mining, smelting and refining of copper and other metals are subject to a number of risks and hazards, including industrial accidents, labor disputes, unexpected geological conditions, changes in the regulatory environment, environmental hazards, seismic activity, collapse of open-pit walls and rockfall, tailings storage facility failure, low extraction and recovery grade, etc.

As a result of such phenomena, the Issuer may incur financial losses and legal consequences with specific liability. Open-pit mining and ore processing also involve such risks as damage to staff/employee health, fatality or damage to production facilities.

The waste rock and tails produced during mining activities comprise the most substantial part of the Issuer's wastes. Management of waste rocks and tails involves significant environmental, safety and engineering challenges and risks. The Issuer manages a large tailings storage facility, i.e. a large tailings pond of mineral sand mixed with water that should be designed, built and effectively managed to ensure its structural stability so as to avoid leakage or structural collapse.

Collapse of the tailings storage facility may result in financial and legal consequences for the Issuer and material adverse effect on the environment. The Issuer pays significant attention to the elaborate design, management and monitoring of the tailings management system.

The Issuer does its best to obtain adequate and high quality insurance coverage against all of the above risks. However, insurance against some risks, in particular environmental impacts, including certain obligations to reimburse environmental damage, etc., is not available not only to the Issuer in particular, but to the mining industry as a whole.

The Issuer doesn't have and does not intend to obtain insurance against political risks.

The Issuer cannot assure that the above-specified risks and other indirect circumstances will not affect the Issuer's financial position, results and business prospects.

3.2.4.6 *Debt Burden*

In the future, the Issuer may decide to incur additional debt (unless such possibility is limited under the conditions imposed on the Issuer), including secured debt. The Prospectus does not contain any restrictions as to the Issuer's ability to raise additional debt. If new debt, in particular secured debt, is added to the Issuer's current debt levels, this could have an adverse effect on the Issuer's ability to service the bonds. Over the last two years average debt-to-equity ratio was 0.7 vs. projected 0.5 in 2019.

3.2.5 Operational Risks

3.2.5.1 *Strikes*

100% of the Issuer's staff are trade union members. Historically, the Issuer's management team and the trade union have had smooth and effective cooperation proved by absence of strikes.

Nonetheless, the Issue cannot assure that there will be no strikes or other stoppages in the future that could have material adverse effect on the Issuer's financial position and performance.

3.2.5.2 *Energy Prices*

The Issuer's operations require significant volumes of energy, fuel, water and other resources. The Issuer's fuel, gas and energy costs in 2018, 2017 and 2016 made 10%, 12% and 14% of the production cost respectively.

In energy supply matters, the Issuer is reliant on third parties supplying such energy. Availability, uninterrupted supply of energy carriers and their prices can change or curtail over time. Such developments may be driven by various factors, including passing of new laws or regulations, introduction of new taxes, tariffs, disruption of suppliers' production processes, changes in global prices and the deterioration of market conditions.

3.2.5.3 *Technological Processes*

Equipment breakdown, failures of work processes, any major technology breakdown can cause a long stoppage, decrease in production, affecting the Issuer's revenue and profitability.

In addition, the Issuer's production facilities and machinery are also exposed to a number of risks such as fire, explosions, collapses, etc. If any of these events occurs, the Issuer's financial position and performance may be affected putting the Issuer's payment capacity at risk.

The Issuer has ensured availability of reserve production capacities in order to minimize the risks of disruption of technological processes. According to the Issuer estimates, the Company currently has the required reserve capacity to keep mining and processing volumes at the same level without interruption.

3.2.6 Regulatory Framework

3.2.6.1 *Environment*

Toughening of ecological, climate change related and environmental regulations can result in increased operational and capital expenditures for the Issuer and restrict its operations. Other areas subject to regulation include, but are not limited to, use and storage of explosives, surface water, reclamation, working conditions and occupational health, concession fees, water use and emissions, energy use.

The regulatory framework for environmental protection has become increasingly stringent in recent years, and the Issuer dedicates more time, finance and labor resources to comply with the laws and regulations. The Issuer may not assure that current or future legislative, regulatory or trade developments will not adversely affect the Issuer's business, performance, financial position or prospects.

3.2.6.2 *Wastes*

The Issuer uses chemicals in the ore enrichment process. If proper measures are not taken, such chemicals may be harmful to the environment and result in compliance, cleaning and other associated costs, as well as cause legal and administrative risks that may have a material effect on the Issuer's financial results.

Management of the Issuer's Artsvanik tailings storage facility is a complex of sophisticated technological and post-production processes and measures that requires substantial centralization of the Issuer's financial, human and technological resources. The Issuer may be held liable for environmental damage caused by improper management of tailings. This may result in suspension of mining permits, enforcement of substantial capital investments required for large-scale modernization and clean-up operations, imposing of significant penalties that could have material effect on the Issuer's financial position and performance.

3.2.6.3 *Health and Safety*

Issuer activities are are subject to stringent laws and regulations relating to the health and safety of employees and surrounding communities. This may have restricting effect on the Issuer's operations, lead to disruption and forced termination of production processes, operational delays or increased operating costs resulting in adverse effect on the Issuer's financial results and position.

The Issuer uses best efforts to comply with the regulatory framework. Relevant government agencies conduct regular inspections to check the Issuer's compliance. This regulatory framework covers, among others, health and workplace safety conditions, including high-risk work, processing, storage and use of chemicals and other hazardous substances.

The Issuer believes that its operations comply with the requirements of the regulatory framework in all material respects, but does not assure that it will have sufficient resources and means to ensure complete compliance.

It should be noted that the Company has taken all the risks to the health of employees, which are not covered by insurance.

The Issuer has introduced and aligned its internal regulations with IFC's Environmental Management Standards to incorporate best international environmental management practices.

3.2.6.4 *Changes in Tax Regulations/Royalties*

Payment of royalties is a substantial expense for any company engaged in mining. The comparative analysis of mining-related tax regulations in various countries conducted jointly by ZCMC and Wood Mackenzie has shown that Armenia may be considered a country with one of the highest effective royalty rates.

According to Wood Mackenzie consulting firm, effective royalties and social / community costs paid by the Issuer are high if compared to other peer countries.

3.2.6.5 *Community Relations*

Historically, the Issuer has been able to successfully manage its relations with community authorities and ensure its positive impact on communities. During 2005–2018, the Issuer has channeled USD 120 million into community and other social programs. However, the Issuer cannot assure that successful management of these relationships in the future will not require additional costs for the upgrading or renovation of community infrastructure.

3.3 Information about the Issuer

3.3.1 History and Development Milestones

3.3.1.1 *Name and Legal Form*

Issuer

	Full official name of the Issuer	Brief official name
Armenian:	«Զանգեզուրի պղնձամոլիբդենային կոմբինատ» փակ բաժնետիրական ընկերություն	«ԶՊՄԿ» ՓԲԸ
Russian	Закрытое Акционерное общество “Зангезурский Медно-Молибденовый Комбинат”	ЗАО “ЗММК”
English	“Zangezur Copper Molybdenum Combine» Closed Joint Stock Company	ZCMC CJSC

The Company was incorporated under the order of the Republic of Armenia Ministry of Industry and Trade N 262 as of December 9, 1997, via reorganization of Zangezur Copper Molybdenum Combine state-owned enterprise. The Company is a legal successor of Zangezur Copper Molybdenum Combine state-owned enterprise.

Registered trademarks are:

	Trademark	Name	Registration #	Registration date
1.		ZCMC	11577	March 26, 2007

3.3.1.2 ***Issuer’s State Registration and Place of Business***

Country of incorporation:	Republic of Armenia
Place of state registration:	18 Lernagortsneri St., Kajaran, Syunik Marz 3309, Republic of Armenia
State registration number:	27.140.00009
Date of state registration:	July 26, 1994
Place of business:	18 Lernagortsneri St., Kajaran, Syunik Marz 3309, Republic of Armenia
Contact details:	Phone: (+374 285) 3 31 31, (+374 60) 500 003, Email: info@zcmc.am Website: www.zcmc.am

3.3.2 **Significant events**

In 2017, there was a change in the Company’s shareholding structure, with new shareholders acquiring 25% of the Issuer’s stock. This change in the shareholding structure resulted in mitigation of the agency problem and had a positive impact on the Issuer's operational efficiency and profitability, eliminated numerous operating inefficiencies in cost management and production organization processes. As a result, the Issuer recorded a healthier and more transparent financial position and results.

In 2018, the Issuer successfully refinanced USD 180 million syndicated loan facility from a consortium of eight international financial organizations through local banks. This brought about improvements in financial position and eased the ties set by excessive financial covenants.

As a result of refinancing, the Issuer was able to manage its capital in a more effective and cost-efficient manner and gained more resilience for planning and financing its capital expenses.

Over the past period, the Issuer hasn't had any circumstances that affected or are likely to effect the Issuer's liquidity and solvency ratios in the foreseeable future.

3.3.3 **Investments**

3.3.3.1 ***Historical Overview***

In 2005-2018, the Company made investments for over USD 500 million, which were channeled into modernization and enhancement of mining and processing capacities resulting in increase of mining and processing volumes from 8.8 million tonnes to 20 million tonnes annually.

As a result of the investments, crushing, loading, milling, flotation, concentration, drying and laboratory systems have been fully upgraded.

3.3.3.2 ***Investment Strategy***

Among the Company's objectives for the future are:

- Summarization of exploration results based on retrieved geological information for the mine life-cycle planning purposes,
- Design, construction and exploitation of a new tailings storage facility,
- Upgrading of mining infrastructure,
- Other projects aimed at improvement of productivity, efficiency and cost cutting,
- CAPEX for implementation of SARD system,
- Implementation of a new investment program aimed at improvement of TSF discharge quality.

The investment programs presented in this section of the Prospectus are the Issuer's undertakings and a part of the proceeds raised from the bonds placement will be invested into these projects.

3.3.3.3 *Smart Armenian Rail Driver (SARD)*

Objective of the project: implementation of an innovative technology that combines the flexibility of truck hauling with the energy efficiency of conveyors and rail lines, which will create opportunity to dramatically cut operating costs of material (ore and waste) handling

Brief overview: SARD is a cost-effective, environmentally friendly bulk material (handling) transport system. The system consists of a light rail track with a number of two-wheeled cars that are inter-connected to represent a long, open trough moving along a track. To move the train the systems consists of a number of strategically placed, energy efficient, drive stations, which provide the driving force, with tires in contact with the side drive plates of the cars. To discharge materials, cars are inverted into a continuous loop that can be run 180 or 360-degrees, easily dumping the load into a stockpile. The system uses drive stations that are operated by electrical motors to propel the trains forward. With the system operating without locos and entirely on electricity, there are zero emissions from fuel. ZCMC is planning to handle up to 11 million wet metric tonnes of material per annum through the system, which is comparable with the total volume of annual waste extracted by the Company.

Key advantages: low running costs, low maintenance, environmentally friendly, energy efficient and easily upgradable system.

Preliminary assessment of CapEx: estimated investment of the project will comprise up to USD 10 million, for installation of two rail track systems.

Economic effect of the investment program: according to the Issuer's estimates, ZCMC will be able to save more than 50% of direct costs related to waste haulage resulting in USD 20 million annual cost cutting.

3.3.3.4 *TSF Discharge Quality Improvement*

Objective of the project: ZCMC is looking to treat its wastewater to a higher standard. This is driven by the Issuer's commitment to corporate social responsibility and willingness to implement global best practice on tailings management for CSR purposes. The Issuer contracted an international company to assess the impact of Artsvanik Tailing Storage Facility's (TSF) discharge water on the Voghji River basin. The objective of the study is to propose a potential technical solution for minimizing impact of the Artsvanik TSF discharge water on the Voghji River.

Preliminary assessment of CapEx: estimated investment of the project will comprise up to euro 12.85 million equivalent AMD.

Preliminary assessment of OpEx: project's annual operating costs will comprise AMD equivalent of EUR 2.7 million, including personnel costs, consumption of chemicals and other consumables, energy costs, maintenance and other fees.

From the financial perspective, this project does not imply any investment payback. It is a social responsibility investment for the benefit of the community and other stakeholders.

3.4 Business Overview

3.4.1 **Primary Business Activity**

The Company operates in the mining industry producing copper concentrate and ferromolybdenum. The Company operates Kajaran open pit mine producing ore in the volumes specified in the Mining Right Certificate. The mine is the largest one in South Caucasus by copper and molybdenum deposits.

The mine is located 4 km south of Kajaran Town. From economic perspective, the mineralized area is 4 km long, 1.5 km wide and at least 500 deep, limited to drilling at 1,500 m level for exploration purposes. Currently the works at the open pit are carried out at an elevation between 1,845 m to 2,100 m.

The mineralization of copper and molybdenum available at the mine may be classified as porphyry copper and molybdenum deposits. Along with other porphyry copper and molybdenum deposits available in the South Caucasus (Agarak, Litchk and Aygedzor) the Mine is part of the largest porphyry copper deposits worldwide extending from Bori Mine in Serbia to Sacheshmeh Deposit in Iran through Medet Mine in Bulgaria.

According to the appraisal conducted back in 2007, total volume of mineral resources in Kajaran was estimated to equal 2.2 bn tonnes of ore classified as B1 and C1 according to Russian standards. The table below shows the appraisal summary.

Classification	Volume, *000 metric tonnes*	Cu grade, %	Mo grade, %
B1	259,416	0.28	0.037
C1	1,984,618	0.23	0.032
Total	***2,244,034***	***0.23***	***0.033***

In 2015, Golder Associates finalized the mineral resources evaluation report # NI 43-101 in accordance with JORC (Joint Ore Reserves Committee) according to which the estimated ore deposit comprises 1,933 million tonnes of the following metal grades:

Cu grade, %	Mo grade, %	Au grade, g/t	Ag grade, g/t
0.256	0.032	0.017	1.582

The mine's industrial complex consists of a large open pit, ore processing plant, tailings storage facility, waste rock dumps, warehouses, fuel storage facilities, workshops, laboratories, administrative buildings, as well as other buildings with social functions, such as kindergartens, arts and sports centers. The electric power is supplied to the industrial complex via Zangezur and David-Bek 110 kW high-voltage lines feeding two substations owned by the Company.

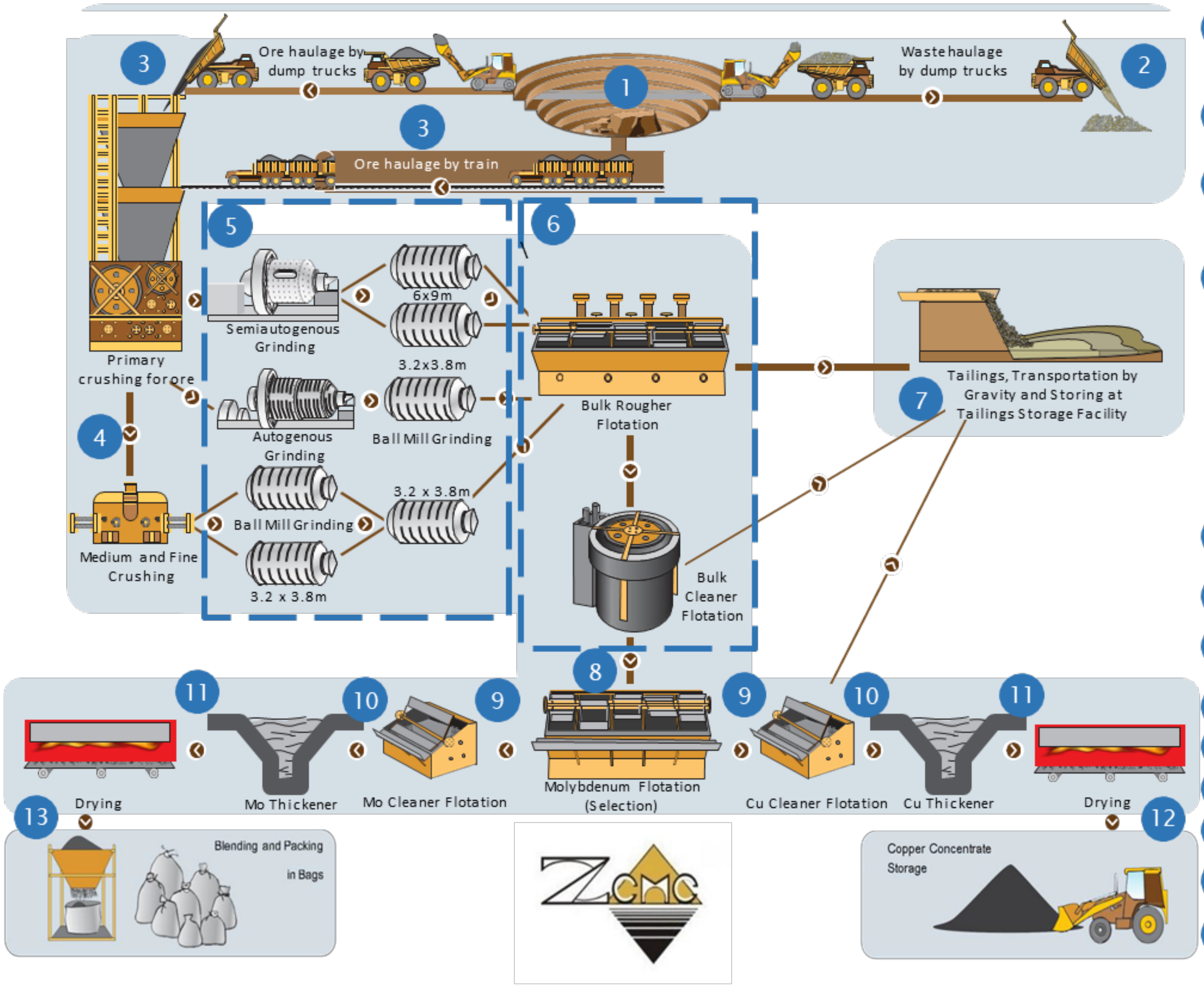
The Mine benefits from favorable topography and a flat ore body. This allows having an average strip ratio (waste material / extracted ore) as low as 0.6 p.a., and low distance for transportation of the ore from mine to the processing plant. Moreover, the ore and the overburden are visible and may be easily sorted which allows low operational costs of extracting when combined with good managerial skills and proper technical facilities.

Traditional drilling and blasting operations are used to extract ore and waste rocks, followed by loading and collection processes, during which the ore is routed to the original cone crusher either by truck or by rail passing through the open pit. Waste rocks are dumped by trucks into nearby dumps or used in the construction of open pit infrastructure.

The ground water flows are non-significant, and the main drainage works are carried out after the precipitation and for draining the water from nearby streams. As a result, the demand for drainage works and the infrastructure is minimum.

The Issuer processes ore via standard industry processes, including crushing, grinding (semi-autogenous (SAG) and ball milling) and foam flotation. The water required for processing is taken from Voghji and Geghi rivers.

The tailings generated during the flotation process are dumped into Artsvanik Tailings Storage Facility through a pipe.



Production process

1. **Mining:** The Mine employs conventional open pit mining methods, using drilling, blasting, loaders and excavators for ore and waste extraction.
2. **Waste utilisation:** Waste is transported to the waste dumps located in 4.7-5km from the mine.
3. ***Ore transportation:*** Ore is transported to the primary crushes either by trucks or by the railway.
4. **Crushers:**
   - Primarily crushes: There are two primary gyratory crushers, which are fed by different means, (i) one by a rail system and (ii) the other by tipper trucks
   - After the primarily crushing large pieces of the ore are crushing in the medium and fine crusher.
5. **Grinding:** After crushing the ore is processed in grinders.
6. **Flotation:** After grinding the ore is floated.
7. Tailing, transportation and storage of waste resulted from the flotation.
8. **Separation** of the copper and molybdenum.
9. **Clean** copper and molybdenum **flotation**.
10. **Thickening** of copper and molybdenum.
11. **Drying** of copper and molybdenum.
12. Copper concentrate is transferred to the storage facility and then transported to customers.
13. Blending and packaging of molybdenum in bags.

The details on copper and molybdenum concentrate produced from ore processing are shown in the table below:

	2014	2015	2016	2017	2018
Processed ore (thousand dmt)	**18,712**	**18,229**	**19,882**	**18,864**	**17,752**
Copper					
Copper grade in the processed ore (%)	0.230	0.267	0.313	0.363	0.378
Copper recovery rate (%)	78.72	80.45	83.08	90.63	88.20
Copper (t)	*33,944*	*39,129*	*51,673*	*62,099*	*59,234*
Copper grade in the concentrate (%)	24.86	24.39	24.12	23.94	24.19
Total copper concentrate produced (wmt)	**152,302**	**177,165**	**237,578**	**286,674**	**269,919**
Molybdenum					
Molybdenum grade in the processed ore (%)	0.034	0.031	0.031	0.029	0.033
Molybdenum recovery rate (%)	83.61	82.60	82.10	84.55	88.30
Molybdenum (t)	*5,276*	*4,689*	*5,021*	*4,618*	*5,100*
Molybdenum grade in the concentrate (%)	49.02	49.58	49.33	48.86	50.17
Total copper concentrate produced (wmt)	**11,382**	**10,015**	**10,802**	**10,038**	**11,391**

The company exports copper concentrate, while molybdenum concentrate is processed at Plant of Pure Iron OJSC and AMP Holding LLC according to the executed tolling agreements. Plant of Pure Iron OJSC and AMP Holding LLC are the Company's shareholders. Processing of molybdenum concentrate results in ferromolybdenum, which is further exported by the Company. The molybdenum content in the produced ferromolybdenum is 67-68%.

The concentrate produced by the Company contains minor volumes of gold and silver. The share of the latter in the price of the copper concentrate does not exceed 4%.

The Company's revenue is mainly generated from sale of copper concentrate and ferromolybdenum, the share of which in total revenue in 2018 was 69% and 30% respectively (vs. 77.5% and 21.1% in 2017). In 2018, the Company sold 242,871 dry metric tons of copper concentrate and 6,980 tons of ferromolybdenum (vs. 260,646 and 6,520 respectively in 2017).

3.4.2 Main Markets

Copper is one of the most important metals in the global economy and its infrastructure. It is the world's third most used metal following iron and aluminum and most consumed metal in electronics production, energy transmission and energy generation due to its chemical and physical properties.

Molybdenum is an industrial metal mostly used in the production of steel.

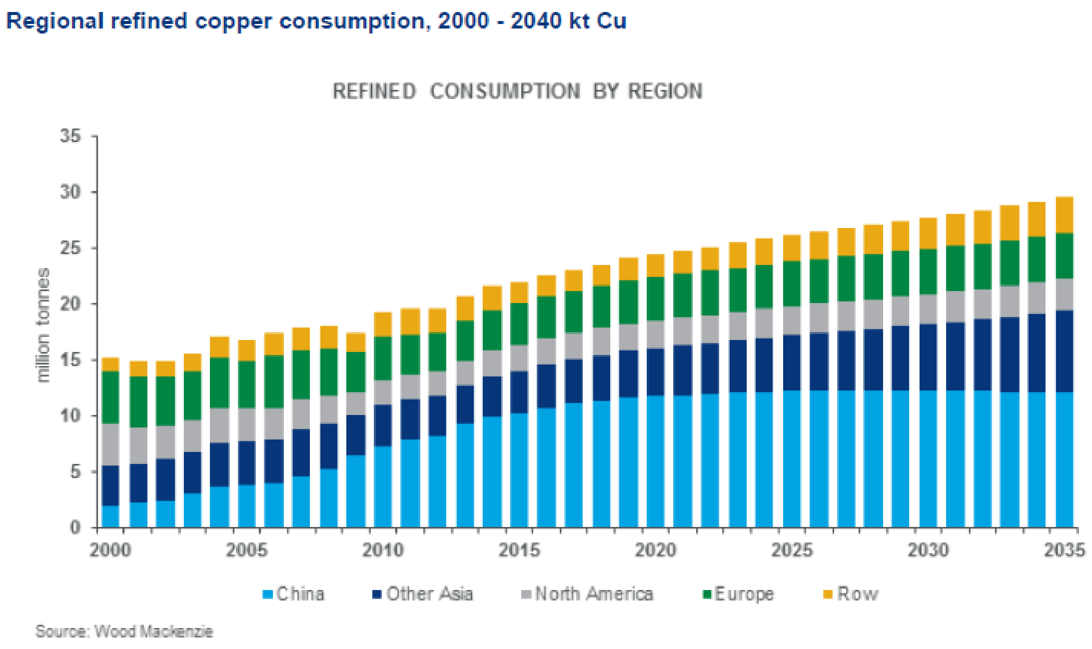
3.4.2.1 *Main Markets*

The Company exports produced copper concentrate, while molybdenum concentrate is processed at Plant of Pure Iron OJSC and AMP Holding LLC, where it is turned into ferromolybdenum and fully exported by the Company.

Copper concentrate is transported from Kajaran to Yerevan by trucks and is unloaded at Apaven terminal. After that, Apaven arranges cargo loading onto vans or open-top wagons and forwards the cargo to Poti port for further transportation.

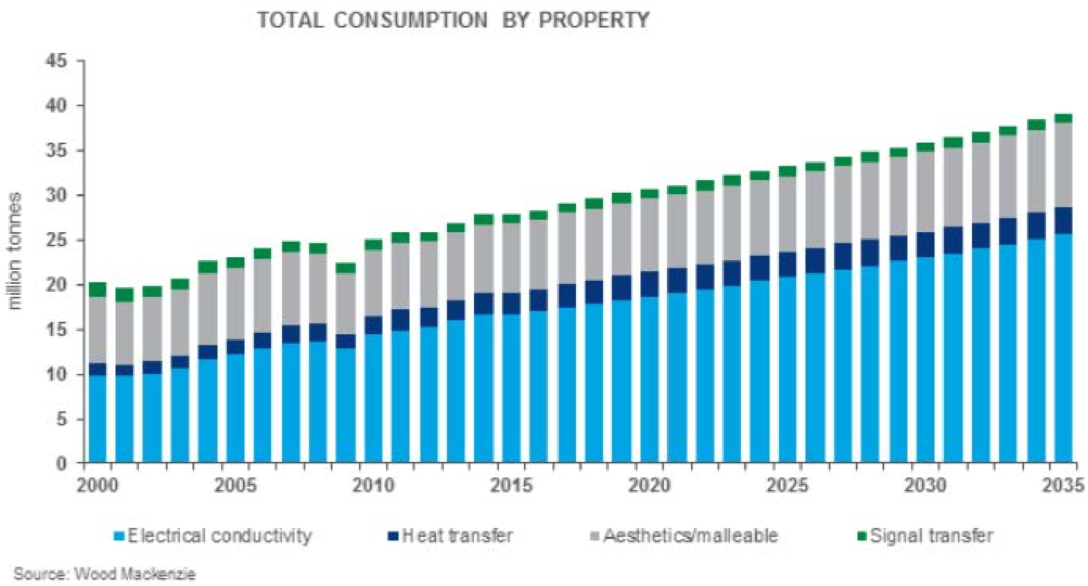
<u>Copper Market</u>

Forecasts of the global market demand for refined copper by geography are shown below:



Forecasts of the global market consumption of refined copper by industries are shown in the chart below:

Total copper consumption by property, 2000 - 2040 kt Cu



Forecasts of the global refined copper market supply by geographical regions are shown in the table below:

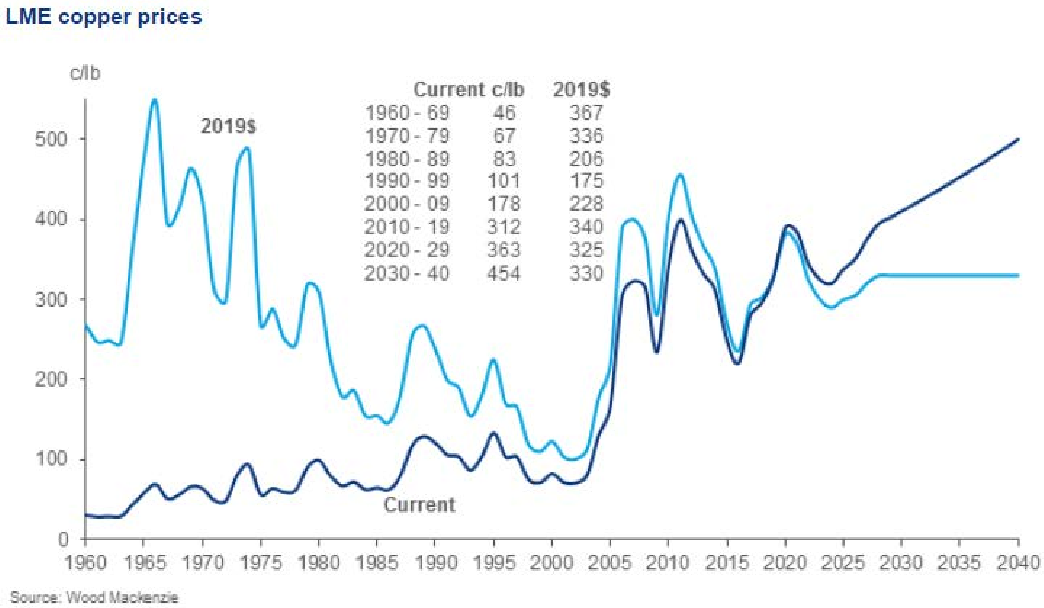
							CAGR 2018-2023	CAGR 2018-2040
kt	2018	2019	2020	2021	2022	2023	2023	%
Africa	2,393	2,705	2,943	2,964	2,997	2,955	4.30%	-4.40%
Asia (excluding China)	1,398	1,089	1,250	1,606	1,747	1,782	5.00%	-0.30%
China	1,613	1,715	1,776	1,907	2,039	2,135	5.80%	0.10%
Europe	1,054	1,002	1,041	993	978	942	-2.20%	-4.10%
Latin America	8,668	9,049	9,151	9,218	9,414	9,481	1.80%	-2.30%
Middle East	386	391	386	379	379	379	-0.30%	-0.60%
North America	2,530	2,724	2,844	2,863	2,879	2,754	1.70%	-4.20%
Oceania	999	1,085	1,133	1,090	1,093	1,056	1.10%	-4.80%
Russia and the Caspian	1,731	1,740	1,744	1,769	1,814	1,827	1.10%	-1.10%
GLOBAL	**20,773**	**21,500**	**22,267**	**22,790**	**23,340**	**23,310**	**2.30%**	**-2.30%**
Change y-o-y	3.70%	3.50%	3.60%	2.30%	2.40%	-0.10%		

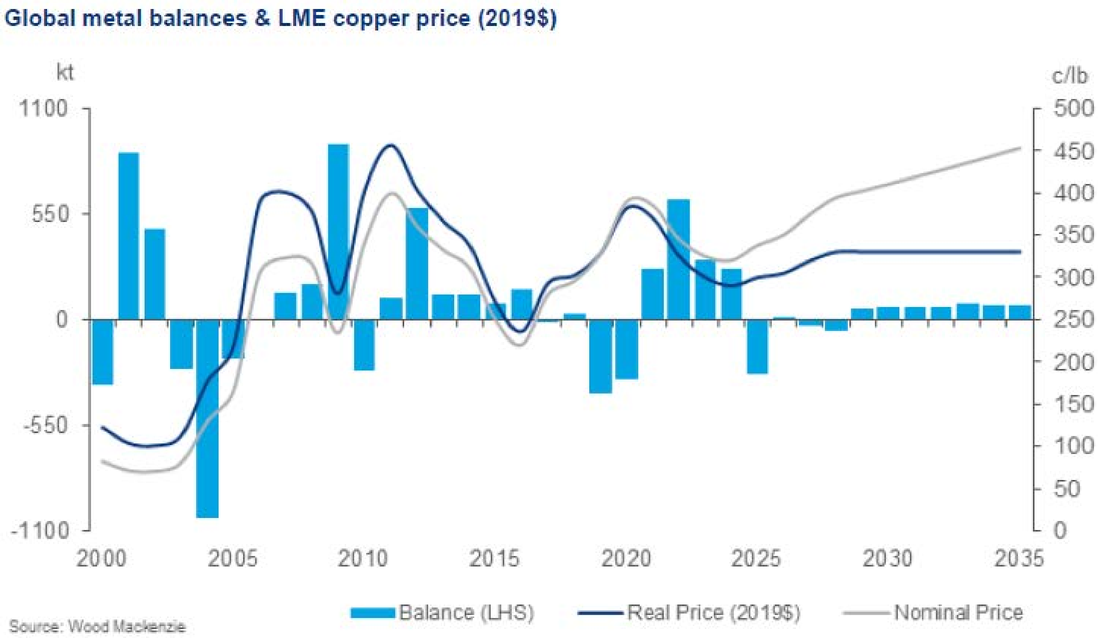
Forecasts of the global refined copper market supply by Russia and the Caspian regions are shown in the table below:

							CAGR 2018-2023	CAGR 2018-2040
'000 t	2018	2019	2020	2021	2022	2023	2023	%
Armenia	83	86	81	71	71	71	-3.10%	-1.20%
Kazakhstan	693	670	646	634	675	680	-0.40%	-2.10%
Russia	803	824	858	905	910	918	2.70%	-0.40%

'000 t	2018	2019	2020	2021	2022	2023	CAGR 2018-2023 2023	CAGR 2018-2040 %
Uzbekistan	110	113	113	113	113	113	0.70%	-0.20%
Other	42	46	46	46	45	45	1.50%	-14.10%
Russia and the Caspian	1,731	1,740	1,744	1,769	1,814	1,827	1.10%	-1.10%
Change y-o-y	5.50%	0.50%	0.30%	1.40%	2.60%	0.70%		
Global share	8%	8%	8%	8%	8%	8%		

Forecasts of the global copper market (supply, demand, price) are presented in the chart below.





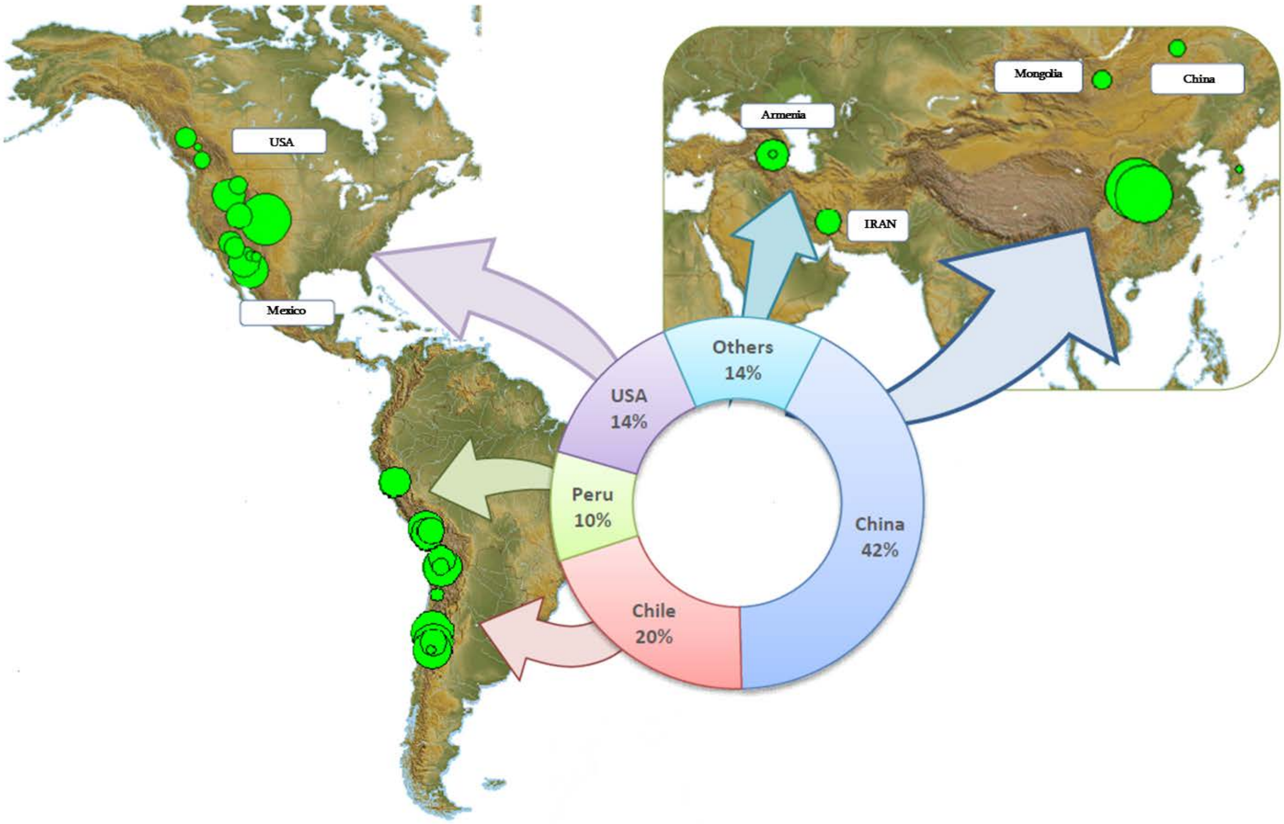
Molybdenum Market

Currently the Company sells ferromolybdenum to Cronimet group companies.

Molybdenum is mined in about 40 mines across the world, of which only seven are dedicated molybdenum mines while the rest are mines of copper or other minerals. Approximately 65-70% of molybdenum is extracted in mines where molybdenum is not a primary metal but a by-product.

The two main commodities of intermediate consumption in the world trade are molybdenum oxide (55-57% Mo content) and ferromolybdenum (65-70% Mo content). In 2018, about 300 thousand tonnes of molybdenum (650–700 million pounds) was extracted worldwide. ZCMC ensures 2-3% of the global molybdenum production.

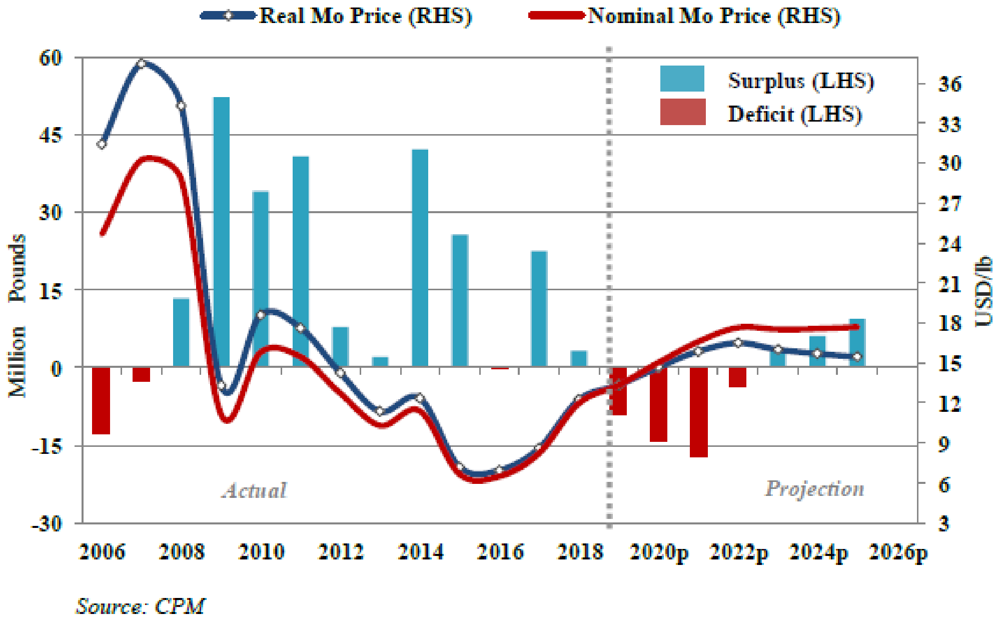
The graphic picture of the molybdenum mining worldwide is presented below.



The demand for molybdenum derives from the demand for copper since about 71% of molybdenum consumed annually worldwide is used in steel production, 7% in cast iron production and 19% in other metallurgic processes. Only 3-4% of molybdenum is not consumed for metallurgic purposes but is used in industrial chemistry for manufacturing of lubricants and pigments.

Steel production is closely related to the total economic activity level and especially industrial production (IP) index.

Forecasts of the global molybdenum market (supply, demand, molybdenum oxide price) are presented in the chart below.



Source: CPM Group, Molybdenum Quarterly, FY2019

3.4.2.2 *Competitive Position*

The aggregate annual output of mining companies in Armenia does not constitute a significant value in global markets of the respective resources produced, thus we can state that there is almost no influence on global competitive environment from Armenian producers' side. However, there is no issues in terms of demand/sale for mining companies in Armenia, and as a result, competitive issues do not happen in sales activity.

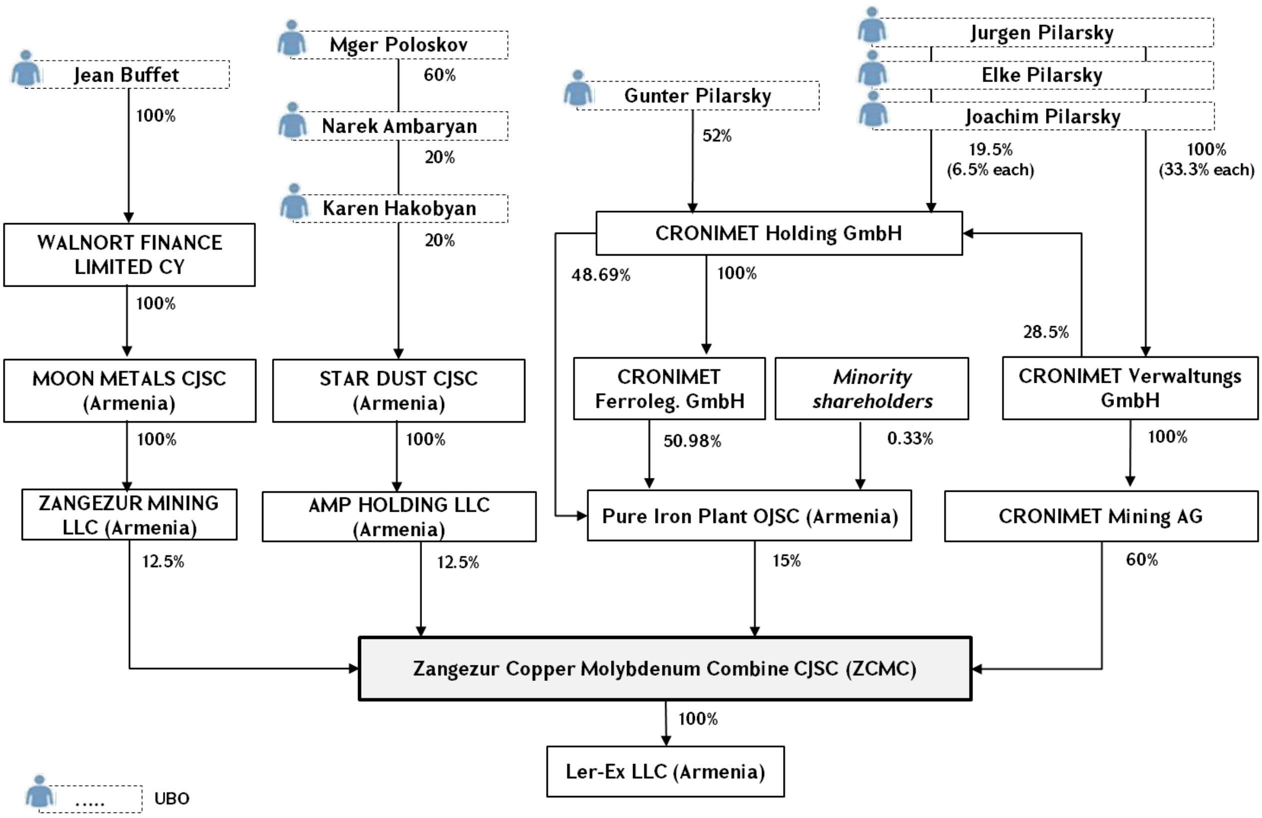
The following five companies ensure 2/3 of global molybdenum production: Jinduicheng (China), China Moly (China), Freeport McMoRan (US), Codelco (Chile) and Grupo Mexico (Mexico). More detailed information on the major molybdenum producers is presented in the table below.

	2016	2017		2018	
PRODUCER	t	t	Y-o-Y	t	Y-o-Y
Chinese producers	103,419	85,561	-17.3%	92,800	+8.5%
Freeport McMoRan	33,566	43,091	+28.4%	42,638	-1.0%
Codelco	30,640	28,672	-6.4%	24,031	-16.2%
Grupo Mexico	21,727	21,319	-1.9%	21,986	+3.1%
Sierra Gorda	10,337	16,574	+60.3%	12,415	-25.1%
Antofagasta	7,099	10,501	+47.9%	13,608	+29.5%
ZCMC*	5,021	4,618	-8.0%	5,100	+10.4%
Rio Tinto (BC)	2,799	4,999	+78.6%	5,756	+15.1%
Teck (HV)	2,449	4,173	+70.4%	3,946	-5.4%
Antamina	4,672	4,032	-13.7%	4,636	+15.0%
Other	68,706	76,689	+11.6%	61,235	-11.3%
TOTAL WORLDWIDE	**28,756**	**290,992**	**+3.4%**	**277,950**	**-4.2%**

Source: CPM Group, Molybdenum Quarterly, FY2019
* *This line was added by the Issuer.*

3.5 Issuer's Structure

3.5.1 Group Structure



3.5.1.1 *CRONIMET Group*

Cronimet Group (the "Group") consists of Cronimet Holding GMBH, Cronimet Ferroleg GmbH, Cronimet Verwaltungs GmbH and Cronimet Mining AG, and is engaged in production, recycling and sale of raw materials for steel production through its subsidiaries. The Group was founded in 1980. Based in Karlsruhe, Germany, the Group currently owns 68 companies and investment assets in total. The Group buys, processes and sells metal scrap, ferromolybdenum and ferrotitan, sells and disposes of primary steel raw materials, recycles stainless steel and other metal and alloy scrap. The Group also provides a range of services such as financial modeling, hedging, logistics management and implementation of recycling systems.

The Group, including its subsidiaries, plays an active role in the global supply of metal raw materials. It is an all-around conglomerate, which is an essential part of the whole value chain supply of some metal raw materials. In FY 2017, the Group's turnover made USD 2.4 bn.

3.5.1.2 ***Plant of Pure Iron OJSC***

"Plant of Pure Iron" OJSC (hereinafter the "PPI") is a leading enterprise in Armenia processing molybdenum concentrate with stable production since 1999. PPI roasts the molybdenum concentrate in a multi-level roaster. The received molybdenum oxide is used as a raw material for the production of ferromolybdenum. Roasting of the concentrate in the roaster has a number of advantages over the traditional rotating pipe furnaces. It is highly automated, requires no additional fuel to burn, saves raw materials, reduces dust emissions, ensures a high degree of rhenium depletion, and extends repair time while reducing repair costs. Multi-level roaster is instrumental in the management of highly efficient technological processes and high quality products. The multi-level roaster operates non-stop, and productivity at PPI has increased to 22-26 tonnes a day. At PPI, ferromolybdenum is melted in a retort furnace by metallothermic reduction of molybdenum, in particular through silicon reduction. Technical molybdenum oxide along with reducing metals and another metal-containing additive are fed into the furnace, and the alloy is produced through oxide-reduction reactions, as the metallothermic reactions occur without consumption of external energy. Currently the company is implementing a number of upgrading projects resulting in the increase of efficiency and stabilization of the quality of the products. Special attention is paid to work safety and environmental considerations, with the emissions purification system being introduced.

