

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2021
for
Kazakhmys Limited

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Kazakhmys Limited

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Kazakhmys Limited

Company Information for the Year Ended 31 December 2021

DIRECTORS: Milovan Vesnic (appointed on 31 March 2023)
Benjamin James Wells (appointed on 5 May 2023)
Roman Eliasov (resigned on 31 March 2023)
Helen Yakubovskaya (resigned on 1 February 2022)

REGISTERED OFFICE: 1st Floor,
229 The Broadway,
London,
SW19 1SD

REGISTERED NUMBER: 09132358 (England and Wales)

AUDITORS: Simmons Gainsford LLP
Chartered Accountants
14th Floor, 33 Cavendish Square,
London
W1G 0PW

Kazakhmys Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity during the period was that of a holding company.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors regularly review the performance of the company against forecasts to ensure that they are able to react on a timely basis to opportunities and issues as they arise. The directors are of the opinion that the company will remain a going concern for the foreseeable future.

ON BEHALF OF THE BOARD:



.....
Milovan Vesnic - Director

Date: 19 June 2023
.....

Kazakhmys Limited

Report of the Directors for the Year Ended 31 December 2021

The directors present their report and financial statements for the period ended 31 December 2021.

DIVIDENDS

No dividends were distributed during 2021 year.

FUTURE DEVELOPMENTS

The company will continue to act as a holding company.

The overall financial impact of coronavirus did not have an adverse influence on 2021 performance. In the meantime, the Company continues to monitor the situation as it evolves.

DIRECTORS

Milovan Vesnic was appointed as a director on 31 March 2023.

Benjamin James Wells was appointed as a director on 5 May 2023.

Roman Eliasov resigned as a director on 31 March 2023.

H Yakubovskaya resigned as a director on 1 February 2022.

DIRECTOR'S RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kazakhmys Limited

FINANCIAL INSTRUMENTS

As a holding company, the company has limited exposure to risks. The company has an interest-bearing bank loan denominated in US Dollars which is matched with an interest earning receivable due from the company's subsidiary undertaking, also denominated in US Dollars.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

So far as each person who was a director at the date of approving the report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

The auditors, Simmons Gainsford LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
Milovan Vesnic - Director

Date: 19 June 2023
.....

Independent Auditor's Report to the Members of Kazakhmys Limited

Opinion

We have audited the financial statements of Kazakhmys Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In order to identify and assess the risks of material misstatements, including fraud and non-compliance with laws and regulations that could be expected to have a material impact on the financial statements, we have considered:

- the results of our enquiries of management and those charged with governance of their assessment of the risks of fraud and irregularities;
- the nature of the company, including its management structure and control systems (including the opportunity for management to override such controls);
- management's incentives and opportunities for fraudulent manipulation of the financial statements including the company's remuneration and bonus policies and performance targets; and
- the industry and environment in which it operates.

We also considered UK tax and pension legislation and laws and regulations relating to employment and the preparation and presentation of the financial statements such as the Companies Act 2006.

Based on this understanding we identified the following matters as being of significance to the entity:

- laws and regulations considered to have a direct effect on the financial statements including UK financial reporting standards, Company Law, tax and pension legislation and distributable profits legislation;
- management bias in selecting accounting policies and determining estimates;
- inappropriate journal entries;
- recoverability of debtors; and
- the requirement to impair investments in subsidiaries and the amount of any such impairment.

We communicated the outcomes of these discussions and enquiries, as well as consideration as to where and how fraud may occur in the entity, to all engagement team members.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised:

- inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations;
- discussion with the same regarding any known or suspected instances of non-compliance with laws and regulation and fraud;
- accessing the recovery of debtors in the period since the balance sheet date and challenging assumptions made by management regarding the recovery of balances which remain outstanding;
- reviewing the financial statements for compliance with the relevant disclosure requirements;
- performing analytical procedures to identify any unusual or unexpected relationships or unexpected movements in account balances which may be indicative of fraud;
- evaluating the underlying business reasons for any unusual transactions; and
- considered the implementation of controls during the year.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Atulya Mehta FCCA (Senior Statutory Auditor) For and on behalf of Simmons Gainsford LLP

Chartered Accountants

14th Floor,

33 Cavendish Square,

London, W1G 0PW

19 June 2023

Date:

Kazakhmys Limited**Statement of Profit or Loss for the Year Ended 31 December 2021**

		Year Ended 31.12.2021 \$	Year Ended 31.12.2020 \$
	Notes		
CONTINUING OPERATIONS			
Revenue		11,515	91,667
Operational costs		(418,201)	(314,349)
OPERATING LOSS		(406,686)	(222,682)
Finance costs	4	(731,028)	(926,145)
Finance income	4	42,123	2,758
Dividend income		17,890,000	-
Impairment		(23,410,000)	(6,000,000)
PROFIT/(LOSS) BEFORE INCOME TAX	5	(6,615,591)	(7,146,069)
Income tax	6	-	-
PROFIT/(LOSS) FOR THE YEAR		(6,615,591)	(7,146,069)

Kazakhmys Limited

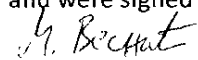
**Statement of Profit or Loss and Other Comprehensive
Income for the Year Ended 31 December 2021**

	31.12.2021	31.12.2020
	\$	\$
PROFIT/(LOSS) FOR THE YEAR	(6,615,591)	(7,146,069)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(6,615,591)	(7,146,069)

Kazakhmys Limited**Statement of Financial Position 31 December 2021**

	Notes	31.12.2021 \$	31.12.2020 \$
ASSETS			
NON-CURRENT ASSETS			
Investments	8	9,235,696	32,645,696
Loans and other financial assets	9	14,189,539	149,521
		23,425,235	32,645,696
CURRENT ASSETS			
Loans and other financial assets	9	246,945	0
Trade and other receivables	10	613,217	531,067
Cash and cash equivalents	11	592,780	31,405
		1,452,942	711,993
TOTAL ASSETS		24,878,177	33,357,689
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	171	171
Retained earnings	13	(16,075,649)	(9,460,058)
TOTAL EQUITY		(16,075,478)	(9,459,887)
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	15	16,469,397	40,850,556
		16,469,397	40,850,556
CURRENT LIABILITIES			
Trade and other payables	14	2,102,071	1,967,020
Interest bearing loans and borrowings	15	22,382,187	-
		24,484,258	1,967,020
TOTAL LIABILITIES		40,953,655	42,817,576
TOTAL EQUITY AND LIABILITIES		24,878,177	33,357,689

The financial statements were approved by the Board of Directors on 19 June 2023
and were signed on its behalf by:



.....
Milovan Vesnic - Director

Kazakhmys Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Called up share capital	Retained earnings	Total equity
	\$	\$	\$
Balance at 1 January 2020	171	(2,313,989)	(2,313,818)
<i>Changes in equity</i>			
Total comprehensive income	-	(7,146,069)	(7,146,069)
Balance at 31 December 2020	171	(9,460,058)	(9,459,887)
<i>Changes in equity</i>			
Total comprehensive income	-	(6,615,591)	(6,615,591)
Balance at 31 December 2021	171	(16,075,649)	(16,075,478)