3.5.1.3 ***AMP Holding LLC and Start Dust CJSC***

AMP Holding LLC is a successor of Armenian Molybdenum Production LLC. Founded in 2003, it is a dynamically developing metallurgical enterprise. The company's main activity is production of ferromolybdenum. The molybdenum concentrate, which is a vital element for the process, is purchased from the Issuer. The latter is the only major supplier of molybdenum concentrate in Armenia.

Like any other company, AMP Holding LLC is implementing multiple programs aimed at improvement of product quality. Along with it, the Company takes consistent action to minimize the loss of molybdenum and other valuable materials during processing. Upgrading of existing concentrate processing technologies, introduction of new technologies and new products, recruitment of engineers and technicians, especially young people, strengthening of training activities are the mainstay of the company's activities.

Star Dust CJSC is the sole shareholder of AMP Holding LLC.

3.5.1.4 ***Walnort Finance Limited CY, Zangezur Mining LLC and Moon Metals CJSC***

Walnort Finance Limited CY is the sole shareholder of Moon Metals CJSC.

Moon Metals CJSC is the sole shareholder of Zangezur Mining LLC.

Zangezur Mining LLC provides mining, metallurgical and other production process-related consultancy services.

3.5.1.5 *Ler-Ex LLC*

Ler-Ex LLC is a specialized mining company providing tunnel-boring services. It was acquired by the Company in 2012.

3.5.2 Controlling Shareholders

Issuer's controlling shareholders:

1. Mr. **Günter Pilarsky**, Managing Partner of Cronimet Holding and Chairman of the Supervisory Board of Cronimet Mining AG
2. Mr. **Jürgen Pilarsky**, Mr. Günter Pilarsky's son, CEO of Cronimet Holding GmbH, Partner of Cronimet Holding GmbH & Cronimet Mining AG
3. Ms. **Elke Pilarsky,** Mr. Günter Pilarsky's daughter
4. Mr. **Joachim Pilarsky**, Mr. Günter Pilarsky's son, founder of CronInvest GmbH
5. Mr. **Jean Buffet**, Swiss based HNWI investor specializing in investments in mining, agriculture and food production in Eastern Europe, Central Asia and other countries
6. Mr. **Mger Poloskov**, Issuer's General Director, Chairman of Board at Plant of Pure Iron OJSC
7. Mr. **Narek Ambaryan**, Issuer's First Deputy General Director, Board member
8. Mr. **Karen Hakobyan**, General Director at Plant of Pure Iron OJSC

3.6 Issuer's PPE

PPE as of December 31, 2018	Net book value (thous. AMD)
Land and buildings	53,018,217
Plant and equipment	96,871,593
Construction in progress	58,669,882
Other assets	524,740
Total	**209,084,432**

As of December 31, 2018, the Company's assets with a total value of AMD 56.7 bn have been pledged to secure the Company's credit obligations.

3.7 Latest Development Trends

According to the results of the first four months of 2019, the Company's revenue was AMD 63.77 billion vs AMD 70.60 billion for the same period a year earlier. It should be noted that the decrease in revenue is explained mostly by the drop in copper and ferromolybdenum prices, i.e. 9% drop in copper prices and 5% drop in ferromolybdenum prices. The cost of goods sold for the same period in 2019 was AMD 36.61 billion vs. AMD 28.30 billion a year earlier (up by 29%).

The 29% increase in cost is due to the following items: employee salaries (11% of total increase), depreciation deductions (5% of total increase) and technology maintenance expenses (13% of total increase). High maintenance costs are explained by the purchase of new trucks within the scope of modernization of the Company's Mine Truck Park and works at the Artsvanik Tailings Storage Facility.

3.8 Profit Forecast or Estimate

Past performance is no guarantee of future results. The profit forecasts made by the Issuer should not be acted upon, relied on or viewed as a basis for such reliance. While making profit forecasts, the Issuer relied on the macroeconomic forecasts retrieved from public and statistical databases, as well as sector-specific and market-based information obtained from the sources the Issuer believes to be reliable. Nonetheless, the Issuer hasn't verified and hence cannot guarantee accuracy and reliability of such data. The Issuer cannot assure that the projected financial results will be actually achieved, since their achievement depends on multiple factors, which are outside the Issuer's control.

The Issuer's forecasts are based on the assumptions that the management experience and performance of the Company will remain at least on the same level, while the Company's business activity, sales or corporate structure shall not be materially changed.

Certain statements in this Prospectus are not based on historical facts but are forward-looking statements. These statements include such words as plans, goals, target, strategies, future events or future performance assumptions acknowledging these are not statements describing historical events. The words "believe", "anticipate", "forecast", "intention", "project", "estimate" "will", "can", "should" and other similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

Prospective investors should be aware that a number of factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include but are not limited to the following:

- changes in the prices of gold, copper, molybdenum and silver,
- changes in the Issuer's ability to maintain or obtain the licenses necessary for its business,
- changes in the operating costs,
- liquidity, capital resources and capital expenditures,
- changes to the laws, regulations and governmental policies,
- inflation, interest rate and exchange rate fluctuations,
- changes in the political, social, legal or economic conditions in Armenia,
- international political events,
- restrictive covenants in the Issuer's financing agreements.

This list of important factors is not exhaustive. When reading any forward-looking statements, prospective investors should carefully consider the foregoing factors and other uncertainties, especially in light of the political, economic, social and legal environment in which the Issuer operates.

Such forward-looking statements speak only as of the date on which they are made. Any changes in the foregoing factors after that date may result in discrepancy of such statements and lead to their revision. Accordingly, subject to the Issuer's obligations under applicable laws and regulations, the Issuer does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

According to Wood Mackenzie consulting company, the Issuer’s financial model and financial forecasts prepared by the Issuer’s financial team and regularly updated for various stakeholders are realistic and conform to the Issuer’s professional approaches.

In 2018, copper prices were quite low. Amid the miners’ expectations of supply disruptions on the international market in H1, the copper price climbed up, with the quarterly copper price soaring to a 4-year high by the midyear. Nonetheless, when such expectations were not met and the trade war between China and the US did not deepen, the market prices dropped to USD 5,773 in August. Following this, the prices stabilized at a slightly higher level due to deep fundamental macroeconomic and global expectations. Despite this volatility, in 2018, the average copper price increased y-o-y to USD 6,523 per tonne (calculated at $2.96 per pound).

In the wake of the slowdown in global economic activity, international research and surveys show that in Q4 2018 the global economic growth eased in early 2019. Europe is witnessing a notable slowdown in economic growth, where concerns about international trade growth are strained by the impact of populist governments in a number of countries, uncertainty and expectations about Brexit and a scandal over diesel engine emissions. Amid the continuous expectations of recession this derails further expectations of industrial growth. Expectations of trade wars and tensions too affected a number of industries, especially in Asia, where the situation has worsened as a result of slowdown in China's economic growth. In a short-term and mid-term run, the expectations of international specialists are summarized in 1.7 % CAGR, i.e., up to 25,7 million tonnes in the period from 2018 to 2023, which is equal to 430K tonnes of refined copper average annual surplus. The annual surplus of total consumption in the same period will be 1.7% amounting to 32.2 million tonnes. In the long-term run, it is the expected that the growth in total consumption will outstrip the demand for refined copper. However, the deficit will be covered by the volume of refined copper offered as a result of secondary copper recycling.

The Issuer's P/L forecast for 2019–2022 is presented below:

'000 AMD	2018[2] (actual)	2019 (forecast)	2020 (forecast)	2021 (forecast)	2022 (forecast)
Revenue	**199,900,935**	**226,502,496**	**228,941,000**	**229,576,794**	**190,154,828**
Molybdenum concentrate	-	-	*27,891,435*	*23,640,951*	*11,577,320*
Ferromolybdenum	*60,090,531*	*71,156,169*	*79,309,712*	*79,309,712*	*79,309,712*
Copper concentrate	*137,620,262*	*154,746,328*	*121,139,853*	*126,026,131*	*98,667,796*
Other	*2,190,142*	*600,000*	*600,000*	*600,000*	*600,000*
Cost of sales	**103,087,295**	**104,784,842**	**115,109,922**	**116,700,991**	**106,182,851**
Material costs	*24,897,636*	*30,518,682*	*34,565,890*	*34,471,446*	*27,577,157*
Energy costs	*10,386,107*	*13,113,445*	*14,852,473*	*14,811,892*	*14,811,892*
Fuel	*5,613,279*	*6,600,669*	*7,272,254*	*7,495,458*	*6,469,488*
Wages and Salaries	*17,312,329*	*19,151,260*	*19,151,260*	*19,151,260*	*19,151,260*
Tolling	*13,230,281*	*14,424,669*	*16,077,543*	*16,077,543*	*16,077,543*
Depreciation	*10,555,435*	*10,231,907*	*11,358,158*	*12,499,402*	*13,529,255*
Other expenses	*21,092,228*	*10,744,210*	*11,832,345*	*12,193,991*	*8,566,256*
Gross profit	**96,813,640**	**121,717,654**	**113,831,078**	**112,875,803**	**83,971,977**
Gross profit margin	*48%*	*54%*	*50%*	*49%*	*44%*
Distribution costs	**10,252,977**	**9,662,286**	**8,094,219**	**8,328,817**	**6,799,380**
Customs services and assays	*810,099*	*599,830*	*498,873*	*513,977*	*415,507*

[2] In order to make comparative analysis of forecasts for 2019–2022 and the historic values easier, the actual items for 2018 have been slightly internally redistributed.

'000 AMD	2018[2] (actual)	2019 (forecast)	2020 (forecast)	2021 (forecast)	2022 (forecast)
Transportation costs	*9,119,405*	*8,716,756*	*7,249,646*	*7,469,140*	*6,038,173*
Other expenses	*323,473*	*345,700*	*345,700*	*345,700*	*345,700*
Administrative expenses	**14,339,312**	**13,152,298**	**13,174,024**	**13,196,038**	**13,215,904**
Wages and Salaries	*5,115,737*	*5,711,427*	*5,711,427*	*5,711,427*	*5,711,427*
Internal services	*2,254,118*	*2,222,481*	*2,222,481*	*2,222,481*	*2,222,481*
Depreciation	*341,093*	*197,374*	*219,099*	*241,114*	*260,979*
Banking charges and insurance fee	*723,494*	*644,710*	*644,710*	*644,710*	*644,710*
Other expenses	*5,904,870*	*4,376,307*	*4,376,307*	*4,376,307*	*4,376,307*
Other operating expenses	**32,353,872**	**30,161,021**	**29,129,326**	**28,928,212**	**23,574,103**
Royalty payments	*20,566,081*	*24,565,402*	*23,470,903*	*23,206,150*	*17,794,613*
Write-offs[3]	*6,230,822*	-	-	-	-
Depreciation and impairment losses	*902,054*	*570,563*	*633,367*	*697,006*	*754,434*
Other	*4,654,915*	*5,025,056*	*5,025,056*	*5,025,056*	*5,025,056*
Other income	1,333,215	600,000	600,000	600,000	600,000
Hedging income (loss)	(4,390,165)	(4,271,085)	-	-	-
EBITDA	**46,939,833**	**70,974,501**	**71,092,961**	**71,294,780**	**51,248,775**
EBITDA margin	*23%*	*31%*	*31%*	*31%*	*27%*
EBIT	**28,910,429**	**59,974,657**	**58,882,337**	**57,857,259**	**36,704,107**
EBIT margin	*14%*	*26%*	*26%*	*25%*	*19%*
Donations	7,900,100	5,096,306	5,151,173	5,165,478	4,278,484
Net finance (income)/costs	**4,638,344**	**4,119,246**	**3,652,307**	**2,737,941**	**1,687,041**
Interest income (expense)	(514,796)	(671,496)	(671,496)	(671,496)	(335,748)
Impairment losses / (gains) from financial instruments	(7,483,504)	-	-	-	-
Interest	7,762,785	4,680,265	4,213,326	3,298,961	1,912,312
Amortisation of loan discount / premium	3,970,654	110,476	110,476	110,476	110,476
Other financial income (expense)[4]	1,034,791	-	-	-	-
Profit before tax	**24,272,085**	**55,855,411**	**55,230,031**	**55,119,317**	**35,017,066**
Profit tax	8,733,843	13,680,709	11,935,789	11,507,807	7,435,120
Profit after tax	**15,538,242**	**42,174,702**	**43,294,242**	**43,611,511**	**27,581,947**

Source: Issuer's financial model, 2019 – 2041 forecast

[3] Including PPE write-offs

[4] Including Allowance for expected credit loss, Foreign exchange gain (loss)

The Issuer's cash flow forecast for 2019-2022 is presented below.

'000 AMD	2018 (actual)	2019 (forecast)	2020 (forecast)	2021 (forecast)	2022 (forecast)
Net cash flow from operating activities	**48,194,673**	**44,668,015**	**57,538,716**	**59,134,528**	**34,461,920**
Acquisition of PPE	*(19,350,000)*	*(17,150,000)*	*(17,150,000)*	*(17,150,000)*	*(24,500,000)*
Costs associated with low-grade ore	*(8,675,236)*	*(2,582,356)*	-	-	-
Finance lease	*3,065,463*	*(480,347)*	*(1,025,923)*	*(615,162)*	*(661,686)*
Additions to exploration and evaluation assets	*(2,438,081)*	-	-	-	-
Interest and dividend received	*580,589*	*671,496*	*671,496*	*671,496*	*335,748*
Borrowing given to shareholder	*(8,915,150)*	*(115,183)*			
Net cash from investing activities	**(35,732,415)**	**(19,656,390)**	**(17,504,428)**	**(17,093,666)**	**(15,795,606)**
Interest	*(7,762,785)*	*(4,680,265)*	*(4,213,326)*	*(3,298,961)*	*(1,912,312)*
Increase (decrease) of shareholder loan	*(5,625,994)*	-	-	-	-
Increase (decrease) of other equity	*(1,033,977)*	-	-	-	-
Increase (decrease) of bank loans	*4,104,965*	*(10,627,340)*	-	-	-
Increase (decrease) of other short-term loans	*10,045,587*	*(10,175,375)*	-	-	-
Increase (decrease) of long-term loans	*19,751,775*	*(5,653,846)*	*(5,653,846)*	*(5,653,846)*	*(5,653,846)*
Increase (decrease) of other long-term loans	*(36,518,875)*	*1,554,802*	*(11,436,600)*	*(11,436,600)*	*(1,896,300)*
Bonds	-	*27,000,000*	-	-	*(13,500,000)*
Net cash flows from financing activities	**(17,039,303)**	**(2,582,024)**	**(21,303,772)**	**(20,389,407)**	**(22,962,458)**
Cash at the beginning of the period	**5,678,570**	**525,227**	**23,644,890**	**42,375,406**	**64,026,861**
Net increase in cash and cash equivalents	*(4,577,045)*	*22,429,601*	*18,730,516*	*21,651,455*	*(4,296,144)*
Effect of xchange rate fluctuations	*(576,298)*	*690,062*	-	-	-
Cash at the end of the period	**525,227**	**23,644,890**	**42,375,406**	**64,026,861**	**59,730,717**

Source: Issuer's financial model, 2019 – 2041 forecast

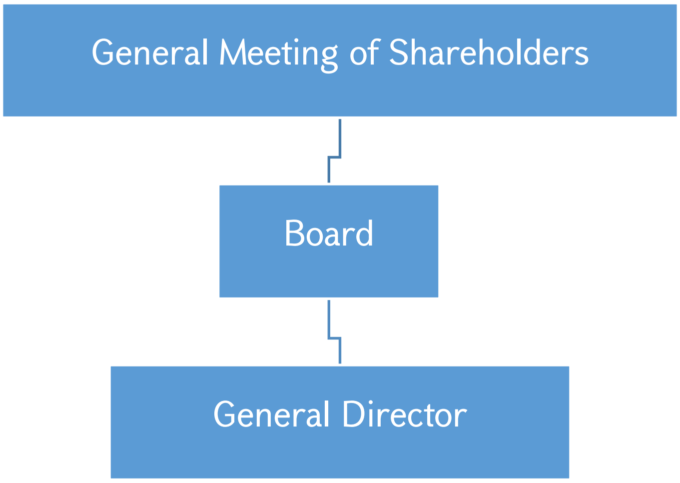
The Issuer's forecasts for 2019-2022 presented in the tables above have been made based on the following metal price projections made by the Issuer's management (average prices for the past 10 years):

Metal	2019	2020	2021	2022
Copper, USD/t	**6,669**	**6,669**	**6,669**	**6,669**
Ferromolybdenum, USD/kg	**27.15**	**27.15**	**27.15**	**27.15**

The forecasts made by the Company include the whole volume of the issue under this Prospectus (USD 50 million and AMD 2.5 bn) as the Company's liabilities.

3.9 Management

3.9.1 Orgchart



The Issuer's management includes the General Meeting of Shareholders, the Board and the General Director.

The highest governing body of the Issuer is the General Meeting of Shareholders (hereinafter also the "General Meeting"). The Company is required to convene the General Meeting of Shareholders annually upon the end of the financial year within the period from February to June 30.

The Board ensures general management of the Company's activities save for the matters that fall within the scope of the Company's General Meeting and executive body authorities according to the Armenian law "On the Joint-Stock Ventures" and the Company's Charter.

The day-to-day activities of the Company are managed by the General Director, the Company's sole executive body. The General Director's authorities include all the matters related to the ongoing activity of the Company except for the matters reserved to the authorities of the General Meeting and the Board. After appointment of the General Director by the Board, the Company executes an agreement with the latter which is signed on behalf of the Company by the Chairman of the Board or any other Board member substituting for the latter.

3.9.2 Authorities of the Management

3.9.2.1 *General Meeting*

The following matters are reserved to the authority of the General Meeting:

1) Approval of the Company's charter, amendments and addendum thereto, new editions of the Charter,

2) Reorganization of the Company,

3) Liquidation of the Company,

4) Appointing Liquidation Commission, approval of interim, summarizing and liquidation balance sheets,

5) Defining maximum volume of announced shares,

6) Approval of the quantitive composition of the Board, election of its members and early termination of their rights, approval of the Board's Regulation,

7) Increasing of charter capital of the Company by increasing the nominal value of the shares or allocating additional shares,

8) With the purpose of reducing the nominal value of shares, reducing the total number of shares reduction of the charter capital by means of purchase of allocated shares by the company as well as repayment of shares bought or bought back by the company

9) Consolidation and splitting of shares,

10) Approval of the manner of conducting the Meeting,

11) Establishment of the counting committee,

12) Election of the Company conrolling committee's members and termination of their authorities ahead of the schedule,

13) Approval of the the person carrying out the company's audit,

14) Appointment of the General Director and early termination of his/her authority, as well as approval of terms of his/her remuneration, compensation of expenses and other working conditions, including target tasks,

15) Approval of regulatory guidelines for General Director,

16) Approval of the annual budget (income and expenses estimate/budget),

17) Approval of the Company's annual statements, balance sheets, profit and loss accounts, profit and loss distribution, as well as decision making on payment of annual dividend and approval of annual dividend size,

18) Deciding on the way of providing the shareholders with information and materials by the Company, including selection of the mass media chanels if the message is to be conveyed also in the form of public announcement,

19) Deciding on conditions of remuneration of the Board members,

20) Deciding not to apply the preferential rights of shareholders of the Company during allocation of the Company's shares or other securities converible into shares,

21) Approval of decisions in the case stipulated in Article 64 of the Republic of Armenia Law "On Joint-Stock Companies", as well as deciding on signing of transactions between the Company and the Company shareholders,

22) Approval of decisions on signing of transactions in cases of availability of interest in addition to cases defined in clause 21 hereof, if all the Board members are interested parties,

23) Making large transactions related to sale and acquisition of the Company assets in the cases specified in clause 77 of the Charter, as well as if the value of the property being subject of the transaction exceeds 50 percent of the book value of the Company's assets at the moment of making the decision on signing of the transaction,

24) Making other decisions as stipulated by the laws of the Republic of Armenia "On Joint-Stock Companies", "On Securities Market" and the Charter.

Making decisions on the matters above is reserved to the exclusive authority of the General Meeting. All decisions of the General Meeting are passed if approved by shareholders owning at least 80 (eighty) percent of voting shares, unless higher percentage is required under the Republic of Armenia Law "On Joint-Stock Companies" and the Charter.

3.9.2.2 ***Board***

The Board's exclusive authorities include:

1) Determining the main directions of the Company's operations,
2) Call of annual and extraordinary shareholders meetings (except for the cases specified in point 62 of the Issuer's Charter), as well as approval of the agenda of the General Meetings,
3) Election of the Chairman of the Board and early termination of the latter's authorities,

4) Approval of the date of preparation of the list of shareholders having the right to participate in General Meeting, as well as solving any issues related to preparation for and holding the General Meeting and are under the authority of the Board to the Republic of Armenia Law "On Joint-Stock Companies",
5) Submitting the matters contemplated in subclauses 2), 9), 18), 20) and 21) of clause 51 of the Issuer's Charter, and, if envisaged so according to clause 77 of the Charter, also the matters contemplated in subclauses 15 and 16, the General Meeting for consideration,
6) Issuance and allocation of bonds and other securities other than shares,
7) Determination of the market value of assetsin cases and in accordance with the terms defined under the Republic of Armenia laws and regulations,
8) Acquisition of shares, bonds and other securities placed by the Company, in cases and in accordance with the terms defined under the Republic of Armenia laws and regulations,
9) Preparing proposals for the General Meeting concerning compensation of the Revision Commission members and procedure and terms of payment,
10) Defining of remuneration for the auditor of the Company,
11) Preparing of recommendations to the General Meeting on size and payment procedure of annual dividends to be paid for the Company's shares,
12) Determining of the size and payment procedure of interim dividends to be paid for the Company shares,
13) Using the Company's reserve and other funds,
14) Establishing the Company's branches and representations, institutions, incorporating legal entities or approval of decisions on having participation in such entities if such participation is not a large transaction,
15) Approval of decisions on sining of large transactions related to the sale and purchase of the Company property, if the value of the subject property is equal to 25 to 50 percent of the book value of Company assets at the moment of approval of that decision (decision to be made unanimously),
16) Approval of decisions on signing of transactions in case of availability of interest, except of cases where approval of decisions on such transactions are reserved to the exclusive authority of the General Meeting (decision to be made unanimously by the members entitled to participate),
17) Approval of internal policies, including the approval of accounting policy as well as approval of amendments thereto,
18) Resolving other issues stipulated under the Republic of Armenia laws and regulations, the Company Charter and regulations of its governig bodies.

3.9.2.3 ***General Director***

According to the terms of reference of the Company's General Director, the General Director:

1) Manages the Company's property, including financial assets, and signs transactions on behalf of the Company,
2) Acts on behalf of the Company without a power of attorney,
3) Represents the Company in Armenia and abroad,
4) Executes agreements, including employment contracts, in accordance with defined procedures,
5) Provides powers of attorney,
6) Opens current (including FX) and other bank accounts for the Company,
7) Approves internal regulatory documents of the Company, procedures of individual units, organizational structure and staff list,
8) Issues orders, instructions within the scope of his/her authorities, gives imperative instructions and controls implementation of those,
9) Hires and dismisses employees of the Company according to the approved procedures,
10) Applies rewarding and disciplinary measures in relation to the Company employees,
11) Exercises other authorities envisaged under the Republic of Armenia laws and regulations, this Charter and Regulation of the General Manager.

While performing his/her duties, the General Director acts in the best interests of the Company.

3.9.3 Members of the Issuer's Management

Information on the management members is presented in the table below.

Name / Company	Residence address / Registered address	Position	Occupation outside the Company
Cronimet Mining AG	Karlsruhe, Germany	Shareholder of the Company, attends the General Meeting with a voting right	Company engaged in mining industry
Plant of Pure Iron OJSC	Yerevan, Armenia	Shareholder of the Company, attends the General Meeting with a voting right	Production of ferromolybdenum
AMP Holding LLC	Yerevan, Armenia	Shareholder of the Company, attends the General Meeting with a voting right	Production of ferromolybdenum
Zangezur Mining LLC	Yerevan, Armenia	Shareholder of the Company, attends the General	Mining industry consultancy

Name / Company	Residence address / Registered address	Position	Occupation outside the Company
		Meeting with a voting right	
Mger Poloskov	Yerevan, Armenia	General Director	Chairman of Board, Plant of Pure Iron OJSC
Thomas Heil	Bruchsal, Baden-Württemberg, Germany	Chairman of the Board	CEO, Cronimet Mining AG
Narek Ambaryan	Yerevan, Armenia	Board member, First Deputy General Director	-
Vahe Hakobyan	Yerevan, Armenia	Board member	-
Moritz Hill	Dubai, UAE	Board member	Managing Director, Mining Africa, Cronimet Mining AG CEO and Board member, Cronimet Mining Group
Johannes Bhatt	Heidenheim an der Brenz, Germany	Board member	Lecturer at Heilbronn university for Corporate Finance Non-executive Director, Stemcor Global Holdings Ltd

Detailed scope of the management authorities is presented in clause 3.9.2 of the Prospectus.

3.9.4 Conflict of Interest

There is no conflict of interest between the Issuer and the members of its management.

3.10 Management Activities

3.10.1 Audit Committee

The Issuer has no Audit Committee under the Board.

The financial and economic operations of the Company are overseen by the Revision Commission, which is elected by the Board. The Company establishes a Revision Commission composed of at least three members. The Revision Commission may be composed of capable individuals not engaged in the Company's management bodies

The Revision Commission follows up on execution of the decisions of the Company's management bodies, reviews internal documents for compliance with the laws, regulations and the Charter.

The Revision Commission is entitled to check annual results of the Company's financial performance, check the Company's financial results at own initiative, upon the decision of the General Meeting or the Board, as well as upon the demand of the Company's shareholder(s) owning at least 10 percent of the Company's voting shares. The Revision Commission may conduct annual reviews at its own initiative not more than twice a year.

Upon the request of the Revision Commission, the latter should receive all the documents, materials and clarifications related to the Company's financial and economic results. The opinion of the Revision Commission during approval of the Company's annual budget is required.

Composition of the Company's Revision Commission

Name	Position
David A. Ghaltakhchyan	Chairman of the Revision Commission
Artak P. Igityan	Member of the Revision Commission
Gabriele Erbs	Member of the Revision Commission

3.10.2 Corporate Governance Principles

The Issuer is a member of Cronimet Group and is required to implement its corporate governance system and processes in accordance with the Group's Code of Conduct Policy (see Cronimet Mining Group, Code of Conduct Policy, Document Code CRMG V02, Feb 2017).

According to the Code of Conduct policy, the corporate governance principles of the Group and its member companies include lawful and ethical conduct, professionalism, avoiding or managing conflicts of interest, data protection, integrity of financial information, employee health and safety, etc.

3.11 Controlling parties

The following persons are ultimate beneficial owners of the Issuer in view of their share in the Issuer's capital:

- **Günter Pilarsky**
- **Jurgen Pilarsky**
- **Elke Pilarsky**
- **Joachim Pilarsky**
- **Jean Buffet**
- **Mger Poloskov**
- **Narek Ambaryan**
- **Karen Hakobyan**

3.12 Information about the Issuer's Assets and Liabilities, Financial Position, Profits and Loss

3.12.1 **Historical Financial Information**

The Company's audited financial statements for 2018 and 2017 are presented in Annex 6.

3.12.2 Material Changes in the Issuer's Financial Position

There has been no material changes in the Issuer's financial position in the period from the last day of the financial statements contained in the Prospectus to the day of submitting the Prospectus for registration save for the following transaction: the Issuer has signed a copper concentrate supply agreement with Trafigura PTE multinational commodity trading company, within the scope of which received USD 70 million advance payment from Trafigura. The advance payment was used for refinancing of the Issuer's other financial obligations, loans and advances resulting in an optimized capital structure.

3.12.3 **Information on Court, Arbitration and Administrative Proceedings**

According to the Issuer's estimates, no court, arbitration and (or) administrative proceedings involving the Issuer during the past 12 months has had material adverse effect on the Issuer's financial position or returns.

3.13 Additional Information

3.13.1 **Share Capital**

3.13.1.1 ***Amount of Share Capital***

As of December 31, 2018, the Company's share capital is AMD 54,966,680,000 (fifty-four billion nine hundred and sixty-six million six hundred and eighty thousand).

3.13.1.2 ***Number of Authorized Shares***

The Company has 251,666 (two hundred and fifty-one thousand six hundred and sixty-six) authorized but non-placed shares, each at a face value of AMD 20,000 (twenty thousand).

3.13.1.3 *Number of Shares*

The Company's share capital is comprised of 2,748,334 (two million seven hundred and forty-eight thousand three hundred and thirty-four) outstanding ordinary registered shares.

3.13.1.4 *Face valure per Share*

Face value per share is AMD 20,000 (twenty thousand).

3.13.2 Charter

According to the Issuer's Charter, clause 4, the Company may be involved in any economic activity not prohibited under the Armenian laws and regulations. Key areas of the Company's business activities are:

- Extracting and enrichment of molybdenum ore,
- Extracting and enrichment of copper ore,
- Extracting and enrichment of other non-ferrous metals,
- Blasting operations.

3.14 Material Contracts

During 1 year preceding the day of submission of the Prospectus for registration, the Issuer hasn't entered into any contracts and has no effective contracts other than in the ordinary course of its business, the amount of which exceeds 5 percent of the Issuer's equity reported in the Issuer's financial statements for the most recent reporting period.

3.15 Additional Information

The Issuer's Charter, interim and annual financial statement, audit reports are always available to the public electronically at the Issuer's official website www.zcmc.am.

This Prospectus may contain certain financial indicators or financial ratio calculations that are not defined under the IFRS (non-IFRS measures). Such measures include EBITDA, EBITDA Margin, Net Debt and Net Debt/EBITDA ratio, net financing expenses, interest cover ratio and net realizable price, which have been used by the Issuer's management to evaluate the Issuer's financial results.

Furthermore, such measures should be treated as supplemental measures and should not be used as a substitute or an alternative for historical financial statements prepared in accordance with the IFRS. Non-IFRS measures have not been audited.

EBITDA is defined as profit/ (loss) during the reporting period plus income tax, net financing expenses, depreciation, net impairment losses/impairment loss reversal, net profit (loss) from derivatives, cash flows from derivatives, loss from alienation of property, plant and equipment, less income from canceled debt, plus royalties, penalties and taxes, less additional royalties. EBITDA margin is calculated as EBITDA to gross revenue ratio. The Issuer uses non-IFRS measures since they are widely used by investors and analysts to evaluate the Issuer's performance. However, these measures are not IFRS based performance measures. Hence, these should not be considered substitutes for such financials as IFRS-based profit, operating profit, cash flows, and other measures describing the company's financial results or position.

HAVING READ THIS PROSPECTUS, THE INVESTOR SHOULD INDEPENDENTLY ASSESS THE RISKS ASSOCIATED WITH INVESTMENTS IN THEE BONDS BEFORE MAKING DECISION ON THEIR PURCHASE.

PART 4ANNEXES

4.1 Annex 1: Purchase order /for legal entities/

Purchase order of USD coupon bonds issued by ZCMC CJSC

Date and hour of submitting the order to the Bank	______________________ **(dd/mm/yy/hh)**
Name of the legal entity	______________________ **(official name and organizational form)**
State registration data	______________________ **(registration certificate number and date)**
Registered address and location	______________________
TINN	______________________
Residency	______________________ **(resident/non-resident)**

Hereby we accept ZCMC CJSC's offering and wish to purchase the issued coupon bonds on the following terms:

Bonds purchase date	______________________ **(dd/mm/yy)**
Quantity of purchased bonds (unit)	______ (______) **quantity in figures (words)**
Purchase price of unit bond	______________________ **price in figures**
Total amount paid against the purchased bonds	______ (______) **total amount in figures (words)**
Legal entity's USD account No	______________________

Legal entity's AMD account No ____________________

Name of the Bank ____________________

Name of the person who registers the securities account ____________________

Securities account No ____________________

Hereby we confirm that before submitting this order we have read the Program Prospectus, the Final Terms of Issuance, and the Information Memorandum attached to this order. We accept and agree to the terms contemplated in them and assume the obligations and possible risks related to investments in securities.

We certify that the funds which are transfered to the Bank have been obtained lawfully and are in no way related to terrorism funding, drug sale, trafficking, tax evasion or other illegal activities.

We confirm that once this order is accepted by ZCMC CJSC it will be considered an effective agreement executed between the parties.

FOR LEAD ARRANGER USE ONLY

ISIN of purchased securities ____________________

Total number of issued bonds **500,000 (five hundred thousand)**

quanity in figures (words)

Signature ____________________

Full name ____________________

(full name of the legal entity's representative or authorized person)

Seal

Reminder: if the investor transfers the price of bonds to the bank account No 1570043101061901 before 04:30 p.m. of the bond purchase day, the funds are considered to have been received on that day, but if the relevant amount is paid after 04:30 of the bond purchase day, the funds are considered to have been received on the fisrt business day following the day of payment.

Purchase order of AMD coupon bonds issued by ZCMC CJSC

Date and hour of submitting the order to the Bank	____________________ **(dd/mm/yy/hh)**
Name of the legal entity	____________________ **(official name and organizational form)**
State registration data	____________________ **(registration certificate number and date)**
Registered address and location	____________________
TINN	____________________
Residency	____________________ **(resident/non-resident)**

Hereby we accept ZCMC CJSC's offering and wish to purchase the issued coupon bonds on the following terms:

Bonds purchase date	____________________ **(dd/mm/yy)**
Quantity of purchased bonds (unit)	________ (____________) **quantity in figures (words)**
Purchase price of unit bond	____________________ **price in figures**
Total amount paid against the purchased bonds	________ (____________) **total amount in figures (words)**
Legal entity's AMD account No	____________________
Name of the Bank	____________________
Name of the person who registers the securities account	____________________

Securities account No ______________________________

Hereby we confirm that before submitting this order we have read the Program Prospectus, the Final Terms of Issuance, and the Information Memorandum attached to this order. We accept and agree to the terms contemplated in them and assume the obligations and possible risks related to investments in securities.

We certify that the funds which are transfered to the Bank have been obtained lawfully and are in no way related to terrorism funding, drug sale, trafficking, tax evasion or other illegal activities.

We confirm that once this order is accepted by ZCMC CJSC it will be considered an effective agreement executed between the parties.

FOR LEAD ARRANGER USE ONLY

ISIN of purchased securities ______________________________

Total number of issued bonds **25,000 (twenty - five thousand)**

quanity in figures (words)

Signature ______________________________

Full name ______________________________

(full name of the legal entity's representative or authorized person)

Seal

Reminder: if the investor transfers the price of bonds to the bank account No 1570043103202400 before 04:30 p.m. of the bond purchase day, the funds are considered to have been received on that day, but if the relevant amount is paid after 04:30 of the bond purchase day, the funds are considered to have been received on the fisrt business day following the day of payment.

INFORMATION MEMORANDUM

NOTICE: *This Information Memorandum is an integral part of the of the purchase order. Investors must read and sign/seal the Information Memorandum. Without duly signed and sealed Information Memorandum the submitted purchase order shall be considered* ***invalid****. Detailed information is available in the Issuer's Bonds Prospectus.*

1 Information about the Lead Arranger and the Services Provided

Ameriabank CJSC will act as the Lead Arranger of the bonds placement on behalf of the Issuer (address: 2 Vazgen Sargsyan St., Yerevan, 0010, Armenia)

Contact information of Ameriabank CJSC (hereafter "the Lead Manager"):

- Phone: (+37410) 56 11 11
- Fax: (+37410) 51 31 33
- Email: CapitalMarkets@ameriabank.am

Any person may contact the Lead Arranger, obtain necessary documents and other information through any of the above-mentioned means of communication from 9:30 a.m. till 4:00 p.m. Yerevan time during any banking day. Communication with the Lead Arranger will be in Armenian, Russian and English.

Investors wishing to purchase the bonds being placed by the Lead Arranger must fill in the purchase order and deliver it to the Lead Arranger in proper manner.

The purchase order will be considered properly delivered to the Lead Manager if sent by any of the defined channels (or delivered in person) with receipt acknowledgment.

The purchase order may be delivered to the Lead Arranger via the following channels:

- ***Address****: 2 V. Sargsyan St., Yerevan, 0010, Armenia Capital Markets Division, Corporate and Investment Banking Department, AMERIABANK CJSC*
- ***Email: CapitalMarkets@ameriabank.am***
- ***CBAnet adress: CaptialMarkets Ameriabank/AMERIA/CBANet@CBANet***
- *Personal delivery: by visiting any of the Bank's branches and completing the relevant purchase order with the client manager*
- *Internet banking*

According to the Republic of Armenia Law "On Securities Market", Article 35, the Lead Arranger may render investment services without investment services license. The Lead Manager was licensed and registered as a bank by the Central Bank of Armenia.

Contact information of the Central Bank of Armenia:

Address: 6 Vazgen Sargsyan St., Yerevan, 0010, Armenia

Phone: (374-10) 592 697

Fax: (374-10) 523 852

Email: mcba@cba.am

S.W.I.F.T.CBRAAM22:

After placement the Lead Arranger will notify the investor about confirmation of the payment for purchased bonds, the number of purchased bonds and proper registration of the title to the purchased bonds.

Where the bonds purchase order is executed partially and there is an amount payable to the investor, the Lead Arranger shall return it within 3 (three) business days after placement by a wire transfer to investors' bank account.

Summary of the Conflict of Interest Policy is provided below. Full version of the Policy is available at the Lead Arranger's business address. The Policy determines the potential conflicts of interests inherent to investment services and outlines the preventive measures implemented by the Lead Arranger.

When operating on the securities market the Lead Manager and its employees shall be guided by the principles of integrity and good faith, shall disclose the information fully and perform the assignments by prioritizing clients' interests and tasks.

When executing deals with client funds the Lead Manager shall follow the requirements of the Armenian legislation, its internal rules and regulations, work ethics and rules of business conduct. When performing its functions the Lead Manager should avoid acting for own benefit and executing deals which may negatively affect clients' interests.

2 Bonds and Related Risks

Investments in corporate bonds are usually associated with certain risks. Identification, analysis, forecasting of risks and assessment of their impact on the investor's financial position will enable the investor to adopt effective investment decisions based on risk/reward ratio for each particular investment.

Consequently, in any case, along with reading the prospectus carefully, investors are advised to thoroughly analyze the risks associated with investments in the Issuer's bonds before making an investment decision. The following risks are considered as major risks associated with investments in the Issuer's bonds. They are divided into two major groups: risks associated with the Issuer's business and risks associated with investments in the Issuer's bonds.

2.1 Risks Related to the Issuer

Market Risk (product prices): the Issuer's financial ratios are significantly affected by prices of extracted commodities (copper and molybdenum). Historically these prices have been volatile, due to a variety of factors beyond Issuer's control.

Environment, Waste, Health, Safety: toughening of environment, waste, health and safety regulations can result in increased operational and capital expenditures and restrict Issuer's operations.

Sales Market Accessibility: smooth and effective operation of international and regional transport networks and facilities plays an essential role in securing access of the Issuer's goods to markets.

Investment Capital Accessibility: the Issuer operates in mining industry, one of the most capital-intensive branches of economy, requiring continuous large scale investments.

Estimate of Deposits: the Issuer operates in mining industry where every company is exposed to risks associated with the accuracy of the mineral deposits estimates. According to the Issuer's assessment, the accuracy degree of the mine's deposits estimates is quite high and reliable, considering past operation history and the scope of geological works performed by the Issuer.

Energy Prices: the Issuer's operations require significant volumes of energy, fuel and other resources. In this respect the Issuer depends upon third-party energy providers.

Tax and Royalties: royalties are a significant expense item for mining companies. Based on the research of tax regulations applicable to mining companies in other countries carried out by ZCMC and Wood Mackenzie, Armenia can be considered one of the countries with the highest effective royalty rate.

Community Relations: the Issuer has been able to successfully manage its relationships with community authorities, but cannot assure that community expenses will remain the same or will not increase in future.

Currency Risk: almost 100% of the Issuer's revenue is denominated in US dollars, while operational expenses, in particular salary and energy costs – a major item on the income statement – in AMD. The Issuer will be exposed to currency risk only if US dollar depreciates with respect to Armenian dram. There have been no such trends in Armenia in recent years.

Technological Processes: equipment breakdown, job failures, any major technology breakdown can cause a long stoppage, decrease in production, affecting the Issuer's revenue and profitability.

2.2 Risks related to Bonds

Interest rate risk: bond prices are inversely dependent on market interest rates: growth of interest rates, all other factors being equal, may cause fall of bond prices and vice versa.

Market risk: the price of the Issuer's bonds and their demand on secondary market (in the long or short run) may fall due to change (and/or anticipated change) of economic indicators in local and international markets.

Reinvestment Risk: Reinvestment risk is the risk of not being able to invest the income from periodic coupon payments in instruments with yields equal to the Bond's yield to maturity.

Credit/default risk: when purchasing bonds investors bear Issuer's credit risk associated with future possible deterioration of Issuer's financial position, impossibility of paying the coupons and repaying the bonds.

Exchange Rate Risk: Exchange Rate Risk is relevant for investors who have to change their funds from one currency to another when making investment in the Bonds.

Liquidity risk: The Issuer cannot guarantee that investors will be able to sell or buy the Issuer's bonds on secondary market (regulated market) at a favorable price any time during their maturity period.

Inflation Risk: When assessing yields from the Bonds, Investors should take into account, that real coupon yields may be lower from nominal coupon yields due to inflation.

2.3 Information about published Prospectus

The Program Prospectus may be obtained at Ameriabank CJSC (Address: 2 Vazgen Sargsyan St., Yerevan, 0010, Armenia) or downloaded from Ameriabank's official website (www.ameriabank.am) or the Issuer's official website (www.zcmc.am).

2.4 Information about the Guarantee and Guarantor

Issuer's bonds are neither secured nor guaranteed.

3 Place of the Deal

Issuer's legal address is considered the place of the deal.

4 Information about Costs and Commissions

4.1 Payment for the Bonds

Investors pay for the bonds as per the bond indenture approved by the Issuer.

Bond pricing as of purchase date is determined as per the bond indenture approved by the Issuer.

4.2 General Information about the Costs and Commissions

Investors can have the following costs during placement:

- Opening a bank account with any commercial bank in accordance with effective tariffs of the commercial bank
- Opening a securities account with the Central Depositary of Armenia OJSC or custodians licensed by the Central Bank of Armenia in accordance with their effective tariffs
- Proper delivery of the purchase order to the Lead Arranger depending on the method of delivery (in person, by mail or email)
- In case of purchase order approval, costs related to purchase of issued securities and registration of title thereto, in particular
    - Banking costs for transferring the amount for the purchased bonds from the investor's bank account to the Issuer's bank account in accordance with effective tariffs of the commercial bank
    - Costs for custodian services related to bond transfer in accordance with effective tariffs of the custodian

Investors may have tax-related costs when receiving the coupons, trading and repaying the bonds depending on their taxpayer status (resident, non-resident, applicable tax exemptions, etc.) With this regard the Issuer may act as a tax agent and levy taxes in accordance with the legislation. Detailed information about taxation of the income generated from bonds is available in the bonds Prospectus.

4.3 Services offered by Ameriabank CJSC

During the placement Ameriabank offers the following services for bond purchase:

- Bank account opening in accordance with effective tariffs of Ameriabank CJSC
- Depositing cash for the purchased bonds on the bank account in accordance with effective tariffs of Ameriabank CJSC
- Securities account opening in accordance with effective tariffs of Ameriabank CJSC

Signature ______________________________

Name, surname ______________________________

(Name and surname of the representative or
authorized person of the legal entity)

PROGRAM PROSPECTUS

4.2 Annex 2: Purchase order /for individuals/

Purchase order of USD coupon bonds issued by ZCMC CJSC

Date and hour of submitting the order to the Bank	(dd/mm/yy/hh)
Name of the applicant	(name, surname)
Identification document info	(document number)
Identification document's date of issue	(dd/mm/yy/hh)
Registered address and location	
Residency	(resident/non-resident)

Hereby I accept ZCMC CJSC's offering and wish to purchase the issued coupon bonds on the following terms:

Bonds purchase date	(dd/mm/yy)
Quantity of purchased bonds (unit)	( ) quantity in figures (words)
Purchase price of unit bond	price in figures
Total amount paid against the purchased bonds	( ) total amount in figures (words)
Individual's USD account No	
Individual's AMD account No	
Name of the Bank	

Name of the person who registers the securities account ______________________

Securities account No ______________________

Hereby I confirm that before submitting this order I have read the Program Prospectus, the Final Terms of Issuance, and the Information Memorandum attached to this order. I accept and agree to the terms contemplated in them and assume the obligations and possible risks related to investments in securities.

I certify that the funds which are transfered to the Bank have been obtained lawfully and are in no way related to terrorism funding, drug sale, trafficking, tax evasion or other illegal activities.

I'm informed that investments in the securities are not covered by the Deposit Guarantee Fund of Armenia.

I confirm that once this order is accepted by ZCMC CJSC it will be considered an effective agreement executed between the parties.

FOR LEAD ARRANGER USE ONLY

ISIN of purchased securities ______________________

Total number of issued bonds 500,000 (five hundred thousand)

Quanity in figures (words)

Signature ______________________

Name, surname ______________________

(name, surname of signatory)

Seal

Reminder: if the investor transfers the price of bonds to the bank account No 1570043101061901 before 04:30 p.m. of the bond purchase day, the funds are considered to have been received on that day, but if the relevant amount is paid after 04:30 of the bond purchase day, the funds are considered to have been received on the fisrt business day following the day of payment.

Purchase order of AMD coupon bonds issued by ZCMC CJSC

Date and hour of submitting the order to the Bank	____________________ **(dd/mm/yy/hh)**
Name of the applicant	____________________ **(name, surname)**
Identification document info	____________________ **(document number)**
Identification document's date of issue	____________________ **(dd/mm/yy/hh)**
Registered address and location	____________________
Residency	____________________ **(resident/non-resident)**

Hereby I accept ZCMC CJSC's offering and wish to purchase the issued coupon bonds on the following terms:

Bonds purchase date	____________________ **(dd/mm/yy)**
Quantity of purchased bonds (unit)	______ (______) **quantity in figures (words)**
Purchase price of unit bond	____________________ **price in figures**
Total amount paid against the purchased bonds	______ (______) **total amount in figures (words)**
Individual's AMD account No	____________________
Name of the Bank	____________________
Name of the person who registers the securities account	____________________
Securities account No	____________________

Hereby I confirm that before submitting this order I have read the Program Prospectus, the Final Terms of Issuance, and the Information Memorandum attached to this order. I accept and agree to the terms contemplated in them and assume the obligations and possible risks related to investments in securities.

I certify that the funds which are transfered to the Bank have been obtained lawfully and are in no way related to terrorism funding, drug sale, trafficking, tax evasion or other illegal activities.

I'm informed that investments in the securities are not covered by the Deposit Guarantee Fund of Armenia.

I confirm that once this order is accepted by ZCMC CJSC it will be considered an effective agreement executed between the parties.

FOR LEAD ARRANGER USE ONLY

ISIN of purchased securities	
Total number of issued bonds	**25,000 (twenty - five thousand)** **Quanity in figures (words)**

Signature	
Name, surname	**(name, surname of signatory)**

Seal

Reminder: if the investor transfers the price of bonds to the bank account No 1570043103202400 before 04:30 p.m. of the bond purchase day, the funds are considered to have been received on that day, but if the relevant amount is paid after 04:30 of the bond purchase day, the funds are considered to have been received on the fisrt business day following the day of payment.

NOTICE: *This Information Memorandum is an integral part of the of the purchase order. Investors must read and sign/seal the Information Memorandum. Without duly signed and sealed Information Memorandum the submitted purchase order shall be considered **invalid**. Detailed information is available in the Issuer's Bonds Prospectus.*

5 Information about the Lead Arranger and the Services Provided

Ameriabank CJSC will act as the Lead Arranger of the bonds placement on behalf of the Issuer (address: 2 Vazgen Sargsyan St., Yerevan, 0010, Armenia)

Contact information of Ameriabank CJSC (hereafter "the Lead Manager"):

- Phone: (+37410) 56 11 11
- Fax: (+37410) 51 31 33
- Email: CapitalMarkets@ameriabank.am

Any person may contact the Lead Arranger, obtain necessary documents and other information through any of the above-mentioned means of communication from 9:30 a.m. till 4:00 p.m. Yerevan time during any banking day. Communication with the Lead Arranger will be in Armenian, Russian and English.

Investors wishing to purchase the bonds being placed by the Lead Arranger must fill in the purchase order and deliver it to the Lead Arranger in proper manner.

The purchase order will be considered properly delivered to the Lead Manager if sent by any of the defined channels (or delivered in person) with receipt acknowledgment.

The purchase order may be delivered to the Lead Arranger via the following channels:

- ***Address**: 2 V. Sargsyan St., Yerevan, 0010, Armenia Capital Markets Division, Corporate and Investment Banking Department, AMERIABANK CJSC*
- ***Email: CapitalMarkets@ameriabank.am***
- ***CBAnet adress: CaptialMarkets Ameriabank/AMERIA/CBANet@CBANet***
- *Personal delivery: by visiting any of the Bank's branches and completing the relevant purchase order with the client manager*
- *Internet banking*

According to the Republic of Armenia Law "On Securities Market", Article 35, the Lead Arranger may render investment services without investment services license. The Lead Manager was licensed and registered as a bank by the Central Bank of Armenia.

Contact information of the Central Bank of Armenia:

Address: 6 Vazgen Sargsyan St., Yerevan, 0010, Armenia

Phone: (374-10) 592 697

Fax: (374-10) 523 852

Email: mcba@cba.am

S.W.I.F.T.CBRAAM22:

After placement the Lead Arranger will notify the investor about confirmation of the payment for purchased bonds, the number of purchased bonds and proper registration of the title to the purchased bonds.

Where the bonds purchase order is executed partially and there is an amount payable to the investor, the Lead Arranger shall return it within 3 (three) business days after placement by a wire transfer to investors' bank account.

Summary of the Conflict of Interest Policy is provided below. Full version of the Policy is available at the Lead Arranger's business address. The Policy determines the potential conflicts of interests inherent to investment services and outlines the preventive measures implemented by the Lead Arranger.

When operating on the securities market the Lead Manager and its employees shall be guided by the principles of integrity and good faith, shall disclose the information fully and perform the assignments by prioritizing clients' interests and tasks.

When executing deals with client funds the Lead Manager shall follow the requirements of the Armenian legislation, its internal rules and regulations, work ethics and rules of business conduct. When performing its functions the Lead Manager should avoid acting for own benefit and executing deals which may negatively affect clients' interests.

6 Bonds and Related Risks

Investments in corporate bonds are usually associated with certain risks. Identification, analysis, forecasting of risks and assessment of their impact on the investor's financial position will enable the investor to adopt effective investment decisions based on risk/reward ratio for each particular investment.

Consequently, in any case, along with reading the prospectus carefully, investors are advised to thoroughly analyze the risks associated with investments in the Issuer's bonds before making an investment decision. The following risks are considered as major risks associated with investments in the Issuer's bonds. They are divided into two major groups: risks associated with the Issuer's business and risks associated with investments in the Issuer's bonds.

6.1 Risks Related to the Issuer

Market Risk (product prices): the Issuer's financial ratios are significantly affected by prices of extracted commodities (copper and molybdenum). Historically these prices have been volatile, due to a variety of factors beyond Issuer's control.

Environment, Waste, Health, Safety: toughening of environment, waste, health and safety regulations can result in increased operational and capital expenditures and restrict Issuer's operations.

Sales Market Accessibility: smooth and effective operation of international and regional transport networks and facilities plays an essential role in securing access of the Issuer's goods to markets.

Investment Capital Accessibility: the Issuer operates in mining industry, one of the most capital-intensive branches of economy, requiring continuous large scale investments.

Estimate of Deposits: the Issuer operates in mining industry where every company is exposed to risks associated with the accuracy of the mineral deposits estimates. According to the Issuer's assessment, the accuracy degree of the mine's deposits estimates is quite high and reliable, considering past operation history and the scope of geological works performed by the Issuer.

Energy Prices: the Issuer's operations require significant volumes of energy, fuel and other resources. In this respect the Issuer depends upon third-party energy providers.

Tax and Royalties: royalties are a significant expense item for mining companies. Based on the research of tax regulations applicable to mining companies in other countries carried out by ZCMC and Wood Mackenzie, Armenia can be considered one of the countries with the highest effective royalty rate.

Community Relations: the Issuer has been able to successfully manage its relationships with community authorities, but cannot assure that community expenses will remain the same or will not increase in future.

Currency Risk: almost 100% of the Issuer's revenue is denominated in US dollars, while operational expenses, in particular salary and energy costs – a major item on the income statement – in AMD. The Issuer will be exposed to currency risk only if US dollar depreciates with respect to Armenian dram. There have been no such trends in Armenia in recent years.

Technological Processes: equipment breakdown, job failures, any major technology breakdown can cause a long stoppage, decrease in production, affecting the Issuer's revenue and profitability.

6.2 Risks related to Bonds

Interest rate risk: bond prices are inversely dependent on market interest rates: growth of interest rates, all other factors being equal, may cause fall of bond prices and vice versa.

Market risk: the price of the Issuer's bonds and their demand on secondary market (in the long or short run) may fall due to change (and/or anticipated change) of economic indicators in local and international markets.

Reinvestment Risk: Reinvestment risk is the risk of not being able to invest the income from periodic coupon payments in instruments with yields equal to the Bond's yield to maturity.

Credit/default risk: when purchasing bonds investors bear Issuer's credit risk associated with future possible deterioration of Issuer's financial position, impossibility of paying the coupons and repaying the bonds.

Exchange Rate Risk: Exchange Rate Risk is relevant for investors who have to change their funds from one currency to another when making investment in the Bonds.

Liquidity risk: The Issuer cannot guarantee that investors will be able to sell or buy the Issuer's bonds on secondary market (regulated market) at a favorable price any time during their maturity period.

Inflation Risk: When assessing yields from the Bonds, Investors should take into account, that real coupon yields may be lower from nominal coupon yields due to inflation.

6.3 Information about published Prospectus

The Program Prospectus may be obtained at Ameriabank CJSC (Address: 2 Vazgen Sargsyan St., Yerevan, 0010, Armenia) or downloaded from Ameriabank's official website (www.ameriabank.am) or the Issuer's official website (www.zcmc.am).

6.4 Information about the Guarantee and Guarantor

Issuer's bonds are neither secured nor guaranteed.

7 Place of the Deal

Issuer's legal address is considered the place of the deal.

8 Information about Costs and Commissions

8.1 Payment for the Bonds

Investors pay for the bonds as per the bond indenture approved by the Issuer.

Bond pricing as of purchase date is determined as per the bond indenture approved by the Issuer.

8.2 General Information about the Costs and Commissions

Investors can have the following costs during placement:

- Opening a bank account with any commercial bank in accordance with effective tariffs of the commercial bank
- Opening a securities account with the Central Depositary of Armenia OJSC or custodians licensed by the Central Bank of Armenia in accordance with their effective tariffs
- Proper delivery of the purchase order to the Lead Arranger depending on the method of delivery (in person, by mail or email)
- In case of purchase order approval, costs related to purchase of issued securities and registration of title thereto, in particular
    - Banking costs for transferring the amount for the purchased bonds from the investor's bank account to the Issuer's bank account in accordance with effective tariffs of the commercial bank
    - Costs for custodian services related to bond transfer in accordance with effective tariffs of the custodian

Investors may have tax-related costs when receiving the coupons, trading and repaying the bonds depending on their taxpayer status (resident, non-resident, applicable tax exemptions, etc.) With this regard the Issuer may act as a tax agent and levy taxes in accordance with the legislation. Detailed information about taxation of the income generated from bonds is available in the bonds Prospectus.

8.3 Services offered by Ameriabank CJSC

During the placement Ameriabank offers the following services for bond purchase:

- Bank account opening in accordance with effective tariffs of Ameriabank CJSC
- Depositing cash for the purchased bonds on the bank account in accordance with effective tariffs of Ameriabank CJSC
- Securities account opening in accordance with effective tariffs of Ameriabank CJSC

Signature ______________________________

Name, surname ______________________________

(signatory's name, surname)

4.3 Annex 3: Ratio calculation formulas

Earnings per share (EPS) = Net Profit / Weighted Average Common Shares

Return on Equity (ROE) = Net Profit / Average Total Equity

Return on Assets (ROA) = Net Profit / Average Total Assets

Net Profit Margin (NPM) = Net Profit / Sales

Shareholder Equity Ratio = Total Equity / Total Assets

Debt-to-Equity = Total Liabilites / Total Equity

Absolute liquid ratio = (Cash and equivalents + Temporary investments) / Current liabilities

Quick ratio = (Cash and equivalents + Temporary investments + Trade receivables and prepayments) / Current liabilities

Current ratio = Current assets / Current liabilities

Trade receivables turnover ratio = Sales / Average trade receivables

Trade receivable days outstanding = 365 / Trade receivables turnover ratio

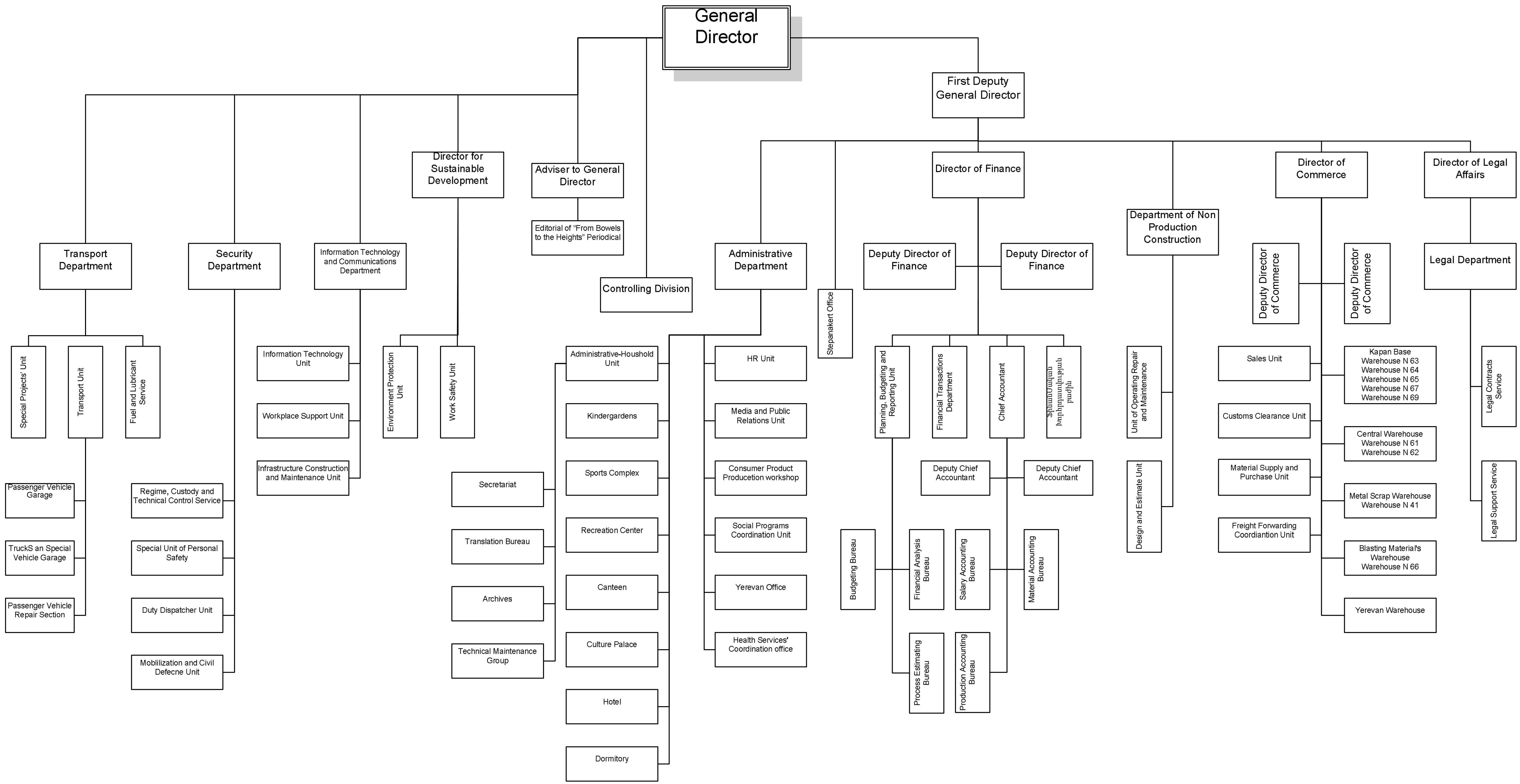
Inventory turnover ratio = COGS / Average inventory

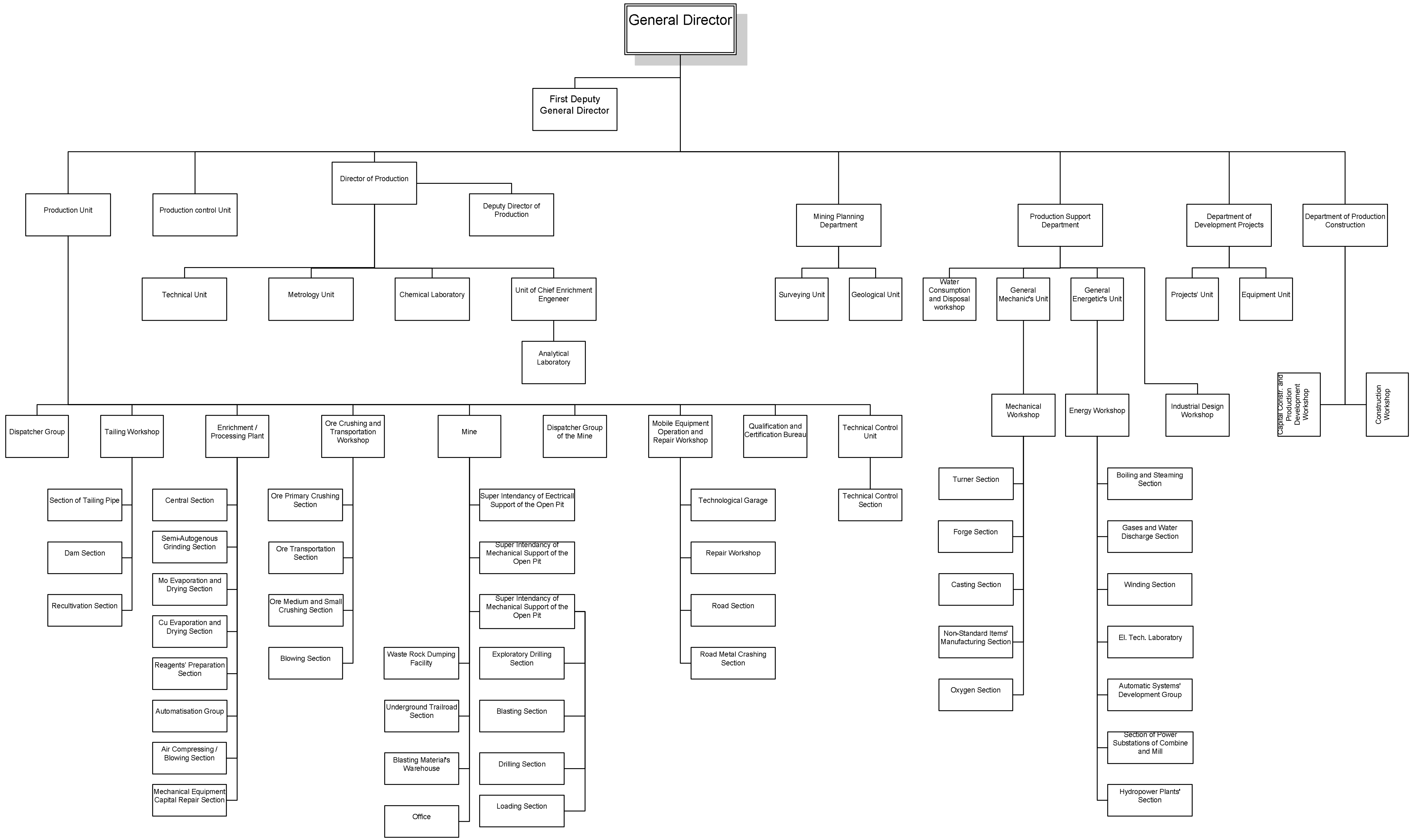
Days of inventory on hand = 365 / Inventory turnover ratio

Trade payables turnover ratio = COGS / Average trade payables

Trade payable days outstanding = 365 / Trade payables turnover ratio

4.4 Annex 4: Organizational Chart


General Director
First Deputy General Director
Transport Department
Security Department
Information Technology and Communications Department
Director for Sustainable Development
Adviser to General Director
Editorial of "From Bowels to the Heights" Periodical
Controlling Division
Administrative Department
Stepanakert Office
Director of Finance
Deputy Director of Finance
Deputy Director of Finance
Department of Non Production Construction
Director of Commerce
Deputy Director of Commerce
Deputy Director of Commerce
Director of Legal Affairs
Legal Department
Special Projects' Unit
Transport Unit
Fuel and Lubricant Service
Passenger Vehicle Garage
TruckS an Special Vehicle Garage
Passenger Vehicle Repair Section
Regime, Custody and Technical Control Service
Special Unit of Personal Safety
Duty Dispatcher Unit
Mobilization and Civil Defecne Unit
Information Technology Unit
Workplace Support Unit
Infrastructure Construction and Maintenance Unit
Environment Protection Unit
Work Safety Unit
Secretariat
Translation Bureau
Archives
Technical Maintenance Group
Administrative-Houshold Unit
Kindergardens
Sports Complex
Recreation Center
Canteen
Culture Palace
Hotel
Dormitory
HR Unit
Media and Public Relations Unit
Consumer Product Producetion workshop
Social Programs Coordination Unit
Yerevan Office
Health Services' Coordination office
Planning, Budgeting and Reporting Unit
Financial Transactions Department
Chief Accountant
Deputy Chief Accountant
Deputy Chief Accountant
Budgeting Bureau
Financial Analysis Bureau
Salary Accounting Bureau
Material Accounting Bureau
Process Estimating Bureau
Production Accounting Bureau
Unit of Operating Repair and Maintenance
Design and Estimate Unit
Sales Unit
Customs Clearance Unit
Material Supply and Purchase Unit
Freight Forwarding Coordiantion Unit
Kapan Base Warehouse N 63 Warehouse N 64 Warehouse N 65 Warehouse N 67 Warehouse N 69
Central Warehouse Warehouse N 61 Warehouse N 62
Metal Scrap Warehouse Warehouse N 41
Blasting Material's Warehouse Warehouse N 66
Yerevan Warehouse
Legal Contracts Service
Legal Support Service


General Director
First Deputy General Director
Production Unit
Production control Unit
Director of Production
Deputy Director of Production
Mining Planning Department
Production Support Department
Department of Development Projects
Department of Production Construction
Technical Unit
Metrology Unit
Chemical Laboratory
Unit of Chief Enrichment Engeneer
Analytical Laboratory
Surveying Unit
Geological Unit
Water Consumption and Disposal workshop
General Mechanic's Unit
General Energetic's Unit
Projects' Unit
Equipment Unit
Capital Constr. and Production Development Workshop
Construction Workshop
Mechanical Workshop
Energy Workshop
Industrial Design Workshop
Dispatcher Group
Tailing Workshop
Enrichment / Processing Plant
Ore Crushing and Transportation Workshop
Mine
Dispatcher Group of the Mine
Mobile Equipment Operation and Repair Workshop
Qualification and Certification Bureau
Technical Control Unit
Section of Tailing Pipe
Dam Section
Recultivation Section
Central Section
Semi-Autogenous Grinding Section
Mo Evaporation and Drying Section
Cu Evaporation and Drying Section
Reagents' Preparation Section
Automatisation Group
Air Compressing / Blowing Section
Mechanical Equipment Capital Repair Section
Ore Primary Crushing Section
Ore Transportation Section
Ore Medium and Small Crushing Section
Blowing Section
Super Intendancy of Eectricall Support of the Open Pit
Super Intendancy of Mechanical Support of the Open Pit
Super Intendancy of Mechanical Support of the Open Pit
Exploratory Drilling Section
Blasting Section
Drilling Section
Loading Section
Waste Rock Dumping Facility
Underground Trailroad Section
Blasting Material's Warehouse
Office
Technological Garage
Repair Workshop
Road Section
Road Metal Crashing Section
Technical Control Section
Turner Section
Forge Section
Casting Section
Non-Standard Items' Manufacturing Section
Oxygen Section
Boiling and Steaming Section
Gases and Water Discharge Section
Winding Section
El. Tech. Laboratory
Automatic Systems' Development Group
Section of Power Substations of Combine and Mill
Hydropower Plants' Section

Zangezur Copper Molybdenum Combine CJSC

Consolidated financial statements

For the year ended 31 December 2018
together with independent auditor’s report

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Ernst & Young CJSC
1 Northern Ave., office 27
Yerevan, 0001, Armenia
Tel: +374 (10) 500 790
+374 (10) 500 705
Fax: +374 (10) 500 706
www.ey.com/am

«Էրնսթ ընդ Յանգ» ՓԲԸ
ՀՀ, ք. Երևան 0001
Հյուսիսային պող. 1, գրասենյակ 27
Հեռ. +374 (10) 500 790
+374 (10) 500 705
Ֆաքս. +374 (10) 500 706

Independent auditor's report

To the Shareholders of Zangezur Copper Molybdenum Combine CJSC

Opinion

We have audited the consolidated financial statements of Zangezur Copper Molybdenum Combine CJSC and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the consolidated financial statements

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

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

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Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

Ernst & Young CJSC

On behalf of General Director A. Sarkisyan
(by power of attorney dated 1 August 2016)
Partner (Assurance) Eric Hayrapetyan

Yerevan, Armenia

29 April 2019

Consolidated statement of financial position

as at 31 December 2018

'000 AMD	*Note*	*31 December 2018*	*31 December 2017*
Assets			
Property, plant and equipment	14	209,084,432	194,293,704
Stripping activity asset	15	4,090,780	4,090,780
Inventories	20	12,469,763	3,794,527
Intangible assets		408,203	99,040
Investments at fair value through profit or loss	16	877,159	–
Available-for-sale investments	16	–	928,484
Prepayments for non-current assets	18	3,352,442	6,724,894
Loans given	19	5,573,313	–
Exploration and evaluation asset	17	–	2,438,081
Input VAT		944,875	1,142,475
Other non-current assets		51,000	51,000
Non-current assets		**236,851,967**	**213,562,985**
Inventories	20	20,431,684	13,151,871
Other prepaid taxes		392,188	492,486
Input VAT		3,396,316	1,541,473
Deferred VAT		525,279	548,397
Trade and other receivables	21	9,600,820	13,579,858
Prepayments for current assets	18	6,805,004	8,150,173
Loans given	19	3,341,837	–
Financial assets at fair value through profit or loss	26	254,868	–
Cash and cash equivalents	22	525,227	5,678,570
Other current assets		1,611	1,771
Current assets		**45,274,834**	**43,144,599**
Total assets		**282,126,801**	**256,707,584**
Equity			
Share capital	23	54,966,680	54,966,680
Retained earnings		51,016,078	36,511,813
Total equity		**105,982,758**	**91,478,493**
Liabilities			
Loans and borrowings	24	23,757,102	49,306,949
Provisions	25	3,236,671	3,136,131
Finance lease	28	2,138,218	–
Advances received for provisionally priced sales, contract liabilities	29	39,157,288	24,841,042
Deferred tax liabilities	13	12,978,254	15,706,183
Non-current liabilities		**81,267,533**	**92,990,305**
Loans and borrowings	24	43,591,519	22,831,584
Financial liabilities at fair value through profit or loss	26	–	7,140,890
Provisions	25	406,804	553,462
Finance lease	28	927,246	–
Advances received for provisionally priced sales, contract liabilities	29	22,809,090	13,785,285
Income tax payable	13	-	4,487,225
Royalty payables		1,939,170	5,209,644
Trade and other payables	27	25,202,681	18,230,696
Current liabilities		**94,876,510**	**72,238,786**
Total liabilities		**176,144,043**	**165,229,091**
Total equity and liabilities		**282,126,801**	**256,707,584**

Signed and authorised for release on behalf of the Management of the Group on 29 April 2019

Mger Poloskov
General Director

Vardan Marutyan
Chief Accountant

The accompanying notes 1-37 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2018

'000 AMD	*Note*	*2018*	*2017*
Revenue	5	199,900,935	188,553,245
Cost of sales	6	(103,087,295)	(98,836,312)
Gross profit		**96,813,640**	**89,716,933**
Other income		1,333,215	556,122
Distribution expenses	7	(10,252,977)	(10,298,126)
Administrative expenses	8	(14,339,312)	(12,663,416)
Donations to social programs	9	(7,900,100)	(3,481,634)
Other expenses	10	(32,353,872)	(24,371,698)
Operating profit		**33,300,594**	**39,458,181**
Allowance for expected credit loss	19,21	(394,771)	–
Finance income	11	3,673,928	312,668
Finance cost	11	(12,395,745)	(23,664,792)
Net foreign exchange gain		88,079	3,862
Profit before income tax		**24,272,085**	**16,109,919**
Income tax expense	13	(8,733,843)	(5,264,349)
Total comprehensive income for the year		**15,538,242**	**10,845,570**

The accompanying notes 1-37 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2018

'000 AMD	*Share capital (Note 23)*	*Retained earnings*	*Total equity*
As at 1 January 2017	**54,966,680**	**25,666,243**	**80,632,923**
Total comprehensive income for the year	–	10,845,570	**10,845,570**
As at 31 December 2017	**54,966,680**	**36,511,813**	**91,478,493**
Balance at 1 January 2018	**54,966,680**	**36,511,813**	**91,478,493**
Impact of adopting IFRS 9 (Note 34)	–	(383,902)	**(383,902)**
Impact of adopting IFRS 15 (Note 34)	–	(650,075)	**(650,075)**
Restated opening balance	**54,966,680**	**35,477,836**	**90,444,516**
Total comprehensive income for the year	–	15,538,242	**15,538,242**
As at 31 December 2018	**54,966,680**	**51,016,078**	**105,982,758**

The accompanying notes 1-37 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2018

'000 AMD	*2018*	*2017*
Operating activities		
Receipts from sales, inclusive of VAT	218,298,208	203,031,277
Payments to suppliers, inclusive of VAT	(124,965,235)	(112,868,825)
Payments to employees, net of personal income tax	(20,463,853)	(15,884,697)
Settlement of financial instruments at fair value through profit or loss	(4,563,573)	(12,536,523)
Income tax paid*	(15,690,502)	–
Payments for taxes other than on income	(5,240,781)	(222,198)
Royalty paid	(12,970,001)	(10,323,209)
Donations to social programs	(5,433,720)	(3,618,069)
Interest paid on long-term advances received	(2,434,340)	–
Banks charges and conversion losses	(1,214,734)	(214,769)
Other receipts	1,859,844	200,514
Other payments	(3,156,122)	(1,010,536)
Net cash from operating activities	**24,025,191**	**46,552,965**
Investing activities		
Expenditure on property, plant and equipment and stripping activity asset	(18,654,085)	(15,777,426)
Proceeds from disposal of property, plant and equipment	1,599	44,200
Loans provided	(797,326)	–
Interest received	48,985	37,980
Income from Artsakh HEK shares	117,115	–
Net cash used in investing activities	**(19,283,712)**	**(15,695,246)**
Financing activities		
Proceeds from loans and borrowings	212,025,762	–
Repayments of loans and borrowings	(215,820,449)	(23,422,190)
Interest paid, including related withholding tax	(5,523,837)	(6,585,458)
Net cash used in financing activities	**(9,318,524)**	**(30,007,648)**
Net (decrease)/increase in cash and cash equivalents	**(4,577,045)**	**850,071**
Cash and cash equivalents at 1 January (Note 22)	5,678,570	4,791,358
Net foreign exchange difference	(576,298)	37,141
Cash and cash equivalents at 31 December (Note 22)	**525,227**	**5,678,570**

* During 2017 prepayment of income tax of AMD 2,823,965 thousand and AMD 137,000 thousand was set-off with royalty payable and personal income tax payable, respectively. Prepayment of income tax of AMD 168,431 thousand was set-off with fines and penalties and AMD 153,206 thousand was netted with income tax payable in 2017.

The accompanying notes 1-37 form an integral part of these consolidated financial statements.

1. Background

a) Corporate information

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

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

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

The Group is owned by Cronimet Mining AG (60%), Plant of Pure Iron OJSC (15%) (99.3% ultimately owned by Cronimet Holding GmbH), AMP Holding LLC (12.5%) and Zangezur Mining LLC (12.5%) (the "Shareholders").

The ultimate parent company of the Group is Cronimet Verwaltungs GmbH, which is controlled by Günter Pilarsky and his family. Related party transactions are disclosed in Note 33.

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

b) Armenian business environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

2. Basis of preparation

a) Overview

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, derivative financial instruments have been measured at fair value.

b) Subsidiaries

The following subsidiaries are included in the consolidated financial statements of the Group:

Subsidiary	*Ownership/ voting, %*	*Principal place of business*	*Country of incorporation*	*Nature of activities*
Ler-Ex LLC	100%	Kapan, Armenia	Republic of Armenia	Mining

c) Liquidity position

As at 31 December 2018 the Group's current liabilities exceeded its current assets by AMD 49,601,676 thousand.

The Management have reviewed the Group's budgeted cash flows and related assumptions including appropriate stress testing of risks (being primarily copper demand and prices). As a result, the Management have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

The management believes that liquidity gap has a temporary character and will improve with rise in copper and molybdenum prices.

2. Basis of preparation (continued)

d) Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the Group companies’ functional currency and the currency in which these consolidated financial statements are presented.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

All financial information is presented in thousands AMD, unless otherwise indicated. The official Central Bank of Armenia (CBA) exchange rates at 31 December 2018 and 31 December 2017 were 483.75 AMD and 484.10 AMD to 1 USD, 553.65 AMD and 580.1 AMD to 1 EUR respectively.

e) 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 measuring fair values is included in Note 30.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Zangezur Copper Molybdenum Combine CJSC and its subsidiary as at 31 December 2018. A subsidiary is an entity controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

The relevant activities are those which significantly affect the subsidiary’s returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary.

3. Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests (NCIs).

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the NCIs, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. Significant accounting judgments, estimates and assumptions

a) Use of judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgments, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described with the associated accounting policy note within the related qualitative and quantitative note as described below.

These include:

Judgments, estimates and assumptions

- Note 15 "Stripping activity asset";
- Note 2 (d) "Functional currency";
- Note 37 (b) "Recognition of revenue";
- Note 37 (g) "Income tax";
- Note 10 "Other expenses" − royalty estimation.
- Note 4 (b) "Ore reserves" − valuation of mineral reserves that are the basis for future cash flow estimates;
- Exploration and evaluation expenditure;
- Note 37 (k) "Property, plant and equipment" − determination of units of production depreciation calculations;
- Note 37 (k) "Property, plant and equipment" − useful lives of property, plant and equipment;
- Note 25 (a) "Provisions";
- Note 37 (a) "Recoverability of assets";
- Note 37 (j) "Inventories";
- Note 30 "Financial instruments and risk management" − fair values of financial instruments;
- Note 21 "Trade and other receivables" – impairment of trade and other receivables.

There were no changes in the accounting policies or management estimates during 2018.

4. Significant accounting judgements, estimates and assumptions (continued)

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below or in the related accounting policy note (see list above for references). The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Ore reserves and exploitation license

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

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

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

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

5. Revenue

'000 AMD	*2018*	*2017*
Revenue from sale of copper concentrate	134,067,520	146,189,567
Revenue from sale of ferro-molybdenum	60,090,531	39,716,526
Revenue from freight/shipping services of copper concentrate	3,552,742	2,396,443
Revenue from provided stripping services	2,086,000	−
Revenue from sale of other products	104,142	250,709
	199,900,935	**188,553,245**

Revenues from sale of concentrates and ferro-molybdenum:

	2018		*2017*	
	'000 AMD	*Dry metric tonnes*	*'000 AMD*	*Dry metric tonnes*
Copper concentrate	134,067,520	242,871	146,189,567	260,646
Ferro-molybdenum	60,090,531	6,980	39,716,526	6,520
	194,158,051		**185,906,093**	

All revenue from copper concentrate and ferro-molybdenum is recognised at a point in time when control transfers (Note 34) and revenue from freight/shipping services is recognised over time as the services are provided.

5. Revenue (continued)

At 31 December 2018 the Group had outstanding provisionally priced sales of AMD 22,805,390 thousand consisting of 18,561 dry metric tonnes of copper concentrate, 893 dry metric tonnes of ferro-molybdenum (2017: AMD 27,610,249 thousand consisting of 29,946 dry metric tonnes of copper concentrate and 651 dry metric tonnes of ferro-molybdenum) which had a fair value of approximately AMD 22,336,268 thousand (2017: AMD 29,969,364 thousand).

6. Cost of sales

'000 AMD	*2018*	*2017*
Cost of sales of copper concentrate and ferro-molybdenum	102,210,290	98,576,113
Cost of provided stripping services	649,266	–
Cost of other sales	227,739	260,199
	103,087,295	**98,836,312**

Cost of sales of copper concentrates and ferro-molybdenum:

'000 AMD	*2018*	*2017*
Materials	30,510,915	30,172,381
Outsourced services	19,831,873	19,631,776
Wages and salaries	17,312,329	14,007,048
Tolling costs	13,230,281	10,906,874
Depreciation	10,555,435	11,302,121
Electricity and gas	10,386,107	12,117,971
Ecology taxes	49,483	55,308
Other	333,867	382,634
	102,210,290	**98,576,113**

Cost of provided stripping services expenses include indirect payroll expenses in the amount of AMD 115,000 thousand (2017: nil) (see Note 12) and depreciation expenses in the amount of AMD 63,334 thousand (2017: nil) (see Note 14).

7. Distribution expenses

'000 AMD	*2018*	*2017*
Transportation of copper concentrate	8,877,543	9,158,401
Transportation of molybdenum concentrate	241,862	211,742
Packaging, sorting and maintenance	224,982	200,084
Other	908,590	727,899
	10,252,977	**10,298,126**

Packaging, sorting and maintenance expenses include indirect payroll expenses in the amount of AMD 122,207 thousand (2017: AMD 89,959 thousand) (see Note 12). There is no depreciation expense included in packaging, sorting and maintenance expenses in 2018 (2017: nil) (see Note 14).

8. Administrative expenses

'000 AMD	*2018*	*2017*
Wages and salaries	5,115,737	4,704,861
Transportation and car maintenance	2,254,118	1,760,472
Audit, consulting and other professional services	1,715,438	951,682
Geological studies and research	1,397,077	1,605,603
Insurance cost and bank charges	723,494	647,538
Rental expenses	455,623	101,049
Office, utility and communication expenses	431,466	380,215
Business trips, trainings, and representative expenses	383,224	231,792
Depreciation and amortization	341,093	218,018
Hedging commission fee	161,354	201,664
Guarantee expense	25,827	544,909
Other	1,334,861	1,315,613
	14,339,312	**12,663,416**

8. Administrative expenses (continued)

Transportation and car maintenance service expenses include indirect payroll expenses in the amount of AMD 559,481 thousand (2017: AMD 243,852 thousand) (see Notes 12) and depreciation expenses in the amount of AMD 324,706 thousand (2017: AMD 237,787 thousand) (see Note 14).

9. Donations to social programs

'000 AMD	*2018*	*2017*
Donations in cash	5,203,683	3,412,860
Non-cash donations	2,696,417	68,774
	7,900,100	**3,481,634**

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

10. Other expenses

'000 AMD	*2018*	*2017*
Royalty expense*	20,566,081	17,842,943
Wages and salaries	2,462,701	1,014,922
Impairment of exploration and evaluation assets	2,438,081	–
Impairment of mining facilities	1,845,992	–
Write off of prepayments and receivables	1,190,513	–
Employee benefits other than salary	804,819	840,500
Taxes other than on income	730,620	554,775
Depreciation	569,711	630,242
Loss on disposal of property and equipment	525,496	1,074,756
Rental expenses	507,000	–
Write-down of inventories	332,343	326,910
Site restoration provision	230,740	–
Fines and penalties	10,299	764,647
Termination benefits	–	114,182
Other	139,476	1,207,821
	32,353,872	**24,371,698**

* Royalty expense consists of two components:

► Royalty calculated at 4% of revenue of AMD 8,703,905 thousand (2017: AMD 7,738,382 thousand);

► Royalty calculated as 12.5% of taxable income of AMD 11,862,176 thousand (2017: AMD 9,681,602 thousand).

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

In 2017 the Group recognized royalty expense related to prior periods in the amount of AMD 422,959 thousand.

11. Finance income and finance cost

'000 AMD	*2018*	*2017*
Recognised in profit or loss		
Net gain from financial instruments at fair value through profit or loss	3,093,339	–
Interest income from loans given	465,810	123,363
Dividend income from Artsakh HEK OJSC (Note 16)	65,793	151,325
Interest income on bank accounts	48,986	37,980
Finance income	**3,673,928**	**312,668**
Interest expense on loans and borrowings	(10,163,140)	(6,635,138)
Interest expense on advances received for provisionally priced sales	(1,570,299)	(1,740,300)
Unwinding of discount on site restoration provision and provision for termination benefits	(332,407)	(437,161)
Net loss from financial instruments at fair value through profit or loss	–	(14,837,967)
Other interest expenses	(329,899)	(14,226)
Finance cost	**(12,395,745)**	**(23,664,792)**
Borrowing costs capitalized during the period	(586,972)	(1,667,601)

11. Finance income and finance cost (continued)

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 12.72% (2017: 11.60%). The capitalization rate was estimated as the weighted average of the borrowing costs applicable to the borrowings of the Group that were outstanding during 2018.

Net gain from financial instruments at fair value through profit or loss comprise of realized loss AMD 4,390,165 thousand (2017: loss AMD 8,216,127 thousand) and unrealized gain AMD 7,483,504 thousand (2017: loss AMD 6,621,840 thousand).

12. Personnel costs

'000 AMD	*2018*	*2017*
Wages and salaries	29,280,293	21,908,081
Employee benefits other than salary (Note 10)	804,819	840,500
Termination benefits (Note 25)	−	114,183
	30,085,112	**22,862,764**

Wages and salaries in the amount of AMD 17,427,329 thousand were charged to cost of sales (2017: AMD 14,007,048 thousand), AMD 122,207 thousand to distribution expenses (2017: AMD 89,959 thousand), AMD 5,675,218 thousand to administrative expenses (2017: AMD 4,948,713 thousand), AMD 2,462,701 thousand to other expenses (2017: AMD 1,014,922 thousand), AMD 1,158,131 thousand was capitalized on construction in progress (2017: AMD 413,580 thousand), AMD 627,293 thousand was capitalized on finished goods and inventories (2017: AMD 137,018 thousand), AMD 1,683,754 thousand was capitalized on non-current inventories − ore stockpiles (2017: AMD 1,180,892 thousand), AMD 123,660 thousand (2017: AMD 115,949 thousand) were included in provided digging services.

13. Income tax expense

a) Amounts recognised in profit or loss

The corporate income tax expense comprises:

'000 AMD	*2018*	*2017*
Income tax expense	11,203,277	4,646,217
Adjustment of income tax for the previous period	−	170,133
Deferred tax credit – origination and reversal of temporary differences	(2,469,434)	447,999
Income tax expense	**8,733,843**	**5,264,349**

Armenian legal entities must file individual tax declarations. In 2018 and 2017, statutory income tax rate for Armenian companies was 20%.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on the statutory rate with actual is as follows:

'000 AMD	*2018*	*2017*
Profit before income tax	**24,272,085**	**16,109,919**
Statutory tax rate	20%	20%
Income tax expense at applicable tax rate	**4,854,417**	**3,221,984**
Non-deductible expenses		
Change in tax base of property, plant and equipment due to tax legislation changes	(1,285,782)	−
Correction of tax base of advances received due to change in tax legislation	180,709	−
Deferred tax assets recognised due to increase of estimated tax base of property, plant and equipment in 2018	−	(1,038,395)
Adjustments in respect of current income tax of previous years	−	170,133
Reversal of tax loss carried forward	−	421,913
Change in unrecognized deductible temporary differences and tax losses	76,389	78,632
Other non-deductible expenses	4,908,110	2,410,082
	8,733,843	**5,264,349**

13. Income tax expense (continued)

b) Movement in temporary differences during the year

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

	1 January 2017	*Origination and reversal of temporary differences*	*31 December 2017*	*Restatement of opening balances*	*Origination and reversal of temporary differences*	*31 December 2018*
Tax effect of taxable temporary differences						
Inventories	199,422	(47,105)	152,317	–	123,833	276,150
Trade and other receivables	–	–	–	258,494	(114,399)	144,095
Prepayments for current assets	–	–	–	–	44,397	44,397
Loans given	–	–	–	–	35,500	35,500
Provision of site restoration	616,387	(53,416)	562,971	–	22,569	585,540
Trade and other payables	–	(146,887)	(146,887)	–	681,784	534,897
Deferred tax asset	**815,809**	**(247,408)**	**568,401**	**258,494**	**793,684**	**1,620,579**
Tax effect of taxable temporary differences						
Property, plant and equipment	(18,486,589)	1,811,976	(16,674,613)	–	2,221,183	(14,453,430)
Exploration and evaluation asset	(90,857)	–	(90,857)	–	90,857	–
Advances received for provisionally prices sales	231,323	(432,543)	(201,220)	–	201,220	–
Loans and borrowings	(968,445)	232,373	(736,072)	–	641,643	(94,429)
Financial assets at fair value through profit or loss	98,732	1,329,446	1,428,178	–	(1,479,152)	(50,974)
Deferred tax liability	**(19,215,836)**	**2,941,252**	**(16,274,584)**	**–**	**1,675,751**	**(14,598,833)**
Net deferred tax liability	**(18,400,027)**	**2,693,844**	**(15,706,183)**	**258,494**	**2,469,435**	**(12,978,254)**

c) Unrecognized deferred tax assets

	1 January 2017	*Origination and reversal of temporary differences*	*31 December 2017*	*Origination and reversal of temporary differences*	*31 December 2018*
Tax losses carried forward	634,660	(21,795)	612,865	(503,373)	109,492
Property, plant and equipment	334,949	(55,059)	279,890	383,798	663,688
Inventories	10,309	(4,927)	5,382	(1,145)	4,237
Provision for site restoration	–	1,645	1,645	44,330	45,975
Deferred tax asset	**979,918**	**(80,136)**	**899,782**	**(76,390)**	**823,392**
Unrecognized deferred tax			**(899,782)**		**(823,392)**

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of deductible temporary differences and tax losses of the Subsidiary because it is uncertain whether future taxable profit will be available against which the Subsidiary can utilize the benefits therefrom.

14. Property, plant and equipment

'000 AMD	*Land and buildings*	*Plant and equipment*	*Mining facilities*	*Fixtures and fittings*	*Construction in progress*	*Total*
Cost						
At 1 January 2017	**66,147,082**	**181,517,736**	**2,245,676**	**808,348**	**46,050,197**	**296,769,039**
Additions	6,001,451	6,406,525	8,226	114,281	7,382,414	**19,912,897**
Disposals for the year	(768,127)	(3,331,772)	–	(27,484)	(1,393,908)	**(5,521,291)**
Transfers	317,513	1,537,825	–	–	(1,855,338)	–
At 31 December 2017	**71,697,919**	**186,130,314**	**2,253,902**	**895,145**	**50,183,365**	**311,160,645**
At 1 January 2018	**71,697,919**	**186,130,314**	**2,253,902**	**895,145**	**50,183,365**	**311,160,645**
Additions	887,204	17,596,807	–	231,868	15,486,791	**34,202,670**
Disposals	(2,449,303)	(2,121,754)	–	(66,541)	(1,102,039)	**(5,739,637)**
Impairment	–	–	(1,991,730)	–	–	**(1,991,730)**
Transfers	2,242,422	3,655,813	–	–	(5,898,235)	–
At 31 December 2018	**72,378,242**	**205,261,180**	**262,172**	**1,060,472**	**58,669,882**	**337,631,948**
Depreciation						
At 1 January 2017	**(15,763,807)**	**(89,911,525)**	**(138,776)**	**(616,573)**	**–**	**(106,430,681)**
Depreciation charge for the year	(1,821,156)	(11,287,046)	(35,680)	(79,562)	–	**(13,223,444)**
Disposals	28,871	2,731,595	–	26,718	–	**2,787,184**
At 31 December 2017	**(17,556,092)**	**(98,466,976)**	**(174,456)**	**(669,417)**	**–**	**(116,866,941)**
At 1 January 2018	**(17,556,092)**	**(98,466,976)**	**(174,456)**	**(669,417)**	**–**	**(116,866,941)**
Depreciation charge for the year	(2,043,938)	(11,554,918)	(35,769)	(116,564)	–	**(13,751,189)**
Disposals	240,005	1,632,307	–	52,564	–	**1,924,876**
Impairment	–	–	145,738	–	–	**145,738**
At 31 December 2018	**(19,360,025)**	**(108,389,587)**	**(64,487)**	**(733,417)**	**–**	**(128,547,516)**
Net book value						
At 31 December 2017	**54,141,827**	**87,663,338**	**2,079,446**	**225,728**	**50,183,365**	**194,293,704**
At 31 December 2018	**53,018,217**	**96,871,593**	**197,685**	**327,055**	**58,669,882**	**209,084,432**

Depreciation expense in the amount of AMD 10,618,769 thousand (2017: AMD 11,302,121 thousand) was charged to cost of sales, nil to distribution expenses in 2018 (2017: nil), AMD 665,799 thousand (2017: AMD 455,765 thousand) to administrative expenses, AMD 569,711 thousand (2017: AMD 630,242 thousand) to other expenses, AMD 1,004,989 thousand (2017: AMD 440,116 thousand) was capitalised on non-current inventories – ore stockpiles, AMD 509,035 thousand (2017: AMD 117,079 thousand) was capitalised on construction in progress, AMD 383,409 thousand (2017: AMD 179,538 thousand) thousand was capitalized on finished goods and inventories.