Kazakhmys Limited**Statement of Cash Flows for the Year Ended 31 December 2021**

	Notes	Year Ended 31.12.2021 \$	Year Ended 31.12.2020 \$
Cash flows from operating activities			
Cash generated from operations	1	(353,786)	(22,272,948)
Net cash from operating activities		(353,786)	(22,272,948)
Cash flows from investing activities			
Net cash from investing activities		-	-
Cash flows from financing activities			
Repayment of bank loans		-	(8,000,000)
Loans issued given/received		(14,244,840)	(65,191)
Repayment of Loan Receivable		15,160,000	30,735,000
Interest paid/received		-	(350,809)
Net cash from financing activities		915,160	22,319,000
(Decrease)/increase in cash and cash equivalents		561,375	46,052
Cash and cash equivalents at beginning of the year	2	31,405	(14,647)
Cash and cash equivalents at end of the year	2	592,780	31,405

Kazakhmys Limited**Notes to the Statement of Cash Flows for the Year Ended 31 December 2021****1. RECONCILIATION OF PROFIT/(LOSS) BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	Year Ended 31.12.2021	Year Ended 31.12.2020
	\$	\$
Profit/(loss) before income tax	(6,615,591)	(7,146,069)
Finance costs	731,028	926,145
Finance income	(42,123)	(2,758)
Dividend income	(17,890,000)	-
	(23,916,686)	(222,682)
Increase in trade and other receivables	(82,151)	(117,922)
Decrease in trade and other payables	135,051	(21,932,344)
Impairment in investments	23,410,000	6,000,000
Cash generated from operations	(353,786)	(22,272,948)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	31.12.2021	31.12.2020
	\$	\$
Year ended 31 December 2021		
Cash and cash equivalents	592,780	31,405
Bank overdraft	-	-
	592,780	31,405
Year ended 31 December 2020	31.12.2020	01.01.2020
	\$	\$
Cash and cash equivalents	31,405	23,849
Bank overdraft	-	(38,496)
Cash generated from operations	31,405	(14,647)

Kazakhmys Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1. STATUTORY INFORMATION

Kazakhmys Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments which have been measured at amortised cost, using the effective interest rate method.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The company financial statements are presented in US Dollars, which is the functional currency of the company.

The company is exempt from the requirement to prepare group accounts under section 401 of the Companies Act 2006 and accordingly these financial statements present information about the company only, and not about its group.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Going concern

The directors believe that the company is well placed to manage its business risks successfully. Having placed reliance on the support of Kazakhmys Corporation LLC, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Investments in subsidiaries

Subsidiary undertakings are all entities over which the company has power to govern the financial and operating policies so as to obtain benefit from their activities.

The investments in subsidiaries held by the company are valued at cost less any provision for impairment that is considered to have occurred, the resultant loss being recognised in the income statement.

Kazakhmys Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Leases

Rentals paid under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Management of the Company has assessed the potential effect of implementation of the new IFRS 16 'Leases' in the period beginning on 1 January 2019 and anticipates that implementation of the new standard will have no material effect on financial position and financial results of the Company in the current reporting period or in the next reporting period as the Company has no material non-cancellable long-term rent agreements as at the reporting date and has no intention to execute them in the next reporting period.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the assets recoverable amount. As assets recoverable amount is the higher its fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Financial Assets

- Initial Recognition and measurement

The company determines the classification of its financial assets at initial recognition, at fair value. The company's financial assets, within the scope of IFRS 9, include cash and loans receivable. The company's most significant financial asset is the loan receivable from related parties. Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost.

- Allowance for impairment is estimated on a case-by-case basis.

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

All of the loans issued to related companies, measured at amortized cost, are considered to have low credit risk and as such any credit losses are not considered to be material for the purpose of disclosure.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by considering 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 revenue in the profit or loss account. The losses arising from impairment are recognised in the profit and loss account in other operating expenses.

Kazakhmys Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Financial liabilities

The company determines the classification of its financial liabilities within the scope of IAS at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans, plus directly attributable transaction costs.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above and net of any outstanding bank overdrafts.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Interest bearing loans are stated at their amortised value applying the effective interest rate method.

Income taxes

Tax expense comprises both current tax and changes in net deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions: deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised".

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognized in the income statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Kazakhmys Limited**Notes to the Financial Statements for the Year Ended 31 December 2021****3. EMPLOYEES AND DIRECTORS**

	31.12.2021	31.12.2020
	\$	\$
Wages and salaries	225,472	135,859
Social security costs	13,034	6,055
	238,506	141,914

The average monthly number of employees including directors during the year was as follows:

	31.12.2021	31.12.2020
Directors	2	2

	31.12.2021	31.12.2020
	\$	\$
Directors' remuneration	207,824	135,859

4. NET FINANCE INCOME

	31.12.2021	31.12.2020
	\$	\$
Finance income		
Interest receivable on loans issued	42,123	2,758
Interest receivable on short-term deposits	-	-
	42,123	2,758
Finance costs:		
Bank interest payable	-	(364,000)
Interest payable on loans received	(731,028)	(562,145)
	(688,905)	(926,145)
Net finance income	(688,905)	(923,387)

5. PROFIT/(LOSS) BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting):

	31.12.2021	31.12.2020
	\$	\$
Other operating leases	20,644	11,303
Auditors' remuneration	11,117	8,445
Foreign exchange differences	1,344	4,682

Kazakhmys Limited**Notes to the Financial Statements for the Year Ended 31 December 2021****6. INCOME TAX****Factors affecting the total tax charge**

The income tax expense in the income statement for the year is the same as the standard rate of corporation tax in the UK, as reconciled below:

	2021	2020
Profit / (Loss) on ordinary activities before taxation	(6,615,591)	(7,146,069)
Exemption from income tax - dividends	(17,890,000)	-
Exemption from income tax - impairment	23,410,000	6,000,000
Taxable profit / (loss)	(1,095,591)	(1,146,069)
- Income tax charge	-	-
Income tax loss carried forward	(6,624,266)	(217,753)
Cumulative tax losses	(5,848,570)	(1,363,945)

7. DIVIDENDS

There was no distribution of dividends during 2021 and 2020 years.