During 2018 wages and salaries of AMD 1,158,131 thousand were capitalized on construction in progress (2017: AMD 413,580 thousand) (see Note 12).

During 2018 borrowing costs of AMD 586,972 thousand (2017: AMD 1,667,601 thousand) were capitalized on construction in progress (see Note 11).

During 2018 changes in estimate of site restoration provision of AMD 585,909 thousand (2017: AMD 519,166 thousand) were capitalized on related property, plant and equipment (see Note 25).

At 31 December 2018 property, plant and equipment with a carrying amount of AMD 56,701,055 thousand are pledged as security for secured bank loans (see Note 24).

The carrying value of machinery held under finance leases at 31 December 2018 was AMD 3,162,178 thousand (2017: nil) (see Note 28).

At 31 December 2018 the gross book value of fully depreciated property, plant and equipment, which are in use, amounted AMD 56,705,110 thousand (2017: AMD 42,633,886 thousand).

Starting from December 2013 the Subsidiary stopped exploitation activities due to the actual grade of copper and molybdenum extracted being significantly lower than that stated in the exploitation license leading to negative margin on operations.

The Subsidiary has suspended the production process and exploration works in the area near Hankasar mine. In 2018 the Management of the Subsidiary decided to close the mine and concentrate its operation of providing services to the Company. Based on this decision Subsidiary has impaired mining facilities in the amount of AMD 1,845,992 thousand (2017: nil).

15. Stripping activity asset

In 2014, The Group started intensive stripping activities in Shlorkut site of Kajaran mine from which the extraction of ore is planned in the coming years, and capitalized the pre-production stripping costs as stripping activity asset in the amount of AMD 4,090,780 thousand. No stripping activities were performed in 2018 and 2017.

16. Investments at fair value through profit or loss and available-for-sale investments

'000 AMD	*2018*	*2017*
Investments at fair value through profit or loss		
Artsakh HEK OJSC	877,159	–
	877,159	**–**

'000 AMD	*2018*	*2017*
Available-for-sale investements		
Artsakh HEK OJSC	–	928,484
	–	**928,484**

At 31 December 2018 the Group's investment in Artsakh HEK OJSC's equity ("AHEK") is 6.18% (2017: 6.18%).

The shares are listed in Armenia Stock Exchange OJSC.

The fair value of investment was determined by using discounted cash flows techniques which is classified as Level 3 in fair value hierarchy, refer to Note 30.

The Group's exposure to credit and interest rate risks related to investments at fair value through profit or loss is disclosed in Note 30.

17. Exploration and evaluation asset

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves. The Group has suspended the production process and exploration works in the area near Hankasar mine and based on Management's decision exploration and evaluation assets in the amount of AMD 2,438,081 thousand were impaired in 2018 (see Note 10).

18. Prepayments

'000 AMD	*2018*	*2017*
Prepayments for non-current assets		
Prepayments for property, plant and equipment	2,864,177	6,379,570
Prepayments for land lease	488,265	345,324
	3,352,442	**6,724,894**
Prepayments for current assets		
Prepayments for inventory	4,174,620	4,705,034
Prepayments for services	2,131,129	3,157,429
Other	499,255	287,710
	6,805,004	**8,150,173**
	10,157,446	**14,875,067**

19. Loans given

In January 2018 the Group concluded an agreement with its parent company on providing loans with total amount of USD 19,231 thousand, with an interest rate at 1m USD-LIBOR+4.95% per annum and with maturity in January 2021. The total carrying amount of the loans given as at 31 December 2018 is AMD 8,915,150 thousand.

The Group's exposure to currency and interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 30.

Loans given are classified at Stage 1 for expected credit loss measurement purposes. There have been no transfers between the stages during 2018. The calculated expected credit loss on loans given is AMD 177,498 thousand in 2018, (2017: nil).

20. Inventories

'000 AMD	*2018*	*2017*
Spare parts	8,309,876	5,724,135
Raw materials and consumables	4,984,650	4,480,874
Finished goods	2,676,212	1,882,696
Molybdenum concentrate given for processing*	2,540,296	32,271
Construction materials	218,382	123,973
Other	1,702,268	907,922
Total current inventories	**20,431,684**	**13,151,871**
Non-current inventories – ore stockpiles**	12,469,763	3,794,527
Total inventories at the lower of cost and net realizable value	**32,901,447**	**16,946,398**

* The Group has service agreements signed with related parties for processing of molybdenum concentrate to ferro-molybdenum. The ownership during the processing is retained by the Group. The corresponding tolling expense for services received is presented in Note 6.

** Non-current inventories represent low grade ore that cannot be economically processed at current market prices, and is stockpiled with the expectation that it will be processed.

During 2018 AMD 332,343 thousand (2017: AMD 326,910 thousand) was recognised as a write-down expense for inventories carried at net realisable value in other expenses (see Note 10).

Wages and salaries of AMD 627,293 thousand (2017: AMD 137,018 thousand) (see Note 12) and depreciation of AMD 383,409 thousand (2017: AMD 179,538 thousand) (see Note 14) are capitalized on the balance of current inventories and finished goods.

Wages and salaries of AMD 1,683,754 thousand (2017: AMD 1,180,892 thousand) (see Note 12) and depreciation of AMD 1,004,989 thousand (2017: AMD 440,116 thousand) are capitalized on the balance of non-current inventories − ore stockpiles (see Note 14).

21. Trade and other receivables

'000 AMD	*2018*	*2017*
Trade receivables (not subject to provisional pricing) – amortised cost	8,816,361	1,021,612
Trade receivables (subject to provisional pricing) – fair value	923,451	11,133,866
Other receivables	558,158	1,424,380
Trade and other receivables	**10,297,970**	**13,579,858**
Allowance for expected credit losses	(697,150)	−
Total trade and other receivables	**9,600,820**	**13,579,858**

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

Trade receivables (subject to provisional pricing) are non-interest bearing, but as discussed in Note 34, are exposed to future commodity price movements over the quotational period (QP) and, hence, fail the “solely payments of principal and interest” (SPPI) test and are measured at fair value up until the date of settlement. These trade receivables are initially measured at the amount which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP. Approximately 90% of the provisional invoice (based on the provisional price (calculated as the average price in the week prior to delivery for copper and the average price in the month prior to delivery for molybdenum)) is received in cash when the goods are loaded onto the ship, which reduces the initial receivable recognised under IFRS 15. The QPs can range between one and two months post shipment and final payment is due between 30-60 days from the end of the QP. Refer Note 30 for details of fair value disclosures.

Set out below is the movements in the allowance for expected credit losses of trade receivables (not subject to provisional pricing):

'000 AMD	*2018*
At 1 January 2018	**(479,877)**
New assets originated	(525,087)
Repaid amount	301,573
Amounts written-off	6,241
At 31 December 2018	**(697,150)**

21. Trade and other receivables (continued)

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

'000 AMD	*Less than 3 months*	*3-6 months*	*6-9 months*	*9-12 months*	*More than 1 year*	*Total*
31 December 2018						
Gross carrying amount	2,113,143	864,726	2,975,557	2,368,474	1,052,619	**9,374,519**
Expected credit loss	(95,322)	(27,665)	(117,761)	(40,083)	(416,319)	**(697,150)**
Net carrying amount	**2,017,821**	**837,061**	**2,857,796**	**2,328,391**	**636,300**	**8,677,369**

'000 AMD	*Less than 3 months*	*3-6 months*	*6-9 months*	*9-12 months*	*More than 1 year*	*Total*
1 January 2018						
Gross carrying amount	733,364	52,720	107,149	1,071,439	481,320	**2,445,992**
Expected credit loss	(13,854)	(1,986)	(1,760)	(61,087)	(401,190)	**(479,877)**
Net carrying amount	**719,510**	**50,734**	**105,389**	**1,010,352**	**80,130**	**1,966,115**

The table below shows the expected credit loss charges on trade receivables (not subject to provisional pricing) recorded in the statement of comprehensive income for the year ended 31 December 2018:

Trade receivables (not subject to provisional pricing)	*Stage 1 AMD'000*	*Stage 2 AMD'000*	*Stage 3 AMD'000*	*Total AMD'000*
Expected credit loss charges as at 1 January 2018	17,600	74,991	387,286	**479,877**
Expected credit loss charges as at 31 December 2018	240,748	69,116	387,286	**697,150**

22. Cash and cash equivalents

'000 AMD	*2018*	*2017*
Bank balances	525,217	5,678,228
Cash on hand	10	342
Cash and cash equivalents	**525,227**	**5,678,570**

The Group's exposure to currency and interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 30.

23. Capital and reserves

a) Share capital

	Ordinary shares	
Number of shares unless otherwise stated	*2018*	*2017*
Par value	AMD 20,000	AMD 20,000
On issue at 1 January and 31 December, fully paid	2,748,334	2,748,334

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

b) Dividends

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

24. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 30.

'000 AMD	*2018*	*2017*
Non-current liabilities		
Secured bank loans and credit lines/overdrafts	23,757,102	43,680,955
Unsecured borrowings from shareholder/overdrafts	–	5,625,994
	23,757,102	**49,306,949**
Current liabilities		
Secured bank loans and credit lines	16,950,204	22,831,584
Unsecured loans from other organizations	26,641,315	–
	43,591,519	**22,831,584**

The Group signed a credit line agreement with an Armenian bank in March 2016 with maximum limit of USD 10,000 thousand, which expires in 2020. During 2018, the agreement was amended, as a result the maximum limit was decreased to USD 8,000 thousand. As at 31 December 2018 the outstanding balance under this credit line agreement is nil (2017: AMD 4,405,310 thousand). The credit line is secured by bank account balances of the Group and lands.

Secured bank loans include two loan agreements signed in 2018 with Armenian banks with maturity dates in June 2019 and April 2023 and outstanding balances in the amount of AMD 6,332,864 thousand and AMD 23,757,102 thousand respectively.

Loans and borrowing include also secured bank revolving overdraft facilities with two Armenian banks with maximum limits of USD 13,000 thousand and USD 13,400 thousand. As at 31 December 2018 the outstanding balances are AMD 5,713,241 thousand (2017: AMD 2,983,154 thousand) and AMD 4,914,099 thousand (2017: AMD 3,539,221 thousand) respectively. The overdraft agreements mature in September 2020 and October 2020. The balances as at 31 December 2018 have been classified as current according to the terms of overdraft agreements, the revolving facilities should be repaid within one year since each withdrawal.

Secured bank loans and overdrafts are from the same Armenian banks and are secured by bank account balances and property, plant and equipment of the Group and by bank account balances of the Group and lands respectively (see Note 14).

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 AMD	*Currency*	*Nominal interest rate*	*Year of maturity*	*Face value*	*Carrying amount*
31 December 2018					
Secured Bank loans	USD	9%	2019-2023	30,552,113	30,079,966
Secured bank overdrafts	USD	9%	2020	10,627,340	10,627,340
Unsecured loans from non-financial organizations	USD	8%-10%	2019-2023	26,641,314	26,641,315
Total interest-bearing liabilities				**67,820,767**	**67,348,621**

'000 AMD	*Currency*	*Nominal interest rate*	*Year of maturity*	*Face value*	*Carrying amount*
31 December 2017					
Secured bank loan	USD	Libor + 6.5%	2021	59,478,206	55,554,439
Secured bank overdrafts	USD	9%	2020	6,522,375	6,522,375
Unsecured borrowing from shareholder	USD	Libor + 4.95%	2021	5,625,994	5,625,994
Secured bank credit line	USD	9%	2019	4,435,725	4,435,725
Total interest-bearing liabilities				**76,062,300**	**72,138,533**

25. Provisions

'000 AMD	*Provision for site restoration*	*Employee termination benefits*	*Total*
Non-current	2,672,272	463,859	**3,136,131**
Current	150,812	402,650	**553,462**
Balance at 1 January 2018	**2,823,084**	**866,509**	**3,689,593**
Provision used during the year	(743,452)	(411,668)	**(1,155,120)**
Changes in estimates	585,909	(38,261)	**547,648**
Additional provisions created (Note 10)	230,740	–	**230,740**
Effect of changes in foreign exchange rate	–	(1,793)	**(1,793)**
Unwinding of discount (Note 11)	270,384	62,023	**332,407**
Balance at 31 December 2018	**3,166,665**	**476,810**	**3,643,475**
Non-current	3,050,170	186,501	**3,236,671**
Current	116,495	290,309	**406,804**

a) Site restoration

Artsvanik tailing dam

The Group has a constructive obligation to restore contaminated land affected during the use of the tailing dam (Artsvanik dam) for the purpose of mine exploitation and concentrate production. The provision for restoration works of Artsvanik dam constitutes AMD 2,487,446 thousand as at 31 December 2018 (2017: AMD 2,482,003 thousand).

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 7,786,792 thousand (2017: AMD 7,026,800 thousand) considering the effect of average forecasted inflation rate of 3.57% (2017: 3.57%) for Armenia. An annual discount rate of 10.10% (2017: 11.10%) was used to discount restoration costs to be made in 15 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 2018. The discount rate represents the rate for long term Armenian Government bonds.

The provision increased as compared to the amount recognized as at 31 December 2017 due to changes in estimated volume of restoration works, estimated annual discount rate and inflation rate. Changes to the estimated future costs have been dealt with prospectively by recognising an adjustment to the site restoration liability and a corresponding adjustment to the asset to which it relates.

Hankasar tailing dam

The Group has a constructive obligation to restore contaminated land affected during the use of the tailing dam (Hankasar dam) for the purpose of mine exploitation and concentrate production. The provision for restoration works of Hankasar dam constitutes AMD 238,966 thousand as at 31 December 2018 (31 December 2017: AMD 8,226).

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 266,585 thousand (2017: AMD 36,771) considering the effect of average forecasted inflation rate of 3.88% (2017: 3.57%) for Armenia. An annual discount rate of 7.4% (2017: 10.5%) was used to discount restoration costs to be made in 3 years' time from 2022 to 2025. 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 2018. The discount rate represents the rate for long term Armenian Government bonds.

Mine closure and waste dumps

During 2013, overall site restoration obligations of Armenian mining companies were clarified and enforced legally by the revised Law on Mining. The clarified law introduced a scheme under which the Group is required to make payments to a specified government fund. The calculation of the required payments should be performed according to the formula determined by the Government under a separate legal act. On 11 February 2013 the Government issued a legal act on the method of calculation of payments for a site restoration obligation which needs to be prepared by management and approved by the state authorities.

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

The provision for restoration works related to mine closure and waste dumps constitutes AMD 440,253 thousand as at 31 December 2018 (2017: AMD 332,855 thousand).

25. Provisions (continued)

a) Site restoration (continued)

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 2,943,820 thousand. An annual discount rate of 10.70% (2017: 12.30%) was used to discount restoration costs to be made in 24 years' time.

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

b) Employee termination benefits

The provision for termination benefits as at 31 December 2018 relates to the Group's contractual obligation to pay the amount of AMD 751,902 thousand (2017: AMD 940,415 thousand) to the former management of the Group on termination of their employment contracts in July 2014.

An annual discount rate of 8.62% (2017: 5.80%) was used to discount the payments to be made in 1-3 years' time based on the management estimate of the timing of the terminations.

26. Financial instruments at fair value through profit or loss

Financial assets at fair value through profit or loss of AMD 254,868 thousand (2017: financial liabilities at fair value through profit or loss of AMD 7,140,890 thousand) represent the fair value of futures on copper with one counterparty (2017: one counterparty).

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 30.

27. Trade and other payables

'000 AMD	*2018*	*2017*
Current trade and other payables		
Payables for acquisition of inventory and property, plant and equipment	18,073,421	11,355,655
Payables for services received	4,490,433	3,532,265
Payables related to closed derivative transactions	–	1,185,032
Fair value revaluation from provisionally priced sales	740,593	–
Other payables and accrued expenses	1,898,234	2,157,744
Total trade and other payables	**25,202,681**	**18,230,696**

The Group's exposure to credit and currency risks related to trade and other payables are disclosed in Note 30. The Group has interest bearing payables in the amount of USD 2.1 million, with annual interest rate of 6%.

Included in other payables and accrued expenses are non-financial liabilities in the amount of AMD 44,024 thousand (2017: AMD 560,073 thousand).

28. Finance lease

The Group has finance lease contracts for various items of machinery. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are, as follows:

	2018	
'000 AMD	*Undiscounted minimal lease payments*	*Present value*
After one year and not more than five years	800,579	717,857
More than five years	2,956,207	2,347,607
Total minimum lease payments	**3,756,786**	**3,065,464**
Less amounts representing finance charges	(691,322)	–
Present value of minimum lease payments	**3,065,464**	**3,065,464**

29. Advances received for provisionally priced sales, contract liabilities

Included in non-current advances received for provisionally priced sales are advances of AMD 9,735,810 thousand (2017: AMD 14,361,382 thousand) 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%.

During 2016 and 2017 the Group concluded two copper concentrate offtake streaming contracts with prepayment amounts of USD 25 mln and USD 50 mln respectively. According to these two contract terms the Group is obliged to sell 150,000 and 480,000 wet metric tonnes of concentrate during the years 2017-2031 and 2018-2041 respectively with discounted price. As of 31 December 2018 the non-current balance comprised AMD 29,421,478 thousand (2017: AMD 10,479,660 thousand).

Non-current	***2018***	***2017***
Streaming contracts	29,421,478	10,479,660
Non-current advances received for PP sales	9,735,810	14,361,382
	39,157,288	**24,841,042**

Current	***2018***	***2017***
Current advances received for PP sales	20,529,702	12,165,858
Streaming contracts	1,814,063	806,833
Contract liability*	465,325	812,594
	22,809,090	**13,785,285**

* The opening balance of contract liabilities at 1 January 2018 was AMD 812,594 thousand. The movement in contract liabilities from one period to the next depends on the value of deferred revenue relating to freight/shipping services that are still in the process of being provided at period end, i.e., because a shipment of copper concentrate subject to CIP Incoterms is still on the way at period end.

30. Fair values and risk management

a) Fair value measurement procedures

Carrying value versus fair value

Set out below is a comparison by class of the carrying amounts and fair value of the Group’s financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value:

	Financial instrument	***Carrying amount***		***Fair value***	
‘000 AMD	***classification***	***2018***	***2017***	***2018***	***2017***
Financial liabilities					
Loans and borrowings	Amortised cost	67,348,621	72,138,533	67,348,621	76,576,452

Fair value hierarchy

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

30. Fair values and risk management (continued)

a) Fair value measurement procedures (continued)

Fair value for loans given, trade and other receivables, cash and cash equivalents, loans and borrowings received approximates their carrying amount as at 31 December 2018.

	Fair value measurement using			
'000 AMD	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
31 December 2018				
Assets measured at fair value				
Investments at fair value through profit or loss (Note 16)				
Investments at fair value through profit or loss	–	–	877,159	**877,159**
Trade and other receivables				
Trade receivables (subject to provisional pricing) – fair value (Copper)	–	923,451	–	**923,451**
Financial assets at fair value through profit or loss (Note 26)				
Commodity futures (copper)	254,868	–	–	**254,868**
Total	**254,868**	**923,451**	**877,159**	**2,055,478**

Fair value for trade and other receivables and cash and cash equivalents approximates their carrying amount as at 31 December 2017.

	Fair value measurement using			
'000 AMD	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
31 December 2017				
Assets measured at fair value				
AFS financial assets (Note 16)				
Available-for-sale investments	–	–	928,484	**928,484**
Trade and other receivables				
Derivatives embedded in copper sales contracts	–	1,302,015	–	**1,302,015**
Derivatives embedded in molybdenum sales contracts	–	–	1,057,099	**1,057,099**
Total	**–**	**1,302,015**	**1,985,583**	**3,287,598**
Financial liabilities at fair value through profit or loss (Note 26)				
Commodity futures (copper)	(7,140,890)	–	–	**(7,140,890)**
Total	**(7,140,890)**	**–**	**–**	**(7,140,890)**
Liabilities for which fair values are disclosed				
Loans and borrowings (Note 24)	–	–	(72,138,533)	**(72,138,533)**
Total	**–**	**–**	**(72,138,533)**	**(72,138,533)**

Level 3 Investments at fair value through profit or loss and available-for-sale investments

In 2018 and 2017 the shares of AHEK were not actively traded and their fair value was determined using discounted cash flows techniques.

30. Fair values and risk management (continued)

a) Fair value measurement procedures (continued)

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2018 are as shown below:

	Valuation technique	*Significant unobservable input*	*Input value or range*	*Sensitivity of the input to fair value*
Investments at fair value through profit or loss	DCF method	WACC	11%	1% increase in the WACC would result in a decrease in fair value by AMD 227,646 thousand.

The Group's principal financial liabilities, other than derivatives, comprise trade and other payables, loans and borrowings. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Group's capital expenditure programme. The Group's principal financial assets, other than derivatives, comprise investments at fair value through profit or loss, trade and other receivables, loans given and cash and cash equivalents.

b) Financial risk management

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

- Market risk;
- Liquidity risk;
- Credit 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.

i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, cash and cash equivalents, loans given, trade receivables and trade payables.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces.

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

Commodity price sensitivity

The table below summarises the impact on profit before tax for changes in copper prices on the fair value of derivative financial instruments and provisionally priced sales. The impact on equity is the same as the impact on profit before income tax. Derivative financial instruments have not been designated as hedges and are classified as held-for-trading and are therefore fair valued through profit or loss.

30. Fair values and risk management (continued)

b) Financial risk management (continued)

The analysis is based on the assumption that the copper prices move 8.14% with all other variables held constant. Reasonably possible movements in commodity prices were determined based on economic forecasters' expectations.

Increase/(decrease) in copper prices	*Effect on profit before tax for the year ended 31 December 2018 increase/(decrease)*	*Effect on profit before tax for the year ended 31 December 2017 increase/(decrease)*
	'000 AMD	*'000 AMD*
Increase 8.14% (2017: 4.27%)	1,290,348	(2,910,742)
Decrease 8.14% (2017: 4.27%)	(1,290,348)	2,910,742

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of 31 December 2018 there were no shares of the loans and borrowings with floating rates (2017: share of loans and borrowings received with floating rate – 85%).

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 favorable to the Group over the expected period until maturity.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, based on the last two years' historical rates and economic forecasters' expectations of the Group's profit before tax through the impact on floating rate loans given and interest payables from long-term advances received (with all other variables held constant).

Increase/(decrease) in 1month USD LIBOR rate	*Effect on profit before tax for the year ended 31 December 2018 increase/(decrease)*	*Effect on profit before tax for the year ended 31 December 2017 increase/(decrease)*
	'000 AMD	*'000 AMD*
Increase 0.50% (2017: 0.70%)	(88,835)	(1,000,058)
Decrease 0.15% (2017: 0.08%)	26,650	101,427

Foreign currency sensitivity

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The currency in which these transactions are primarily denominated is USD.

Generally, loans and 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.

30. Fair values and risk management (continued)

b) Financial risk management (continued)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at reporting date:

Increase/(decrease) in foreign exchange rate	*Effect on profit before tax for the year ended 31 December 2018 increase/(decrease)*	*Effect on profit before tax for the year ended 31 December 2017 increase/(decrease)*
	'000 AMD	*'000 AMD*
USD		
Increase 3.5% (2017: 3.5%)	(452,478)	(3,370,223)
Decrease 3.5% (2017: 3.5%)	452,478	3,370,223
EUR		
Increase 8.0% (2017: 13.7%)	(28,284)	162,215
Decrease 8.0% (2017: 6.3%)	28,284	(74,599)

ii. 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.

Year ended 31 December 18	*On demand*	*Less than 1 year*	*1-2 years*	*2-5 years*	*Total*
Interest-bearing loans and borrowings	–	51,226,586	7,026,206	14,439,810	**72,692,602**
Accounts payable and accrued liabilities	1,039,030	24,051,637	–	–	**25,090,667**
Finance lease	–	800,579	871,462	2,084,745	**3,756,786**
	1,039,030	**76,078,802**	**7,897,668**	**16,524,555**	**101,540,055**

Year ended 31 December 2017	*On demand*	*Less than 1 year*	*1-2 years*	*2-5 years*	*Total*
Interest-bearing loans and borrowings	–	23,744,507	18,084,799	47,928,780	**89,758,086**
Accounts payable and accrued liabilities	849,360	19,783,007	–	–	**20,632,367**
Financial liabilities at fair value through profit or loss	–	7,140,890	–	–	**7,140,890**
	849,360	**50,668,404**	**18,084,799**	**47,928,780**	**117,531,343**

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

iii. 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.

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.

30. Fair values and risk management (continued)

b) Financial risk management (continued)

Exposure to credit risk

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

	Carrying amount	
'000 AMD	*2018*	*2017*
Bank balances	525,217	5,678,228
Trade and other receivables	9,600,820	13,579,858
Loans given	8,915,150	–
Financial assets at fair value through profit or loss	254,868	–
	19,296,055	**19,258,086**

Trade and other 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 32.05% (2017: 14.00%) of the Group'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 five (2017: six) customers.

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

	Carrying amount	
'000 AMD	*2018*	*2017*
Domestic	6,320,555	6,266,208
Foreign	3,280,265	7,313,650
	9,600,820	**13,579,858**

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

	Carrying amount	
'000 AMD	*2018*	*2017*
Copper and molybdenum customers	923,451	11,133,866
Other products – other customers	8,677,369	2,445,992
	9,600,820	**13,579,858**

Bank balances

The Group held bank balances of AMD 525,217 thousand at 31 December 2018 (2017: AMD 5,678,228 thousand), which represents its maximum credit exposure on these assets. At 31 December 2018 96% of total exposure is held with two B+ rated Armenian banks by Fitch (2017: 90%). The remaining 4% of total exposure at 31 December 2018 is held with top 3 Armenian banks.

c) 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.

30. Fair values and risk management (continued)

d) Changes in liabilities arising from financing activities

'000 AMD	*Loans and borrowings*
Balance as at 1 January 2017	**93,768,294**
Repayment of loans and borrowings	(23,422,190)
Non-cash transactions	8,340,408
Foreign exchange movement	37,479
Interest paid, including related withholding tax	(6,585,458)
Balance as at 31 December 2017	**72,138,533**
Proceeds from loans and borrowings	212,025,762
Repayment of loans and borrowings	(215,820,449)
Non-cash transactions	9,948,741
Non-cash repayment of loan and interest through set-off	(5,121,365)
Foreign exchange movement	(298,764)
Interest paid	(5,523,837)
Balance as at 31 December 2018	**67,348,621**

31. 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 consolidated 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.

31. Contingencies and commitments (continued)

d) Commitments and other contingencies

Capital commitments

The Group did not have any significant capital commitments at 31 December 2018 (2017: nil).

Financial guarantees

In 2018 the Group provided financial guarantees to non-related companies in total amount of USD 54,762,694 or AMD 26,491,453 thousand (2017: nil), the guarantee contracts mature until July of 2019. The ECL calculated for the guarantees is not significant.

Operating lease commitments

The Group has entered into leases for land and other properties. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are, as follows:

'000 AMD	*2018*	*2017*
Within one year	1,494,138	335,884
After one year but not more than five years	5,516,491	569,199
More than five years	3,872,061	3,730,152
	10,882,690	**4,635,235**

32. 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 2018, LME monthly average closing spot prices ranged from USD 6,020 to USD 7,080 per ton for copper. The LME spot copper price closed at USD 6,485 per ton on 31 March 2019.

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.

32. Operational risks (continued)

b) Copper and molybdenum price volatility (continued)

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 28,997 per ton during 2018 in comparison with USD 19,820 per ton during 2017. The LME spot price of USD 29,250 per ton of molybdenum was registered on 31 March 2019.

33. Related parties

a) Control relationships

In accordance with Government Decree No 1677-A dated 9 December 2004 the Group was privatised by the state. The ownership structure of the Group is disclosed in Note 1.

b) Transactions with key management personnel

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	*2018*	*2017*
Salaries and bonuses		
Short-term employee benefits	1,019,721	1,249,763
Termination benefits (Note 25)	411,668	637,203
	1,431,389	**1,886,966**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables.

The Group's related party transactions are disclosed below.

i. Revenues

'000 AMD	*Transaction value 2018*	*Transaction value 2017*	*Outstanding balance 2018*	*Outstanding balance 2017*
Sale of molybdenum concentrate and ferro-molybdenum				
Shareholders	36,047,178	(15)	(9,912,825)	(9,682,000)
Entities under common control	22,993,851	15	(43,195)	–
Sale of copper concentrate				
Entities under common control	4,162,430	26,751,096	–	2,682,154
Services provided				
Shareholders	800	1,744	80	80
Interest income				
Entities under common control	–	123,363	–	123,729
Other income				
Shareholder	11,249	–	–	–
	63,215,508	**26,876,203**	**(9,955,940)**	**(6,876,037)**

33. Related parties (continued)

b) Transactions with key management personnel (continued)

ii. Expenses

'000 AMD	*Transaction value 2018*	*Transaction value 2017*	*Outstanding balance 2018*	*Outstanding balance 2017*
Purchase of materials				
Shareholders	985,670	5,149	(767,378)	(900)
Entities under common control	70,103	–	–	–
Other related parties	–	3,151,407	–	(466,144)
Purchase of property, plant and equipment				
Shareholders	2,245	327,619	–	(3,892)
Entities under common control	118,412	28,060	–	2,420,500
Services received				
Shareholders	8,325,036	12,076,348	(632,433)	(244,792)
Entities under common control	1,828,602	1,514,017	(8,463)	(23,620)
Other related parties	–	1,808,487	–	(135,236)
Donations provided				
Other related parties	4,378,051	947,257	–	–
Entities under common control	180,000	145,000	–	–
Interest expense on advances received				
Shareholders	724,514	660,241	(60,812)	(1,517,104)
Entities under common control	–	174,333	–	(389,070)
Commission fee				
Entities under common control	161,354	201,664	–	–
	16,773,987	**21,039,582**	**(1,469,086)**	**(360,258)**

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 entities under common control mainly include geological studies and research performed by non-related parties sub-contracted by the related parties.

Other related parties include entities under significant influence of the Board of Directors.

iii. Loans and borrowings

'000 AMD	*Transaction value 2018*	*Transaction value 2017*	*Outstanding balance 2018*	*Outstanding balance 2017*
Loans given				
Shareholders	8,600,777	–	8,626,218	–
Interest income on loans given				
Shareholders	465,810	–	466,431	(4,841,000)
Interest expense on loans and borrowings				
Shareholders	(194,511)	331,878	–	(784,995)
	8,872,076	**331,878**	**9,092,649**	**(5,625,995)**

34. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time from 1 January 2018. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Several other amendments and interpretations applied for the first time in 2018, but did not have an impact on the consolidated financial statements of the Group and, hence, have not been disclosed. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 and its related amendments supersede IAS 11 *Construction Contracts*, IAS 18 *Revenue and Related Interpretations*. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group adopted IFRS 15 using the modified retrospective method of adoption and has not restated comparative information. Therefore, the comparative information for 2017 is reported under IAS 18 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 15 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

Overall impact

The Group's revenue from contracts with customers comprises three main streams being the sale of copper and molybdenum in concentrate and ferro-molybdenum. The Group undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. For all of the Group's revenue streams, except for some metal in concentrate sales sold under Carriage and Insurance Paid (CIP Incoterms) to Main Chinese port (see "Freight/shipping services" commentary below for further discussion), the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under IFRS 15, is the same as that under IAS 18. There were some differences noted in relation to the CIP arrangements that resulted in some adjustments to the opening balances with the impact on the retained earnings. See Note 37 below for the Group's IFRS 15 revenue recognition accounting policies.

Impact on statement of profit or loss

Copper and molybdenum concentrate (metal in concentrate) sales: there were no changes identified with respect to the timing of revenue recognition in relation to metal in concentrate, as control transfers to customers at the date of shipment, which is consistent with the point in time when risks and rewards passed under IAS 18. There were some reclassification changes arising from metal in concentrate sales that have provisional pricing terms.

However, there has been a change in the amount of revenue recognised for some metal in concentrate sales sold under CIP Incoterms where the Group provides freight/shipping services. This is because these services are now considered to represent separate performance obligations which are satisfied at a different point in time from the metal in concentrate. Therefore, some of the transaction price that was previously all allocated to the metal in concentrate under IAS 18 is now required to be allocated to these new performance obligations under IFRS 15. This freight/shipping revenue has been disclosed separately. Disaggregated revenue disclosures are provided at Note 5.

Provisionally priced commodity sales: as discussed in Note 37 below, some of the Group's sales of metal in concentrate to customers contain terms which allow for price adjustments based on the market price at the end of a quotational period (QP) stipulated in the contract – these are referred to as "provisionally priced sales". Under previous accounting standards (IAS 18 *Revenue* and IAS 39 *Financial Instruments: Recognition and Measurement*), provisionally priced sales were considered to contain an embedded derivative (ED), which was required to be separated from the host contract for accounting purposes from the date of shipment. Revenue was initially recognised for these arrangements at the date of shipment (which was when the risks and rewards passed) and was based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price that the entity expected to receive at the end of the QP, determined at the date of shipment. Subsequent changes in the fair value of the provisionally priced sales were recognised ED and were presented as revenue corrections.

34. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

Under IFRS 15, the accounting for this revenue will remain unchanged in that revenue will be recognised when control passes to the customer (which will continue to be the date of shipment) and will be measured at the amount to which the Group expects to be entitled. This will be the estimate of the price expected to be received at the end of the QP, i.e. the forward price. IFRS 9 does not prohibit showing such movements as an adjustment to revenue.

Freight/shipping services: as noted above, a small proportion of the Group's metal in concentrate sales are sold under CIP Incoterm, whereby the Group is responsible for providing freight/shipping services after the date that it transfers control of the metal in concentrate to the customer. Under IAS 18, freight/shipping services were not accounted for as separate services. Instead, all of the revenue relating to the sale was recognised at the date of loading and presented as metal in concentrate revenue. Under IFRS 15, it has been concluded that the provision of these services represents separate performance obligations and the Group acts as principal.

As a result, under IFRS 15, a portion of the transaction price is now required to be allocated to these performance obligations and will be recognised over time, on a gross basis, as the services are provided. In some instances, the Group receives a portion of the transaction price in cash for each shipment at or near the date of shipment under a provisional invoice. Given this, a portion of the transaction price relating to these freight/shipping services is received in advance of the Group providing these services. Such amounts have been recognised as a contract liability upon receipt under IFRS 15 and are then recognised as revenue over time as the services are provided.

Given the nature of the Group's commodity shipping profile, most of these services are completed in the same reporting period that control of the underlying metal in concentrate passes to the customer with a small percentage of shipments subject to these Incoterms being on the way over a reporting period end. Also, freight/shipping revenue has been separately disclosed. Disaggregated revenue disclosures are provided at Note 5. Refer below for a summary of the impact of these changes on the statement of profit or loss and other comprehensive income and the statement of financial position.

Other impacts

The change did not have a material impact on other comprehensive income for the year. There was no net impact on the statement of cash flows.

Summary of impact of change due to freight and shipping:

Statement of financial position (1 January 2018 and 31 December 2017):

AMD'000	*Retained earnings*
Retained earnings	
Closing balance under IAS 18 (31 December 2017)	**34,663,659**
Revenue deferral under IFRS 15*	(812,594)
Deferred tax in relation to the above	162,519
Restated opening balance under IFRS 15 (1 January 2018)	**34,013,584**
Total change in equity due to adopting IFRS 15	**650,075**

* This relates to the deferral of AMD 812,594 thousand of revenue as at 31 December 2017 for freight/shipping services which were provided in 2018 and, hence, was recognised as revenue in 2018.

We changed the presentation of revenue from contracts with customers, to comply with the requirements of IFRS 15 and made the following disaggregation adjustment (see Note 5):

Revenue	*31 December 2017*	*Disaggregation adjustment*	*31 December 2017*
Copper concentrate	148,586,010	(2,396,443)	146,189,567
Ferro-molybdenum	39,716,526	–	39,716,526
Freight/shipping services copper concentrate	–	2,396,443	2,396,443
	188,302,536	**–**	**188,302,536**

34. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

(a) Classification and measurement

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows;
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group other than to change the presentation of balances relating to provisionally priced sales.

Financial assets

The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables (not subject to provisional pricing), Other current financial assets (i.e., Other receivables and Loans to joint arrangements) previously classified as Loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as Debt instruments at amortised cost.
- Trade receivables (subject to provisional pricing) and Quotational period derivatives: prior to the adoption of IFRS 9, the exposure of provisionally priced sales to commodity price movements over the QP, previously led to embedded derivatives (QP derivatives) being separated from the host trade receivable and accounted for separately. Under IFRS 9, embedded derivatives are no longer separated from financial assets. Instead, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test. Therefore, the entire receivable is now required to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in the statement of profit or loss and other comprehensive income each period until final settlement. The Group presents such fair value changes as revenue adjustment. There was an immaterial impact on the statement of financial performance and the statement of profit or loss and other comprehensive income arising from this change. The key impact was on presentation and disclosure, including the IFRS 13 *Fair Value Measurement* disclosures see Note 30.

34. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications for financial assets:

AMD'000	*IAS 39 measurement Category*	*IAS 39 measurement Amount*	*Reclas-sifications*	*Re-measurement ECL*	*IFRS 9 Amount*	*IFRS 9 Category*
Financial assets						
From: available-for-sale financial assets	AFS[1]	877,159	(877,159)	–	N/A	N/A
To: investments at fair value through profit or loss		–	877,159	–	877,159	FVTPL
Trade and other receivables	L&R[2]	2,445,992	–	(479,877)	1,966,115	Amortised cost
Total assets		**3,323,151**	**–**	**(479,877)**	**2,843,274**	

1. AFS: Available-for-sale.
2. L&R: Loans and receivables.

The impact of transition to IFRS 9 on retained earnings is as follows:

AMD'000	*Retained earnings*
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	**36,511,813**
Recognition of IFRS 9 ECLs including those measured at FVOCI	(479,877)
Deferred tax in relation to the above	95,975
Restated opening balance under IFRS 9 (1 January 2018)	**36,127,911**
Total change in equity due to adopting IFRS 9	**383,902**

The following table reconciles the aggregate opening credit loss allowances under IAS 39 to the ECL allowances under IFRS 9.

AMD'000	*Credit loss allowance under IAS 39 at 31 December 2017*	*Re-measurement*	*ECL under IFRS 9 at 1 January 2018*
Impairment allowance for			
Trade and other receivables	–	479,877	479,877
	–	**479,877**	**479,877**

Financial liabilities

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

Other impacts

The change did not have material impact on the Group's statement of cash flows.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15. For the respective disclosures of the impact of IFRS 9 on calculation of ECL please see the Note 21.

35. Events after the reporting period

From January to April 2019 the Group repaid secured loans to Armenian banks in the amount of USD 18,587 thousand (AMD 9,064,657 thousand) including interest repayments.

In March 2019 the Group entered into a secured loan agreement and received a loan in the amount of USD 70,000 thousand (AMD 34,022,955 thousand). The loan matures in January 2022.

In March 2019 the Group repaid unsecured loans from non-financial organizations in the amount of USD 34,830 thousand (AMD 17,015,479 thousand).

36. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the Group, they have not been listed.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of 'low-value' assets (e.g., personal computers); and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group plans to adopt IFRS 16 using the modified retrospective approach, which means it will apply the standard from 1 January 2019, the cumulative impact of adoption will be recognised as at 1 January 2019 and comparatives will not be restated. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low-value.

In 2018, the Group continued to progress its detailed impact assessment and implementation project of IFRS 16. Much of the early part of 2018 was spent focusing on reviewing contracts, aggregating data to support the evaluation of the accounting impacts and identifying where key policy decisions were required. The Group will implement a new lease accounting system which will be used for the majority of the Group's leases. Work is currently underway to configure the system, to gather and load the data required and to test the system. Further work on process improvements and reaching conclusions on the Group's accounting interpretations is continuing. In addition, the Group is aware that implementation activities of other corporates continues and practical application of the new standard will continue to develop and emerge. Given this, the Group will closely monitor these developments and assess whether there is any impact on the positions taken.

36. Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	'000 AMD
Assets	
Property, plant and equipment (right-of-use assets)	6,385,108
Liabilities	
Lease liabilities	(6,385,108)
Net impact on equity	–

Net impact on equity

Work completed by the Group to date indicates the new leases standard is expected to have a material effect on the Group's financial statements as it will significantly increase the Group's recognised assets and liabilities (as described above). In addition, compared with the existing accounting for operating leases, the classification and timing of expenses will be impacted which will lead to some improvement in the Group's operating profit, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17. In addition, the classification between cash flow from operating activities and cash flow from financing activities will also change. Many commonly used financial ratios and performance metrics for the Group, using existing definitions, will also be impacted including net debt, gearing, EBITDA, unit costs and operating cash flows.

The Group's existing operating leases will be the main source of leases under the new standard. Information on the Group's operating lease commitments under IAS 17 *Leases* (undiscounted) is disclosed in Note 31 Commitments – operating lease commitments – Group as lessee.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Annual improvements 2015-2017 cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply to future business combinations of the Group.

36. Standards issued but not yet effective (continued)

Annual improvements 2015-2017 cycle (issued in December 2017) (continued)

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

37. Summary of significant accounting policies

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

a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

As part of a business combination, the Group assesses whether there are any operating lease contracts of the acquiree that may be onerous – that is, where the lease premiums being paid on that contract exceed the current market rate for such lease arrangements. Mineral reserves, resources and exploration potential that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognized separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value, with changes in fair value recognised either in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed).

37. Summary of significant accounting policies (continued)

a) Business combinations (continued)

If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

The Group has identified two CGUs which represent the two companies of the Group: Zangezur Copper Molybdenum Combine CJSC and Ler-Ex LLC.

b) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

37. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables (not subject to provisional pricing), cash and cash equivalents, and loans given. Refer below to 'Financial assets at fair value through profit or loss' for a discussion of trade receivables (subject to provisional pricing).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As IFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised adjustment to revenue in the statement of profit or loss and other comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

37. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosure of significant assumptions (Note 21);
- Trade and other receivables (Note 21).

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group tracks changes in credit risk and calculates ECLs based on sectoral PD per Moody's. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

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

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Refer Note 30 and Note 21 for further discussion on impairment assessments of financial assets.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and

37. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables. For more information, refer to Note 24 and Note 27.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Group and therefore is not considered highly liquid – for example, cash set aside to cover site restoration obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risks. However, such contracts are not accounted for as designated hedges under IAS 39. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income.

37. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement (continued)

Commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 *Financial Instruments: Presentation* and IAS 39, which is known as the 'normal purchase or sale exemption'.

For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its consolidated consolidated statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is either:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash and cash equivalents unless restricted from being executed or used to settle a liability at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Revenue from contracts with customers

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

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

Contract balances

Contract assets

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

Trade receivables

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

37. Summary of significant accounting policies (continued)

c) Revenue from contracts with customers (continued)

Contract liabilities

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

From time to time, the Group recognises contract liabilities in relation to some metal in concentrate sales which are sold under CIP Incoterms, whereby a portion of the cash may be received from the customer before the freight/shipping services are provided. See Note 29 for further details of contract liabilities.

Copper/molybdenum in concentrate (metal in concentrate) sales

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

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

For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognised in the statement of profit or loss and other comprehensive income each period and presented as revenue adjustment. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments.

Freight/shipping services

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

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

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

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

37. Summary of significant accounting policies (continued)

d) 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 as Donations to social programs in profit or loss as incurred.

e) Finance income and costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- Unwinding of discount on provision for site restoration and provision for termination benefits;
- Net fair value gains/losses on financial instruments through profit and loss.

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

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.

Gain/losses on financial instruments through profit or loss are realized only when cash settlement is made.

f) Foreign currency

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency rate of exchange ruling at the reporting 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 that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Foreign currency differences arising in retranslation are recognised in profit or loss.

g) 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 Group 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.

h) 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 income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

37. Summary of significant accounting policies (continued)

h) Income tax (continued)

ii. Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or if outside the measurement period, it is recognised in the statement of profit or loss and other comprehensive income.

Significant judgements, estimates and assumptions

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the Group to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and site restoration costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

37. Summary of significant accounting policies (continued)

i) Royalties

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

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

Royalties are calculated using rates enacted or substantively enacted at the reporting date. Royalties are recognised in profit or loss annually based on the combination of the revenues and taxable income adjusted as per the guidelines and requirements in the applicable laws and regulations. Royalties consist of two components: royalty calculated at 4% of revenue and royalty calculated as 12.5% of taxable income adjusted as per the guidelines and requirements in the applicable laws and regulations.

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

j) Inventories

Copper and molybdenum in concentrate, metal in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

If the ore stockpile is not expected to be processed in 12 months after the reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow basis. Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The allocation of costs between joint products is based on the relative sales value of each product at the completion of production. Separately identifiable costs of conversion of each metal are specifically allocated.

Materials and supplies are valued at the lower of cost or net realisable value. The costs of materials and supplies are based on the first-in first-out principle, and include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

k) 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.

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

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

37. Summary of significant accounting policies (continued)

k) Property, plant and equipment (continued)

ii. Subsequent expenditure

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 productivity 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 of significant items of property, plant and equipment for the current and comparative periods are as follows:

	Units of production method	*Straight-line method*
Buildings		
Mine related workshop buildings and constructions	Average capacity from 182 to 303 million tons	
Other buildings		10 to 100 years
Plant and equipment		
Mine related plant and equipment	Average capacity from 18 to 352 million tons	
Other plant and equipment		2 to 100 years
Fixtures and fittings		2 to 70 years
Mining facilities		25 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

l) Stripping (waste removal) costs

As a part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production (UOP) method. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping.