8. INVESTMENTS

	Shares in group undertakings \$
COST	
and 1 January 2020	38,645,696
Impairment	(6,000,000)
and 31 December 2020	32,645,696
Impairment	(23,410,000)
and 31 December 2021	9,235,696
NET BOOK VALUE	
At 31 December 2021	9,235,696
At 31 December 2020	32,645,696

Kazakhmys Limited**Notes to the Financial Statements for the Year Ended 31 December 2021****8. INVESTMENTS - continued**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name	Principal activities	Country of incorporation	Share	
			2021	2020
Valion Investment Ltd*	The aircraft holder	British Virgin Islands	100%	100%
Kazakhmys Holding Group B.V.*	Investment holding	Netherlands	100%	100%
Kazakhmys Management B.V.	Investment holding	Netherlands	100%	100%
KCC B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Power Projects B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Smelting B.V.	Investment holding	Netherlands	100%	100%
Financial Services B.V.	Investment holding	Netherlands	-	100%
Kazakhmys Maintenance Services B.V.s	Investment holding	Netherlands	100%	100%
Kazakhmys Construction B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Exploration B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Resources B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Corporation Finance Ltd	Financing activities	United Kingdom	100%	100%
Kazakhmys Smelting Finance Ltd	Financing activities	United Kingdom	100%	100%
Diorto Ltd	Investment holding	Cyprus	100%	-
Kazakhmys Copper JSC	Investment holding	Kazakhstan	100%	100%
Kazakhmys Corporation LLP	Production of copper concentrate	Kazakhstan	99.9%	99.9%
Kazakhmys Smelting LLP	Copper smelting	Kazakhstan	100%	100%
Novomek Holding LLC	Investment holding	Russia	70%	-
Novomek Engineering LLC	Engineering survey	Russia	70%	-
Kazakhaltyn Service LLP	Repair services	Kazakhstan	-	100%
Maker LLP	Construction and maintenance	Kazakhstan	99.9%	99.9%
Kazakhmys Distribution LLP	Heat distribution	Kazakhstan	99.9%	99.9%
Kazakhmys Coal LLP	Production of coal	Kazakhstan	99.9%	99.9%
Kazakhmys Drilling LLP	Geological works	Kazakhstan	100%	100%
Kazakhmys Holding LLP	Management services	Kazakhstan	100%	100%
Kazakhmys Energy LLP	Power generation	Kazakhstan	100%	100%
GRES Topar LLP	Power generation	Kazakhstan	100%	100%
Kazakhmys Maintenance Services LLP	Repair services	Kazakhstan	100%	100%
Karagandinski NII obagasheniya i metallurgii LLP	Construction	Kazakhstan	100%	100%
Dank LLP	Construction	Kazakhstan	100%	100%
Aidarly Project LLP	Exploration project	Kazakhstan	68.9%	68.9%
Anisimov Project LLP	Exploration project	Kazakhstan	100%	100%
Anisimov Kluch LLP	Exploration project	Kazakhstan	90%	90%
Zhanashyr Project LLP	Exploration project	Kazakhstan	100%	100%
Zhezkazgan REK JSC	Electricity distribution	Kazakhstan	90%	90%

Kazakhmys Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

8. INVESTMENTS - continued

Name	Principal activities	Country of incorporation	Share	
			2021	2020
Zhezkazgan Air JSC	Airline services	Kazakhstan	99.47%	99.47%
Medical Center Zhezkazgan LLP	Medical services	Kazakhstan	100%	100%
Technological College of Corporation Kazakhmys LLP	General and professional education	Kazakhstan	100%	100%
Polytechnic College of Corporation Kazakhmys LLP	General and professional education	Kazakhstan	100%	100%
SP KazBelaz LLP	Other services	Kazakhstan	51%	51%
FZE KZ LLP	Rental of property	Kazakhstan	100%	100%
Kazakhstanskaya Innovacionnaya Metallurgiya LLP	Other services	Kazakhstan	—	100%
Professional Paramilitary Emergency Service «Partner» LLP	Other services	Kazakhstan	100%	—
Qazaq Geophysics (QG) LLP	Mine Exploration	Kazakhstan	100%	—
Mineral Operating LLP	Mine Exploration	Kazakhstan	100%	—
Dautbay Project LLP	Exploration project	Kazakhstan	75%	—
Kazakhmys Development LLP	Other services	Kazakhstan	100%	100%
GRP–Kazakhmys GmbH	Import & export of equipment	Germany	51%	51%
Gemstone LLP	Mine Exploration	Kazakhstan	100%	100%
Zhambylmys LLP	Exploration project	Kazakhstan	100%	100%
Itauyz Project LLP	Exploration project	Kazakhstan	75%	75%
Tamdy-Sainbulak Project LLP	Exploration project	Kazakhstan	75%	75%
Dyussembay Project LLP	Exploration project	Kazakhstan	75%	75%
Ozernoye Project LLP	Exploration project	Kazakhstan	75%	75%
Altynkazgan Project LLP	Exploration project	Kazakhstan	75%	75%
Idygei Project LLP	Exploration project	Kazakhstan	75%	75%
Zhez Green Organic LLP - Arka Cuprum Project LLP	Other services	Kazakhstan	70%	100%
Benkala Cuprum Project LLP	Exploration project	Kazakhstan	75%	75%
Kazakhmys Barlau LLP	Mine Exploration	Kazakhstan	100%	100%
Kazakhmys Progress LLP	Processing and copper-smelting services	Kazakhstan	100%	100%
Gorservice KZ LLP	Business Management consultation	Kazakhstan	99.9%	99.9%
Ulytaunan LLP	Bakery and flour confectionery	Kazakhstan	99.9%	99.9%
SN Mining LLP	Mine Exploration	Kazakhstan	100%	100%
BM Mining LLP	Mine Exploration	Kazakhstan	100%	100%
Green Plaza LLP	Water supply & sewerage	Kazakhstan	100%	100%
Kaz Green Energy LLP	Green energy	Kazakhstan	70%	70%

Kazakhmys Limited**Notes to the Financial Statements for the Year Ended 31 December 2021****8. INVESTMENTS - continued**

Name	Principal activities	Country of incorporation	Share	
			2021	2020
Mandalya Turizm Isletmeleri Anonim Sirketi	Hotel & restaurants	Turkey	26%	—
Kazphos LLP	Fertilization	Kazakhstan	40%	—
Kaz Chemicals LLP	Fertilization	Kazakhstan	80%	80%
Kaz Chemicals Trading House LLP	Trading activities	Kazakhstan	80%	80%
Kazphosphate LLP	Fertilization	Kazakhstan	80%	—
Agro Lab LLP	Technical tests and soil analysis	Kazakhstan	64%	64%

Shares held directly* or indirectly through the company's investment in Kazakhmys Holding Group B.V. All holdings are in ordinary shares.

9. LOANS AND OTHER FINANCIAL ASSETS

	Loans to group undertakings
	\$
At 1 January 2020	94,763
Loan given during the year	129,000
Repayment in year	(63,809)
Interest repaid during the year	(13,191)
Interest accrued as at 31/12	2,758
At 31 December 2020	149,521
Loan given during the year	14,244,840
Repayment in year	-
Interest repaid during the year	-
Interest accrued as at 31/12	42,123
At 31 December 2021	14,436,484

As at 31 December 2021 and 31 December 2020 the company has several loans issued to its related companies with interest from 2.5% to 6.5% per annum with total commitment amount to \$ 80,300,000 (as at 31 December 2020 - \$ 63,400,000).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The management assessed that the fair values of cash and cash equivalents, loans issued, other receivables, trade payables, and other current liabilities approximate their carrying amounts.