The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

- Future economic benefits (being improved access to the ore body) are probable;
- The component of the ore body for which access will be improved can be accurately identified;
- The costs associated with the improved access can be reliably measured.

37. Summary of significant accounting policies (continued)

l) Stripping (waste removal) costs (continued)

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires board approval.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as a separate line in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

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

m) 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.

37. Summary of significant accounting policies (continued)

n) Exploration and evaluation assets

i. Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

ii. Exploration and evaluation expenditure

Exploration and evaluation (E&E) activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data;
- Gathering exploration data through geophysical studies;
- Exploratory drilling and sampling;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements;
- Conducting market and finance studies.

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

E&E expenditure incurred on licenses where a resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs expensed during this phase are included in ‘Other expenses’ in the statement of profit or loss and other comprehensive income.

E&E assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an E&E asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

Once commercial reserves are found, E&E assets are tested for impairment and transferred to ‘Mine facilities’ which is a sub-category of ‘Property, plant and equipment’. No amortisation is charged during the E&E phase.

iii. Impairment of E&E assets

E&E assets should be assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. Under IFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

37. Summary of significant accounting policies (continued)

n) Exploration and evaluation assets (continued)

The Group determined that there is an indication of impairment of exploration and evaluation asset as at 31 December 2017. For details on impairment of E&E asset please see Note 17.

Significant judgements, estimates and assumptions

The application of the Group's accounting policy for E&E expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The estimates directly impact when the Group defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

o) Provisions

i. Site restoration provision

Site restoration costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its site restoration provision at each reporting date. The Group recognises a site restoration provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: closing mine, waste sites, tailings dams and related constructions and restoring, reclaiming and revegetating affected areas.

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

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

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

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

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

p) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

37. Summary of significant accounting policies (continued)

p) Leases (continued)

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Zangezur Copper Molybdenum Combine CJSC

Consolidated financial statements

For the year ended 31 December 2017
together with independent auditor's report

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Ernst & Young CJSC
1 Northern Ave., office 27
Yerevan, 0001, Armenia
Tel: +374 (10) 500 790
+374 (10) 500 705
Fax: +374 (10) 500 706
www.ey.com/am

«Էրնսթ ընդ Յանգ» ՓԲԸ
ՀՀ, ք. Երևան 0001
Հյուսիսային պող. 1, գրասենյակ 27
Հեռ. +374 (10) 500 790
+374 (10) 500 705
Ֆաքս. +374 (10) 500 706

Independent auditor's report

To the Shareholders of Zangezur Copper Molybdenum Combine CJSC

Opinion

We have audited the consolidated financial statements of Zangezur Copper Molybdenum Combine CJSC and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

Ernst & Young CJSC

On behalf of General Director A. Sarkisyan
(by power of attorney dated 1 August 2016)
Partner (Assurance)

Eric Hayrapetyan

Yerevan, Armenia

27 April 2018

Consolidated statement of financial position

as at 31 December 2017

'000 AMD	Note	31 December 2017	31 December 2016
Assets			
Property, plant and equipment	14	194,293,704	190,338,358
Stripping activity asset	15	4,090,780	4,090,780
Inventories	19	3,794,527	259,550
Intangible assets		99,040	60,194
Available-for-sale investments	16	928,484	777,159
Prepayments for non-current assets	18	6,724,894	775,190
Exploration and evaluation asset	17	2,438,081	2,438,081
Input VAT		1,142,475	1,334,468
Other non-current assets		51,000	51,000
Non-current assets		**213,562,985**	**200,124,780**
Inventories	19	13,151,871	10,411,163
Prepaid income taxes		–	3,288,389
Other prepaid taxes		2,033,959	2,678,678
Input VAT		548,397	1,070,060
Trade and other receivables	20	13,579,858	2,177,400
Prepayments for current assets	18	8,150,173	4,032,915
Financial assets at fair value through profit or loss	25	–	1,110,243
Cash and cash equivalents	21	5,678,570	4,791,358
Other current assets		1,771	1,933
Current assets		**43,144,599**	**29,562,139**
Total assets		**256,707,584**	**229,686,919**
Equity			
Share capital	22	54,966,680	54,966,680
Retained earnings		36,511,813	25,666,243
Total equity		**91,478,493**	**80,632,923**
Liabilities			
Loans and borrowings	23	49,306,949	68,291,326
Provisions	24	3,136,131	3,890,201
Advances received for provisionally priced sales	27	24,841,042	13,605,223
Deferred tax liabilities	13	15,706,183	15,258,184
Non-current liabilities		**92,990,305**	**101,044,934**
Loans and borrowings	23	22,831,584	25,476,968
Financial liabilities at fair value through profit or loss	25	7,140,890	1,603,900
Provisions	24	553,462	487,447
Advances received for provisionally priced sales	27	13,785,285	7,099,048
Income tax payable	13	4,487,225	–
Royalty payables	28	5,209,644	–
Trade and other payables	26	18,230,696	13,341,699
Current liabilities		**72,238,786**	**48,009,062**
Total liabilities		**165,229,091**	**149,053,996**
Total equity and liabilities		**256,707,584**	**229,686,919**

Signed and authorised for release on behalf of the Management of the Group

Mger Poloskov
General Director

Vardan Marutyan
Chief Accountant

The accompanying notes 1-34 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

'000 AMD	*Note*	*2017*	*2016*
Revenue	5	188,553,245	125,881,686
Cost of sales	6	(98,836,312)	(95,334,924)
Gross profit		**89,716,933**	**30,546,762**
Other income		556,122	784,841
Distribution expenses	7	(10,298,126)	(8,939,951)
Administrative expenses	8	(12,663,417)	(10,298,734)
Donations to social programs	9	(3,481,634)	(2,641,501)
Impairment of exploration and evaluation assets	17	–	(26,436,526)
Other expenses	10	(24,371,698)	(16,706,476)
Operating profit/(loss)		**39,458,180**	**(33,691,585)**
Finance income	11	312,668	18,208
Finance costs	11	(23,664,792)	(15,698,458)
Net foreign exchange gain/(loss)		3,863	(42,924)
Profit/(loss) before income tax		**16,109,919**	**(49,414,759)**
Income tax (expense)/benefit	13	(5,264,349)	8,288,467
Total comprehensive income/(loss) for the year		**10,845,570**	**(41,126,292)**

The accompanying notes 1-34 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2017

'000 AMD	*Share capital (Note 22)*	*Retained earnings*	*Total equity*
As at 1 January 2016	**54,966,680**	**66,792,535**	**121,759,215**
Total comprehensive loss for the year	–	(41,126,292)	**(41,126,292)**
As at 31 December 2016	**54,966,680**	**25,666,243**	**80,632,923**
Total comprehensive income for the year	–	10,845,570	**10,845,570**
As at 31 December 2017	**54,966,680**	**36,511,813**	**91,478,493**

The accompanying notes 1-34 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2017

'000 AMD	*2017*	*2016*
Operating activities		
Receipts from sales, inclusive of VAT	203,031,277	126,342,971
Payments to suppliers, inclusive of VAT	(112,868,825)	(101,836,272)
Payments to employees, net of personal income tax	(15,884,697)	(13,785,043)
Settlement of financial instruments at fair value through profit or loss	(12,536,523)	2,906,865
(Payments)/receipts for taxes other than on income	(222,198)	6,313,789
Royalty paid	(10,323,209)	(2,635,493)
Donations to social programs	(3,618,069)	(2,683,556)
Banks charges and conversion losses	(214,769)	(257,565)
Other receipts	200,514	147,635
Other payments	(1,010,536)	(636,581)
Net cash from operating activities	**46,552,965**	**13,876,750**
Investing activities		
Expenditure on property, plant and equipment and stripping activity asset	(15,777,426)	(10,026,431)
Proceeds from disposal of property, plant and equipment	44,200	252,884
Interest received	37,980	18,208
Net cash used in investing activities	**(15,695,246)**	**(9,755,339)**
Financing activities		
Proceeds from loans and borrowings	–	11,926,142
Repayments of loans and borrowings	(23,422,190)	(8,810,074)
Interest paid, including related withholding tax	(6,585,458)	(7,343,428)
Net cash used in financing activities	**(30,007,648)**	**(4,227,360)**
Net increase/(decrease) in cash and cash equivalents	**850,071**	**(105,949)**
Cash and cash equivalents at 1 January (Note 21)	4,791,358	4,908,121
Net foreign exchange difference	37,141	(10,814)
Cash and cash equivalents at 31 December (Note 21)	**5,678,570**	**4,791,358**

During 2017 prepayment of income tax of AMD 2,823,965 thousand and AMD 137,000 thousand was set-off with royalty payable and personal income tax payable, respectively (2016: AMD 730,254 thousand with royalty payable). Prepayment of income tax of AMD 168,431 thousand was set-off with fines and penalties and AMD 153,206 thousand was netted with income tax payable.

The accompanying notes 1-34 form an integral part of these consolidated financial statements.

1. Background

a) Corporate information

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

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

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

The Group is owned by Cronimet Mining AG (60%), Plant of Pure Iron OJSC (15%) (99.3% ultimately owned by Cronimet Holding GmbH), AMP Holding LLC (12.5%) and Zangezur Mining LLC (12.5%) (the "Shareholders").

The ultimate parent company of the Group is Cronimet Verwaltungs GmbH, which is controlled by Günter Pilarsky and his family. Related party transactions are disclosed in Note 31.

b) Armenian business environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Despite still turbulent global economic environment, Armenia's GDP growth was still positive. The country recorded significant improvement in trade balance with exports growing 25% year over year while imports showed growth as well. Obviously, stabilization in Eurasian Economic Union had its positive impact on trade volume and inflow of remittances.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

2. Basis of preparation

a) Overview

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, derivative financial instruments have been measured at fair value.

The presentation of cash flow has been changed since reporting in 2016 consolidated financial statement. The new approach allows better presentation of cash flows for settlements of financial instruments at fair value through profit or loss.

b) Subsidiaries

The following subsidiaries are included in the consolidated financial statements of the Group:

Subsidiary	*Ownership/ voting, %*	*Principal place of business*	*Country of incorporation*	*Nature of activities*
Ler-Ex LLC	100%	Kapan, Armenia	Republic of Armenia	Mining

c) Liquidity position

As at 31 December 2017 the Group's current liabilities exceeded its current assets by AMD 29,094,187 thousand.

2. Basis of preparation (continued)

c) Liquidity position (continued)

The Management have reviewed the Group's budgeted cash flows and related assumptions including appropriate stress testing of risks (being primarily copper demand and prices). As a result, the Management have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

The management believes that liquidity gap has a temporary character and will improve with rise in copper and molybdenum prices.

d) Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is the Group companies' functional currency and the currency in which these consolidated financial statements are presented.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

All financial information is presented in thousands AMD, unless otherwise indicated. The official Central Bank of Armenia (CBA) exchange rates at 31 December 2017 and 31 December 2016 were 484.10 AMD and 483.94 AMD to 1 USD, 580.1 AMD and 512.2 AMD to 1 EUR respectively.

e) 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 measuring fair values is included in Note 28.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Zangezur Copper Molybdenum Combine CJSC and its subsidiary as at 31 December 2017. A subsidiary is an entity controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

3. Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests (NCIs).

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the NCIs, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. Significant accounting judgements, estimates and assumptions

a) Use of judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described with the associated accounting policy note within the related qualitative and quantitative note as described below.

These include:

Judgements

- Note 34 (k) *Property, plant and equipment – determination of units of production depreciation calculations*;
- Note 34 (k) *Property, plant and equipment – useful lives of property, plant and equipment*;
- Note 34 (n) *Exploration and evaluation assets – recoverability of exploration and evaluation assets*;
- Note 34 (h) *Income tax*;
- Note 10 *Other expenses – royalty estimation*;
- Note 24 *Provisions*.

4. Significant accounting judgements, estimates and assumptions (continued)

a) Use of judgements, estimates and assumptions (continued)

Estimates and assumptions

- Note 4 (c) *Ore reserves – valuation of mineral reserves that are the basis for future cash flow estimates*;
- Note 34 (c) *Revenue – determination of the fair values of the embedded derivatives*;
- Note 28 *Fair values and risk management – fair values of financial instruments*.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below or in the related accounting policy note (see list above for references). The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

c) Ore reserves and exploitation license

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

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

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

The Group held exploration license for mine area located near Hankasar, Syunik region till August 2017.

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

5. Revenue

'000 AMD	*2017*	*2016*
Revenue from sale of concentrate	148,586,010	93,492,950
Revenue from sale of ferro-molybdenum	39,716,526	28,987,797
Revenue from sale of sintered molybdenum	–	3,016,815
Revenue from sale of other products	250,709	384,124
	188,553,245	**125,881,686**

5. Revenue (continued)

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

	2017		2016	
	'000 AMD	*Dry metric tonnes*	*'000 AMD*	*Dry metric tonnes*
Copper concentrate	148,586,010	260,646	93,492,950	213,194
Ferro-molybdenum	39,716,526	6,520	28,987,797	6,420
Sintered molybdenum	–	–	3,016,815	399
	188,302,536		**125,497,562**	

At 31 December 2017 the Group had outstanding provisionally priced sales of AMD 27,610,249 thousand consisting of 29,946 dry metric tonnes of copper concentrate, 651 dry metric tonnes of ferro-molybdenum (2016: AMD 21,822,520 thousand consisting of 28,362 dry metric tonnes of copper concentrate and 772 dry metric tonnes of ferro-molybdenum) which had a fair value of approximately AMD 29,969,364 thousand including the embedded derivative (2016: AMD 21,265,263 thousand).

6. Cost of sales

'000 AMD	*2017*	*2016*
Cost of sales of concentrate, ferro-molybdenum and sintered molybdenum	98,576,113	94,963,801
Cost of other sales	260,199	371,123
	98,836,312	**95,334,924**

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

'000 AMD	*2017*	*2016*
Materials	30,172,381	30,575,086
Outsourced services	19,631,776	15,995,354
Electricity and gas	12,117,971	13,572,648
Wages and salaries (Note 11)	14,007,048	12,309,465
Tolling costs	10,906,874	11,653,198
Depreciation	11,302,121	10,453,435
Ecology taxes	55,308	43,570
Other	382,634	361,045
	98,576,113	**94,963,801**

7. Distribution expenses

'000 AMD	*2017*	*2016*
Transportation of copper concentrate	9,158,401	7,511,927
Transportation of molybdenum concentrate	211,742	225,792
Packaging, sorting and maintenance	200,084	452,234
Other	727,899	749,998
	10,298,126	**8,939,951**

Packaging, sorting and maintenance expenses include indirect payroll expenses in amount of AMD 89,959 thousand (2016: AMD 171,098 thousand) (see Note 12). No depreciation expense is included in packaging, sorting and maintenance expenses in 2017 (2016: AMD 72,765 thousand) (see Note 14).

8. Administrative expenses

'000 AMD	2017	2016
Wages and salaries	4,704,861	3,981,759
Transportation and car maintenance service	1,760,472	1,059,833
Geological studies and research	1,605,603	1,378,908
Audit, consulting and other professional services	951,682	1,336,015
Insurance costs and bank charges	647,538	560,701
Guarantee fee	544,909	–
Office, utility and communication expenses	380,215	189,199
Business trips, trainings, and representative expenses	231,792	151,750
Depreciation and amortization	218,018	91,293
Hedging commission fee	201,664	2,387
Rental expenses	101,049	40,083
Other	1,315,614	1,506,806
	12,663,416	**10,298,734**

Transportation and car maintenance service expenses include indirect payroll expenses in amount of AMD 243,852 thousand (2016: AMD 215,954 thousand) (see Notes 12) and depreciation expenses in amount of AMD 237,747 thousand (2016: AMD 183,392 thousand) (see Note 14).

The presentation of administrative expenses has been changed since reporting in 2016 consolidated financial statements. The new approach allows for more precise presentation of administrative expenses.

9. Donations to social programs

'000 AMD	2017	2016
Donations in cash	3,412,860	2,509,512
Non-cash donations	68,774	131,989
	3,481,634	**2,641,501**

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

10. Other expenses

'000 AMD	2017	2016
Royalty expense*	17,842,943	11,212,488
Loss on disposal of property and equipment	1,074,756	592,425
Wages and salaries	1,014,922	917,763
Employee benefits other than salary	840,500	711,098
Fines and penalties	764,647	2,893
Depreciation	630,242	678,009
Taxes other than on income	554,775	441,520
Write-down of inventories	326,910	685,110
Termination benefits	114,182	120,176
Site restoration provision	–	376,673
Write off of prepayments and receivables	–	195,141
Other	1,207,821	773,180
	24,371,698	**16,706,476**

The presentation of other expenses has been changed since reporting in 2016 consolidated financial statements. The new approach allows for more precise presentation of other expenses.

* Royalty expense consists of two components:

- Royalty calculated at 4% of revenue of AMD 7,738,382 thousand (2016: AMD 6,191,524 thousand);
- Royalty calculated as 12.5% of taxable income of AMD 9,681,602 thousand (2016: AMD 5,020,964 thousand).

Both revenue and taxable income are adjusted as per the guidelines and requirements in the applicable laws and regulations. The Group recognized royalty expense related to prior periods in the amount of AMD 422,959 thousand.

11. Finance income and finance costs

'000 AMD	*2017*	*2016*
Recognised in profit or loss		
Dividend income from Artsakh HEK OJCC (Note 16)	151,325	–
Interest income on receivables	123,363	–
Interest income on bank accounts	37,980	18,208
Finance income	**312,668**	**18,208**
Net loss from financial instruments at fair value through profit or loss	(14,837,967)	(6,971,055)
Interest expense on loans and borrowings	(6,635,138)	(7,682,114)
Interest expense on advances received for provisionally priced sales	(1,740,300)	(791,691)
Other interest expenses	(14,226)	–
Unwinding of discount on site restoration provision and provision for termination benefits	(437,161)	(253,598)
Finance cost	**(23,664,792)**	**(15,698,458)**
Borrowing costs capitalized during the period	(1,667,601)	(1,269,704)

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 11.6% (2016: 9.5%). The capitalisation rate was estimated as the weighted average of the borrowing costs applicable to the borrowings of the Group that were outstanding during 2017.

Net loss from financial instruments at fair value through profit or loss comprise of realized loss AMD 8,216,127 thousand (2016: loss AMD 1,896,437 thousand) and unrealized loss AMD 6,621,840 thousand (2016: loss AMD 5,074,618 thousand). The amount of cash settled realized loss from financial instruments at fair value through profit or loss for 2017 comprise AMD 12,536,523 thousand (2016: gain in the mount of AMD 2,906,865 thousand).

12. Personnel costs

'000 AMD	*2017*	*2016*
Wages and salaries	21,908,081	18,419,009
Termination benefits	114,183	120,176
Employee benefits other than salary	840,500	711,179
	22,862,764	**19,250,364**

Wages and salaries of AMD 14,007,048 thousand (2016: AMD 12,309,465 thousand) has been charged to cost of sales, AMD 89,959 thousand to distribution expenses (2016: AMD 171,098 thousand), AMD 4,948,713 thousand (2016: AMD 4,197,713 thousand) to administrative expenses, AMD 1,041,923 thousand to other expenses (2016: AMD 917,763 thousand), AMD 413,580 thousand was capitalised on construction in progress (2016: AMD 611,196 thousand), AMD 137,018 thousand was capitalized on finished goods and inventories (2016: AMD 160,342 thousand), AMD 1,172,598 thousand was capitalized on non-current inventories – ore stockpiles (2016: AMD 52,896 thousand).

13. Income tax expense

a) Amounts recognised in profit or loss

The corporate income tax expense comprises:

'000 AMD	*2017*	*2016*
Income tax expense	4,646,217	–
Adjustment of income tax for the previous period	170,133	–
Deferred tax credit – origination and reversal of temporary differences	447,999	(8,288,467)
Income tax expense/(benefit)	**5,264,349**	**(8,288,467)**

Armenian legal entities must file individual tax declarations. In 2017 and 2016, statutory income tax rate for Armenian companies was 20%.

13. Income tax expense (continued)

a) Amounts recognised in profit or loss (continued)

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on the statutory rate with actual is as follows:

'000 AMD	*2017*	*2016*
Profit/(loss) before income tax	**16,109,919**	**(49,414,759)**
Statutory tax rate	20%	20%
Income tax expense/(benefit) at applicable tax rate	**3,221,984**	**(9,882,952)**
Non-deductible expenses		
Adjustments in respect of current income tax of previous years	170,133	–
Reversal of tax loss carried forward	421,913	–
Non-deductible expenses	2,410,082	1,499,817
Deferred tax assets recognised due to increase of estimated tax base of property, plant and equipment in 2017	(1,038,395)	–
Change in unrecognized deductible temporary differences and tax losses	78,632	94,668
	5,264,349	**(8,288,467)**

b) Movement in temporary differences during the year

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

	1 January 2016	*Origination and reversal of temporary differences*	*31 December 2016*	*Origination and reversal of temporary differences*	*31 December 2017*
Tax effect of taxable temporary differences					
Tax losses carried forward	1,078,489	2,063,354	3,141,843	(3,141,843)	–
Provision of site restoration	324,698	291,689	616,387	(53,416)	562,971
Inventories	70,496	128,926	199,422	(47,105)	152,317
Financial instruments at fair value through profit or loss	(988,257)	1,086,989	98,732	1,329,446	1,428,178
Deferred tax asset	**485,426**	**3,570,958**	**4,056,384**	**(1,912,918)**	**2,143,466**
Tax effect of taxable temporary differences					
Property, plant and equipment	(17,699,188)	(787,401)	(18,486,589)	1,811,976	(16,674,613)
Loans and borrowings	(1,212,482)	244,037	(968,445)	232,373	(736,072)
Exploration and evaluation asset	(5,378,162)	5,287,305	(90,857)	–	(90,857)
Advances received for provisionally priced sales	257,755	(26,432)	231,323	(432,543)	(201,220)
Trade and other payables	–	–	–	(146,887)	(146,887)
Deferred tax liability	**(24,032,077)**	**4,717,509**	**(19,314,568)**	**1,464,919**	**(17,849,649)**
Net deferred tax liability	**(23,546,651)**	**8,288,467**	**(15,258,184)**	**(447,999)**	**(15,706,183)**

c) Unrecognized deferred tax assets

	1 January 2016	*Origination and reversal of temporary differences*	*31 December 2016*	*Origination and reversal of temporary differences*	*31 December 2017*
Tax losses carried forward	578,721	55,939	634,660	(21,795)	612,865
Property, plant and equipment	405,635	29,827	435,462	(55,059)	380,403
Inventories	–	10,309	10,309	(4,927)	5,382
Provision for site restoration	–	–	–	1,645	1,645
Trade and other payables	569,100	(1,407)	567,693	1,504	569,197
Deferred tax asset	**1,553,456**	**94,668**	**1,648,124**	**(78,632)**	**(1,569,492)**

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 Subsidiary because it is uncertain whether future taxable profit will be available against which the Subsidiary can utilise the benefits therefrom.

14. Property, plant and equipment

'000 AMD	Land and buildings	Plant and equipment	Mining Facilities	Fixtures and fittings	Construction in progress	Total
Cost						
At 1 January 2016	**56,808,829**	**168,247,755**	**2,245,676**	**710,162**	**58,273,667**	**286,286,089**
Additions	716,533	3,141,927	–	110,907	9,483,018	**13,452,385**
Disposals for the year	(105,705)	(2,296,368)	–	(12,721)	(554,641)	**(2,969,435)**
Transfers	8,727,425	12,424,422	–	–	(21,151,847)	**–**
At 31 December 2016	**66,147,082**	**181,517,736**	**2,245,676**	**808,348**	**46,050,197**	**296,769,039**
At 1 January 2017	**66,147,082**	**181,517,736**	**2,245,676**	**808,348**	**46,050,197**	**296,769,039**
Additions	6,001,451	6,406,525	8,226	114,281	7,382,414	**19,912,897**
Disposals	(768,127)	(3,331,772)	–	(27,484)	(1,393,908)	**(5,521,291)**
Transfers	317,513	1,537,825	–	–	(1,855,338)	**–**
At 31 December 2017	**71,697,919**	**186,130,314**	**2,253,902**	**895,145**	**50,183,365**	**311,160,645**
Depreciation						
At 1 January 2016	**14,180,713**	**82,040,775**	**108,903**	**559,258**	**–**	**96,889,649**
Depreciation charge for the year	1,624,015	10,123,694	29,873	69,727	–	**11,847,309**
Disposals	(40,921)	(2,252,944)	–	(12,412)	–	**(2,306,277)**
At 31 December 2016	**15,763,807**	**89,911,525**	**138,776**	**616,573**	**–**	**106,430,681**
At 1 January 2017	**(15,763,807)**	**(89,911,525)**	**(138,776)**	**(616,573)**	**–**	**(106,430,681)**
Depreciation charge for the year	(1,821,156)	(11,287,046)	(35,680)	(79,562)	–	**(13,223,444)**
Disposals	28,871	2,731,595	–	26,718	–	**2,787,184**
At 31 December 2017	**(17,556,092)**	**(98,466,976)**	**(174,456)**	**(669,417)**	**–**	**(116,866,941)**
Net book value						
At 31 December 2016	**50,383,275**	**91,606,211**	**2,106,900**	**191,775**	**46,050,197**	**190,338,358**
At 31 December 2017	**54,141,827**	**87,663,338**	**2,079,446**	**225,728**	**50,183,365**	**194,293,704**

Depreciation expense of AMD 11,302,121 thousand (2016: AMD 10,453,435 thousand) was charged to cost of sales, nil to distribution expenses (2016: AMD 72,765 thousand), AMD 455,805 thousand (2016: AMD 274,685 thousand) to administrative expenses, AMD 630,242 thousand (2016: AMD 678,009 thousand) to other expenses, AMD 440,116 thousand (2016: AMD 44,920 thousand) was capitalised on non-current inventories – ore stockpiles, AMD 117,079 thousand (2016: AMD 189,694 thousand) was capitalised on construction in progress, AMD 179,538 (2016: AMD 136,166 thousand) thousand was capitalized on finished goods and inventories.

During 2017 wages and salaries of AMD 413,580 thousand were capitalized on construction in progress (2016: AMD 611,196 thousand) (see Note 12).

During 2017 borrowing costs of AMD 1,667,601 thousand (2016: AMD 1,269,704 thousand) were capitalized on construction in progress (see Note 11).

During 2017 changes in estimate of site restoration provision of AMD 519,166 thousand (2016: AMD 933,235 thousand) were capitalized on related property, plant and equipment (see Note 24).

At 31 December 2017 property, plant and equipment with a carrying amount of AMD 57,124,537 thousand are pledged as security for secured bank loans (see Note 23).

At 31 December 2017 the gross book value of fully depreciated property, plant and equipment, which are in use, amounted AMD 43,676,042 thousand (2016: AMD 38,562,844 thousand).

15. Stripping activity asset

In 2014, The Group started intensive stripping activities in Shlorkut site of Kajaran mine from which the extraction of ore is planned in the coming years, and capitalized the pre-production stripping costs as stripping activity asset in the amount of AMD 4,090,780 thousand. No stripping activities were performed in 2017 and 2016.

16. Available-for-sale investments

'000 AMD	*2017*	*2016*
Artsakh HEK OJSC	928,484	777,159
	928,484	**777,159**

At 31 December 2017 the Group's investment in Artsakh HEK OJSC's equity ("AHEK") is 6.18% (2016: 6.18%).

The shares are listed in NASDAQ OMX Armenia. AHEK has announced dividends in the amount of AMD 151,325 thousand for 2014 - 2016 years.

The fair value of investment was determined by using discounted cash flows techniques which is classified as Level 3 in fair value hierarchy, refer to Note 28.

The Group's exposure to credit and interest rate risks related to available-for-sale investments is disclosed in Note 28.

17. Exploration and evaluation asset

'000 AMD	*2017*	*2016*
Exploration license acquired through business combination	500,000	500,000
Other exploration and evaluation costs	1,938,081	1,938,081
	2,438,081	**2,438,081**

Exploration license relates to the mine area located near Hankasar, Syunik region.

Other exploration and evaluation expenditures of AMD 1,938,081 thousand at 31 December 2017 (2016: AMD 1,938,081) related to costs incurred on the exploration and evaluation of potential mineral reserves and included costs for exploratory drilling and explosion performed by outsourced companies.

Following the decline in metal prices, during 2015 the exploration activities were suspended. No exploration works were performed in 2017 and 2016.

Recoverable amount of the exploration and evaluation asset was determined using discounted cash flow method as at 31 December 2016. The cost of exploration and evaluation asset was decreased to its value-in-use. The Group recognized impairment of exploration and evaluation asset in amount of AMD 26,436,526 thousand in 2016. A discount rate of 12.9% was applied for the calculation of value-in-use. No additional impairment was recognized in 2017.

18. Prepayments

'000 AMD	*2017*	*2016*
Prepayments for non-current assets		
Prepayments for property, plant and equipment	6,379,570	450,215
Prepayments for land lease	345,324	324,975
	6,724,894	**775,190**
Prepayments for current assets		
Prepayments for inventory	4,705,034	1,204,176
Other	3,445,139	2,828,739
	8,150,173	**4,032,915**
	14,875,067	**4,808,105**

19. Inventories

'000 AMD	2017	2016
Spare parts	5,724,135	4,006,391
Raw materials and consumables	4,480,874	3,932,069
Finished goods	1,882,696	1,500,928
Molybdenum concentrate given for processing*	32,271	447,979
Construction materials	123,973	69,420
Other	907,922	454,376
Total current inventories	**13,151,871**	**10,411,163**
Non-current inventories – ore stockpiles**	3,794,527	259,550
Total inventories at the lower of cost and net realizable value	**16,946,398**	**10,670,713**

* The Group has service agreements signed with related parties for processing of molybdenum concentrate to ferro-molybdenum. The ownership during the processing is retained by the Group. The corresponding tolling expense for services received is presented in Note 6.

** Non-current inventories represent low grade ore that cannot be economically processed at current market prices, and is stockpiled with the expectation that it will be processed.

During 2017, AMD 326,910 thousand (2016: AMD 685,110 thousand) was recognized as an expense for inventories carried at net realizable value recognized in other expenses (see Note 10).

Wages and salaries of AMD 137,018 thousand (2016: AMD 160,342) (see Note 12) and depreciation of AMD 179,538 thousand (2016: AMD 136,166 thousand) (see Note 14) are capitalized on the balance of current inventories and finished goods.

Wages and salaries of AMD 1,180,892 thousand (2016: AMD 52,896 thousand) (see Note 12) and depreciation of AMD 440,116 thousand (2016: AMD 44,920 thousand) (see Note 14) are capitalized on the balance of non-current inventories – ore stockpiles.

20. Trade and other receivables

'000 AMD	2017	2016
Trade receivables – sales of copper concentrate and ferro-molybdenum	11,169,504	618,334
Receivables related to closed derivative transactions	1,010,442	396,794
Trade receivables – sales of other products	509,652	1,030,216
Other receivables	890,260	132,056
Trade and other receivables	**13,579,858**	**2,177,400**

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

The balance of receivables included embedded derivatives related to provisional pricing features of sales with amount of AMD 2,359,115 thousand as at 31 December 2017 (2016: AMD 557,257 thousand with reverse sign included in advances received for provisionally priced sales).

21. Cash and cash equivalents

'000 AMD	2017	2016
Bank balances	5,678,228	4,784,916
Cash on hand	342	6,442
Cash and cash equivalents	**5,678,570**	**4,791,358**

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

Number of shares unless otherwise stated	*Ordinary shares* 2017	2016
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 2017 and 2016, 60% of the Group'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.

The declaration of dividends is restricted per the pre-export facility 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	*2017*	*2016*
Non-current liabilities		
Secured bank loans and credit lines	42,104,771	63,000,102
Unsecured borrowings from shareholder	7,202,178	5,291,224
	49,306,949	**68,291,326**
Current liabilities		
Secured bank loans and credit lines	22,831,584	25,476,968
	22,831,584	**25,476,968**

In August 2015 the Group received a pre-export facility loan of USD 180,000 thousand from European financial institutions. The loan was partially used to repay the USD 150,000 thousand loan received in 2013 from European financial institutions. The loan is secured by the Group's property, plant and equipment (see Note 14), Group's shares (see Note 22), bank balances and sales agreements with customers, as well as a guarantee from the parent company.

The Group signed a credit line agreement with an Armenian bank in March 2016 with maximum limit of USD 10,000 thousand. As at 31 December 2016 the Group received financing of USD 9,100 thousand (AMD 4,405,310 thousand) under this credit line agreement. The credit line is secured by bank account balances of the Group.

Secured bank loans and credit lines include also overdrafts with two Armenian banks with maximum limits of USD 13,000 thousand (secured by bank account balances and property, plant and equipment of the Group, refer to Note 14) and USD 13,400 thousand (secured by bank account balances of the Group).

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 AMD	*Currency*	*Nominal interest rate*	*Expected year of maturity*	*31 December 2017* *Face value*	*Carrying amount*	*31 December 2016* *Face value*	*Carrying amount*
Secured bank loan	USD	Libor + 6.5%	2021	59,478,206	55,554,439	78,574,178	73,460,016
Secured bank overdraft	USD	9%	2020	6,522,375	6,522,375	10,580,624	10,580,624
Unsecured borrowing from shareholder	USD	Libor + 4.95%	2021	5,625,994	5,625,994	5,291,224	5,291,224
Secured bank credit line	USD	9%	2019	4,435,725	4,435,725	4,436,430	4,436,430
Total interest-bearing liabilities				**76,062,300**	**72,138,533**	**98,882,456**	**93,768,294**

23. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

a) Secured bank loan

The balance represents a secured bank loan with a carrying amount of AMD 55,554,439 thousand and contractual maturity.

b) Secured bank overdraft

Balance represents secured revolving overdraft facilities with Armenian banks. The overdraft agreements mature in September 2020 and October 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.

c) Unsecured borrowing from the shareholder

The balance is unsecured borrowing from shareholder with maturity in 2021.

d) Secured bank credit line

Balance represents secured credit line with an Armenian bank.

24. Provisions

'000 AMD	*Provision for site restoration*	*Employee termination benefits*	*Total*
Non-current	2,842,966	1,047,235	**3,890,201**
Current	238,968	248,479	**487,447**
Balance at 1 January	**3,081,934**	**1,295,714**	**4,377,648**
Provision used during the year	(88,156)	(637,204)	**(725,360)**
Changes in estimates	(519,166)	114,182	**(404,984)**
Additional provisions created	8,226	–	**8,226**
Effect of changes in foreign exchange rate	–	(3,098)	**(3,098)**
Unwinding of discount (note 11)	340,246	96,915	**437,161**
Balance at 31 December	**2,823,084**	**866,509**	**3,689,593**
Non-current	2,672,272	463,859	**3,136,131**
Current	150,812	402,650	**553,462**

a) Site restoration

Artsvanik tailing dam

The Group has a constructive obligation to restore contaminated land affected during the use of the tailing dam (Artsvanik dam) for the purpose of mine exploitation and concentrate production. The provision for restoration works of Artsvanik dam constitutes AMD 2,482,002 thousand as at 31 December 2017 (2016: AMD 2,705,260 thousand).

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 7,026,800 thousand (2016: AMD 7,562,308 thousand) considering the effect of average forecasted inflation rate of 3.6% (2016: 3.9%) for Armenia. An annual discount rate of 11.1% (2016: 11.8%) was used to discount restoration costs to be made in 15 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 2017. The discount rate represents the rate for long term Armenian Government bonds.

The provision increased as compared to the amount recognized as at 31 December 2016 due to changes in estimated volume of restoration works, estimated annual discount rate and inflation rate. Changes to the estimated future costs have been dealt with prospectively by recognising an adjustment to the site restoration liability and a corresponding adjustment to the asset to which it relates.

Hankasar tailing dam

The Group has a constructive obligation to restore contaminated land affected during the use of the tailing dam (Hankasar dam) for the purpose of mine exploitation and concentrate production. The provision for restoration works of Hankasar dam constitutes AMD 8,226 thousand as at 31 December 2017.

24. Provisions (continued)

a) Site restoration (continued)

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 36,771 thousand (2016: nil) considering the effect of average forecasted inflation rate of 3.57% (2016: nil) for Armenia. An annual discount rate of 10.5% was used to discount restoration costs to be made in 15 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 2017. The discount rate represents the rate for long term Armenian Government bonds

Mine closure and waste dumps

During 2013, overall site restoration obligations of Armenian mining companies were clarified and enforced legally by the revised Law on Mining. The clarified law introduced a scheme under which the Group is required to make payments to a specified government fund. The calculation of the required payments should be performed according to the formula determined by the Government under a separate legal act. On 11 February 2013 the Government issued a legal act on the method of calculation of payments for a site restoration obligation which needs to be prepared by management and approved by the state authorities.

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

The provision for restoration works related to mine closure and waste dumps constitutes AMD 332,855 thousand as at 31 December 2017 (2016: AMD 376,674).

The total amount of the estimated undiscounted cash flows required to settle the obligation is AMD 2,943,820 thousand. An annual discount rate of 12.3% (2016: 12.6%) was used to discount restoration costs to be made in 25 years' time. The timing of provision has been taken based on the term of existing License Agreement of the Group. The discount rate represents the rate for long term Armenian Government bonds.

b) Employee termination benefits

The provision for termination benefits as at 31 December 2017 relates to the Group's contractual obligation to pay the amount of AMD 940,415 thousand (2016: AMD 1,574,677 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 5.8% (2016: 7.5%) was used to discount the payments to be made in 1-4 years' time based on the management estimate of the timing of the terminations.

25. Financial instruments at fair value through profit or loss

Financial assets at fair value through profit or loss in the amount of AMD 1,110,243 thousand as at 31 December 2016 represented the fair value of call and put options on copper with one counterparty. The options expired in December 2017.

Financial liabilities at fair value through profit or loss of AMD 7,140,890 thousand (2016: 1,603,900) represent the fair value of futures on copper with one counterparty (2016: one counterparty).

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	*2017*	*2016*
Current trade and other payables		
Payables for acquisition of inventory and property, plant and equipment	11,355,655	4,828,441
Payables for services received	3,532,265	2,685,300
Payables related to closed derivative transactions	1,185,032	4,948,992
Other payables and accrued expenses	2,157,744	878,966
Total trade and other payables	**18,230,696**	**13,341,699**

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in Note 28. The Group has interest bearing payables in the amount of USD 3.2 million, with annual interest rate of 6%.

Included in other payables and accrued expenses are non-financial liabilities in the amount of AMD 560,073 thousand (2016: AMD 27,791 thousand).

27. Advances received for provisionally priced sales

Included in non-current advances received for provisionally priced sales are advances of AMD 14,361,382 thousand (2016: AMD 13,605,223 thousand) 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%.

During January 2017, the Group received a streaming upfront fee in the amount of USD 25 million (AMD 12,148,000 thousand) in connection with copper concentrate offtake streaming contract dated 21 December 2016. As of 31 December 2017 the non-current balance comprised AMD 10,479,660 thousand (2016: nil).

The current advances of AMD 13,785,285 thousand (2016: AMD 7,099,048 thousand) represent advances received for provisionally priced sales to the customers. In general, supplies are made within three months from the date of receiving of advance.

28. Fair values and risk management

a) Fair value measurement procedures

Carrying value versus fair value

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value:

	Financial instrument	*Carrying amount*		*Fair value*	
'000 AMD	*classification*	*2017*	*2016*	*2017*	*2016*
Financial liabilities					
Loans and borrowings	Amortised cost	(72,138,533)	(93,758,294)	(76,576,452)	(99,592,392)

Fair value hierarchy

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

28. Fair values and risk management (continued)

a) Fair value measurement procedures (continued)

Fair value for trade and other receivables, cash and cash equivalents provided approximates their carrying amount.

'000 AMD	*Fair value measurement using*			
31 December 2017	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets measured at fair value				
AFS financial assets (Note 16)				
Available-for-sale investments	–	–	928,484	**928,484**
Trade and other receivables				
Derivatives embedded in copper sales contracts	–	1,302,015	–	**1,302,015**
Derivatives embedded in molybdenum sales contracts	–	–	1,057,099	**1,057,099**
Total assets measures at fair value	**–**	**1,302,015**	**1,985,583**	**3,287,598**
Financial liabilities at fair value through profit or loss (Note 25)				
Commodity futures (copper)	(7,140,890)	–	–	**(7,140,890)**
Total	**(7,140,890)**	**–**	**–**	**(7,140,890)**
Liabilities for which fair values are disclosed				
Loans and borrowings	–	–	(76,576,542)	**(76,576,542)**
Total	**–**	**–**	**(76,576,542)**	**(76,576,542)**

'000 AMD	*Fair value measurement using*			
31 December 2016	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets measured at fair value				
AFS financial assets (Note 16)				
Available-for-sale investments	–	–	777,159	**777,159**
Financial assets at fair value through profit or loss (Note 25)				
Copper collars	–	–	1,110,243	**1,110,243**
Total	**–**	**–**	**1,887,402**	**1,887,402**
Liabilities measured at fair value				
Advances received for provisionally priced sales (Note 27)				
Derivatives embedded in copper sales contracts	–	(476,056)	–	**(476,056)**
Derivatives embedded in molybdenum sales contracts	–	–	(81,201)	**(81,201)**
Financial liabilities at fair value through profit or loss (Note 25)				
Commodity futures (copper)	(1,603,900)	–	–	**(1,603,900)**
Total	**(1,603,900)**	**(476,056)**	**(81,201)**	**(2,161,157)**
Liabilities for which fair values are disclosed				
Loans and borrowings	–	–	(99,592,392)	**(99,592,392)**
Total	**–**	**–**	**(99,592,392)**	**(99,592,392)**

Level 3 Available-for-sale investments

In 2017 and 2016 the shares of AHEK were not actively traded and their fair value was determined using discounted cash flows techniques.

28. Fair values and risk management (continued)

a) Fair value measurement procedures (continued)

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	*2017*	*2016*
Balance at 1 January	**1,110,243**	**4,941,286**
Total loss recognised in profit or loss	(886,758)	(1,636,221)
Settlement	(222,255)	(2,117,331)
Receivable from closed derivative transactions	–	(48,453)
Effect of foreign exchange rate fluctuations	(1,230)	(29,038)
Balance at 31 December	**–**	**1,110,243**

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

Level 3 Derivatives embedded in molybdenum sales contracts

Derivatives embedded in sales contracts related to ferro-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 ferro-molybdenum 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.

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2017 are as shown below:

	Valuation technique	*Significant unobservable input*	*Input value or range*	*Sensitivity of the input to fair value*
Derivatives embedded in molybdenum sales contracts	Forward pricing model	Molybdenum spot price	25.7 USD/kg	4.27% decrease in Molybdenum spot price would result in a decrease in fair value by AMD 346,848 thousand.
Available-for-sale investments	DCF method	WACC	11%	1% increase in the WACC would result in a decrease in fair value by AMD 227,646 thousand.
Loans and borrowings	DCF method	Market interest rate	5.8%-9.2%	1% increase would result in a decrease in fair value by AMD 2,266,759 thousand.

b) Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise trade and other payables, bank loans and overdrafts, borrowing from the shareholder. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Group's capital expenditure programme. The Group's principal financial assets, other than derivatives, comprise available-for-sale investments, trade and other receivables and cash.

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

- Market risk;
- Liquidity risk;
- Credit 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.

28. Fair values and risk management (continued)

b) Financial risk management (continued)

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.

i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, cash and cash equivalents, trade receivables, trade payables and derivative financial instruments.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces.

The Group'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.

Commodity price sensitivity

The table below summarises the impact on profit before tax for changes in copper prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on profit before income tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading and are therefore fair valued through profit or loss.

The analysis is based on the assumption that the copper prices move 4.27% with all other variables held constant. Reasonably possible movements in commodity prices were determined based on economic forecasters' expectations.

Increase/(decrease) in copper prices	*Effect on profit before tax for the year ended 31 December 2017 Increase/(decrease)*	*Effect on profit before tax for the year ended 31 December 2016 Increase/(decrease)*
	'000 AMD	*'000 AMD*
Increase 4.27% (2016: 6.40%)	(2,910,742)	(641,079)
Decrease 4.27% (2016: 6.40%)	2,910,742	641,079

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term secured bank loan and unsecured borrowing from shareholder with floating interest rates. As of 31 December 2017 the shares of the borrowings with floating rates in the total amount of the borrowings were 85% (2016: 84%).

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 judgement to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

28. Fair values and risk management (continued)

b) Financial risk management (continued)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, based on the last two years' historical rates and economic forecasters' expectations of the Group's profit before tax through the impact on floating rate loans and borrowings (with all other variables held constant).

Increase/(decrease) in 1month USD LIBOR rate	*Effect on profit before tax for the year ended 31 December 2017 Increase/(decrease)*	*Effect on profit before tax for the year ended 31 December 2016 Increase/(decrease)*
	'000 AMD	*'000 AMD*
Increase 0.70% (2016: 0.60%)	(1,000,058)	(1,433,371)
Decrease 0.08% (2016: 0.08%)	101,427	191,116

Foreign currency sensitivity

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The currency in which these transactions are primarily denominated is 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.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at reporting date:

Increase/(decrease) in foreign exchange rate	*Effect on profit before tax for the year ended 31 December 2017 Increase/(decrease)*	*Effect on profit before tax for the year ended 31 December 2016 Increase/(decrease)*
	'000 AMD	*'000 AMD*
USD		
Increase 3.5% (2016: 6%)	(3,370,223)	(5,632,641)
Decrease 3.5% (2016: 6%)	3,370,223	5,632,641
EUR		
Increase 13.7% (2016: 11%)	162,215	(13,326)
Decrease 6.3% (2016: 11%)	(74,599)	13,326

ii. 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.

28. Fair values and risk management (continued)

b) Financial risk management (continued)

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

Year ended 31 December 2017	*On demand*	*Less than 1 year*	*1-2 years*	*2-5 years*	*Total*
Interest-bearing loans and borrowings	–	23,744,507	18,084,799	47,928,780	**89,758,086**
Accounts payable and accrued liabilities	849,360	19,783,007	–	–	**20,632,367**
Financial liabilities at fair value through profit or loss	–	7,140,890	–	–	**7,140,890**
	849,360	**50,668,404**	**18,084,799**	**47,928,780**	**117,531,343**

Year ended 31 December 2016	*On demand*	*Less than 1 year*	*1-2 years*	*2-5 years*	*Total*
Interest-bearing loans and borrowings	–	26,310,939	15,433,604	78,963,568	**120,708,111**
Accounts payable and accrued liabilities	496,042	12,845,657	–	–	**13,341,699**
Embedded derivatives	–	557,257	–	–	**557,257**
Financial liabilities at fair value through profit or loss	–	1,603,900	–	–	**1,603,900**
	496,042	**41,317,753**	**15,433,604**	**78,963,568**	**136,210,967**

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

iii. 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.