10. TRADE AND OTHER RECEIVABLES

	31.12.2021	31.12.2020
	\$	\$
Trade debtors	121,000	124,000
Other accounts receivable	469,052	388,132
VAT recoverable	23,165	18,935
	613,217	531,067

Kazakhmys Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11. CASH AND CASH EQUIVALENTS

	31.12.2021	31.12.2020
	\$	\$
Cash and cash equivalents	592,780	31,405
	592,780	31,405

12. CALLED UP SHARE CAPITAL

Allotted and issued:

Number: Class:

100 Ordinary shares

Nominal value:	31.12.2021	31.12.2020
	\$	\$
£1	171	171

13. RESERVES

	Retained earnings
	\$
At 1 January 2020	(2,313,989)
Profit for the year	(7,146,069)
At 31 December 2020	(9,460,058)
Profit for the year	(6,615,591)
At 31 December 2021	(16,075,649)

14. TRADE AND OTHER PAYABLES

	31.12.2021	31.12.2020
	\$	\$
Current		
Trade and other creditors	138,886	36,962
Payable for acquired investment	-	-
Amounts due to related parties	1,950,439	1,921,518
Accrued expenses	12,746	8,539
	2,102,071	1,967,020

15. FINANCIAL LIABILITIES - BORROWINGS

	31.12.2021	31.12.2020
	\$	\$
Non-current		
Loans received from related parties - principal	16,399,500	40,288,147
Loans received from related parties - interest	69,897	562,409
	16,469,397	40,850,556
Current		
Loans received from related parties - principal	21,158,647	-
Loans received from related parties - interest	1,223,540	-
	22,382,187	

Kazakhmys Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 **- continued**

15. FINANCIAL LIABILITIES - BORROWINGS - continued

Terms and debt repayment schedule for the year ended 31.12.2021:

	Less than 1 year \$	1-2 years \$
Loans received from related parties - principal	21,158,647	16,399,500
Loans received from related parties - interest	1,223,540	69,896
	22,382,187	16,469,396

Terms and debt repayment schedule for the year ended 31.12.2020:

	Less than 1 year \$	1-2 years \$
Loans received from related parties - principal	-	40,288,147
Loans received from related parties - interest	-	562,409
	-	40,850,556

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is East Copper Holdings Private Limited, a company incorporated in Singapore.

In the directors' opinion the company's ultimate controlling beneficiaries are Vladimir Kim and Eduard Ogai.

17. RELATED PARTY DISCLOSURES

Included within other debtors (Note 10) is an amount of \$ 128,340 (\$ 48,323 in 2020) due from shareholder.

Included within other and trade debtors (Note 10) is an amount of \$ 455,235 (\$ 486,460 in 2020) due from subsidiaries and other related parties.

Included within other creditors (Note 14) is an amount of \$ 229,515 (\$ 229,515 in 2020) due to shareholder.

Included within other creditors (Note 14) is an amount of \$ 1,695,392 (\$ 1,692,003 in 2020) due to subsidiaries.

Included within loan given to subsidiaries and other related parties is an amount of \$ 12,377,183 (2020: \$54,170).

Included within loan given to a parent company, East Copper Holdings Private Limited, is an amount of \$ 97,735 (2020: \$ 95,351).

Included within loan received from related companies, is an amount of \$ 38,851,583 (2020: \$ 40,850,556).

During the year, interest of \$ 34,557 (\$ 2,758 in 2020) was charged on the Loan issued and \$ 731,027 (\$ 562,145 in 2020) on the Loans Received.

18. EVENTS AFTER THE REPORTING PERIOD

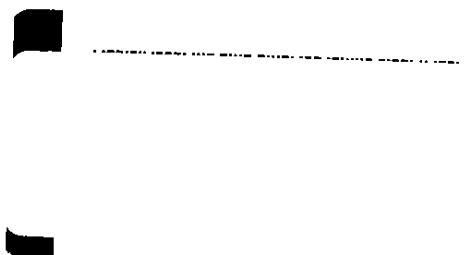
On 14 January 2022 the ultimate controlling party was changed from East Copper Holdings Private Limited to Kazakhmys Holding Limited, a company incorporated in Kazakhstan.

These are parent accounts for the year ended
31 December 2021 to be attached to company
number 09132358.

Company Registration No. 201420830H

**East Copper Holdings Private Limited
and its Subsidiaries**

Annual Financial Statements
For the financial year ended 31 December 2021



East Copper Holdings Private Limited and its Subsidiaries

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East Copper Holdings Private Limited and its Subsidiaries

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of East Copper Holdings Private Limited ("the Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2021.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Helen Yaroslavna Yakubovskaya
Zheng Shushan
Yee Kai Cheong

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement, whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Share options

No share options have been granted by the Company since its incorporation.

East Copper Holdings Private Limited and its Subsidiaries

Directors' Statement

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor of the Company.



Yee Kai Cheong
Director



Zheng Shushan
Director

Singapore
7 June 2022

East Copper Holdings Private Limited and its Subsidiaries

**Independent Auditor's Report
For the financial year ended 31 December 2021**

Independent Auditor's Report to the Members of East Copper Holdings Private Limited and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the financial statements of East Copper Holdings Private Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and Company as at 31 December 2021, statements of changes in equity of the Group and Company, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises the directors' statement set out on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

East Copper Holdings Private Limited and its Subsidiaries

**Independent Auditor's Report
For the financial year ended 31 December 2021**

Independent Auditor's Report to the Members of East Copper Holdings Private Limited and its Subsidiaries

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the 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.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 SSAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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.

East Copper Holdings Private Limited and its Subsidiaries

**Independent Auditor's Report
For the financial year ended 31 December 2021**

Independent Auditor's Report to the Members of East Copper Holdings Private Limited and its Subsidiaries

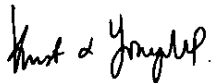
Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
7 June 2022

East Copper Holdings Private Limited and its Subsidiaries

**Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2021**

	Note	2021 \$ 000	2020 \$ 000
Revenue	6	3,071,227	2,245,131
Cost of sales	7 (i)	(1,688,602)	(1,225,318)
Gross profit		1,382,625	1,019,813
Selling and distribution expenses		(72,009)	(32,755)
Administrative expenses	7 (ii)	(399,141)	(589,873)
Other operating income	7 (iii)	65,277	145,172
Other operating expenses	7 (iv)	(61,378)	(169,490)
Impairment losses on financial assets	8 (a)	(19,531)	(26,112)
Impairment (losses) / reversal on non-financial assets	8 (b)	(32,945)	26,744
Operating profit		862,898	373,499
Finance income	9	55,409	45,877
Finance costs	9	(126,683)	(142,564)
Gain on disposal of an associate	5	—	46,170
Gain on disposal of a subsidiary	4	61,507	—
Share of profit of an associate & joint venture	5	(1,063)	10,597
Profit before tax		852,068	333,579
Income tax expense	10	(181,595)	(56,309)
Profit for the year		670,473	277,270
Net profit attributable to:			
Equity holders of the parent		675,649	281,762
Non-controlling interests		(5,176)	(4,492)
		670,473	277,270
Other comprehensive loss:			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net loss on cash flow hedges	28	(116,952)	—
Exchange differences on translation of foreign operations		(28,348)	(74,414)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(145,300)	(74,414)
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods, net of tax</i>			
Actuarial gains/(losses) on employee benefits	22	5,841	(8,447)
Net gain on equity instruments designated at fair value through other comprehensive income	15 (a)	—	2,282
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		5,841	(6,165)
Other comprehensive loss for the year, net of tax		(139,459)	(80,579)
Total comprehensive income for the year		531,014	196,691
Total comprehensive income attributable to:			
Equity holders of the parent		536,190	201,183
Non-controlling interests		(5,176)	(4,492)
		531,014	196,691