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.

Exposure to credit risk

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

	Carrying amount	
'000 AMD	*2017*	*2016*
Bank balances	5,678,228	4,784,916
Trade and other receivables	13,579,858	2,177,400
Financial assets at fair value through profit or loss	–	1,110,243
	19,258,086	**8,072,559**

Trade and other 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 14% (2016: 33%) of the Group'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 six (2016: four) customers.

28. Fair values and risk management (continued)

b) Financial risk management (continued)

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

	Carrying amount	
'000 AMD	*2017*	*2016*
Domestic	6,266,208	1,347,510
Foreign	7,313,650	829,890
	13,579,858	**2,177,400**

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

	Carrying amount	
'000 AMD	*2017*	*2016*
Copper and molybdenum customers	11,288,892	618,334
Other products – other customers	2,290,966	1,559,066
	13,429,858	**2,177,400**

Impairment losses

The aging of trade and other receivables at the reporting date was:

'000 AMD	*Gross 2017*	*Gross 2016*
Not past due	10,687,185	1,073,738
Past due 0-30 days	329,332	11,392
Past due 31-120 days	1,000,323	18,479
Past due 121-365 days	963,366	816,258
Past due more than one year	599,652	257,533
	13,429,858	**2,177,400**

Bank balances

The Group held bank balances of AMD 5,678,228 thousand at 31 December 2017 (2016: AMD 4,784,916 thousand), which represents its maximum credit exposure on these assets. At 31 December 2017 90% of total exposure is held with a BBB+ rated bank by Fitch (2016: 95%). The remaining 10% of total exposure at 31 December 2017 is held with top 8 Armenian banks.

c) 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.

d) Changes in liabilities arising from financing activities

'000 AMD	*Loans and borrowings*
Balance as at 1 January 2016	**89,055,499**
Proceeds from loans and borrowings	11,926,142
Repayment of loans and borrowings	(8,810,074)
Non-cash transactions	8,965,555
Foreign exchange movement	(25,400)
Interest paid, including related withholding tax	(7,343,428)
Balance as at 31 December 2016	**93,768,294**
Proceeds from loans and borrowings	–
Repayment of loans and borrowings	(23,422,190)
Non-cash transactions	8,340,408
Foreign exchange movement	37,479
Interest paid, including related withholding tax	(6,585,458)
Balance as at 31 December 2017	**72,138,533**

29. 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 consolidated 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) Commitments and other contingencies

Capital commitments

The Group did not have any significant capital commitments at 31 December 2017 (2016: nil).

Operating lease commitments

The Group has entered into leases for land and other properties. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are, as follows:

'000 AMD	*2017*	*2016*
Within one year	335,884	169,608
After one year but not more than five years	569,199	573,927
More than five years	3,730,152	3,579,298
	4,635,235	**4,322,833**

30. 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.

30. Operational risks (continued)

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 2017, LME monthly average closing spot prices ranged from USD 5,591 to USD 6,825 per ton for copper. The LME spot copper price closed at USD 6,679 per ton on 31 March 2018.

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 19,820 per ton during 2017 in comparison with USD 16,263 per ton during 2016. The LME spot price of USD 25,500 per ton of molybdenum was registered on 31 March 2018.

31. Related parties

a) Control relationships

In accordance with Government Decree No 1677-A dated 9 December 2004 the Group was privatised by the state. The ownership structure of the Group is disclosed in Note 1.

b) Transactions with key management personnel

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	*2017*	*2016*
Salaries and bonuses		
Short-term employee benefits	1,249,763	1,180,478
Termination benefits	637,203	186,006
	1,886,966	**1,366,484**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables.

31. Related parties (continued)

b) Transactions with key management personnel (continued)

The Group's related party transactions are disclosed below.

i. Revenues

'000 AMD	*Transaction value 2017*	*Transaction value 2016*	*Outstanding balance 2017*	*Outstanding balance 2016*
Sale of molybdenum concentrate, ferro-molybdenum, sintered molybdenum				
Shareholders	(15)	15,524,754	(9,682,000)	(9,715,757)
Entities under common control	15	11,322,017	–	(75,527)
Sale of copper concentrate				
Entities under common control	26,751,096	15,110,913	2,682,154	(4,452,521)
Services provided				
Shareholders	1,744	832	80	60
Interest income				
Entities under common control	123,363	–	123,729	–
	26,876,203	**41,958,516**	**(6,876,037)**	**(14,243,745)**

ii. Expenses

'000 AMD	*Transaction value 2017*	*Transaction value 2016*	*Outstanding balance 2017*	*Outstanding balance 2016*
Purchase of materials				
Shareholders	5,149	5,770	(900)	(876)
Entities under common control	–	1,286	–	(75,660)
Other related parties	3,151,407	3,738,862	(466,144)	(639,196)
Purchase of property, plant and equipment				
Shareholders	327,619	–	(3,892)	–
Entities under common control	28,060	221,445	2,420,500	–
Services received				
Shareholders	12,076,348	12,268,431	(244,792)	(283,632)
Entities under common control	1,514,017	1,360,901	(23,620)	(60,702)
Other related parties	1,808,487	1,872,488	(135,236)	(145,619)
Donations provided				
Other related parties	947,257	659,800	–	–
Entities under common control	145,000	–	–	–
Interest expense on advances received				
Shareholders	660,241	560,394	(1,517,104)	(856,863)
Entities under common control	174,333	162,815	(389,070)	(261,645)
Commission fee				
Entities under common control	201,664	2,387	–	–
	21,039,582	**20,854,579**	**(360,258)**	**(2,324,193)**

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 entities under common control mainly include geological studies and research performed by non-related parties sub-contracted by the related parties.

Other related parties include entities under significant influence of the Board of Directors.

31. Related parties (continued)

b) Transactions with key management personnel (continued)

iii. Loans and borrowings

'000 AMD	*Transaction value 2017*	*Transaction value 2016*	*Outstanding balance 2017*	*Outstanding balance 2016*
Borrowings received				
Shareholders	–	–	(4,841,000)	(4,839,400)
Interest expense on borrowings				
Shareholders	331,878	280,661	(784,995)	(451,824)
	331,878	**280,661**	**(5,625,995)**	**(5,291,224)**

Accrued interest of AMD 68,666 thousand was capitalized on PPE during 2017 (2016: AMD 58,069 thousand).

32. New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several other amendments apply for the first time in 2017, however, they do not impact the annual consolidated financial statements of the, hence, have not been disclosed. The nature and the effect of these changes are disclosed below. Although the new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IAS 7 Statement of Cash Flows – Amendments to IAS 7

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 23.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

These amendments do not have any impact on the Group's consolidated financial statements.

Annual improvements 2014-2016 cycle

IFRS 12 Disclosure of Interests in Other Entities – clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively. These amendments do not have any impact on the Group.

Annual improvements 2015-2017 cycle (issued in December 2017)

These improvements are applied for annual reporting periods beginning on or after 1 January 2019 and include:

IAS 12 Income Taxes – income tax consequences of payments on financial instruments classified as equity

These amendments clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend. Earlier application is permitted and must be disclosed. The amendments must first be applied to income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with the amendments, the Group does not expect any effect on its consolidated financial statements.

32. New and amended standards and interpretations (continued)

Annual improvements 2015-2017 cycle (issued in December 2017) (continued)

IAS 23 Borrowing Costs – borrowing costs eligible for capitalization

These amendments clarify that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally. Earlier application is permitted and should be disclosed. The Group does not expect any effect on its consolidated financial statements.

33. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the Group, they have not been listed.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* governs disclosures in relation to changes in accounting policies.

Specifically IAS 8.28 requires the following to be disclosed (unless relief is provided by a transitional provision in the standard):

(a) The title of the IFRS;

(b) When applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) The nature of the change in accounting policy;

(d) When applicable, a description of the transitional provisions;

(e) When applicable, the transitional provisions that might have an effect on future periods;

(f) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

  (i) For each financial statement line item affected;

  (ii) If IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share.

(g) The amount of the adjustment relating to periods before those presented, to the extent practicable;

(h) If retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

During 2017, the Group performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. The Group will continue its final assessment during 2018. The Group expects that there will not be significant impact on its statement of financial position or equity from the adoption of IFRS 9, however, there will be some changes to the classification and measurement of trade receivables relating to provisionally priced sales. Refer below for further discussion.

a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position and equity on applying the classification and measurement requirements of IFRS 9. However, there will be some changes impacting trade receivables relating to provisionally priced sales.

33. Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

As discussed in more detail in Note 34 (c) and also below within the discussion on the potential impact of IFRS 15, some of the Group's sales of metal in concentrate contain provisional pricing features. Currently, these provisionally priced sales contain an embedded derivative that is separated from the host contract, i.e., the concentrate receivable, for accounting purposes under IAS 39. Accordingly, the embedded derivative, which does not qualify for hedge accounting, is recognised at fair value, with subsequent changes in fair value recognised in the statement of profit or loss and other comprehensive income each period until final settlement, and presented as part of 'Revenue'. The initial estimate of fair value and subsequent changes in fair value over the quotational period ("QP"), and up until final settlement, are estimated by reference to forward market prices.

On adoption of IFRS 9, the embedded derivative will no longer be separated from the concentrate receivables as the receivables are not expected to give rise to cash flows that represent solely payments of principal and interest. Instead, the receivables will be accounted for as one instrument and measured at fair value through profit or loss with subsequent changes in fair value recognised in the statement of profit or loss and other comprehensive income each period until final settlement and presented as part of 'Revenue'. This will mean that the quantum of the fair value movements will be different because the current approach only calculates fair value movements based on changes in the relevant commodity price, whereas under IFRS 9, the fair value of the receivable will not only include commodity price changes, but it will also factor in the impact of credit and interest rates. Refer below to the discussion on the potential impact of IFRS 15 on provisionally priced sales for further information.

Other non-provisionally priced trade receivables are considered to be held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

For other financial assets currently measured at fair value, e.g., derivative financial assets, the group expects to continue to classify and measure these at fair value.

There will be no impact on financial liabilities.

b) Impairment

IFRS 9 requires the Group to now use an expected credit loss model for its trade receivables measured at amortised cost, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables measured at amortised cost. Given the short term nature of these receivables, the Group does not expect these changes will have a significant impact.

c) Hedge accounting

The changes in IFRS 9 relating to hedge accounting will have no impact as the Group does not currently apply hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group plans to adopt the new standard on the required effective date using the modified retrospective method. During 2016, the Group commenced its preliminary assessment of IFRS 15, which was followed by a more detailed analysis Group is preparing during 2018.

The key issues identified, and the Group's views and perspectives, are set out below. These are based on the Group's current interpretation of IFRS 15 and may be subject to changes as interpretations evolve more generally. Furthermore, the Group is considering and will continue to monitor any further development.

33. Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

To date, the Group has identified the following issues that require consideration:

a) *Provisionally priced sales*

As discussed in Note 34 (c) above, some of the Group's sales of metal in concentrate contain provisional pricing features which are considered to be embedded derivatives. Under IAS 18, revenue is recognised at the estimated fair value of the total consideration received or receivable when the concentrate is delivered, which is usually upon loading material into the railcars. This fair value is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the average spot price of the metal for previous five working days of the date of shipment and previous one working day of the date of shipment for copper and molybdenum respectively. The initial estimate of the fair value of the embedded derivative and subsequent changes in fair value over, and to the end of, the QP, are estimated by reference to forward market prices. The subsequent changes in fair value are recognised in the statement of profit or loss and other comprehensive income each period until final settlement and presented as part of 'Revenue'. Any subsequent changes arising due to differences between the initial and final assay results are not considered part of the embedded derivative and are adjusted against revenue. These amounts are usually immaterial for the Group.

IFRS 15 will not change the assessment of the existence of embedded derivatives. IFRS 15 states that if a contract is partially within scope of the standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore, to the extent that provisional pricing features are considered to be in the scope of another standard, they will be outside the scope of IFRS 15 and entities will be required to account for these in accordance with IFRS 9. Any subsequent changes that arise due to differences between initial and final assay will still be considered within the scope of IFRS 15 and will be subject to the constraint on estimates of variable consideration.

Revenue in respect of the host contract will be recognised when control passes to the customer (which has been determined to be the same point in time, i.e., upon loading material into the railcars) and will be measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the QP, i.e., using the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price (which is consistent with current practice). When considering the initial assay estimate, the Group has considered the requirements of IFRS 15 in relation to the constraint on estimates of variable consideration. It will only include amounts in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final assay/quality is subsequently resolved, i.e., at the end of the QP. As disclosed above, the assay differences are not usually material to the Group, hence, no change is expected when compared to the current approach. Consequently, at the time the concentrate is loaded on railcars, the Group will recognise a receivable because from that time it considers it has an unconditional right to consideration. This receivable will then be accounted for in accordance with IFRS 9.

As explained above in the discussion on the potential impact of IFRS 9, the embedded derivative will no longer be separated from the host contract, i.e., the concentrate receivable. This is because the existence of the provisional pricing features will mean the concentrate receivable will fail to meet the requirements to be measured at amortised cost. Instead, the entire receivable will be measured at fair value, with subsequent movements being recognised in the statement of profit or loss and other comprehensive income. The requirement to measure the entire receivable at fair value is different from current practice in that the current embedded derivative represents changes in the commodity price, whereas the fair value of the receivable will include the impact of changes in the commodity price, interest rate risk and credit risk. Given the nature of the Group's provisionally priced sales in that they are no more than three months long and are with customers who have a strong credit rating, the Group does not expect this change to have a material impact.

With respect to the presentation of amounts arising from such provisionally priced contracts, IFRS 15 requires "revenue from contracts with customers" to be disclosed separately from other types of revenue. This means that revenue recognized from the initial sale must be separately disclosed in the financial statements from any revenue/income recognised from subsequent movements in the fair value of the related concentrate receivable. As the Group currently discloses movements in the embedded derivative in revenue, this requirement will have impact on it. However, the quantum of the fair value movement may be different as a result of the adoption of IFRS 9. Consistent with current practice, any subsequent changes that arise due to differences between initial and final assay will be recognised as an adjustment to revenue from contracts with customers.

b) *Impact of shipping terms*

The Group sells a portion of its copper concentrate on CIP Incoterms. This means that the Group is responsible for shipping services after the date at which control of the concentrate passes to the customer i.e. when the concentrate is loaded on railcars. Under IAS 18, these shipping services are currently not considered to represent a separate service, hence, no revenue is allocated to them. Instead, concentrate revenue is recognised in full at the date the concentrate is loaded on railcars, and the costs associated with shipping the goods are considered to be part of distribution costs.

33. Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Under IFRS 15, the provision of shipping services in these types of arrangements will be a distinct service (and therefore a separate performance obligation) to which a portion of the transaction price should be allocated and recognised over time as the shipping services are provided.

The Group is currently assessing the materiality of these types of arrangements to determine the impact. Where material, the impact of this change would be:

- *Deferral of revenue*: Some of the revenue currently recognised when the concentrate is loaded on railcars will be deferred and recognised as the shipping services are subsequently provided; and
- *Disaggregated disclosures*: The revenue allocated to shipping services may need to be disclosed separately from concentrate revenue, either on the face of the statement of profit or loss and other comprehensive income or in the notes.

c) *Other presentation and disclosure requirements*

In addition to the presentation and disclosure requirements for provisionally priced sales discussed above, IFRS 15 contains other presentation and disclosure requirements which are more detailed than the current Standards. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in the Group's consolidated financial statements. Many of the disclosure requirements in IFRS 15 are new. In 2017, the Group continues testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017 the Group begins the process of assessing the impact of the leases standard. In 2018 the Group plans to continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

34. Summary of significant accounting policies

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

a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

As part of a business combination, the Group assesses whether there are any operating lease contracts of the acquiree that may be onerous – that is, where the lease premiums being paid on that contract exceed the current market rate for such lease arrangements. Mineral reserves, resources and exploration potential that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognized separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value, with changes in fair value recognised either in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed).

If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

The Group has identified two CGUs which represent the two companies of the Group: Zangezur Copper Molybdenum Combine CJSC and Ler-Ex LLC.

34. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables and derivative financial assets, available-for-sale instruments.

Subsequent measurement

The subsequent measurement of financial assets are classified into four categories:

- Financial assets at FVTPL;
- Loans and receivables;
- AFS financial instruments;
- Held-to-maturity investments – the Group has no held-to-maturity investments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as defined by IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss and other comprehensive income. The Group has not designated any financial assets at FVTPL.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss. Reassessment occurs only if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or there is a reclassification of a financial asset out of the FVTPL category.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in other expenses.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 20.

34. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement (continued)

AFS financial assets

AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when either:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

34. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in the statement of profit or loss and other comprehensive income. Interest income (recorded as finance income in the statement of profit or loss and other comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss and other comprehensive income.

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income (OCI) and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade and other payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of interest-bearing loans and borrowings and trade and other payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings including bank overdrafts, and derivative financial instruments and financial liabilities at FVTPL.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

34. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement (continued)

Loans and borrowings and trade and other payables

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables. For more information, refer to Notes 23 and 26.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Group and therefore is not considered highly liquid – for example, cash set aside to cover site restoration obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risks. However, such contracts are not accounted for as designated hedges under IAS 39. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income.

Commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 *Financial Instruments: Presentation* and IAS 39, which is known as the 'normal purchase or sale exemption'.

For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its consolidated consolidated statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is either:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash and cash equivalents unless restricted from being executed or used to settle a liability at least 12 months after the reporting period.

34. Summary of significant accounting policies (continued)

b) Financial instruments – initial recognition and subsequent measurement (continued)

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, and sales taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in its revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred. This generally occurs upon delivery of goods to the specified location in Yerevan. Revenue is measured at the fair value of the consideration received or receivable.

The following criteria are also applicable to other specific revenue transactions:

Copper and molybdenum in concentrates, ferro-molybdenum and sintered molybdenum sales

Contract terms for the Group's sales of copper in concentrate and molybdenum in concentrates (metal in concentrate), ferro-molybdenum and sintered molybdenum to customers allow for price adjustments based on the market price at the relevant quotation point stipulated in the contract.

These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate, ferro-molybdenum and sintered molybdenum is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period, or QP). Adjustments to the sales price occur based on movements in quoted market prices during the QP. Typically, the future QP is up to two months after the month of shipment.

Sales contracts for metal in concentrate, ferro-molybdenum and sintered molybdenum that have provisional pricing features are considered to contain an embedded derivative, which is required to be separated from the host contract for accounting purposes from the date of shipment. The embedded derivative is the forward contract for which the underlying sale is subsequently adjusted. Revenue is recognised for these commodities at the date of shipment and is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the average spot price of the metal for previous five working days of the date of shipment and previous one working day of the date of shipment for copper and molybdenum respectively.

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.

d) 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 as Donations to social programs in profit or loss as incurred.

34. Summary of significant accounting policies (continued)

e) Finance income and costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- Unwinding of discount on provision for site restoration and provision for termination benefits;
- Net fair value gains/losses on financial instruments through profit and loss.

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

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.

Gain/losses on financial instruments through profit or loss are realized only when cash settlement is made.

f) Foreign currency

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency rate of exchange ruling at the reporting 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 that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Foreign currency differences arising in retranslation are recognised in profit or loss.

g) 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 Group 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.

h) 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 income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

34. Summary of significant accounting policies (continued)

h) Income tax (continued)

ii. Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or if outside the measurement period, it is recognised in the statement of profit or loss and other comprehensive income.

Significant judgements, estimates and assumptions

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the Group to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and site restoration costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

34. Summary of significant accounting policies (continued)

i) Royalties

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

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

Royalties are calculated using rates enacted or substantively enacted at the reporting date. Royalties are recognised in profit or loss annually based on the combination of the revenues and taxable income adjusted as per the guidelines and requirements in the applicable laws and regulations. Royalties consist of two components: royalty calculated at 4% of revenue and royalty calculated as 12.5% of taxable income adjusted as per the guidelines and requirements in the applicable laws and regulations.

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

j) Inventories

Copper and molybdenum in concentrate, metal in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

If the ore stockpile is not expected to be processed in 12 months after the reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow basis. Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The allocation of costs between joint products is based on the relative sales value of each product at the completion of production. Separately identifiable costs of conversion of each metal are specifically allocated.

Materials and supplies are valued at the lower of cost or net realisable value. The costs of materials and supplies are based on the first-in first-out principle, and include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

k) 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.

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

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

34. Summary of significant accounting policies (continued)

k) Property, plant and equipment (continued)

ii. Subsequent expenditure

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 productivity 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 of significant items of property, plant and equipment for the current and comparative periods are as follows:

	Units of production method	*Straight-line method*
Buildings		
Mine related workshop buildings and constructions	average capacity from 182 to 303 million tons	
Other buildings		10 to 100 years
Plant and equipment		
Mine related plant and equipment	average capacity from 18 to 352 million tons	
Other plant and equipment		2 to 100 years
Fixtures and fittings		2 to 70 years
Mining facilities		

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

l) Stripping (waste removal) costs

As a part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production (UOP) method. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping.

The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

- Future economic benefits (being improved access to the ore body) are probable;
- The component of the ore body for which access will be improved can be accurately identified;
- The costs associated with the improved access can be reliably measured.

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

34. Summary of significant accounting policies (continued)

l) Stripping (waste removal) costs (continued)

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires board approval.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as a separate line in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

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

m) 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.

n) Exploration and evaluation assets

i. Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

34. Summary of significant accounting policies (continued)

n) Exploration and evaluation assets (continued)

ii. Exploration and evaluation expenditure

Exploration and evaluation (E&E) activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data;
- Gathering exploration data through geophysical studies;
- Exploratory drilling and sampling;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements;
- Conducting market and finance studies.

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

E&E expenditure incurred on licenses where a resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs expensed during this phase are included in 'Other expenses' in the statement of profit or loss and other comprehensive income.

E&E assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an E&E asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

Once commercial reserves are found, E&E assets are tested for impairment and transferred to 'Mine facilities' which is a sub-category of 'Property, plant and equipment'. No amortisation is charged during the E&E phase.

iii. Impairment of E&E assets

E&E assets should be assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. Under IFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

The Group determined that there is an indication of impairment of exploration and evaluation asset as at 31 December 2017. For details on impairment of E&E asset please see Note 17.

34. Summary of significant accounting policies (continued)

n) Exploration and evaluation assets (continued)

Significant judgements, estimates and assumptions

The application of the Group's accounting policy for E&E expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The estimates directly impact when the Group defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

o) Provisions

i. Site restoration provision

Site restoration costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its site restoration provision at each reporting date. The Group recognises a site restoration provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: closing mine, waste sites, tailings dams and related constructions and restoring, reclaiming and revegetating affected areas.

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

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

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

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

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

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ՀԱՍՏԱՏՎԱԾ Է

«Զանգեզուրի պղնձամոլիբդենային կոմբինատ»
փակ բաժնետիրական ընկերության
բաժնետերերի 28.04.2017
տարեկան ընդհանուր ժողովի կողմից
Արձանագրություն 1/2017.04.28
Գլխավոր տնօրեն՝ Մ. Պոլոսկով

APPROVED

By the Shareholders' Meeting of the
"Zangezur Copper Molybdenum Combine"
Closed Joint Stock Companydated 28.04.2017
Protocol N: 1/2017.04.28
General Director M. Poloskov

ԳՐԱՆՑՎԱԾ Է
Հայաստանի Հանրապետության Ձեռնարկությունների
պետական ռեգիստրի կողմից 26 հուլիսի 1994թ.
Վերագրանցված 31.01.2000թ.
գրանցման թիվ 27.140.00009
վկայական 03 Ա 069772

REGISTERED
By the RA Ministry of Justice State Register
on 26 July 1994
Re-registered on 31.01.2000
Registration number: 27.140.00009
Certificate: 03 A 069772

Թիվ _____ փոփոխությունը գրանցված է Հայաստանի
Հանրապետության Իրավաբանական անձանց
պետական ռեգիստրի գործակալության
կողմից «_____» ___________2017թ.

The amendment number _____ is registered
by the State Registry of Legal Entities
of the Republic of Armenia
on "___" ___________ 2017

ԿԱՆՈՆԱԴՐՈՒԹՅՈՒՆ
«Զանգեզուրի պղնձամոլիբդենային կոմբինատ» փակ բաժնետիրական ընկերության
(նոր խմբագրությամբ)

CHARTER of
"Zangezur Copper Molybdenum Combine" Closed Joint Stock Company
(new edition)

I. ՆԱԽԱԲԱՆ

Սույն փաստաթուղթը հանդիսանում է «Զանգեզուրի պղնձամոլիբդենային կոմբինատ» փակ բաժնետիրական ընկերության կանոնադրությունը և ընդունված է Հայաստանի Հանրապետության Քաղաքացիական օրենսգրքի և «Բաժնետիրական ընկերությունների մասին» Հայաստանի Հանրապետության օրենքի համաձայն:

I. PREAMBLE

This document is the charter of "Zangezur Copper Molybdenum Combine" Closed Joint Stock Company and is adopted in accordance with Civil Code of the Republic of Armenia and the Law of the Republic of Armenia "On Joint Stock Companies".

II. ԸՆԴՀԱՆՈՒՐ ԴՐՈՒՅԹՆԵՐ

1. «Զանգեզուրի պղնձամոլիբդենային կոմբինատ» փակ բաժնետիրական ընկերությունն (այսուհետ՝ նաև Ընկերություն) առևտրային կազմակերպություն հանդիսացող տնտեսական ընկերություն է, որի կանոնադրական կապիտալը բաժանված է Ընկերության նկատմամբ բաժնետերերի պարտավորական իրավունքը հավաստող սույն կանոնադրությամբ սահմանված թվով տեղաբաշխված բաժնետոմսերի:

Ընկերությունը հիմնադրված է Հայաստանի Հանրապետության օրենսդրությանը համապատասխան: Ընկերությունը ստեղծվել է ՀՀ արդյունաբերության և առևտրի նախարարության 09.12.1997թ. N 262 հրամանով «Զանգեզուրի պղնձամոլիբդենային կոմբինատ» պետական ձեռնարկության վերակազմավորման ճանապարհով: Ընկերությունը հանդիսանում է «Զանգեզուրի պղնձամոլիբդենային կոմբինատ» պետական ձեռնարկության իրավահաջորդը:

Ընկերությունը հանդիսանում է իրավաբանական անձ և իր գործունեությունն իրականացնում է Հայաստանի Հանրապետության օրենսդրության և սույն կանոնադրության համաձայն:

2. Ընկերության ֆիրմային լրիվ անվանումն է՝

հայերեն՝ «Զանգեզուրի պղնձամոլիբդենային կոմբինատ» փակ բաժնետիրական ընկերություն,

ռուսերեն՝ Закрытое Акционерное общество

II. GENERAL PROVISIONS

1. "Zangezur Copper Molybdenum Combine" Closed Joint Stock Company (hereinafter referred to also as Company) is an economic enterprise representing a commercial organization, the charter capital of which is divided into allocated shares certifying the ownership right of shareholders towards the Company in number specified by this charter.

The Company is founded in accordance with the legislation of the Republic of Armenia. The Company is founded on base of N 262 Order of the Ministry of Industry and Trade of the Republic of Armenia on 09.12.1997, by means of reorganizing "Zangezur Copper Molybdenum Combine" which was a state enterprise. The Company is the successor of "Zangezur Copper Molybdenum Combine" state enterprise.

The Company is a legal entity and conducts its activities in accordance with the Legislation of the Republic of Armenia and the present Charter.

2. The Company's full brand name is:

In Armenian - «Զանգեզուրի պղնձամոլիբդենային կոմբինատ» փակ բաժնետիրական ընկերություն,

In Russian - Закрытое Акционерное

"Зангезурский Медно-Молибденовый Комбинат"

անգլերեն՝ "Zangezur Copper Molybdenum Combine" Closed Joint Stock Company:

общество "Зангезурский Медно-Молибденовый Комбинат"

In English - "Zangezur Copper Molybdenum Combine" Closed Joint Stock Company

Ընկերության կրճատ ֆիրմային անվանումն է՝

The Company's short brand name is:

հայերեն՝ «ԶՊՄԿ» ՓԲԸ,

In Armenian - «ԶՊՄԿ» ՓԲԸ,

ռուսերեն՝ ЗАО "ЗММК"

In Russian - ЗАО "ЗММК"

անգլերեն՝ ZCMC CJSC.

In English - ZCMC CJSC.

3. Ընկերության գտնվելու վայրն է՝
3309, Հայաստանի Հանրապետություն, քաղաք Քաջարան, Լեռնագործների 18:

3. The location of the Company is:
3309, 18 Lernagortsneri street, Kajaran city, Republic of Armenia.

4. Ընկերությունը կարող է իրականացնել ՀՀ օրենքներով և այլ իրավական ակտերով չարգելված ցանկացած տնտեսական գործունեություն:

Ընկերության գործունեության հիմնական տեսակներն են՝
- մոլիբդենային հանքաքարի արդյունահանում և հարստացում,
- պղնձի հանքաքարի արդյունահանում և հարստացում,
- այլ գունավոր մետաղների արդյունահանում,
- պայթեցման աշխատանքների իրականացում:

Ընկերությունը գործունեության առանձին տեսակներով, կարող է զբաղվել միայն Հայաստանի Հանրապետության օրենսդրությանը համապատասխան տրված լիցենզիայի հիման վրա:

4. The Company may conduct any economic activity that is not prohibited by laws or other legal acts of the RA.

The Company's main activities are:
- mining and enrichment of molybdenum ore,
- mining and enrichment of copper ore,
- mining of other non-ferrous metals,
- fruition of blasting works.

The Company may conduct certain types of activities only based on an appropriate license given in accordance with the legislation of the Republic of Armenia.

5. Ընկերությունն ունի ինքնուրույն հաշվեկշիռ, իր անվանմամբ կլոր կնիք, դրոշմներ և ձևաթղթեր: Ընկերությունը կարող է ունենալ օրենքով սահմանված կարգով գրանցված ապրանքային նշաններ: Ընկերությունն իր անունից կնքում է պայմանագրեր, իրականացնում է սույն կանոնադրությանը չհակասող գործունեություն, ձեռք է բերում գույքային և անձնական ոչ գույքային իրավունքներ, կրում է պարտավորություններ, կարող է հանդես գալ

5. The Company has a separate balance sheet, round seal, stamps and letterheads with its name. The Company may have trademarks registered in accordance with procedures specified by laws. The Company signs contracts on its behalf, conduct activities that not in conflict with the present Charter, acquire property and personal non-property rights, bears liabilities, may act in the Courts

դատարանում որպես հայցվոր կամ պատասխանող:	as an applicant or respondent.
6. Ընկերությունը համարվում է ստեղծված և կարող է գործել որպես իրավաբանական անձ Ընկերության պետական գրանցման պահից: Ընկերությունը գործում է առանց գործունեության ժամկետի սահմանափակման:	6. The Company is considered established and can operate as a legal entity starting from the moment of Company's registration. The Company operates without term limitation.
7. Ընկերությունն իր գործունեությանը համապատասխան իրականացնում է իր գույքի տիրապետումը, օգտագործումը և տնօրինումը:	7. The Company possesses, uses and manages its property according to its activities
8. Ընկերությունն իրավունք ունի օրենքով սահմանված կարգով բանկային հաշիվներ բացել Հայաստանի Հանրապետության և օտարերկրյա պետությունների բանկերում:	8. The Company has the right to open bank accounts in banks of the Republic of Armenia and foreign states according to procedures stipulated by the law.
9. Ընկերության գործունեության հիմնական ֆինանսական ցուցանիշը շահույթն է:	9. The main financial indicator of Company's activities is the profit.
10. Ընկերությունն իր պարտավորությունների համար պատասխանատվություն է կրում սեփականության իրավունքով իրեն պատկանող ամբողջ գույքով:	10. The Company bears responsibility for its liabilities with all the assests owned by it on the basis of ownership right.
11. Ընկերությունը պատասխանատվություն չի կրում իր բաժնետերերի պարտավորությունների համար:	11. The Company is not responsible for liabilities of its shareholders.
12. Ընկերության բաժնետերերը պատասխանատվություն չեն կրում Ընկերության պարտավորությունների համար և իրենց պատկանող բաժնետոմսերի արժեքի սահմաններում կրում են Ընկերության գործունեության հետ կապված վնասների ռիսկը:	12. The Company's shareholders are not responsible for the Company's liabilities and bear the risks of losses related to the Company's activities within the limits of the value of shares owned by them.
13. Եթե Ընկերության անվճարունակության (սնանկության) պատճառ է հանդիսանում բաժնետերերի կամ այլ անձանց գործունեությունը (անգործությունը), որոնք ունեն Ընկերությանը կատարման համար պարտադիր ցուցումներ տալու իրավունք կամ Ընկերության գործունեությունն այլ կերպ կանխորոշելու հնարավորություններ, ապա Ընկերությանը պատկանող գույքը չբավարարելու դեպքում այդ բաժնետերերի կամ այլ անձանց վրա կարող է դրվել լրացուցիչ (սուբսիդիար) պատասխանատվություն՝ Ընկերության	13. If the Company's insolvency (bankruptcy) is the result of the activity (inactivity) of shareholders or other persons who have the right to give orders and instructions which are obligatory for fulfillment or can determine the Company's activities in other ways, then, in case if the Company's assets are not sufficient, an additional (subsidiary) liability for the obligations of the Company can be put onto the mentioned shareholders or other persons. Such activity (inactivity) of

պարտավորությունների համար: Վերոհիշյալ բաժնետերերի կամ այլ անձանց գործողությունները (անգործությունը) համարվում են Ընկերության անվճարունակության (սնանկության) պատճառ միայն այն դեպքում, եթե նրանք օգտագործել են իրենց այդ իրավունքը կամ հնարավորություններն Ընկերությանը որոշակի գործողություններ կատարել կամ չկատարել պարտադրելու նպատակով, նախօրոք իմանալով, որ այդ պատճառով Ընկերությունը կհայտնվի անվճարունակության (սնանկության) վիճակում:

the above-mentioned shareholders or other persons is considered to be the reason of Company's insolvency (bankruptcy) only in case when they used such rights or opportunities to make the Company acting or restraining from some actions, knowing in advance that this would lead to the Company's insolvency (bankruptcy).

14. Ընկերությունն իրավունք ունի ստեղծել մասնաճյուղեր, ներկայացուցչություններ, հիմնարկներ, հիմնադրել իրավաբանական անձի կարգավիճակ ունեցող դուստր և կախյալ ընկերություններ կամ մասնակցել դրանցում, ինչպես նաև մասնակցություն ունենալ այլ կազմակերպություններում: Նշված հարցերով որոշումներ ընդունելու իրավասությունը վերապահվում է Ընկերության խորհրդին:

14. The Company has a right to establish branches, representations, enterprises, found daughter and subsidiary companies with the status of legal entities and to participate in the latter, as well as to take part in other organizations. Decisions regarding mentioned issues are taken by the Company's board.

III. ԸՆԿԵՐՈՒԹՅԱՆ ԿԱՆՈՆԱԴՐԱԿԱՆ ԿԱՊԻՏԱԼԸ ԵՎ ԴՐԱ ՓՈՓՈԽՄԱՆ ԿԱՐԳԸ

III. THE CHARTER CAPITAL OF THE COMPANY AND ITS CHANGE PROCEDURES

15. Ընկերության կանոնադրական կապիտալը 54 966 680 000 (հիսունչորս միլիարդ ինը հարյուր վաթսունվեց միլիոն վեց հարյուր ութսուն հազար) ՀՀ դրամ է, որը բաժանված է 2 748 334 (երկու միլիոն յոթ հարյուր քառասունութ հազար երեք հարյուր երեսունչորս) հատ տեղաբաշխված սովորական անվանական բաժնետոմսերի (այսուհետ՝ բաժնետոմս), յուրաքանչյուրը 20 000 (քսան հազար) ՀՀ դրամ անվանական արժեքով: Ընկերության տեղաբաշխված բաժնետոմսերը լրիվ վճարված են:

15. The charter capital of the Company is 54 966 680 000 (fifty four billion nine hundred sixty six million six hundred eighty thousand) AMD that is divided into 2748334 (two million seven hundred forty-eight thousand three hundred thirty-four) allocated ordinary registered shares (hereinafter referred to as shares) with the nominal value of 20 000 (twenty thousand) AMD for each share. The Company's allocated shares are fully paid.

16. Ընկերության հայտարարված և չտեղաբաշխված բաժնետոմսերի քանակը կազմում է 251666 (երկու հարյուր հիսունմեկ հազար վեց հարյուր վաթսունվեց) հատ 20 000 (քսան հազար) ՀՀ դրամ անվանական արժեքով բաժնետոմս:

16. The Company's announced and non allocated number of shares is 251666 (two hundred fifty-one thousand six hundred sixty-six) shares with the nominal value of 20 000 (twenty thousand) AMD.

17. Ընկերությունը կարող է փոփոխել (ավելացնել կամ նվազեցնել) իր կանոնադրական կապիտալի

17. The Company can change (increase or decrease) the value of its charter capital.

մեծությունը:

18. Կանոնադրական կապիտալի փոփոխման հարցով ժողովի գումարման ծանուցումը պետք է պարունակի՝
    1. կանոնադրական կապիտալի փոփոխման շարժառիթները, եղանակն ու չափը,
    2. կանոնադրության փոփոխման նախագիծը՝ կապված կանոնադրական կապիտալի փոփոխման հետ,
    3. բաժնետոմսերի քանակը և դրանց անվանական արժեքի ընդհանուր գումարը, որը պետք է ստացվի կանոնադրական կապիտալի փոփոխման արդյունքում:

18. Notification about holding a meeting for the issue of changing the charter capital shall include:
    1. the reasons, way and extent of change to the charter capital,
    2. the draft of the Charter amendment related to the change of charter capital,
    3. the number of shares and the total amount of their nominal value, which will be available as a result of changing the charter capital.

19. Ընկերության կանոնադրական կապիտալի չափը կարող է մեծացվել Ընկերության բաժնետոմսերի անվանական արժեքի ավելացմամբ կամ լրացուցիչ բաժնետոմսերի տեղաբաշխմամբ: Ընդ որում, Ընկերությունը կարող է որոշում ընդունել լրացուցիչ բաժնետոմսերի տեղաբաշխման մասին միայն կանոնադրության 16-րդ կետում սահմանված հայտարարված բաժնետոմսերի քանակի սահմաններում:
    Հայտարարված բաժնետոմսերի տեղաբաշխման կարգը և պայմանները սահմանվում են այդ բաժնետոմսերի թողարկման մասին Ընդհանուր ժողովի որոշմամբ:

19. The Company's charter capital can be increased through increasing the nominal value of the Company's shares or through allocation of new shares. Moreover the Company can make a decision on allocating new shares only within the limits of the number of announced shares provided for by the 16 point of this charter.
    The procedures and conditions of allocation of announced shares are set forth by the General Meeting decision on issuance of such shares.

20. Լրացուցիչ բաժնետոմսերի տեղաբաշխման մասին որոշմամբ պետք է սահմանվի՝
    1. լրացուցիչ տեղաբաշխվող բաժնետոմսերի քանակը.
    2. լրացուցիչ բաժնետոմսերի տեղաբաշխման ժամկետները և պայմանները, այդ թվում՝ դրանց ձեռքբերման նախապատվություն ունեցող բաժնետերերի և այլ արժեթղթերի սեփականատերերի միջև տեղաբաշխվող բաժնետոմսերի արժեքը:

20. The decision on allocation of additional shares should specify the following:
    1. the number of allocated additional shares,
    2. terms and conditions of allocation of additional shares including the value of shares being allocated to shareholders and holders of other securities having priority right to buy those shares.

21. Ընկերությունն իր գործունեության ֆինանսական արդյունքներն ամփոփելուց հետո կարող է տեղաբաշխված բաժնետոմսերի անվանական արժեքի մեծացման միջոցով ավելացնել

21. After summarizing the financial results of its activities the Company can increase the charter capital by increasing the nominal value of allocated shares through:

կանոնադրական կապիտալը՝

1. շահույթի մի մասը փոխանցելով կանոնադրական կապիտալ.
2. կանոնադրական կապիտալի, պահուստային հիմնադրամի, ինչպես նաև արտոնյալ բաժնետոմսերի լուծարային և անվանական արժեքների տարբերության ընդհանուր գումարը գերազանցող գույքը (զուտ ակտիվները) կամ դրա մի մասը փոխանցելով կանոնադրական կապիտալ:

1. transferring part of the profit to the charter capital
2. transferring the property (net assets), or its part, that exceeds the total amount of the difference of liquidation and nominal values of charter capital, reserved fund as well as priority shares, to the charter capital.

22. Բաժնետոմսերի անվանական արժեքը մեծացնելու միջոցով Ընկերությունը չի կարող ավելացնել կանոնադրական կապիտալն ավելի, քան ժողովի հաստատած վերջին հաշվեկշռում կամ վերջին աուդիտի արդյունքներով սահմանված զուտ ակտիվների արժեքն է:

22. By means of increasing the nominal value of shares the Company cannot increase the charter capital for more than the value of net assets fixed in the last balance sheet approved by the board or net asset value as identified by the results of the last audit.

23. Ընկերությունը չի կարող բաժնետոմսեր թողարկել նաև իր տնտեսական գործունեությամբ առաջացած վնասները ծածկելու համար:

23. The Company also cannot issue shares to cover the losses incurred because of its economic activities.

24. Կանոնադրական կապիտալի նվազեցումը կարող է կատարվել՝

1. բաժնետոմսերի անվանական արժեքի փոքրացմամբ.
2. բաժնետոմսերի ընդհանուր քանակի պակասեցմամբ, այդ թվում՝ «Բաժնետիրական ընկերությունների մասին» Հայաստանի Հանրապետության օրենքով նախատեսված դեպքերում, դրանց մի մասի ձեռքբերմամբ և մարմամբ:

24. The charter capital can be decreased:

1. through reducing the nominal value of shares
2. through reducing the total number of shares including in cases stipulated by the Law of the Republic of Armenia on "Joint Stock Companies" through purchase and repayment of part of those.

25. Կանոնադրական կապիտալի նվազեցման նպատակով Ընկերության կողմից բաժնետոմսեր կարող են ձեռք բերվել միայն բաժնետոմսերի սեփականատերերի համաձայնությամբ: Ընդ որում, այդ նպատակով Ընկերությանն առաջարկված բաժնետոմսերի ձեռքբերումն Ընկերության պարտականությունն է: Եթե ձեռքբերման առաջարկված բաժնետոմսերի քանակը գերազանցում է համապատասխան որոշմամբ սահմանված քանակը, ապա բաժնետերերից բաժնետոմսերը գնվում են նրանց առաջարկներին

25. With the purpose of reducing the charter capital the Company can buy shares only with the consent of share owners. Moreover, the purchase of shares offered to the Company with this purpose is the duty of the Company. If the number of shares offered for purchase exceeds the number specified by the appropriate decision, the shares are bought from the shareholders in the proportion to their offers.

համամասնորեն:

26. Ընկերությունը, կանոնադրական կապիտալի չափի նվազեցման մասին որոշում ընդունելուց հետո 30-օրյա ժամկետում, գրավոր ծանուցում է այդ մասին իր պարտատերերին: Պարտատերերն իրավունք ունեն ծանուցումը ստանալուց հետո՝ 30 օրվա ընթացքում, Ընկերությունից պահանջել պարտավորությունների կատարման լրացուցիչ երաշխիքներ, պարտավորությունների դադարեցում կամ վաղաժամկետ կատարում, ինչպես նաև դրա հետ կապված վնասների հատուցում:

26. Within a 30-day period after taking the decision on reduction of the charter capital, the Company gives written notification to its creditors. Within a 30-day period after receiving the notification, the creditors have the right to claim additional guarantees for fulfillment of liabilities, termination or early fulfillment of liabilities from the Company as well as compensation of losses incurred due to the latter

IV. ԸՆԿԵՐՈՒԹՅԱՆ ԱՐԺԵԹՂԹԵՐԸ

IV. COMPANY'S SECURITIES

27. Ընկերությունը կարող է թողարկել և տեղաբաշխել բաժնետոմսեր, պարտատոմսեր և օրենքով նախատեսված այլ արժեթղթեր: Ընկերության թողարկվող և տեղաբաշխվող բաժնետոմսերն ու պարտատոմսերն անվանական են և ոչ փաստաթղթային (ապանյութականացված):

27. The Company can issue and allocate shares, bonds and other securities specified by the law. The issued and allocated shares and bonds of the Company are nominal and non-documentary (dematerialized).

28. Ընկերության կողմից թողարկված բաժնետոմսերի անվանական արժեքները պետք է լինեն միևնույնը:

28. The nominal values of shares issued by the Company should be the same.

29. Բաժնետոմսն անբաժանելի է: Եթե երկու կամ ավելի անձինք սեփականատեր են մեկ բաժնետոմսի, ապա նրանք համարվում են մեկ բաժնետեր:

29. The share is indivisible. If two or more persons are owners of one share, they are considered as one shareholder.

30. Ընկերությունը՝ բաժնետերերի ընդհանուր ժողովի որոշմամբ, կարող է համախմբել տեղաբաշխված բաժնետոմսերը, որի արդյունքում Ընկերության երկու կամ ավելի բաժնետոմսերը փոխարկվում են նույն տեսակի մեկ նոր բաժնետոմսի, կամ բաժանել դրանք, որի արդյունքում Ընկերության տեղաբաշխված մեկ բաժնետոմսը փոխարկվում է նույն տեսակի երկու կամ ավելի բաժնետոմսերի: Նշված երկու դեպքերում կանոնադրության մեջ կատարվում են Ընկերության տեղաբաշխված և հայտարարված բաժնետոմսերի քանակի և անվանական արժեքի համապատասխան փոփոխություններ:

30. With the decision of the general meeting of the shareholders the Company can consolidate the allocated shares as a result of which two or more shares of the Company are converted to one new share of the same type, or to split those as a result of which one allocated share of the Company is converted to two or more shares of the same type. In both mentioned cases relevant amendments are made in the charter to the number and the nominal value of allocated and announced shares of the Company

31. Ընկերության բաժնետոմսերի դիմաց վճարման միջոց կարող են լինել գույքը, ներառյալ՝ գույքային

31. Property including property rights, as well as securities, intellectual property, money

իրավունքները, արժեթղթերը, մտավոր սեփականությունը, դրամական միջոցները:

can be means of payment for the shares of the Company.

32. Ընկերության պարտատոմսերի և այլ արժեթղթերի, բացառությամբ բաժնետոմսերի, թողարկումն ու տեղաբաշխումն իրականացվում է Ընկերության խորհրդի որոշմամբ, որով և պետք է սահմանվեն դրանց մարման ձևը, ժամկետները և պայմանները:
Պարտատոմսերը պետք է ունենան անվանական արժեք: Ընկերության կողմից թողարկված բոլոր ապահովված պարտատոմսերի անվանական արժեքների գումարը չպետք է գերազանցի կանոնադրական կապիտալի մեծությունը կամ այն ապահովման գումարը, որը տրամադրված է Ընկերությանը պարտատոմսեր թողարկելու նպատակով:
Պարտատոմսերը չեն կարող թողարկվել մինչև Ընկերության կանոնադրական կապիտալի լրիվ վճարումը:

32. The issuance and allocation of bonds and other securities, except of shares, is performed with the decision of the Company's board, which should define the way, terms and conditions of their repayment.
Bonds should have a nominal value. The sum of nominal values of all secured bonds issued by the Company should not exceed the value of the charter capital or the amount of the guarantee, which is provided to the Company for issuing the bonds.
Bonds cannot be issued up to the full payment of the Company's charter capital.

33. Ընկերությունը կարող է թողարկել միաժամանակյա, ինչպես նաև տարաժամկետ (Ընկերության կողմից սահմանված ժամկետային հաջորդականությամբ) մարման ժամկետով պարտատոմսեր: Պարտատոմսերի մարումն իրականացվում է դրամով կամ այլ գույքով՝ պարտատոմսերի թողարկման մասին որոշման համաձայն:
Ընկերությունը կարող է թողարկել՝
   1. Ընկերության գույքի գրավով ապահովված պարտատոմսեր.
   2. երրորդ անձանց կողմից պարտատոմսերի թողարկման համար տրամադրված երաշխավորությամբ ապահովված պարտատոմսեր.
   3. առանց ապահովման պարտատոմսեր, որոնց թողարկումը թույլատրվում է Ընկերության գրանցումից առնվազն երեք տարի հետո և պայմանով, որ սահմանված կարգով հաստատված լինեն Ընկերության առնվազն երկու տարեկան հաշվեկշիռներ:

33. The Company may issue one-time, as well as deferred redemption bonds (with time sequence specified by the Company). The repayment of bonds is made with money or other assets according to the decision on issuing the bonds.

The Company can issue:
   1. bonds secured with mortgage of property of the Company
   2. bonds secured with guarantees provided by third parties for issuing the bonds
   3. unsecured bonds, the issuing of which is permitted in at least 3 years after the registration of the Company provided at least two annual balance sheets of the Company have been approved according to stipulated procedure.

Ընկերության կողմից տեղաբաշխված անվանական պարտատոմսերի սեփականատերերի ռեեստրի վարումը Ընկերությունը պարտավոր է՝

Maintenance of the Register of owners of nominal bonds allocated by the Company must be handed to the specialized

«Արժեթղթերի շուկայի կարգավորման մասին» Հայաստանի Հանրապետության օրենքի համաձայն, հանձնել մասնագիտացված կազմակերպությանը:

organization in accordance with the law of the Republic of Armenia on « Securities Market Regulation».

Ընկերությունը կարող է պարտատոմսերի վաղաժամկետ մարման հնարավորություն ընձեռել՝ դրանց սեփականատերերի ցանկությամբ: Այդ դեպքում պարտատոմսերի թողարկման մասին որոշմամբ սահմանվում են մարվող գումարի մեծությունը և այն ժամկետը, որից սկսած պարտատոմսերը կարող են ներկայացվել վաղաժամկետ մարման:

The Company can provide an opportunity for early repayment of bonds as wished by their owners. In that case the decision on issuing the bonds specifies the amount subject to repayment and the term starting with which the bonds can be submitted for early repayment.

34. Ընկերությունը կարող է թողարկել փոխարկվող պարտատոմսեր և այլ արժեթղթեր, որոնք տալիս են Ընկերության պարտատոմսերը և այլ արժեթղթերը բաժնետոմսերի փոխարկման կամ բաժնետոմսերն արտոնյալ պայմաններով ձեռք բերելու իրավունք: Ընդ որում, Ընկերությունն իրավունք չունի տեղաբաշխել փոխարկվող պարտատոմսեր և այլ արժեթղթեր, եթե ըստ տեսակների և ձևերի հայտարարված բաժնետոմսերի քանակը պակաս է նշված տեսակների և ձևերի բաժնետոմսերի քանակից, որոնք անհրաժեշտ են փոխարկվող պարտատոմսերը և այլ արժեթղթերն Ընկերության բաժնետոմսերի փոխարկելու հնարավորությունն ապահովելու համար:

34. The Company can issue convertible bonds and other securities, that give the right of converting the bonds and other securities of the Company to shares or the privileged right to buy shares. In this context the Company does not have a right to allocate convertible bonds and other securities if the number of declared shares by types and forms is less than the number of shares of the mentioned types and forms which are necessary to secure the opportunity to convert bonds and other securities into the Company shares.

35. Պարտատոմսերի տոկոսը վճարվում է դրանց վրա նշված ժամկետում, բայց ոչ պակաս, քան տարին մեկ անգամ՝ անկախ Ընկերության ֆինանսական վիճակից և ստացված շահույթից (բացի շահույթում մասնակցող պարտատոմսերից):

Պարտատոմսերով տոկոսների չվճարման կամ սահմանված ժամկետում պարտատոմսերը չմարելու դեպքում Ընկերությունը կարող է լուծարվել դատական կարգով:

35. The interest of bonds is paid within the term indicated on those but not less than once a year regardless of the financial situation and profit (except bonds participating in the profit) of the Company.

The Company may be liquidated by Court decision for failing to pay the interest of the bonds or repay the bonds within the specified term.

V. ԸՆԿԵՐՈՒԹՅԱՆ ԲԱԺՆԵՏԵՐԵՐԻ ԻՐԱՎՈՒՆՔՆԵՐԸ ԵՎ ՊԱՐՏԱԿԱՆՈՒԹՅՈՒՆՆԵՐԸ

V. RIGHTS AND DUTIES OF COMPANY SHAREHOLDERS

36. Ընկերության յուրաքանչյուր բաժնետոմս տալիս է իր սեփականատեր հանդիսացող բաժնետիրոջը միևնույն իրավունքները:

36. Each share of the Company gives the same rights to its shareholder.

Ընկերության բաժնետերերն ունեն Ընկերության այլ բաժնետերերի կողմից վաճառվող բաժնետոմսերը ձեռք բերելու նախապատվության իրավունք: Եթե որևէ բաժնետեր ցանկանում է վաճառել իրեն սեփականության իրավունքով պատկանող բաժնետոմսերը, ապա նա այդ մասին ծանուցում է Ընկերությանը՝ համապատասխան գրություն ուղարկելով ընկերության Գլխավոր տնօրենի անունով: Գրությունը պետք է պարունակի տվյալներ վաճառվող բաժնետոմսերի քանակի և գնի մասին: Գրությունը ստանալու պահից երեք օրվա ընթացքում Գլխավոր տնօրենն՝ այդ գրությունը, հետադարձ ծանուցման պայմանով, պատվիրված նամակով ուղարկում է Ընկերության մյուս բաժնետերերին: Պատվիրված նամակը բաժնետիրոջ կողմից ստանալու ամսաթիվը համարվում է բաժնետոմսերի վաճառքի առաջարկման օր:

Եթե մի քանի բաժնետերեր համաձայնվում են ձեռք բերել առաջարկվող բաժնետոմսերը (օգտվում են նախապատվության իրավունքից), ապա յուրաքանչյուր նման բաժնետեր իրավունք ունի ձեռքբերել իր բաժնետոմսերի և Ընկերության կողմից տեղաբաշխված բաժնետոմսերի ընդհանուր քանակի հարաբերակցությանը համապատասխանող քանակի բաժնետոմսեր: Այն դեպքում, երբ բաժնետոմսերը համամասնորեն բաշխելիս յուրաքանչյուր բաժնետիրոջը բաժին է ընկնում ոչ ամբողջական թվով (կոտորակային) բաժնետոմսեր, Ընկերության ժողովը որոշում է ընդունում բաժնետոմսերի անվանական արժեքի փոփոխման մասին, այնպես, որ յուրաքանչյուր բաժնետիրոջը բաժին ընկնի ամբողջական թվով բաժնետոմսեր:

Եթե բաժնետերերը ծանուցումը ստանալուց հետո 30 օրվա ընթացքում իրենց նախապատվության իրավունքից օգտվելու մտադրության մասին գրավոր ծանուցում չեն ուղարկում Ընկերությանը, ապա Գլխավոր տնօրենի պահանջով կամ սեփական նախաձեռնությամբ Ընկերության խորհուրդը հրավիրում է արտահերթ նիստ, որի օրակարգում ընդգրկվում է Ընկերության կողմից բաժնետոմսերը ձեռք բերելու կամ հրաժարվելու հարցը: Ընկերության կողմից բաժնետոմսերը ձեռք բերելուց հրաժարվելու դեպքում, բաժնետոմսերը կարող են օտարվել երրորդ

The Company's shareholders have a priority right to buy shares being sold by other shareholders of the Company. If any shareholder wishes to sell shares owned by him/her based on ownership right, he/she shall notify the Company by sending a relevant note to the General Director of the company. The note should contain data on the number and price of shares being sold. Within three days after receiving the above-mentioned note the General Director sends the note or the notification with an ordered letter on condition of return receipt to other shareholders of the Company. The date of receipt of the ordered letter by the shareholder is considered the day of offering the sale of shares.

If some of the shareholders agree to purchase the offered shares (avail of priority right), then each of such shareholders shall have a right to purchase shares in proportion to the shares owned by him/her and the total quantity of the shares allocated by the Company.

In the case if each shareholder receives a non- whole number (fractional) shares when dividing the shares proportionally then the Company board decides to change the nominal value of the shares, so that each shareholder gets a whole number shares.

If within a 30-day period after receipt of the notification the shareholders do not send a written notification to the Company on their intention to use their priority right, following the request of the General Director or with its own initiative the company's board announces a special session with an agenda including the issue of purchase or refusal to purchase the shares by the Company. In case when the Company refuses to purchase the shares, those can be անձանց: Բաժնետերը չի կարող բաժնետոմսերը վաճառել երրորդ անձանց ավելի ցածր գնով կամ այլ բարենպաստ պայմանով, քան առաջարկել է մյուս բաժնետերերին և Ընկերությանը:

37. Բաժնետոմսի սեփականատեր հանդիսացող բաժնետերն իրավունք ունի՝
   1. մասնակցել ժողովին՝ վերջինիս իրավասությանը պատկանող բոլոր հարցերի նկատմամբ ձայնի իրավունքով.
   2. մասնակցել Ընկերության կառավարմանը
   3. ստանալ շահութաբաժիններ Ընկերության գործունեությունից առաջացած շահույթից.
   4. առաջնահերթ կարգով ձեռք բերել Ընկերության կողմից տեղաբաշխվող բաժնետոմսերը.
   5. ստանալ Ընկերության գործունեության վերաբերյալ ցանկացած տեղեկատվություն (գաղտնի փաստաթղթերից բացի), այդ թվում, Ընկերությանը դիմելուց հետո 5-օրյա ժամկետում ստանալ տեղեկություններ, որոնք վերաբերում են հաշվապահական հաշվեկշռին, հաշվետվություններին և Ընկերության արտադրատնտեսական գործունեությանը.
   6. ժողովում իր իրավունքները ներկայացնելու համար լիազորել երրորդ անձի.
   7. հանդես գալ առաջարկություններով ժողովում.
   8. ժողովում քվեարկել իրեն պատկանող բաժնետոմսերի ձայների չափով.
   9. դիմել դատարան՝ ժողովի և խորհրդի կողմից ընդունված և գործող օրենքներին ու իրավական ակտերին հակասող որոշումների բողոքարկման նպատակով.
   10. Ընկերության լուծարման դեպքում ստանալ Ընկերության գույքի իրեն հասանելիք մասը.
   11. Ընկերության միջոցների հաշվին Ընկերության կանոնադրական կապիտալի ավելացման դեպքում անվճար ստանալ համապատասխան քանակությամբ բաժնետոմսեր.
   12. ունենալ կանոնադրությամբ նախատեսված

sold to third parties. The shareholder can't sell the share to a third party at a lower price or on other favourable condition than offered to other shareholders and the Company.

37. The shareholder owning a share has the right to:
   1. participate in the meeting with a voting right for all issues in the competence of the latter;
   2. participate in the governance of the Company;
   3. receive dividends from the profits generated by the Company's activities
   4. buy shares allocated by the Company in the order of priority;
   5. receive any information (except confidential documents) on the Company's activities including receiving data within a 5-day period upon applying to the Company, data relating to balance sheet, financial statements and production activities of the Company;
   6. authorize a third party to represent his/her rights in the meeting;
   7. make proposals at the meeting;
   8. vote in the meeting within the limits of votes of shares owned by him/herself;
   9. apply to the courts with the purpose of appealing against the decisions taken by the meeting and the bord that contradict the adopted and effective laws and legal acts;
   10. in case of liquidation of the Company, receive a part of the Company's assets in respective portion;
   11. in case of increasing the Company charter capital at the expense of the Company's resources, to receive appropriate number of shares free of charge;
   12. have other rights implied by the

այլ իրավունքներ:

charter.

38. Ընկերության կանոնադրական կապիտալի առնվազն 5 տոկոս կազմող ձայնի իրավունք տվող բաժնետոմսերի սեփականատեր բաժնետերերը կարող են պահանջել Ընկերության ֆինանսատնտեսական գործունեության ստուգում՝ աուդիտորի կողմից: Այդ դեպքում աուդիտորի ծառայությունները վճարում են ստուգում պահանջող բաժնետերերը:

38. The shareholders owning shares with voting right which account to at least 5 (five) percent of the company's charter capital may demand the inspection of statements on the Company financial activities by an auditor. In such case the audit-related expenses should be covered by the shareholders who requested the audit.

39. Բաժնետերերը պարտավոր են չհրապարակել Ընկերության գործունեության վերաբերյալ գաղտնիք ներկայացնող տեղեկությունները: Գաղտնիք ներկայացնող տեղեկությունների ցանկը սահմանում է խորհուրդը:

39. The shareholder shall not disclose confidential information on the Company's activities. The list of data involving confidential information is defined by the board.

VI. ԸՆԿԵՐՈՒԹՅԱՆ ՀԻՄՆԱԴՐԱՄՆԵՐԸ

VI. THE COMPANY'S FUNDS

40. Ընկերությունում ստեղծվում է պահուստային հիմնադրամ՝ Ընկերության կանոնադրական կապիտալի 15 (տասնհինգ) տոկոսի չափով: Եթե պահուստային հիմնադրամը կազմում է նշված չափից ավելի փոքր մեծություն, հատկացումները այդ հիմնադրամին կատարվում են շահույթից՝ առնվազն 5 տոկոսի չափով, ինչպես նաև Ընկերության կողմից նոր արժեթղթերի տեղաբաշխման արժեքի և դրանց անվանական արժեքի միջև եղած տարբերությունից ստացվող միջոցներից:
Պահուստային հիմնադրամն օգտագործվում է Ընկերության կորուստները ծածկելու, պարտատոմսերը մարելու և բաժնետոմսերը հետ գնելու համար, եթե Ընկերության շահույթը և այլ միջոցները դրա համար չեն բավարարում:
Պահուստային հիմնադրամը չի կարող օգտագործվել այլ նպատակների համար:

40. A reserve fund with 15 (fifteen) percent of the charter capital is created within the Company. If the reserve fund has a smaller size than indicated, the contributions to the fund are made from the profits in at least 5%, as well as from funds generated from the difference between the allocation value of the new securities of the Company and their nominal value.

The reserve fund is used for covering Company's losses, repaying the bonds and buying back the shares if the Company's profits and other resources are not sufficient for those purposes.
The reserve fund may not be used for other purposes.

VII. ԸՆԿԵՐՈՒԹՅԱՆ ՇԱՀՈՒԹԱԲԱԺԻՆՆԵՐԸ

VII. COMPANY'S DIVIDENDS

41. Բաժնետոմսերի դիմաց շահութաբաժինների վճարումներն Ընկերության կողմից չեն երաշխավորվում:

41. Dividend payments are not guaranteed by the Company.

42. Ընկերությունը պարտավոր է վճարել

42. The Company shall pay dividends if it has

շահութաբաժիններ, եթե որոշում է ընդունել (հայտարարել է) տեղաբաշխված բաժնետոմսերի դիմաց շահութաբաժիններ վճարելու մասին:

taken a decision (announced) on paying dividends for allocated shares.

43. Շահութաբաժինները վճարվում են դրամով:

43. The dividends are paid in AMD.

44. Բաժնետոմսերի տարեկան շահութաբաժինների վճարման և շահութաբաժնի չափի մասին որոշումն ընդունվում է Ընկերության բաժնետերերի ընդհանուր ժողովի կողմից՝ Ընկերության խորհրդի առաջարկությամբ: Միջանկյալ (եռամսյակային և կիսամյակային) շահութաբաժինների վճարման և շահութաբաժնի չափի մասին որոշումն ընդունվում է Ընկերության խորհրդի կողմից: Տարեկան շահութաբաժինների չափը չի կարող ավելի լինել խորհրդի առաջարկածից և պակաս լինել՝ արդեն վճարված միջանկյալ շահութաբաժինների չափից:

44. The decision on payment of annual dividends and the amount of dividends is taken by the general meeting of the shareholders of the Company upon suggestion by the company's board. The decision on payment of interim (quarterly and semi-annual) dividends and the amount of those is taken by the company's board. The amount of annual dividends cannot be more than that suggested by the board and less than the amount of interim dividends already paid out.

45. Տարեկան շահութաբաժինների վճարման ժամկետը սկսվում է Ընկերության յուրաքանչյուր ֆինանսական տարվա հուլիսի 1-ից և ավարտվում՝ շահութաբաժինների վճարման պարտավորության կատարմամբ: Միջանկյալ շահութաբաժինների վճարման ժամկետը սահմանվում է խորհրդի կողմից՝ միջանկյալ շահութաբաժիններ վճարելու մասին որոշմամբ, բայց ոչ շուտ, քան տվյալ որոշման ընդունման պահից 30 օր անց:

45. The term of paying annual dividends starts from the 1st of July of the Company's each financial year and ends up with the performance of payment obligation. The term of paying the interim dividends is defined by the board with the decision on paying interim dividends but not earlier than after 30 (thirty) days from the moment of taking the decision

VIII. ԸՆԿԵՐՈՒԹՅԱՆ ԲԱԺՆԵՏԵՐԵՐԻ ԵՎ ԱՅԼ ԱՐԺԵԹՂԹԵՐԻ ՍԵՓԱԿԱՆԱՏԵՐԵՐԻ ՌԵԵՍՏՐԸ

VIII. REGISTRY OF SHAREHOLDERS AND HOLDERS OF OTHER SECURITIES OF THE COMPANY

46. Ընկերությունը պարտավոր է ապահովել ռեեստրի՝ Հայաստանի Հանրապետության իրավական ակտերով սահմանված կարգով վարումը և պահպանումը:

46. The company shall ensure record-keeping and maintenance of the registry according to the procedure stipulated by legal acts of the Republic of Armenia.

47. Ընկերության ռեեստրը վարում և պահպանում է մասնագիտացված ընկերությունը:

47. The Company's Register is kept and maintained by a specialized company.

48. Բաժնետերերը, ինչպես նաև Ընկերության այլ արժեթղթերի սեփականատերերը պարտավոր են Ընկերության ռեեստրը վարողին ժամանակին

48. Shareholders, as well as owners of the Company's other securities shall be obliged to timely inform the person in charge of the

տեղեկացնել իրենց վերաբերող տվյալների փոփոխության մասին:

49. Ռեեստրի վարումը, դրանում գրառումների կատարումն և արժեթղթերի սեփականատերերի անձնական հաշիվների սպասարկումը կատարվում է «Բաժնետիրական ընկերությունների մասին», «Արժեթղթերի շուկայի մասին» Հայաստանի Հանրապետության օրենքների համաձայն:

IX. ԸՆԿԵՐՈՒԹՅԱՆ ԿԱՌԱՎԱՐՄԱՆ ՄԱՐՄԻՆՆԵՐԸ

50. Ընկերության կառավարման բարձրագույն մարմինը Ընկերության բաժնետերերի ընդհանուր ժողովն է (այսուհետ՝ Ընդհանուր ժողով կամ Ժողով): Ընկերությունը պարտավոր է ամեն տարի գումարել բաժնետերերի ընդհանուր տարեկան ժողով ֆինանսական տարվա ավարտից հետո՝ փետրվար ամսից մինչև հունիսի 30-ն ընկած ժամկետում: Բաժնետերերի տարեկան Ընդհանուր ժողովից բացի գումարվող Ընկերության բաժնետերերի ընդհանուր ժողովները համարվում են արտահերթ: Ընկերության արտահերթ Ընդհանուր ժողովները գումարվում են անհետաձգելի հարցերի քննարկման համար:

51. Ընկերության բաժնետերերի Ընդհանուր ժողովի իրավասություններն են՝
    1. Ընկերության կանոնադրության հաստատումը, դրա մեջ փոփոխությունների և լրացումների կատարումը, Ընկերության կանոնադրության հաստատումը նոր խմբագրությամբ.
    2. Ընկերության վերակազմակերպումը.
    3. Ընկերության լուծարումը.
    4. լուծարային հանձնաժողովի նշանակումը, միջանկյալ, ամփոփիչ և լուծարման հաշվեկշիռների հաստատումը.
    5. հայտարարված բաժնետոմսերի ծավալի

Company register maintenance about changes in data concerning themselves

49. Record-keeping of the registry, the adding records and serving of personal accounts of owners of securities is conducted in accordance with the laws of the Republic of Armenia on "Join-Stock Company" and on "Securities Market Regulation".

IX. STRUCTURE OF MANAGEMENT BODIES OF THE COMPANY

50. The Company shareholders' general meeting is the supreme body of the Company's management (hereinafter the General Meeting or Meeting) The Company shall hold the company shareholders' annual general meeting once a year within the period from February to June 30th of the financial year. The Company shareholders' general meetings held besides the shareholders' annual General meeting are considered extraordinary. The Company extraordinary General meetings are held for the discussion of urgent issues.

51. The scope of authorities of the Company shareholders' general meeting are:
    1. approval of the Company's charter, making amendments and changes in it, approving the new version of the Company Charter;
    2. reorganization of the Company;
    3. liquidation of the Company;
    4. appointment of liquidation commission, approval of interim, summarizing and liquidation balance sheets;
    5. definition of the maximum amount of

առավելագույն չափի սահմանումը.	announced shares;
6. խորհրդի քանակական կազմի հաստատումը, դրա անդամների ընտրությունը և նրանց լիազորությունների վաղաժամկետ դադարեցումը, Խորհրդի կանոնակարգի հաստատումը.	6. approval of the quantitative composition of the Company's board, election of its members and early termination of their rights, approval of the Board's Regulation;
7. բաժնետոմսերի անվանական արժեքի մեծացման կամ լրացուցիչ բաժնետոմսերի տեղաբաշխման միջոցով կանոնադրական կապիտալի ավելացումը.	7. increasing of charter capital of the Company by increasing the nominal value of the shares or allocating additional shares;
8. բաժնետոմսերի անվանական արժեքի փոքրացման, բաժնետոմսերի ընդհանուր քանակի կրճատման նպատակով Ընկերության կողմից տեղաբաշխված բաժնետոմսերի ձեռքբերման, ինչպես նաև Ընկերության կողմից ձեռք բերված կամ հետ գնված բաժնետոմսերի մարման ճանապարհով կանոնադրական կապիտալի չափի նվազեցումը.	8. with the purpose of reducing the nominal value of shares, reducing the total number of shares reduction of the charter capital by means of purchase of allocated shares by the company as well as repayment of shares bought or bought back by the company;
9. բաժնետոմսերի համախմբումը, բաժանումը.	9. consolidation, splitting of shares;
10. ժողովի վարման կարգի հաստատումը.	10. approval of the manner of conducting the meeting;
11. հաշվիչ հանձնաժողովի ձևավորումը.	11. establishment of the counting committee;
12. Ընկերության վերստուգող հանձնաժողովի անդամների ընտրությունը և նրանց լիազորությունների վաղաժամկետ դադարեցումը.	12. election of the company controlling committee's members and termination of their authorities ahead of the schedule;
13. Ընկերության աուդիտն իրականացնող անձի հաստատումը.	13. approval of the person carrying out the company's audit;
14. Ընկերության Գլխավոր տնօրենի նշանակումը և նրա լիազորությունների վաղաժամկետ դադարեցումը, ինչպես նաև նրա վարձատրության, ծախսերի փոխհատուցման, վճարման կարգի և պայմանների հաստատումն ու աշխատանքային այլ պայմանների,	14. appointment of the General Director and early termination of his/her authority, as well as approval of terms of his/her remuneration, compensation of expenses and other working conditions, including target tasks;

ներառյալ՝ նպատակային առաջադրանքների սահմանումը.

15. Ընկերության Գլխավոր տնօրենի կանոնակարգի հաստատումը.

16. տարեկան բյուջեի (ծախսերի և եկամուտների նախահաշվի) հաստատումը.

17. Ընկերության տարեկան հաշվետվությունների, հաշվապահական հաշվեկշիռների, շահույթների և վնասների հաշվի, շահույթների և վնասների բաշխման հաստատումն, ինչպես նաև տարեկան շահութաբաժինների վճարման մասին որոշման ընդունումը և տարեկան շահութաբաժինների չափի հաստատումը.

18. Ընկերության կողմից բաժնետերերին տեղեկությունների և նյութերի հաղորդման ձևի որոշումը, ներառյալ՝ զանգվածային լրատվության համապատասխան միջոցի ընտրությունն, եթե հաղորդումը պետք է իրականացվի նաև հրապարակային հայտարարության ձևով.

19. Ընկերության խորհրդի անդամների աշխատանքի վարձատրության պայմանների որոշումը.

20. Ընկերության բաժնետոմսերի կամ բաժնետոմսերի փոխարկվող Ընկերության այլ արժեթղթերի տեղաբաշխման ընթացքում Ընկերության բաժնետերերի նախապատվության իրավունքը չկիրառելու մասին որոշման ընդունումը.

21. «Բաժնետիրական ընկերությունների մասին» ՀՀ օրենքի 64-րդ հոդվածով նախատեսված դեպքերում, ինչպես նաև Ընկերության և Ընկերության բաժնետերերի միջև գործարքների կնքման վերաբերյալ որոշման կայացումը.

22. նույն կետի 21-րդ ենթակետով նախատեսված

15. approval of regulatory guidelines for General Director;

16. approval of the annual budget (income and expenses estimate/budget);

17. approval of the Company's annual statements, balance sheets, profit and loss accounts, distribution of profit and loss, as well as decision-making on the annual dividend payment and approval of the annual dividend size;

18. deciding on the way of providing the shareholders with information and materials by the company, including selection of mass media channels if the message is to be conveyed also in the form of public announcement;

19. deciding on tconditions of remuneration of the board members;

20. deciding not to apply the preferential rights of shareholders of the Company during allocation of the Company's shares or other securities convertible into shares;

21. approval of decisions in cases stipulated in article 64 of the RA Law " On joint stock companies ", as well as deciding on signing of transactions between the Company and the Company shareholders;

22. approval of decisions on signing of

դեպքերից բացի այլ շահագրգռվածության առկայության դեպքում, գործարքների կնքման վերաբերյալ որոշման կայացումը, եթե խորհրդի բոլոր անդամները շահագրգիռ անձինք են.

23. Ընկերության գույքի օտարման և ձեռքբերման հետ կապված խոշոր գործարքներ կնքելու մասին որոշման ընդունումը՝ սույն կանոնադրության 77-րդ կետով նախատեսված դեպքերում, ինչպես նաև եթե գործարքի առարկա հանդիսացող գույքի արժեքը գործարքը կնքելու մասին որոշումն ընդունելու պահի դրությամբ կազմում է Ընկերության ակտիվների հաշվեկշռային արժեքի 50 տոկոսից ավելի.

24. «Բաժնետիրական ընկերությունների մասին», «Արժեթղթերի շուկայի մասին» Հայաստանի Հանրապետության օրենքներով և սույն կանոնադրությամբ սահմանված այլ որոշումների ընդունումը:

52. Սույն կանոնադրության 51-րդ կետով սահմանված հարցերով որոշումների ընդունումը վերապահվում է ժողովի բացառիկ իրավասությանը:

53. Ժողովն իրավունք չունի քննարկել և որոշումներ ընդունել այն հարցերի շուրջ, որոնք «Բաժնետիրական ընկերությունների մասին» ՀՀ օրենքով և/կամ սույն կանոնադրությամբ չեն սահմանվել որպես նրա իրավասություն:

54. Ժողովի բոլոր որոշումները ընդունվում են Ընկերության՝ ձայնի իրավունք տվող բոլոր բաժնետոմսերի սեփականատերերի ձայների անվազն 80 (ութսուն) տոկոսով եթե «Բաժնետիրական ընկերությունների մասին» Հայաստանի Հանրապետության օրենքով և սույն կանոնադրությամբ ձայների ավելի շատ քանակ սահմանված չէ:

55. Ժողովն իրավունք չունի փոփոխել ժողովի օրակարգը, ինչպես նաև որոշումներ ընդունել

transactions in cases of availaibility of interest in addition to cases defined in clause 21 hereof, if all board members are interested parties;

23. making large transactions related to sale and acquisition of the Company assets in cases defined in clause 77 of this Charter, as well as if the value of the property being the subject of the transaction exceeds 50% of the book value of the Company assets at the moment of making the decision on signing of the transaction;

24. making other decisions as stipulated by the Laws of the Republic of Armenia On Joint Stock Companies, On Securities Market and the present charter.

52. The decision-making on the issues defined by the article 51 of the present charter is an exclusive authority of the Meeting.

53. The Meeting does not have the right to discuss and take decisions on issues, which have not been defined as its scope of authorities by the Law of the Republic of Armenia "On Joint Stock Companies" and/or by this charter.

54. All the decisions of the Meeting are made by votes of minimum 80 (eighty) percent of all the voting share owners, unless a bigger number of votes are specified by the Law of the Republic of Armenia On Joint Stock Companies or the present charter.

55. The Meeting does not have the right to change the meeting agenda, as well as to

օրակարգում չընդգրկված հարցերի վերաբերյալ, բացառությամբ «Բաժնետիրական ընկերությունների մասին» ՀՀ օրենքով նախատեսված դեպքերի:

take decisions on issues not included in the agenda unless othervise is provided by the Law of the Republic of Armenia On Joint Stock Companies.

56. Ժողովի կողմից ընդունված որոշումները, ինչպես նաև քվեարկության արդյունքները որոշում ընդունելու պահից 45 օրվա ընթացքում պետք է ներկայացվեն բաժնետերերին՝ նրանց պատվիրված նամակներ ուղարկելու միջոցով:

56. The decisions taken by the Company shareholders' general meeting, as well as the voting results should be provided to shareholders within 45 days after taking the decision through sending ordered letters to them.

57. Ժողովի որոշումները կարող են ընդունվել հեռակա քվեարկությամբ (հարցման միջոցով): Տարեկան ժողովը չի կարող անցկացվել հեռակա կարգով քվեարկությամբ:

57. The decisions of the Meeting can be made remotely in a correspondence mode (through inquiry). The annual meeting cannot be held by voting in a correspondence mode.

Հեռակա կարգով քվեարկությամբ ընդունված ժողովի որոշումն օրինական ուժ ունի, եթե քվեարկությանը մասնակցել են Ընկերության ձայնի իրավունք տվող բաժնետոմսերի սեփականատերերի կեսից ավելին:

The decision of the Meeting by voting in correspondence mode is valid if more than half of the Company voting share owners participated in the voting.

Հեռակա կարգով քվեարկության ժամանակ քվեաթերթիկները պետք է տրամադրվեն բաժնետերերին՝ լրացրած քվեաթերթիկները Ընկերության կողմից ընդունելն ավարտելու պահից առնվազն 30 օր շուտ:

During voting in a correspondence mode, the bulletins should be provided to the shareholders at least 30 days before the deadline of accepting the filled-in bulletins by the Company.

58. Ժողովին մասնակցելու իրավունք ունեն Ընկերության տեղաբաշխված բաժնետոմսերի սեփականատեր հանդիսացող բաժնետերերն (անվանատերերը), իրենց պատկանող բաժնետոմսերի քանակին և անվանական արժեքին համապատասխան ձայների քանակով:

58. Shareholders – owners of allocated shares of the Company have right to participate in the meeting with a vote number corresponding to the number of shares owned by them and to the respective nominal value.

Խորհրդակցական ձայնի իրավունքով ժողովին կարող են մասնակցել նաև Ընկերության բաժնետեր չհանդիսացող ընկերության խորհրդի, վերստուգող հանձնաժողովի և գործադիր մարմնի անդամներն, ինչպես նաև Ընկերության աուդիտն իրականացնող անձը (եթե նրա եզրակացությունն առկա է գումարվող ժողովի նյութերում):

Members of the board, Revision Commission, executive body of the Company as well as the Company auditor (if his/her conclusion is present in the materials of the meeting held) who are not shareholders of the Company can also participate in the meeting with a right of consultative vote.

Ժողովին մասնակցելու իրավունք ունեցող

The list of shareholders who have the right բաժնետերերի ցուցակը կազմվում է Ընկերության խորհրդի կողմից սահմանված տարվա, ամսվա, ամսաթվի դրությամբ՝ Ընկերության բաժնետերերիրի ռեեստրի տվյալների հիման վրա:

Եթե ժողովը գումարվում է հեռակա քվեարկությամբ, ապա դրան մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակը կազմելու տարին, ամիսը, ամսաթիվը սահմանվում է ժողովի գումարման ամսաթվից առնվազն 35 օր շուտ:

Ժողովին մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակը կազմելու համար բաժնետոմսերի անվանատերը պարտավոր է ցուցակը կազմելու տարով, ամսով, ամսաթվով տվյալներ տրամադրել այն անձանց մասին, որոնց շահերը ներկայացնելու նպատակով նա տնօրինում է բաժնետոմսերը:
Ժողովին մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակը պետք է տրամադրվի ծանոթացման նպատակով Ընկերության այն բաժնետերերին, որոնք գրանցված են Ընկերության բաժնետերերի ռեեստրում և տիրապետում են Ընկերության քվեարկող բաժնետոմսերի առնվազն 10 տոկոսին:

Ընկերության բաժնետիրոջ պահանջով Ընկերությունը պարտավոր է նրան տրամադրել տեղեկանք՝ ժողովին մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակում նրա ընդգրկման մասին:

Ժողովին մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակում փոփոխություններ կարող են կատարվել միայն ցուցակը կազմելու ընթացքում թույլ տված սխալներն ուղղելու կամ դրանում չընդգրկված բաժնետերերի խախտված օրինական իրավունքները և շահերը վերականգնելու նպատակով:

59. Ընկերության բաժնետերերը, ինչպես նաև ժողովում խորհրդակցական ձայնի իրավունքով մասնակցելու իրավունք ունեցող անձինք ծանուցվում են ժողովի գումարման մասին՝ նրանց պատվիրված նամակով

to participate in the meeting is prepared as of the date specified by the Company board based on data of the Company's shareholders' registry.

If the meeting is held in a correspondence mode, the date of preparing the list of shareholders who have the right to participate is set at least 35 days before the date of holding the meeting.

In order to prepare the list of shareholders who have the right to participate in the meeting it is necessary that the shareholder presents data on persons whose interests he/she represents by managing the shares as of the date of the preparation of the list.

The list of shareholders who have the right to participate in the meeting should be provided to for acquaintance to those shareholders of the Company who are registered in the Company's shareholders' registry and possess at least 10% of shares with a voting right.

At the request of the shareholder of the Company, the Company must provide a certificate on his/her involvement in the list of shareholders who have the right to participate in the meeting.

Changes to the list of shareholders who have the right to participate in the meeting can be made only with the purpose of correcting the mistakes made during the preparation of the list or with the purpose of recovering the violated legal rights and interests of shareholders not included in it.

59. The Company's shareholders as well as other persons having the right to participate in the meeting with a consultative vote are notified about holding a meeting through a written

համապատասխան գրավոր ծանուցում ուղարկելու միջոցով: Ժողովի գումարման մասին գրավոր ծանուցումը պետք է ուղարկվի ժողովի գումարման օրվանից առնվազն 20 օր առաջ: Ժողովի մասին ծանուցումը պետք է պարունակի՝

1. Ընկերության ֆիրմային անվանումն և գտնվելու վայրը.
2. ժողովի գումարման տարին, ամիսը, ամսաթիվը, ժամը և վայրը.
3. ժողովին մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակը կազմելու տարին, ամիսը, ամսաթիվը.
4. ժողովի օրակարգում ընդգրկված հարցերը.
5. բաժնետերերի ծանոթանալու կարգը ժողովում քննարկվող հարցերին վերաբերող տեղեկություններին և նյութերին, որոնք պետք է ներկայացվեն բաժնետերերին ժողովը նախապատրաստելու ընթացքում:

notification by an ordered letter. The written notification on holding the meeting shall be sent or handed in at least 20 (twenty) days before holding the meeting. The notification on the meeting should include:

1. company's brand name and location;
2. the date and place of holding the meeting
3. the date of preparing the list of shareholders who have the right to participate in the meeting;
4. issues included in the agenda of the meeting;
5. the procedure of familiarization with information and materials related to issues covered in the meeting which should be presented to shareholders during the preparation of the meeting.

60. Ժողովի նախապատրաստման ընթացքում խորհուրդը, իսկ օրենքով նախատեսված դեպքերում՝ ժողովը գումարող անձինք որոշում են՝
    1. ժողովի գումարման տարին, ամսաթիվը, ժամը և վայրը.
    2. ժողովի օրակարգը.
    3. ժողովին մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակը կազմելու տարին, ամիսը, ամսաթիվը.
    4. ժողովի գումարման մասին բաժնետերերին ծանուցելու կարգը.
    5. բաժնետերերին ժողովի նախապատրաստման ընթացքում տրամադրվող տեղեկությունների և նյութերի ցուցակը.
    6. քվեաթերթիկների ձևը և բովանդակությունը, եթե քվեարկությունները կատարվելու են քվեաթերթիկներով:

60. During the preparation of the meeting the board and, in cases implied by the law, the persons organizing the meeting determine:
    1. the date and place of holding the meeting;
    2. meeting agenda;
    3. date of preparing the list of shareholders who have the right to participate in the meeting;
    4. the procedure of notifying the shareholders on holding the meeting;
    5. list of information and materials to be provided to shareholders during the preparation of the meeting;
    6. the form and content of the voting bulletins if voting is to be organized through voting bulletins.

61. Ընկերության բաժնետերերի արտահերթ ժողովը գումարվում է խորհրդի որոշմամբ՝ սեփական նախաձեռնությամբ, Ընկերության գործադիր մարմնի, վերստուգող հանձնաժողովի, Ընկերության աուդիտն իրականացնող անձի կամ պահանջը ներկայացնելու դրությամբ Ընկերության՝ առնվազն 10 տոկոս քվեարկող բաժնետոմսերի սեփականատեր

61. Special meeting of the Company's shareholders is held with the decision of the board, with own initiative, at the request of the executive body of the Company, the supervisor, the auditor, or shareholder(s) owning at least 10 percent of voting shares as of the moment of submitting that request.

բաժնետիրոջ (բաժնետերերի) պահանջով:

62. Արտահերթ ժողովի գումարման կամ արտահերթ ժողովի գումարումը մերժելու մասին խորհրդի որոշումը պետք է ընդունվի Ընկերության գործադիր մարմնի, վերստուգող հանձնաժողովի, Ընկերության աուդիտն իրականացնող անձի կամ պահանջը ներկայացնելու դրությամբ Ընկերության՝ առնվազն 10 տոկոս քվեարկող բաժնետոմսերի սեփականատեր բաժնետիրոջ (բաժնետերերի) պահանջը ներկայացնելու ամսաթվից՝ 20 օրվա ընթացքում: Եթե սահմանված ժամկետում խորհուրդն արտահերթ ժողովի գումարման մասին որոշում չի ընդունում կամ որոշում է ընդունում դրա գումարումը մերժելու մասին, ապա արտահերթ ժողովը կարող են գումարել ժողովի գումարման մասին պահանջը ներկայացրած անձինք:

62. The board's decision on holding a special meeting should be taken within 20 days upon submission of the request by the executive body, the Revision Commission, the auditor of the Company or shareholders owning at least 10 percent of voting shares as of the moment of submitting that request. If within a specified period the board does not take a decision to hold the special meeting or takes a decision refusing to do that, the special meeting can be held by the persons having submitted the request for holding a meeting.

63. Ժողովի որոշմամբ Ընկերությունում կարող է ստեղծվել հաշվիչ հանձնաժողով, որի կազմը չի կարող 3 (երեք) հոգուց պակաս լինել: Հաշվիչ հանձնաժողովի անդամներ չեն կարող լինել Ընկերության խորհրդի անդամները, վերստուգող հանձնաժողովի անդամները, Ընկերության Գլխավոր տնօրենը, ինչպես նաև այն անձինք, որոնք առաջադրված են որպես այդ պաշտոնների թեկնածուներ:

Հաշվիչ հանձնաժողովը որոշում է ժողովի քվորումը, ապահովում է քվեարկության սահմանված կարգը, քվեարկության մասնակցելու իրավունքը, իրականացնում է ձայների հաշվարկը, ամփոփում է քվեարկության արդյունքները և կազմում է արձանագրություն և Ընկերության արխիվ է փոխանցում քվեաթերթիկները:

63. With the decision of the Company shareholders' general meeting, a counting committee consisting of at least 3 (three) members may be formed in the company. The members of the board, the Revision Commission, and the general director of the company, as well as persons who have been suggested as candidates for these positions cannot be members of the counting committee.

The counting committee decides on the quorum of the meeting, ensures the procedure stipulated for voting, the right to vote, implements the vote count, summarizes the results of voting and prepares the protocol, and transfers the voting bulletins to the archive of the Company.

64. Ընկերության բաժնետերը ժողովում մասնակցելու իր իրավունքը կարող է իրականացնել անձամբ կամ լիազորված ներկայացուցչի միջոցով (լիազորագրի առկայության դեպքում):

64. The Company's shareholder can accomplish his/her right to participate in the meeting in person or through an authorized representative (in case of presence of a power of attorney).

65. Ժողովի իրավասությունը (քվորումը), որոշվում է մասնակիցների գրանցման ավարտի պահին

65. The authority of the meeting (quorum) is being decided on the number (in percentage)

գրանցված Ընկերության բաժնետերերի (նրանց ներկայացուցիչների), կողմից համատեղ տիրապետվող Ընկերության ձայնի իրավունք տվող բաժնետոմսերի քանակով (արտահայտված տոկոսով):

Եթե Ընկերության բաժնետերերի ընդհանուր ժողովը տևում է մեկ օրից ավելի, յուրաքանչյուր օրվա համար կազմվում է ժողովի մասնակիցների գրանցման առանձին ցուցակ:

66. Քվորումի բացակայության դեպքում հայտարարվում է նոր ժողովի գումարման տարին, ամիսը, ամսաթիվը: Նոր ժողովի գումարման դեպքում օրակարգի փոփոխություն չի թույլատրվում:

Չկայացած ժողովի փոխարեն գումարվող նոր ժողովն իրավասու է, եթե մասնակիցների գրանցման ավարտի պահին գրանցվել են Ընկերության բաժնետերերն (նրանց ներկայացուցիչները), որոնք համատեղ տիրապետում են Ընկերության տեղաբաշխված քվեարկող բաժնետոմսերի 30-ից ավելի տոկոսին:

67. Քվեարկությունը Ընդհանուր ժողովում իրականացվում է «Ընկերության մեկ քվեարկող բաժնետոմս՝ մեկ ձայն» սկզբունքով, բացառությամբ «Բաժնետիրական ընկերությունների մասին» Հայաստանի Հանրապետության օրենքով նախատեսված այն դեպքերի, երբ կիրառվում է գումարային քվեարկության սկզբունքը:

68. Ընկերությունում ձևավորվում է Խորհուրդ, որն իրականացնում է Ընկերության գործունեության ընդհանուր ղեկավարումը, բացառությամբ այն հարցերի, որոնք «Բաժնետիրական ընկերությունների մասին» Հայաստանի Հանրապետության օրենքով և սույն կանոնադրությամբ վերապահված են Ընդհանուր ժողովի և Ընկերության գործադիր մարմնի իրավասությանը:

69. Խորհրդի բացառիկ իրավասությանն են պատկանում՝

1. Ընկերության գործունեության հիմնական

of shareholders (their representatives) owning voting shares of the Company as of the moment of the end of the registration of participants.

If the general meeting of Company's shareholders lasts for more than 1 day, a separate list of registration of meeting participants is prepared for each day.

66. In case of absence of quorum, the date for holding new meeting is announced. In case of holding a new meeting, change of agenda is not permitted.

The new meeting held instead of the canceled meeting is authorized if shareholders (their representatives) owning more than 30% of allocated voting shares of the Company in total have been registered as of the moment of the end of the registration of participants.

67. In the general meeting the voting is conducted with the principle "one vote for one voting share of the company" except for those cases implied by the Law of the Republic of Armenia on Joint Stock Companies when the principle of "cumulative voting" is applied.

68. The Board formed within the Company implements the general management of the Company activities, with the exception of issues attributed to the competence of the General Meeting and the Company executive body defined by the Republic of Armenia Law "On Joint-Stock Companies" and this Charter.

69. The following are under the exclusive authority of the Board:

1. determination of the main directions of

ուղղությունների որոշումը.

2. տարեկան և արտահերթ ժողովների գումարումը, բացառությամբ սույն կանոնադրության 62-րդ կետով սահմանված դեպքերի, ինչպես նաև ժողովների օրակարգի հաստատումը.

3. Ընկերության Խորհրդի նախագահի ընտրությունը, նրա լիազորությունների վաղաժամկետ դադարեցումը.

4. ժողովին մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակը կազմելու տարվա, ամսվա, ամսաթվի հաստատումը, ինչպես նաև բոլոր այն հարցերի լուծումը, որոնք կապված են ժողովի նախապատրաստման ու գումարման հետ և վերապահված են խորհրդի իրավասությանը՝ «Բաժնետիրական ընկերությունների մասին» Հայաստանի Հանրապետության օրենքի դրույթների համապատասխան.

5. սույն կանոնադրության 51-րդ կետի 2), 9), 18), 20) և 21) ենթակետերով նախատեսված հարցերի, իսկ սույն կանոնադրության 77-րդ կետով նախատեսված դեպքում նաև սույն կետի 15-րդ և 16-րդ ենթակետերով նախատեսված հարցի ներկայացումը ժողովի քննարկմանը.

6. պարտատոմսերի և այլ արժեթղթերի (բացի բաժնետոմսերից) թողարկումն ու տեղաբաշխումը.