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

**Consolidated statement of Financial Position
As at 31 December 2021**

		Group		Company	
	Note	2021	2020	2021	2020
		\$ 000	\$ 000	\$ 000	\$ 000
Assets					
Non-current assets					
Intangible assets	11	340,000	39,484	—	—
Property, plant and equipment	12, 27.1	1,415,959	896,428	—	—
Mining assets	13	461,044	351,422	—	—
Investment in associate and joint venture	5	35,452	—	—	—
Investment property	12 (a)	5,195	9,586	—	—
Other non-current assets	14	237,480	53,881	—	—
Deferred tax assets	10	107,450	122,850	—	—
Goodwill	4	135,315	—	—	—
Non-current financial assets	15	531,158	132,242	—*	—*
		3,269,053	1,605,893	—*	—*
Current assets					
Prepayments and other current assets	17	248,692	148,880	—	—
Inventories	16	595,116	436,739	—	—
Corporate income tax prepaid		4,245	6,628	—	—
Trade and other receivables	18	103,666	147,378	230	235
Current financial assets	15	265,065	141,474	—	—
Bank deposits	19	31,327	65,389	—	—
Cash and cash equivalents	20	52,953	17,170	13	14
		1,301,064	963,658	243	249
Assets held for sale		4,284	1,026	—	—
		1,305,348	964,684	243	249
Total assets		4,574,401	2,570,577	243	249

* Represents amounts less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

**Consolidated statement of Financial Position (cont'd)
As at 31 December 2021**

		Group		Company	
	Note	2021	2020	2021	2020
		\$ 000	\$ 000	\$ 000	\$ 000
Equity and liabilities					
Equity					
Charter capital	21	—*	—*	—*	—*
Foreign currency translation reserve		(730,357)	(702,009)	—	159
Cash flow hedge reserve	28	(98,658)	—	—	—
Retained earnings		2,247,155	1,632,599	(123)	(157)
Equity attributable to equity holders of the parent		1,418,140	930,590	(123)	2
Minority interests		(1,248)	(769)	—	—
Total equity		1,416,892	929,821	(123)	2
Non-current liabilities					
Borrowings and other financial liabilities	26, 27.1	1,017,159	206,719	—	140
Employee benefits	22	345,753	481,186	—	—
Derivative financial instruments	28	12,719	—	—	—
Other non-financial liabilities - long term	25	472,707	—	—	—
Provisions	23	145,528	154,570	—	—
Deferred tax liabilities	10	107,733	7,120	—	—
		2,101,599	849,595	—	140
Current liabilities					
Provisions - short-term	23	34,819	23,865	—	—
Employee benefits - short-term	22	31,051	29,393	—	—
Derivative financial instrument - short-term	28	74,062	—	—	—
Corporate income tax payable		5,042	38,488	—	—
Borrowings and other financial liabilities - short-term	26, 27.1	391,166	345,886	144	—
Dividend payable		530	563	—	—
Trade and other payables	24	305,225	251,289	222	107
Other non-financial liabilities	25	214,015	101,677	—	—
		1,055,910	791,161	366	107
Total liabilities		3,157,509	1,640,756	366	247
Total equity and liabilities		4,574,401	2,570,577	243	249

* Represents amounts less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

East Copper Holdings Private Limited and its Subsidiaries

**Consolidated statement of Changes in Equity
For the financial year ended 31 December 2021**

	<i>Attributable to equity holders of the parent</i>						Total Equity \$ 000
	Charter Capital	Translation reserve	Retained earnings	Cash flow hedge reserve	Total	Non- controlling interests	
	\$ 000	\$ 000	\$ 000		\$ 000	\$ 000	
Group							
At 1 January 2020	—*	(627,595)	1,357,063	—	729,468	3,711	733,179
Profit for the year	—	—	281,762	—	281,762	(4,492)	277,270
Other comprehensive income	—	(74,414)	(6,165)	—	(80,579)	—	(80,579)
Total comprehensive income	—	(74,414)	275,597	—	201,183	(4,492)	196,691
Transfer to Kazakhmys Progress	—	—	(61)	—	(61)	—	(61)
Contribution to charter capital	—	—	—	—	—	12	12
At 31 December 2020 and 1 January 2021	—	(702,009)	1,632,599	—	930,590	(769)	929,821
Profit for the year	—	—	675,649	—	675,649	(5,176)	670,473
Other comprehensive income/ (loss)	—	(28,348)	5,841	(116,952)	(139,459)	—	(139,459)
Total comprehensive income	—	(28,348)	681,490	(116,952)	536,190	(5,176)	531,014
Contribution to charter capital (Note 21)	—	—	—	—	—	4,697	4,697
Transfer of cash flow hedge reserve to revenues	—	—	—	18,294	18,294	—	18,294
Loss on initial recognition of loan provided to the ultimate controlling party	—	—	(66,934)	—	(66,934)	—	(66,934)
At 31 December 2021	—	(730,357)	2,247,155	(98,658)	1,418,140	(1,248)	1,416,892

* Represents amounts less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

**Consolidated statement of Changes in Equity
For the financial year ended 31 December 2021**

	Charter Capital	Translation reserve	Accumulated losses	Total (deficit)/ equity
	\$ 000	\$ 000	\$ 000	\$ 000
Company				
At 1 January 2020	—*	(2)	6	4
Total comprehensive loss for the year	—*	161	(163)	(2)
At 31 December 2020 and 1 January 2021	—*	159	(157)	2
Total comprehensive income for the year	—*	(2)	(123)	(125)
Reclassification	—	(157)	157	—
At 31 December 2021	—*	—	(123)	(123)

**Represents amounts less than \$1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

Consolidated Statement of Cash Flows
For the financial year ended 31 December 2021

	2021 \$ 000	2020 \$ 000
Cash flows from operating activities		
Profit before tax	852,068	333,579
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation, depletion and amortisation	192,592	134,406
Impairment reversal (Note 8)	52,476	(632)
Share of loss/(profit) of an associate (Note 5)	1,063	(10,597)
Gain on disposal of an associate	—	(46,170)
Gain on disposal of subsidiaries	(61,507)	—
Transfer of cash flow hedge reserve to revenues (Note 28)	18,294	—
Loss on disposal of property, plant and equipment, net (Note 7 (iv))	4,359	1,705
Loss on disposal of mining assets (Note 7 (iv))	552	2,308
Loss on disposal of Intangible assets (Note 7 (iv))	1,730	676
Derecognition of social liabilities	(432)	(225)
Finance income (Note 9)	(53,311)	(45,877)
Finance costs (Note 9)	126,683	92,858
Social responsibility costs (Note 7 (ii))	1,405	16,498
Movements in provisions and employee benefits	(95,888)	59,782
Net foreign exchange differences	10,525	(8,668)
Other non-cash income and expenses	14,687	(2,568)
<i>Working capital adjustments:</i>		
Change in inventories	(133,365)	(86,733)
Change in prepayments and other current assets	(70,889)	74,099
Change in trade and other receivables	89,205	(24,480)
Change in trade and other payables	(15,966)	16,342
Change in other financial assets	(125,346)	(1,054)
Change in other non-financial liabilities	454,988	(26,439)
Change in derivative financial instruments	(45,247)	—
Change in provisions and employee benefits obligations	(31,291)	247
Cash flows from operations before income taxes paid	1,187,385	479,057
Corporate income taxes paid	(199,444)	(82,530)
Net cash flow from operating activities	987,941	396,527
Cash flows from investing activities		
Purchase of intangible assets	(6,050)	(2,583)
Purchase of property, plant and equipment	(409,748)	(208,661)
Purchase of mining assets	(149,242)	(92,659)
Proceeds from disposal of intangible assets	—	695
Proceeds from disposal of property, plant and equipment	7,019	15,295
Proceeds from disposal of mining assets	1,027	—
Proceeds from disposal of an associate (Note 5)	—	112,215
Interest received	6,413	1,950
Dividends received	779	—
Loans given to ultimate controlling party	(509,984)	—
Loans given	(7,715)	(231,670)
Proceeds from loans given	147,918	159,704
Consideration received for the disposal of subsidiary (Note 4)	(16,184)	—
Prepayment received for the sale of Joint Venture's shares (Note 25)	100,000	—
Acquisition of an associate (Note 5)	(20,247)	—

East Copper Holdings Private Limited and its Subsidiaries

**Consolidated Statement of Cash Flows (cont'd)
For the financial year ended 31 December 2021**

	2021	2020
	\$ 000	\$ 000
Cash flows from investing activities (cont'd)		
Acquisition of subsidiaries, net of cash acquired (Note 4)	(705,782)	(22,000)
Investments into long term deposits (Note 15a)	(1,566)	(3,848)
Proceeds from disposal of long term deposits (Note 15a)	1,171	—
Placement of short-term bank deposits	(3,859,664)	(2,011,546)
Proceeds from short-term bank deposits	3,897,942	1,956,448
Net cash flows used in investing activities	(1,523,913)	(326,660)
Cash flows from financing activities		
Proceeds from borrowings	1,177,473	106,649
Repayment of borrowings	(542,591)	(149,099)
Interest paid	(46,987)	(16,740)
Transaction costs on issue of borrowings	(5,241)	—
Payment for licences	(1,763)	(1,761)
Payment for lease liabilities	(8,355)	(3,369)
Contributions from non-controlling interest	4,697	12
Net cash flows used in financing activities	577,233	(64,308)
Net decrease in cash and cash equivalents	41,261	5,559
Cash and cash equivalents at the beginning of the year	17,170	13,807
Effect of exchange difference on cash and cash equivalents	(5,404)	(1,538)
Expected credit losses (Note 20)	(74)	(658)
Cash and cash equivalents at end of the year	52,953	17,170

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

1. Corporate information

East Copper Holdings Private Limited and its subsidiaries (hereinafter “the Company” or “the Group”) is a private limited liability company incorporated and domiciled in Singapore. The Company was incorporated on 16 July 2014.

The registered office and principal place of business of the Company is located at 65 Chulia Street, #42-06, OCBC Centre, Singapore 049513.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, which are mainly located in the Republic of Kazakhstan, are disclosed in Note 4.

The Owners of the Company are Vladimir Kim (70%) and Eduard Ogay (30%). The ultimate controlling party of the Company is Vladimir Kim, a citizen of the Republic of Kazakhstan.

2. Summary of significant accounting policies

Operating Environment of the Group

The Republic of Kazakhstan, where the majority of Group subsidiaries operate, displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices and other commodities, which constitutes a major part of the country's exports. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 30). Ongoing political tension in the region including significant developments since 1 January 2022 (Note 32), has caused and may continue to have a negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity, difficulties in attracting international financing and volatility of exchange rates.

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Kazakh authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of the above measures were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is relatively low, and there is a risk that the Kazakh authorities would impose additional restrictions in subsequent periods, including due to emerging new variants of the virus.

In 2021 the Kazakhstani economy demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Kazakhstan and globally also contribute to the inflation in Kazakhstan.

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results. For the purpose of measurement of expected credit losses (“ECL”) on the Group's loans, receivables and similar assets the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 29 provides more information of how the Group incorporated forward-looking information in the ECL models.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The consolidated financial statements have been prepared on a historical cost basis except for certain classes of fixed assets as described in the accounting policies and the notes to these consolidated financial statements.

The financial statements are presented in the United States dollars ("USD" or "\$") and all values are rounded to the nearest (\$ 000), except when otherwise indicated.

2.2 Change in accounting policies

New standards and amendments

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2021:

- Amendments to References to the Conceptual Framework in FRS Standards
- Amendments to FRS 1 Presentation of Financial Statements and FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
- Amendments to FRS 103 Business Combinations: Definition of a Business
- Amendments to FRS 109 Financial Instruments, FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures: Interest Rate Benchmark Reform
- Amendment to FRS 116: Covid-19-Related Rent Concessions beyond 30 June 2021

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
• Amendments to FRS 16 <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
• Amendments to FRS 37 <i>Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
• Amendments to FRS 109 <i>Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities</i>	1 January 2022
• Amendments to FRS 41 <i>Agriculture – Taxation in fair value measurements</i>	1 January 2022
• Amendments to FRS 8 - <i>Definition of Accounting Estimates</i>	1 January 2022
• Amendments to FRS 101 <i>First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter</i>	1 January 2022
• Amendments to FRS 1 and FRS Practice Statement 2 - <i>Disclosure of Accounting Policies</i>	1 January 2023
• Amendments to FRS 103: <i>Reference to the Conceptual Framework</i>	1 January 2022
• Amendments to FRS 1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	1 January 2023
• Amendments to FRS 117 <i>Insurance contracts</i>	1 January 2023
• Amendments to FRS 110 <i>Consolidated Financial Statements</i> and FRS 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiaries are entities that are controlled by the Group. Control is achieved when the Group has rights, to returns 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 following conditions are met:

- 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 result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other arrangements;
- Voting rights or potential voting rights belonging to the Group.

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. Subsidiary is consolidated from the date on which control is transferred to the Group. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 non-controlling interests, 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 into 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 measured at fair value.