7. Հայաստանի Հանրապետության օրենսդրությամբ սահմանված դեպքերում և կարգով՝ գույքի շուկայական արժեքի որոշումը.

8. Հայաստանի Հանրապետության օրենսդրությամբ նախատեսված կարգով և դեպքերում Ընկերության տեղաբաշխված բաժնետոմսերի, պարտատոմսերի և այլ

the Company's operations;

2. call of annual and extraordinary shareholders meetings except for cases specified in point 62 of the present Charter, as well as approval of meetings' agenda;

3. election of the Chairman of Board, early termination of his authorities;

4. approval of the date of preparation of the list of shareholders having the right to participate in shareholders meetings as well as solving of all the issues connected with preparing and holding shareholders meetings and are under the authority of the Board according to provisions of the Law of the Republic of Armenia on Joint Stock Companies;

5. submission of issues specified in sub-points 2), 9), 18), 20) and 21) of point 51 of the present Charter, as well as submission of issues specified in sub-points 15) and 16) in cases defined by point 77 of the present Charter, to the Company's shareholders general meeting for consideration;

6. issuance and allocation of bonds and other securities (except of shares);

7. determination of the market value of assets according to procedures and cases implied by the legislation of the Republic of Armenia;

8. purchase of the Company's allocated shares, bonds and other securities according to the procedure and cases stipulated by the legislation of the

արժեթղթերի ձեռքբերումը.

9. Ընկերության վերստուգող հանձնաժողովի անդամների վարձատրության և ծախսերի փոխհատուցումների վճարման կարգի և պայմանների վերաբերյալ Ընդհանուր ժողովի համար առաջարկությունների նախապատրաստումը.

10. Ընկերության աուդիտն իրականացնող անձի վճարման չափի սահմանումը.

11. Ընկերության բաժնետոմսերի դիմաց վճարվող տարեկան շահութաբաժինների չափի և վճարման կարգի վերաբերյալ ժողովին առաջարկությունների նախապատրաստումը.

12. Ընկերության բաժնետոմսերով վճարվող միջանկյալ շահութաբաժինների չափի և վճարման կարգի սահմանումը.

13. Ընկերության պահուստային և այլ հիմնադրամների օգտագործումը.

14. Ընկերության մասնաճյուղերի և ներկայացուցչությունների, հիմնարկների ստեղծումը, իրավաբանական անձանց հիմնադրումը կամ դրանցում մասնակցություն ունենալու մասին որոշման ընդունումը, եթե այդ մասնակցությունը իրենից խոշոր գործարք չի ներկայացնում.

15. Ընկերության գույքի օտարման և ձեռքբերման հետ կապված խոշոր գործարքներ կնքելու մասին որոշման ընդունումը, եթե գործարքի առարկա հանդիսացող գույքի արժեքը գործարքը կնքելու մասին որոշումն ընդունելու պահի դրությամբ կազմում է Ընկերության ակտիվների հաշվեկշռային արժեքի 25-ից 50 տոկոսը (որոշումն ընդունվում է միաձայն).

16. շահագրգռվածության առկայության դեպքում, գործարքների կնքման վերաբերյալ որոշման կայացումը, բացառությամբ այն դեպքերի, երբ

Republic of Armenia;

9. preparation of recommendations to the General meeting in issues related to terms and conditions of remuneration of the Revision Commission members and compensation of their expenses;

10. definition of remuneration for the Company's auditor;

11. preparation of recommendations to the shareholders' meeting on size and payment procedure of annual dividends to be paid for the Company' shares;

12. definition of the size and payment procedure of interim dividends to be paid for the Company' shares;

13. use of reserve and other funds of the Company;

14. establishment of branches, representations, and institutions of the Company, establishment of legal entities or approval of decisions on having participation in such entities, if such participation is not a large transaction;

15. approval of decisions on signing of large transactions related to the sale and purchase of the Company property, if the value of the subject property is equal to 25-50% of the book value of Company assets at the moment of approval of that decision (such decisions shall be approved unanimously);

16. approval of decisions on signing of transactions in case of availability of interest, except of cases where approval

նման գործարքների վերաբերյալ որոշման ընդունումը հանդիսանում է Ընդհանուր ժողովի բացառիկ իրավասությունը (որոշումն ընդունվում է մասնակցելու իրավունք ունեցող անդամների կողմից միաձայն).

of decisions on such transactions is the exclusive competence of the General Meeting (such decisions shall be approved unanimously by members having a right to participate);

17. ներքին քաղաքականությունների, ներառյալ՝ հաշվապահական հաշվառման քաղաքականության հաստատումը և դրանցում փոփոխությունների կատարումը,

17. approval of internal policies, including the approval of accounting policy as well as approval of amendments thereto;

18. ՀՀ օրենսդրությամբ, Ընկերության կանոնադրությամբ և կառավարման մարմինների կանոնակարգերով նախատեսված այլ հարցերի լուծումը:

18. resolving other issues implied by the legislation of the Republic of Armenia, the Charter and the regulations of governing bodies of the Company.

70. Խորհրդի անդամներն ընտրվում են հերթական ժողովի, իսկ անդամների լիազորությունները վաղաժամկետ դադարեցնելու դեպքում՝ արտահերթ ժողովի կողմից: Եթե խորհրդի անդամների թիվը նվազում է խորհրդի քանակական կազմի 2/3-ից, ապա Ընկերությունը պետք է այն լրացնելու նպատակով արտահերթ ժողով գումարի, որի մասին որոշումը կայացնում է խորհուրդը:

70. Board members are elected by a regular meeting and in case of early termination of the rights of members, by an extraordinary meeting. If the Board decreases by 2/3 of its quantitative structure, the Company shall hold a shareholders' extraordinary meeting with the purpose of supplementing it, the decision on which is taken by the Board.

71. Խորհրդի ընտրվող անդամների քանակը սահմանվում է 5 (հինգ) անդամ, սակայն ընտրվող Խորհրդի անդամների քանակը կարող է փոխվել ժողովի որոշմամբ, բայց չի կարող 5 անդամից պակաս լինել: Խորհրդի կազմում ընտրված են համարվում ձայների առավելագույն քանակ ստացած թեկնածուները:

71. The number of board members is set to be 5 (five) though the number of elected Board members may be changed by the Meeting's decision, but can't be less than 5 members. The candidates having received the maximum number of votes are considered to be elected as members of the Board.

72. Ընկերության այն բաժնետերերը, որոնք ժողովին մասնակցելու իրավունք ունեցող բաժնետերերի ցուցակը կազմելու օրվա դրությամբ տիրապետում են Ընկերության տեղաբաշխված քվեարկող բաժնետոմսերի 10 և ավելի տոկոսին, իրավունք ունեն առանց ընտրության ընդգրկվել խորհրդի կազմում կամ դրանում նշանակել իրենց ներկայացուցչին: Յուրաքանչյուր բաժնետեր խորհրդում կարող է զբաղեցնել միայն մեկ տեղ:

72. Those shareholders of the Company who possess 10 or more percent of the company's allocated voting shares as of the day of preparing the list of shareholders having the right to participate in the meeting, have the right to be included in the Board without an election or to appoint their representative to participate in it. Each shareholder can take only one seat in the Board.

73. Խորհրդի նախագահին ընտրում են խորհրդի

73. The Chairman of the Board is elected by

անդամները, խորհրդի անդամների կազմից՝ միաձայն: Խորհուրդը կարող է ցանկացած ժամանակ վերընտրել նախագահին կամ ընտրել նոր նախագահ՝ միաձայն: Ընկերության խորհրդի նախագահի և Գլխավոր տնօրենի պաշտոնները չեն կարող համատեղվել:

Board members from members of the board unanimously. The Board can re-elect the Chairman or elect a new Chairman at any time unanimously. The positions of the Chairman of the Board and the General Director of the Company can not be taken by the same person.

74. Խորհրդի նախագահը կամ նրա պարտականությունները կատարող խորհրդի անդամը նախագահում է ժողովում, բացառությամբ ժողովի վարման կարգով նախատեսված դեպքերի:

74. The Chairman of the Board or the Board's member performing his/her duties chairs the meetings except for cases if otherwise stipulated by the procedure of holding the meeting.

75. Խորհրդի նիստերը գումարվում են ըստ անհրաժեշտության, սակայն ոչ պակաս քան վեց ամիսը մեկ անգամ՝ խորհրդի նախագահի նախաձեռնությամբ, խորհրդի անդամի, վերստուգող հանձնաժողովի անդամի, գործադիր մարմնի, Ընկերության աուդիտն իրականացնող անձի, ինչպես նաև քվեարկող բաժնետոմսերի 5 և ավելի տոկոսին տիրապետող բաժնետերերի պահանջով:

7.5. The sessions of the Board are held when necessary but not less than once in six months with the initiative of the Chairman of the Board, with the request of the member of the Board, the Revision Commission, the executive body, the auditor as well as the shareholders possessing 5 or more percent of voting shares.

76. Խորհրդի նիստերում նախագահում է խորհրդի նախագահը: Խորհրդի նախագահի բացակայության դեպքում նրա պարտականությունները խորհրդի որոշմամբ կատարում է խորհրդի անդամներից մեկը: Խորհրդի որոշումներն ընդունվում են միաձայնությամբ. որոշումը համարվում է ընդունված, եթե Խորհրդի բոլոր անդամները կողմ են քվեարկել քվեարկության դրված որոշման նախագծին: Քվեարկության ժամանակ խորհրդի յուրաքանչյուր անդամ ունի միայն մեկ ձայն: Ձայնի կամ քվեարկության իրավունքի փոխանցում չի թույլատրվում: Ձայների հավասարության դեպքում խորհրդի նախագահի ձայնը որոշիչ է: Խորհրդի նիստերի գումարման և անցկացման կարգը սահմանվում է ժողովի հաստատած՝ խորհրդի կանոնակարգով:

76. The Chairman of the Board chairs the Board sessions. In case of absence of the Board Chairman, his/her duties are accomplished by one of Board's members upon the decision of the Board. Decisions of the Board are adopded if all Board members have voted for the resolution which was put to vote. During the voting each member of the board has only one vote. Transfer of the vote or the voting right is not permitted. In case of equal votes the vote of the chairman is decisive. The procedure for calling and holding of Board sessions is specified by the regulation of the Board adopted by the general meeting.

77. Եթե սույն կանոնադրության 69-րդ կետի 15-րդ ենթակետով նախատեսված խոշոր գործարք կնքելու մասին որոշումը Խորհրդի կողմից չի ընդունվել,

77. If the decision on signing of a large transaction as stipulated in sub-point 15 of clause 69 of this Charter is not approved by

ինչպես նաև այն դեպքում, երբ խորհրդի բոլոր անդամները «Բաժնետիրական ընկերությունների մասին» ՀՀ օրենքի իմաստով հանդիսանում են գործարքում շահագրգիռ անձ, ապա Խորհուրդն որոշում է ընդունում հարցը ժողովում քննարկելու մասին:

the Board, as well as in cases where all board members are considered as interested parties in transaction within the concept of the RA Law "On joint stock companies", the Board approves a decision on discussing the issue at the Meeting.

78. Ընկերության ընթացիկ գործունեության ղեկավարումն իրականացնում է Ընկերության միանձնյա գործադիր մարմինը՝ Գլխավոր տնօրենը: Ընկերության Գլխավոր տնօրենի իրավասությանն են պատկանում Ընկերության ընթացիկ գործունեության կառավարման բոլոր հարցերը, բացառությամբ ժողովի և խորհրդի իրավասություն հանդիսացող հարցերի: Խորհրդի կողմից Ընկերության Գլխավոր տնօրենին նշանակելուց հետո, Ընկերությունը նրա հետ կնքում է պայմանագիր, որը Ընկերության անունից ստորագրում է խորհրդի նախագահը կամ նրա պարտականությունները կատարող խորհրդի այլ անդամը:

78. The management of daily activities of the Company is conducted by the sole executive body of the Company – the General Director. The scope of authority of the Company's General Director include all issues related to management of daily activities of the Company except of issues representing the exclusive authorities of the shareholders meeting and the Board. Upon appointment of the Company's General Director by the Board, the Company signs a contract with him/her which is signed by the Chairman of the Board or the member of the Board who performs the Chairman's duties on behalf of the Company.

79. Ընկերության Գլխավոր տնօրենը, Գլխավոր տնօրենի կանոնակարգի, համաձայն՝
   1. տնօրինում է Ընկերության գույքը, այդ թվում ֆինանսական միջոցները, գործարքներ է կնքում Ընկերության անունից.
   2. առանց լիազորագրի գործում է Ընկերության անունից.
   3. ներկայացնում է Ընկերությունը Հայաստանի Հանրապետությունում և արտասահմանում.
   4. սահմանված կարգով կնքում է պայմանագրեր, այդ թվում աշխատանքային.
   5. տալիս է լիազորագրեր.
   6. բանկերում բացում է Ընկերության հաշվարկային (այդ թվում՝ արտարժութային) և այլ հաշիվներ.
   7. հաստատում է Ընկերության աշխատանքային ներքին կանոնակարգը, առանձնացված ստորաբաժանումների կանոնակարգերը, Ընկերության վարչակազմակերպական կառուցվածքը, հաստիքացուցակը.
   8. իր իրավասության սահմաններում արձակում է

79. According to regulatory guidelines the General Director of the Company:
   1. manages the Company's property including financial resources, signs transactions on behalf of the Company;
   2. acts on behalf of the Company without power of attorney;
   3. represents the Company in the Republic of Armenia and abroad;
   4. signs contracts including work contracts according to approved procedure;
   5. provides powers of attorney;
   6. opens accounts for the Company in the banks (including in foreign currency);
   7. approves internal guidelines of Company's operations, procedures of individual units, organizational structure, and staff;
   8. within the scope of his/her authority, issues orders and instructions that are

հրամաններ, հրահանգներ, տալիս է կատարման համար պարտադիր ցուցումներ և վերահսկում դրանց կատարումը.

9. սահմանված կարգով աշխատանքի է ընդունում և աշխատանքից ազատում Ընկերության աշխատակիցներին.
10. աշխատակիցների նկատմամբ կիրառում է խրախուսման և կարգապահական պատասխանատվության միջոցներ.
11. Իրականացնում է ՀՀ օրենսդրությամբ, սույն կանոնադրությամբ, Գլխավոր տնօրենի կանոնակարգով նախատեսված այլ լիազորություններ:

obligatory, and controls implementation of those;

9. hires and dismisses employees of the Company according to the approved procedure;
10. applies rewarding and disciplinary measures for employees;
11. Implements other powers provided by RA legislation, this charter, Regulation of the General Director.

80. Ընկերության Գլխավոր տնօրենի գործառույթներն իրականացնող անձի մահվան կամ անգործունակության դեպքում Ընկերությունը պետք է նոր Գլխավոր տնօրենի նշանակման հարցով արտահերթ խորհրդի նիստ գումարի:

80. In case of death or incapacity of the person performing the functions of the Company's General Director, the Company must hold an extraordinary session of the Board in order to appoint a new General Director.

81. Ընկերության անվանմամբ կլոր կնիքը գտնվում է Ընկերության Գլխավոր տնօրենի տիրապետման ներքո: Դրա օգտագործման իրավասությունը պատկանում է Գլխավոր տնօրենին և վերջինիս կողմից լիազորված անձին: Այն դեպքում, երբ խորհրդի որոշմամբ Գլխավոր տնօրենի լիազորությունները վաղաժամկետ դադարեցվում են, նա պարտավոր է խորհրդի որոշումից հետո 10 օրվա ընթացքում Ընկերության անվանմամբ կլոր կնիքն, իր տիրապետման ներքո գտնվող Ընկերության այլ փաստաթղթերն ու գույքը հանձնել խորհրդի կողմից նշանակված նոր Գլխավոր տնօրենին կամ Գլխավոր տնօրենի պաշտոնակատարին: Սույն կետում նշված պարտավորությունը Գլխավոր տնօրենի կողմից սահմանված ժամկետում չիրականացնելու դեպքում, նոր Գլխավոր տնօրենը կամ վերջինիս պաշտոնակատարը Ընկերության անունից հայտարարում է կլոր կնիքի անվավերության մասին և օրենքով ու այլ իրավական ակտերով սահմանված կարգով պատվիրում Ընկերության անվանմամբ նոր կլոր կնիք:

81. The round seal with the Company's name is at the disposal of the Company's General Director. The authority to use it belongs to the General Director and a person authorized by him. In case of early termination of the General Director's authorities by the Board's decision, within 10 days upon the Board decision he/she shall hand the round seal with Company's name, all documents and assets of the Company that have been under his/her control to the General Director or to acting General Director newly appointed by the Board. In case of the General Director's failing to ensure the obligations as prescribed in this point in specified period of time, the new General Director or the acting General Director announces about the invalidity of the round seal on behalf of the Company and orders a new round seal with the name of the Company one in accordance with law and other legal acts.

82. Ընկերության Գլխավոր տնօրենն իր պարտականությունների կատարման ընթացքում գործում է՝ ելնելով Ընկերության շահերից:

82. The Company's General Director shall act in the best interests of the Company during accomplishment of his/her duties.

83. Ընկերության ֆինանսատնտեսական գործունեության նկատմամբ վերահսկողությունը իրականացնում է վերստուգող հանձնաժողովը, որն ընտրվում է Ընդհանուր ժողովի կողմից: Ընկերությունում ստեղծվում է առնվազն երեք անձից բաղկացած Վերստուգող հանձնաժողով: Վերստուգող հանձնաժողովի անդամ կարող են լինել Ընկերության կառավարման մարմիններում չընդգրկված գործունակ ֆիզիկական անձինք:

83. The control over the financial-economic activities of the Company is implemented by the Revision Commission which is elected by the General meeting. The Revision Commission consisting of at least three members is formed within the Company. Any capable person who is not involved in the management bodies of the Company can be appointed to act as a member of the Revision Commission.

84. Վերստուգող հանձնաժողովը հետևում է Ընկերության կառավարման մարմինների որոշումների կատարմանը, ստուգում է ընկերության փաստաթղթերի համապատասխանությունն օրենքներին, այլ իրավական ակտերին և սույն կանոնադրությանը: Վերստուգող հանձնաժողովն իրավունք ունի իրականացնել Ընկերության ֆինանսատնտեսական գործունեության տարեկան արդյունքների ստուգումը, ստուգել Ընկերության ֆինանսատնտեսական գործունեությունը սեփական նախաձեռնությամբ, ժողովի կամ խորհրդի որոշմամբ, ինչպես նաև Ընկերության ձայնի իրավունք տվող բաժնետոմսերի առնվազն 10 տոկոսի սեփականատեր հանդիսացող բաժնետիրոջ (բաժնետերերի) պահանջով: Վերստուգող հանձնաժողովը սեփական նախաձեռնությամբ ստուգումներ կարող է իրականացնել տարեկան ոչ ավելի քան երկու անգամ:

Վերստուգող հանձնաժողովի պահանջով նրան պետք է տրամադրվեն Ընկերության ֆինանսատնտեսական գործունեությանը վերաբերող բոլոր անհրաժեշտ փաստաթղթերը, նյութերը և բացատրությունները:

84. The Revision Commission monitors the implementation of decisions of the management bodies of the Company, checks the consistency of the Company's documents with laws, other legal acts and the present Charter. The Revision Commission has right to perform examination of annual results of financial-economic activities of the Company, to examine the financial-economic activities of the Company by its own initiative, by the decision of the meeting or the Board as well as by the request of shareholder (s) owning at least 10% of voting shares of the Company. The Revision Commission can perform examinations by its initiative not more than twice a year.

At the request of the Revision Commission, it shall be provided with all necessary documents, materials and explanations related to financial-economic activities of the Company.

85. Ընկերության տարեկան հաշվեկշռի հաստատման ժամանակ Վերստուգող հանձնաժողովի եզրակացությունը պարտադիր է:

85. The conclusion of Revision Commission is required while approving of the Company's annual balance sheet.

X. ՀԱՇՎԱՌՈՒՄԸ ԵՎ ՀԱՇՎԵՏՎՈՒԹՅՈՒՆՆԵՐԸ

86. Ընկերության Գլխավոր տնօրենը միջոցներ է ձեռնարկում ՀՀ օրենսդրությամբ սահմանված Ընկերության պարտավորությունների պատշաճ կատարումն ապահովելու ուղղությամբ:

87. Ընկերությունը պարտավոր է օրենքով և այլ իրավական ակտերով սահմանված ժամկետներում պահպանել՝

1. Ընկերության պետական գրանցման վկայականը, հաստատված կանոնադրությունը, նրանում կատարված լրացումները, փոփոխությունները, նոր խմբագրությամբ կանոնադրությունը, Ընկերության ստեղծման մասին որոշումը և ստեղծման մասին պայմանագիրը.
2. Ընկերության հաշվեկշռում արտացոլված գույքի նկատմամբ Ընկերության գույքային իրավունքները հաստատող փաստաթղթերը.
3. ժողովի և կառավարման մյուս մարմինների կողմից հաստատված Ընկերության ներքին փաստաթղթերը.
4. Ընկերության ֆինանսական հաշվետվությունները և աուդիտորական եզրակացությունները.
5. բաժնետերերի նախապատվության իրավունքի իրականացմանն ուղղված փաստաթղթերը.
6. հաշվապահական հաշվառման փաստաթղթերը.
7. պետական կառավարման մարմիններին ներկայացվող հաշվապահական, հարկային և վիճակագրական հաշվետվության փաստաթղթերը.
8. Ընկերության ժողովի, խորհրդի, վերստուգող հանձնաժողովի և հաշվիչ հանձնաժողովի նիստի արձանագրությունները, քվեաթերթիկները.
9. Ընկերության վերստուգող հանձնաժողովի, աուդիտ իրականացնող անձի, պետական և տեղական ինքնակառավարման ֆինանսական վերահսկում իրականացնող մարմինների եզրակացությունները.
10. Ընկերության կնքած պայմանագրերը.

X. BOOK-KEEPING AND REPORTING

86. The General Director of the Company takes mesures to ensure proper implementation of the obligation defined by RA legislation for the Company.

87. The Company shall maintain the following documents within terms stipulated by law and other legal acts:

1. certificate of state registration of the Company, the approved Charter, changes and amendments made to it, Charter in new edition, the decision to establish the Company and the contract on establishment of the Company;
2. documents substantiating the rights of the Company toward the assests; reflected in the balance sheet of the Company;
3. internal documents of the Company approved by the meeting and other management bodies;
4. financial statements and audit reports of the Company;
5. documents for accomplishment of preferential rights of shareholders;
6. accounting documents;
7. accounting, tax and statistical; statements and other documents submitted to state bodies;
8. protocols, voting bulletins of the Company's meetings, Board, Revision Commission and the Counting Committee;
9. conclusions of the Revision Commission of the Company, auditor, state and local self-governance control bodies;
10. contracts signed by the Company;

11. Ընկերության տիրապետման ներքո գտնվող ժամանակահատվածում անվանական արժեթղթերի սեփականատերերի ռեեստրը և դրանում կատարված փոփոխությունները հիմնավորող փաստաթղթերը.
12. Ընկերության փոխկապակցված անձանց (նրանց պատկանող բաժնետոմսերի քանակի նշումով), ինչպես նաև Ընկերության նշանակալից և խոշոր բաժնետերերի ցուցակները.
13. Ընկերության առանձնացված ստորաբաժանումների և հիմնարկների կանոնադրությունները.
14. օրենքով և իրավական ակտերով, Ընկերության ներքին փաստաթղթերով, ժողովի, խորհրդի և կառավարման այլ մարմինների որոշումներով նախատեսված այլ փաստաթղթեր:

11. the register, including all documents proving changes in it, of owners of nominal securities at the period when being under the control of the Company;
12. lists of associated persons of the Company (with indication of the number of shares owned by them) as well as significant and large shareholders of the Company;
13. charters of the Company's individual units and institutions;
14. other documents specified by the law and legal acts, internal documents of the Company, decisions of the meeting, board, and other management bodies.

88. Ընկերությունը բաժնետերերի պահանջով պարտավոր է նրանց հնարավորություն ընձեռել ծանոթանալու նախորդ կետում նշված փաստաթղթերին և հինգօրյա ժամկետում նրանց տրամադրել փաստաթղթերի պատճենը, բացառությամբ գաղտնի տեղեկությունների և Ընկերության գործադիր մարմնի հրամանների և հրահանգների: Գաղտնի տեղեկությունների ցանկը սահմանում է խորհուրդը՝ Գլխավոր տնօրենի ներկայացմամբ:

88. At the request of Company's shareholders, the Company shall grant them the opportunity for familiarization with documents mentioned in the previous point and provide them with copies of documents within a five-day period except for confidential information and instructions and orders of the executive body of the Company. The list of confidential information is defined by the Board upon submission by the General Director.

89. Ընկերության յուրաքանչյուր բաժնետեր իրավունք ունի անվճար ստանալ վերջին տարեկան հաշվետվության և Վերստուգող հանձնաժողովի եզրակացության պատճենները:

89. Each shareholder of the Company has right to receive copies of the last annual report and conclusion of the Revision Commission free of charge.

IX. ԸՆԿԵՐՈՒԹՅԱՆ ԼՈՒԾԱՐՈՒՄԸ

XI. LIQUIDATION OF THE COMPANY

90. Ընկերության լուծարումը հանգեցնում է Ընկերության դադարմանը առանց Ընկերության իրավունքների և պարտականությունների իրավահաջորդության կարգով այլ անձանց փոխանցման:

Ընկերության լուծարման հիմքերն են՝

90. The liquidation of the Company results in termination of the Company without transfer of rights and obligations of the Company to other parties on a basis of legal succession.

The bases for the liquidation of the

1. ժողովում Ընկերության առանց իրավահաջորդի լուծարման մասին ընդունված որոշումը.
2. դատարանի կողմից Ընկերության գրանցումն անվավեր ճանաչելը, կապված այն ստեղծելու ժամանակ թույլ տրված օրենքի խախտումների հետ.
3. օրենքով սահմանված այլ հիմքերը:

Ընկերության ժողովը նախքան լուծարման մասին որոշումն ընդունելը, հաստատում է խորհրդի կողմից ներկայացված Ընկերության ամփոփիչ հաշվեկշիռը և Ընկերության լուծարման նախագիծը:

Լուծարման գործընթացում գտնվելու մասին տեղեկությունները գրառվում են իրավաբանական անձանց պետական գրանցամատյանում՝ լուծարման հանձնաժողովի դիմումի հիման վրա:

Լուծարման հանձնաժողովի նշանակման պահից նրան են անցնում Ընկերության գործերի կառավարման լիազորությունները: Լուծարվող Ընկերության անունից դատարանում հանդես է գալիս լուծարային հանձնաժողովը:

Քվեարկող բաժնետոմսերի առնվազն 10 տոկոսի սեփականատերեր հանդիսացող բաժնետերերն իրավունք ունեն ընդգրկվել լուծարման հանձնաժողովի կազմում կամ նշանակել իրենց լիազոր ներկայացուցչին:
Ընկերության լուծարումը համարվում է ավարտված, իսկ նրա գոյությունը դադարած՝ լուծարման պետական գրանցման պահից:

XII. ԵԶՐԱՓԱԿԻՉ ՄԱՍ ԵՎ ԱՆՑՈՒՄԱՅԻՆ ԴՐՈՒՅԹՆԵՐ

91. Սույն կանոնադրությունն Ընկերության բաժնետերերի և կառավարման մարմիններում ընդգրկված քաղաքացիների ու աշխատակիցների համար ուժի մեջ է մտնում այն ընդունելու օրվան

Company are as follows:

1. the decision on liquidation of the Company without a legal successor;
2. recognition of the state registration of the Company as invalid by the court due to violations of the law committed during its process;
3. other bases specified by the law.

The Company's shareholders' meeting, before taking the decision on liquidation, approves the summary balance sheet of the Company and draft liquidation plan of the Company presented by the Board.

The information on being in the process of liquidation is recorded in the state registration journal of legal entities on the basis of the application of the liquidation committee.
From the moment of appointment of the liquidation committee, the authorities of management of the Company pass to the liquidation committee. The liquidation committee acts in the court on behalf of the Company being liquidated.
The shareholders owning at least 10% of voting shares have a right to be included in the liquidation committee or appoint their authorized representatives in it.

The Company liquidation is considered completed and its existence terminated from the moment of state registration of the liquidation.

XII. CONCLUDING PART AND TRANSITION PROVISIONS

91. For the Company's shareholders and citizens and employees included in management bodies of the Company, this Charter enters into force on the fifth day upon its

հաջորդող հինգերորդ օրը:

admission.

92. Սույն կանոնադրությունը պետական գրանցման է ներկայացվում այն ընդունելու օրվանից հետո մեկ տարվա ընթացքում: Սույն կանոնադրությունը ստորագրելու պարտականությունը դրվում է Գլխավոր տնօրենի վրա:

92. This Charter is submitted for state registration within one year after its admission. The obligation to sign this Charter is put on the General Director.

93. Սույն կանոնադրությունն այլ (երրորդ) անձանց համար ուժի մեջ է մտնում դրա պետական գրանցման պահից:

93. The present Charter enters into force for other (third) parties from the moment of its state registration.

Կազմված է 05.07.2019թ.
Բաղկացած է 4 էջից և հավելվածից

ԱՐՁԱՆԱԳՐՈՒԹՅՈՒՆ № 3/2019
«ԶԱՆԳԵԶՈՒՐԻ ՊՂՆՁԱՄՈԼԻԲԴԵՆԱՅԻՆ ԿՈՄԲԻՆԱՏ»
ՓԱԿ ԲԱԺՆԵՏԻՐԱԿԱՆ ԸՆԿԵՐՈՒԹՅԱՆ
ԽՈՐՀՐԴԻ 05.07.2019թ. ՏԵՂԻ ՈՒՆԵՑԱԾ ՆԻՍՏԻ

ՀՀ, ք. Երևան 05.07.2019թ.

2019 թվականի հուլիսի 5-ին տեղի ունեցավ «Զանգեզուրի պղնձամոլիբդենային կոմբինատ» փակ բաժնետիրական ընկերության (այսուհետ՝ նաև Ընկերություն) խորհրդի (այսուհետ՝ նաև Խորհուրդ) նիստը:
Նիստը անցկացվեց հեռուստակապի միջոցով՝ իրական ժամանակի ռեժիմում Նիստի բոլոր մասնակիցների միմյանց հետ հաղորդակցմամբ:

Խորհրդի նիստին մասնակցում էին Խորհրդի անդամներ.
- պարոն Թոմաս Հայլը.
- պարոն Նարեկ Ամբարյանը.
- պարոն Վահե Հակոբյանը.
- պարոն Մորից Հիլը.
- պարոն Յոհաննես Բհատը:

Արձանագրվեց, որ.
- Խորհրդի բոլոր գործող անդամները մասնակցում են Խորհրդի նիստին.
- Խորհրդի նիստն իրավասու է որոշումներ ընդունել Խորհրդի կանոնակարգով սահմանված հարցերի վերաբերյալ:

Նիստը նախագահեց Խորհրդի նախագահ պարոն Թոմաս Հայլը:

Խորհրդի Քարտուղարի (կորպորատիվ քարտուղար) պարտականությունները կատարում էր Խորհրդի Քարտուղար (կորպորատիվ քարտուղար) Պ. Խաչատրյանը:

Նախագահողը բացեց Խորհրդի նիստը, ներկայացրեց նիստի օրակարգը:

Drawn up on July 5, 2019
Consists of 4 pages and Annex

PROTOCOL № 3/2019
OF THE BOARD SESSION OF THE "ZANGEZUR COPPER MOLYBDENUM COMBINE" CLOSED JOINT STOCK COMPANY TAKEN PLACE ON July 5, 2019

RA, Yerevan July 5, 2019

The Board (hereinafter also "the Board") session of the "Zangezur Copper Molybdenum Combine" closed joint stock company (hereinafter also "the Company") took place on July 5, 2019.

The session was held through a live broadcast in the real-time mode with all the participants in the session.

The following Board members were participating in the Board meeting:
- Mr. Thomas Heil;
- Mr. Narek Ambaryan;
- Mr. Vahe Hakobyan
- Mr. Moritz Hill;
- Mr. Johanness Bhatt.

It was stated that:
- All the acting Board members are present at the Board meeting;
- The Board meeting is eligible to make decisions defined by the Board regulation.

The Board Session was chaired by Mr. Tomas Heil, the Chairman of the Board.

The responsibilities of the Board Secretary (corporate Secretary) were implemented by Pertsh Khachatryan, the Board Secretary (corporate Secretary).

The Chairman opened the Board meeting and presented the Agenda.

Խորհրդի նիստի օրակարգում ընդգրկված հարցերն են.

1) Արտարժութային և ՀՀ դրամով արտահայտված ոչ փոխարկելի, արժեկտրոնային, անվանական պարտատոմսերի առաջարկի ծրագրի հաստատում՝ առաջարկված պայմաններով:

Օրակարգի 1-ին հարց.

Օրակարգի 1-ին հարցը Խորհրդի նախագահի առաջարկությամբ ներկայացրեց Ընկերության գլխավոր տնօրեն Միեր Պոլոկովը:

Օրակարգային հարցի ներկայացման շրջանակներում Ընկերության գլխավոր տնօրեն Մ. Պոլոսկովը ներկայացրեց պարտատոմսերի առաջարկի ծրագրի նախագիծը՝ հետևյալ հիմնական պայմաններով.

1) Դոլարային պարտատոմսերի դեպքում թողարկման ծավալը՝ մինչև 50,000,000 (հիսուն միլիոն) ԱՄՆ դոլար, իսկ դրամային պարտատոմսերի դեպքում՝ մինչև 2,500,000,000 (երկու միլիարդ և հինգ հարյուր միլիոն) ՀՀ դրամ, բայց ոչ պակաս, քան մինչև տեղաբաշխման պահը Ընկերության կողմից տեղաբաշխված և շրջանառության մեջ գտնվող դոլարային պարտատոմսերի ընդհանուր անվանական ծավալի 10 (տասը) տոկոսը:
2) Պարտատոմսերի թողարկման նպատակը՝ առկա պարտավորությունների վերաֆինանսավորում, կապիտալ ներդրումների իրականացում և կապիտալի ֆինանսավորման գործող կառուցվածքի բարելավում:
3) Պարտատոմսերի տեղաբաշխումների քանակը՝ ոչ պակաս քան մեկական դոլարային և դրամային պարտատոմսերի տեղաբաշխումներ՝ կախված ֆինանսական շուկայի իրավիճակից
4) Պարտատոմսերի ժամկետայնությունը՝ համաձայն Պարտատոմսերի տեղաբաշխման սկիզբը որոշող ամսաթվից առնվազն 5 (հինգ) աշխատանքային օր առաջ կայացված Խորհրդի որոշման (այսուհետ՝ Որոշում):
5) Յուրաքանչյուր Պարտատոմսի անվանական արժեքը՝ 100 (մեկ հարյուր) ԱՄՆ դոլար և 100,000 (մեկ հարյուր հազար) ՀՀ դրամ
6) Պարտատոմսերի քանակը՝ համաձայն Պարտատոմսերի թողարկման ծավալի և Պարտատոմսի

The issues included in the agenda of Board session are the followings:

1) Approval of issuance program of non-convertible nominal coupon bonds in foreign currency and AMD.

The 1st issue of the agenda:

By the suggestion of the board chairman the General Director of the Company presented the first issue of the agenda.

Within the scope of presentation of the first issue of the agenda Mr. Poloskov, General Director of the Company, presented the draft of bonds' issuance program, with the following major conditions:

1) Total volume of issue (offering) shall be maximum USD 50,000,000 (fifty million) for USD Bonds and maximum AMD 2,500,000,000 (two billion and five hundred million) for AMD bonds, but not less than 10 (ten) percent of the total volume of USD Bonds already placed/in circulation;
2) Purpose: refinancing of outstanding liabilities, capital investments and improvement of current capital finance structure;
3) Number of placements: depending on the situation in the financial market, but not less than one USD and one AMD Bonds placements;
4) Bonds maturity date shall be determined based on the Board resolution adopted at least 5 (five) business days prior to the placement start date (hereinafter "the Resolution");
5) Par value of each Bond: USD 100 (one hundred) and AMD 100,000 (one hundred thousand);
6) Quantity of bonds: based on the ratio of the volume of the issue to the face value of the

անվանական արժեքի հարաբերության:

7) Պարտատոմսերի արժեկտրոնի (տոկոսների) եկամտաբերությունը՝ համաձայն Որոշման:
8) Պարտատոմսերի արժեկտրոնի (տոկոսների) հաշվարկման մոտեցումը՝ փաստացի օրեր արժեկտրոնի փուլի ընթացքում/փաստացի օրեր տարվա ընթացքում (Actual/Actual):
9) Պարտատոմսերի արժեկտրոնի (տոկոսների) վճարման պարբերականությունը՝ համաձայն Որոշման:
10) օպցիոնների առկայություն՝ չի նախատեսվում:
11) մեկ ներդրողի կողմից ձեռքբերման հնարավոր սահմանափակումներ՝ համաձայն Որոշման:
12) տեղաբաշխողը՝ «Ամերիաբանկ» ՓԲԸ:
13) տեղաբաշխման սկիզբը և ավարտը՝ համաձայն Որոշման:
14) Պարտատոմսերի տեղաբաշխումից հետո Ընկերությունը դիմելու է «Հայաստանի ֆոնդային բորսա» ԲԲԸ-ին տեղաբաշխված Պարտատոմսերը կարգավորվող շուկայում ցուցակելու և առևտրին թույլատրելու համար: Պարտատոմսերի՝ առևտրի թույլտվություն չստանալու դեպքում, տեղաբաշխումը չեղյալ է համարվում:
15) «Հայաստանի ֆոնդային բորսա» ԲԲԸ-ի կողմից տեղաբաշխված պարտատոմսերը ցուցակելու և առևտրին թույլատրելու դեպքում Ընկերությունը մասնագիտացված անձանց հետ կնքելու է երկրորդային շուկայում շուկա ստեղծողի պայմանագիր:

Օրակարգի 1-ին հարցի ներկայացումից և քննարկումից հետո Խորհրդի նախագահը Ընկերության կողմից արտարժութային և ՀՀ դրամով արտահայտված ոչ փոխարկելի, արժեկտրոնային, անվանական պարտատոմսերի առաջարկի ծրագրի հաստատման հարցը դրեց քվեարկության:

Օրակարգի 1-ին հարցի շրջանակներում քվեարկության դրված հարցի վերաբերյալ անցկացված քվեարկության արդյունքում Խորհուրդը միաձայն որոշեց.

1. Հաստատել արտարժութային և ՀՀ դրամով արտահայտված ոչ փոխարկելի, արժեկտրոնային, անվանական պարտատոմսերի առաջարկի ծրագիրը՝ հետևյալ հիմնական պայմաններով.

   1) Դոլարային պարտատոմսերի դեպքում

Bond;

7) Coupon yield (interest): based on the Resolution;
8) Day count convention: Actual/Actual;
9) Frequency of coupon (interest) payments: based on the Resolution;
10) Embedded options: none;
11) Single investor possible restrictions: based on the Resolution;
12) Lead Manager/Arranger: Ameriabank CJSC;
13) Start and end dates of placement: based on the Resolution;
14) After placement the Company shall apply to Armenia Securities Exchange OJSC for the Bonds to be listed on the regulated market and admitted to trading. If the Bonds are not admitted to trading, the placement shall be cancelled;
15) Where the placed Bonds are listed and admitted to trading by Armenia Securities Exchange OJSC, the Company will execute an agreement on market making services in the secondary market with specialized entities.

After presentation and discussion the first issue of the Agenda the issue of approval of issuance program of non-convertible nominal coupon bonds in foreign currency and AMD was put to vote.

In result of voting within the first issue of the Agenda the Board unanimously ***decided***:

1. To Approve issuance program of non-convertible nominal coupon bonds in foreign currency and AMD with the following major conditions:

   1) Total volume of issue (offering) shall be

թողարկման ծավալը՝ մինչև 50,000,000 (հիսուն միլիոն) ԱՄՆ դոլար, իսկ դրամային պարտատոմսերի դեպքում՝ մինչև 2,500,000,000 (երկու միլիարդ և հինգ հարյուր միլիոն) ՀՀ դրամ, բայց ոչ պակաս, քան մինչև տեղաբաշխման պահը Ընկերության կողմից տեղաբաշխված և շրջանառության մեջ գտնվող դոլարային պարտատոմսերի ընդհանուր անվանական ծավալի 10 (տասը) տոկոսը:

2) Պարտատոմսերի թողարկման նպատակը՝ առկա պարտավորությունների վերաֆինանսավորում, կապիտալ ներդրումների իրականացում և կապիտալի ֆինանսավորման գործող կառուցվածքի բարելավում:
3) Պարտատոմսերի տեղաբաշխումների քանակը՝ ոչ պակաս, քան մեկական դոլարային և դրամային պարտատոմսերի տեղաբաշխումներ՝ կախված ֆինանսական շուկայի իրավիճակից
4) Պարտատոմսերի ժամկետայնությունը՝ համաձայն Պարտատոմսերի տեղաբաշխման սկիզբը որոշող ամսաթվից առնվազն 5 (հինգ) աշխատանքային օր առաջ կայացված Խորհրդի որոշման (այսուհետ՝ Որոշում):
5) Յուրաքանչյուր Պարտատոմսի անվանական արժեքը՝ 100 (մեկ հարյուր) ԱՄՆ դոլար և 100,000 (մեկ հարյուր հազար) ՀՀ դրամ
6) Պարտատոմսերի քանակը՝ համաձայն Պարտատոմսերի թողարկման ծավալի և Պարտատոմսի անվանական արժեքի հարաբերության:
7) Պարտատոմսերի արժեկտրոնի (տոկոսների) եկամտաբերությունը՝ համաձայն Որոշման:
8) Պարտատոմսերի արժեկտրոնի (տոկոսների) հաշվարկման մոտեցումը՝ փաստացի օրեր արժեկտրոնի փուլի ընթացքում/փաստացի օրեր տարվա ընթացքում (Actual/Actual):
9) Պարտատոմսերի արժեկտրոնի (տոկոսների) վճարման պարբերականությունը՝ համաձայն Որոշման:
10) օպցիոնների առկայություն՝ չի նախատեսվում:
11) մեկ ներդրողի կողմից ձեռքբերման հնարավոր սահմանափակումներ՝ համաձայն Որոշման:
12) տեղաբաշխողը՝ «Ամերիաբանկ» ՓԲԸ:
13) տեղաբաշխման սկիզբը և ավարտը՝ համաձայն Որոշման:
14) Պարտատոմսերի տեղաբաշխումից հետո Ընկերությունը դիմելու է «Հայաստանի ֆոնդային բորսա» ԲԲԸ-ին տեղաբաշխված Պարտատոմսերը կարգավորվող շուկայում ցուցակելու և առևտրին

maximum USD 50,000,000 (fifty million) for USD Bonds and maximum AMD 2,500,000,000 (two billion and five hundred million) for AMD bonds, but not less than 10 (ten) percent of the total volume of USD Bonds already placed/in circulation;

2) Purpose: refinancing of outstanding liabilities, capital investments and improvement of current capital finance structure;
3) Number of placements: depending on the situation in the financial market, but not less than one USD and one AMD Bonds placements;
4) Bonds maturity date shall be determined based on the Board resolution adopted at least 5 (five) business days prior to the placement start date (hereinafter "the Resolution");
5) Par value of each Bond: USD 100 (one hundred) and AMD 100,000 (one hundred thousand);
6) Quantity of bonds: based on the ratio of the volume of the issue to the face value of the Bond;
7) Coupon yield (interest): based on the Resolution;
8) Day count convention: Actual/Actual;
9) Frequency of coupon (interest) payments: based on the Resolution;
10) Embedded options: none;
11) Single investor possible restrictions: based on the Resolution;
12) Lead Manager/Arranger: Ameriabank CJSC;
13) Start and end dates of placement: based on the Resolution;
14) After placement the Company shall apply to Armenia Securities Exchange OJSC for the Bonds to be listed on the regulated market and admitted to trading. If the Bonds are not

թույլատրելու համար: Պարտատոմսերի՝ առևտրի թույլտվություն չստանալու դեպքում, տեղաբաշխումը չեղյալ է համարվում:

15) «Հայաստանի ֆոնդային բորսա» ԲԲԸ-ի կողմից տեղաբաշխված պարտատոմսերը ցուցակելու և առևտրին թույլատրելու դեպքում Ընկերությունը մասնագիտացված անձանց հետ կնքելու է երկրորդային շուկայում շուկա ստեղծողի պայմանագիր:

2. Սահմանել, որ 1-ին կետում չնշված և Պարտատոմսերի տեղաբաշխմանը վերաբերող մնացած բոլոր պայմանները հաստատվելու են Պարտատոմսերի տեղաբաշխման սկիզբը որոշող ամսաթվից առնվազն 5 (հինգ) աշխատանքային օր առաջ կայացված Որոշման համաձայն:

3. Հանձնարարել Ընկերության գլխավոր տնօրեն Մհեր Պոլոսկովին ապահովել Պարտատոմսերի թողարկման ու տեղաբաշխման համար անհրաժեշտ գործողությունների և միջոցառումների իրականացումը՝ ներառյալ թողարկման ազդագրի պատրաստումը, ՀՀ ԿԲ դրա ներկայացումը և անհրաժեշտ պայմանագրերի կնքումը:

4. Սահմանել, որ 1-ին կետով հաստատված առաջարկի ծրագիրը գործում է մինչև վերջինիս հիման վրա գրանցված ծրագրային ազդագրի կիրառության ժամկետի ավարտը:

Սույն արձանագրությունը կազմված է երկու օրինակից՝ հայերեն և անգլերեն:

admitted to trading, the placement shall be cancelled;

15) Where the placed Bonds are listed and admitted to trading by Armenia Securities Exchange OJSC, the Company will execute an agreement on market making services in the secondary market with specialized entities.

2. To define that the rest of the terms regarding placement of Bonds which are not stipulated by clause 1 herein shall be approved based on the Resolution adopted at least 5 (five) business days prior to the placement start date.

3. To Assign Mr. Mger Poloskov, General Director of the Company, to organize and implement issuance and placement of Bonds, including preparation of prospectus, its submission to Central Bank of Armenia and execution of required agreements.

4. To Define that the issuance program approved by para one herein shall be in full force and effect until expiry of the application term of the program prospectus registered based on the issuance program

This protocol is drawn up in two copies in Armenian and English.

<u>Ստորագրություններ / Signatures</u>

Թոմաս Հայլ / Thomas Heil

Նարեկ Ամբարյան / Narek Ambaryan

Վահե Հակոբյան / Vahe Hakobyan

Յոհաննես Բհատ / Johannes Bhatt

Մորից Հիլ / Moritz Hill

Պերճ Խաչատրյան / Pertsh Khachatryan
Խորհրդի քարտուղար (կորպորատիվ քարտուղար)
Board Secretary (Corporate Secretary)