The list of the Group's subsidiaries is presented in Note 4.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

The Company is an investment holding and it is considered that its own operations are not sufficiently substantive to enable it to have different functional currency from its subsidiaries. Therefore, Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which its subsidiaries operate – Kazakhstani Tenge (“KZT” or “the functional currency”). The Group chose US Dollar as its presentation currency for the purpose of these consolidated financial statements.

The Group's financial statements are translated to US Dollars (the presentation currency) as follows:

- Assets and liabilities for each balance sheet presented (i.e. including comparatives) are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as separate component of equity.

Transactions in foreign currencies are initially recorded at 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.

Differences arising on settlement or translation of monetary items are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in profit or loss, respectively).

The currency exchange rate as of 31 December 2021 at Kazakhstan Stock Exchange (“KASE”) was 431.80 Tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars as of 31 December 2021 (2020: 420.91 Tenge to 1 US dollar).

Official weighted-average foreign exchange rates published by the National Bank of the Republic of Kazakhstan during the year ended 31 December 2021 was 426.03 Tenge to 1 US dollar (2020: 412.95 Tenge to 1 US dollar). These rates are reasonable approximation of the spot exchange rates at the dates of the transactions.

2.6 Dividends

Dividends are recognised as a liability in the period in which they are approved by the owners of the Company. Dividends receivable are recognised when the Group's right to receive payment is established.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets

Mineral licences and other intangibles, which are acquired by the Group and which have finite useful lives, are stated at cost (which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use) less accumulated amortisation and impairment losses.

Intangible assets primarily comprise subsurface use licences acquisition costs, which are amortised on a unit of production basis. Amortisation for other intangible assets, which have expected useful lives of two to fifteen years, is computed under the straight-line method over the estimated useful lives of the assets.

2.8 Property, plant and equipment

(i) Initial measurement

Property, plant and equipment are recognised at cost of acquisition less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use and borrowing costs for long-term construction project if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(ii) Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has due regard to both its own physical life limitations and the present assessment of recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful life of the individual asset.

Depreciation is charged from the moment the item of property, plant and equipment is put into operational use. Land is not depreciated.

The useful lives are as follows:

Buildings	15–40 years
Property, plant and equipment	4–25 years
Other	3–15 years

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.8 *Property, plant and equipment (cont'd)*

(ii) Depreciation (cont'd)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

(iii) Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. Construction in progress is not depreciated.

(iv) Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

(v) Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

2.9 *Leases*

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.9 Leases (cont'd)

Group as a lessee (cont'd)

Right-of-use assets

The Group recognised right-of-use assets within property, plant and equipment at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- | | |
|--------------------------------------|---------------|
| • Plant and machinery | 4 to 25 years |
| • Motor vehicles and other equipment | 3 to 5 years |

The right-of-use assets recognised within property, plant and equipment are also subject to impairment. Refer to the accounting policies in Note 2.11. Impairment of non-financial assets. Right-of-use assets are presented within property, plant and equipment in Note 12.1 and their individual movements for the reporting periods are presented in Note 27.1.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.9 Leases (cont'd)

Group as a lessee (cont'd)

Lease liabilities (cont'd)

The Group leases land, office space, machinery and equipment. The Group's lease liabilities are included in Note 27.1.

(i) Land lease

The Group leases land for its production activities. The rental period varies from 5 to 50 years. The rent payment for land plots is tied to prevailing land tax, which is established by the Government of the Republic of Kazakhstan and does not depend on the agreement of the lessee and the lessor. Contracts also do not contain minimum rental payments. In case of increase or decrease in land tax, rental payments are proportionally increasing or decreasing. The Group concluded that such rent is a variable consideration, independent of index or rate.

Accordingly, lease payments under such agreements are recognised in the consolidated statement of comprehensive income when incurred (Note 27.1).

(ii) Rental of machinery and equipment

The Group has a number of machinery and equipment rental agreements. These contracts provide for the transfer of ownership of the leased asset at the end of the lease period. With the exception of short-term leases and leases of low-value assets, the Group recognises right-of-use assets and lease liabilities for these leases.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term (Note 27.1).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to 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 other operating income in the consolidated statement of comprehensive income 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. Variable rent payments are recognised as other operating income in the period in which they are earned.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.10 Mining assets

(i) Mine development costs

Mine development costs are incurred to obtain access to proved reserves or mineral-bearing ore deposits and to provide facilities for extracting, lifting, and storing minerals. Such costs are, upon commencement of production, amortised using the units of production method.

The units of production method is the ratio of commodity production in the period to the estimated quantities of commercial reserves over the life of the mine (using proven and probable mineral reserves as determined by the Australasian Code (JORC) on an annual basis) based on the estimated economically recoverable reserves to which they relate. Changes in estimates, which affect unit of production calculations, are accounted for prospectively.

Costs of acquiring mineral properties are capitalised in the consolidated statement of financial position in the period in which they are incurred. Costs associated with a start-up period for significant developments are capitalised during the commissioning period (development expenditure) where the asset is incapable of operating at normal levels without a commissioning period. Mineral properties are amortised over the remaining life of the mine using the units of production method.

(ii) Mine exploration costs

Exploration and evaluation expenditure for each area of interest once the legal right to explore has been acquired, other than that acquired through a purchase transaction, is carried forward as an asset provided that one of the following conditions is met:

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

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. General and administrative expenses related to exploration and evaluation activities are expensed as incurred.

Identifiable exploration and evaluation assets acquired in a purchase transaction are recognised as assets at their cost or fair value if purchased as part of a business combination. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.10 Mining assets (cont'd)

(iii) Mine stripping costs

Mine stripping costs incurred in order to access the mineral-bearing ore deposits are deferred prior to the commencement of production. Such costs are amortised over the remaining life of the mine using a unit of production method.

The ongoing mining and development of the open-pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open-pit mine are generally allocated between ore and waste stripping in proportion to the tonnes of waste and ore material extracted (the stripping ratio). The waste stripping costs are generally absorbed into inventory and expensed as that inventory is processed and sold. Where the stripping costs relate to a waste stripping campaign which is expected to provide improved access to an identifiable component of the ore body, the costs of removing waste in order to improve access to that part of the ore body will be capitalised within mining assets. The capitalised costs will then be amortised in a systematic manner over the reserves that directly benefit from the specific stripping activity. Changes to the stripping ratio arising from changes to mine plans or ore reserves are regarded in changes in estimates and are accounted for prospectively.

2.11 Impairment of non-financial assets

The Group conducts annual internal assessments for impairment of the values of any intangible assets with an indefinite life. The carrying values of non-financial assets are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of comprehensive income so as to reduce the carrying amount to its recoverable amount.

Impairment losses are recognised in the consolidated statement of comprehensive income as the separate line item "impairment losses".

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for each cash-generating unit to which the asset belongs. The Group's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are independent from the cash inflows from other assets or groups of assets.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of non-financial assets (cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount, but an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

2.12 Inventory

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost is determined on the following bases:

- Raw materials and consumables are valued at cost on a first-in, first-out (FIFO) basis; and
- Work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation, labour and overheads based on normal operating capacity. The cost of work in progress and finished goods is based on the weighted average cost method.

Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

2.13 Employee benefits

The Group remits contributions to defined contribution pension plans on behalf of its employees. Contributions to be paid by the Group to pension fund are withheld from employees' salaries and are recognised as part of the salary expense in the consolidated statement of comprehensive income as incurred.

The Group's unfunded defined benefit plans are accounted in accordance with FRS 19 'Employee Benefits', such that the plan liabilities are measured by actuarial valuations using the projected unit credit method.

The future benefits earned by employees are discounted to determine the present value. The discount rate is determined by the reference to the Kazakhstani Government bond rate. The maturities of government bonds of the Republic of Kazakhstan used in the calculation approximates to the average duration profile of the Group's benefit obligations. The calculation is performed by a qualified independent actuary.

Actuarial gains and losses arising from empirical adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise for defined benefit plans that are not considered to be other long-term employee benefits. In respect of other long-term employee benefit plans, namely the Group's disability benefits obligation, all actuarial gains and losses are recognised in the statement of comprehensive income in the period in which they arise.

The expenses in relation to all long-term employee benefits are charged to the consolidated statement of comprehensive income so as to match the cost of providing these benefits in the period of service of the employees.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Site restoration costs

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision 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. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the mine to which it relates.

The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the consolidated statement of comprehensive income.

(ii) Other provisions

Other provisions are accounted for when the Group has a legal or constructive obligation for which it is probable there will be an outflow of resources, for which the amount can be reliably estimated.

2.15 Social programs

The Group is required to make contributions for the implementation of social programs to local population. Contributions made by the Group for these programs are expensed in the period in which the Group recognized obligation for payment of these costs.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.16 Revenues

The Group's activities are related to the extraction and production of metals such as copper cathode, gold and silver. In addition, the Group renders services for the processing and transit of electricity. Revenue from contracts with customers is recognised 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 arrangements.

Sales of goods and services

Revenue from the sale of goods or services is recognised after (or in the course) the Group settled its performance obligation by transferring the goods or services to the customer. An asset is transferred when (or as) the customer takes control over the asset. Revenue from sale of products and rendering of services is estimated to reflect the recovery that the Group expects to receive in exchange for those goods or services, net of related sales taxes (VAT).

Provisionally priced sales

Under contracts with customers for the sale of cathode copper, product prices are determined in advance and are not set until the final price based on the market price for a certain period is known. Revenue from sales in such cases is initially recognised on the basis of the relevant metal indices. An adjustment to such contracts between the final and preliminary price is recognised as other revenue (Note 6).

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Significant financing component

In some cases, the Group receives advance payments from buyers in the case of cathode copper sales contracts and the delivery time of which, from the moment of conclusion of the contract or receipt of payment and delivery by metal supply, could potentially span across 2 years. There is a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the goods, as well as the prevailing interest rate in the market. The financial component of the transactions is computed and recognised separately using the interest rate included into the contract. This rate commensurate with the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception (Note 6).

The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.17 Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

2.18 Finance costs

Finance costs comprise interest on employee obligations, unwinding of discount on provisions and lease liabilities, interest expense on loans, significant financing component from contract liabilities with customers and foreign exchange losses.

2.19 Corporate income tax

Corporate income tax for the year comprises current and deferred tax. Corporate income tax is recognised in the consolidated statement of comprehensive income within profit or loss for the period, except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

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 end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- Those arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable profit; and
- Investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.19 Corporate income tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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 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 allow the deferred tax asset to be recovered.

Deferred tax assets and 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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.20 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition 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 are measured at the transaction price determined under FRS 115.

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.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.20 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Financial assets at amortised cost

This is the category 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 (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group classifies financial assets measured at amortised cost as debt from the ultimate controlling party, other financial assets and other trade receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under FRS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends on such financial assets are recognised as other income in profit or loss in the consolidated statement of comprehensive income when the right to receive them is established.

Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.20 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value, including certain trade receivables. Financial assets are classified as held for trading if they are acquired for the purpose of selling 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 are not solely payments of principal and interest are 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 (cont'd)

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 the statement of profit or loss.

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.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.20 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets

The Group's approach to estimating expected credit losses based on the classification of financial assets is described below.

According to FRS 109, the Group estimates the provision for Expected Credit Loss ("ECL") on one of the following bases:

- 12-month ECLs: ECLs that result from default events that are possible within the 12-months after the reporting date; and
- Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL is applied, if there have been significant increases in credit risk since initial recognition, and if there have not been significant increases in credit risk since initial recognition, 12-month ECL is applied. The Group may assume that the credit risk of a financial asset has not increased significantly, if the asset has a low credit risk at the reporting date. However, estimation of impairment allowance based on the entire life span of an asset is applied to trade receivable and contractual assets without a significant financing component.

Trade receivables

The estimated ECL were calculated based on the actual credit loss history for the last two years as the Group assessed that such data reflect current economic conditions.

Cash and cash equivalents and amounts due from banks and other credit institutions

As at 31 December 2021, the Group places funds with banks and financial institutions rated from A+ to B- based on Standard and Poor's (S&P) ratings. The estimated impairment of cash and cash equivalents was calculated on the basis of expected losses for 12 months, as the credit risk was not significantly increased for all deposits with banks and credit institutions. Based on external credit ratings of counterparties, the Group believes that its cash and cash equivalents have a low credit risk.

To estimate the ECL, the Group calculated the probability of default based on standard matrices of S&P using a modified Vasicek model to include forecast information in ECL and to reflect differences between economic conditions during the period of historical data collection and current economic conditions.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.20 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets (cont'd)

Debt instruments at amortised cost

The Group uses an approach based on S&P matrices using a modified Vasicek model to include forecast information in ECL for those instruments that have an external rating of international rating agencies.

For unrated instruments, the Group uses an internal model based on the Moody's rating model. This model distributes rating on the basis of both quantitative and qualitative indicators, taking into account financial indicators and market position.

For long-term accounts receivable without international rating and without sufficient information to assign an internal rating to a counterparty, the Group uses ECL from short-term accounts receivable adjusted for the period of the estimated contract.

The Group considers financial instrument to have a default, if contractual cash flows are overdue for more than 360 days. Although in certain circumstances the Group may conclude that event of default has happened if internal or external information indicates that it is unlikely that the Group receives the remaining contractual cash flows. Financial assets are written off if the Group does not have reasonable expectations with regards to recoverability of financial assets.

(b) 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.

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, loans and borrowings including bank overdrafts and financial guarantees.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.20 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings and trade payables

This category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings and trade accounts payable are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or cost that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement. This category generally applies to interest-bearing loans and borrowings. Further details are contained in Note 26 (ii).

Payments for licences

In accordance with the terms of subsoil use contracts, when the Group has an obligation to reimburse the cost of geological information obtained in connection with the acquisition of field licenses, the Group recognizes a liability for future license payments and a corresponding intangible asset (Note 11). The amounts payable are accounted for as part of the value of subsoil use contracts (licenses) and are discounted to their present value (Note 26 (iii)).

Financial guarantees

The Group has financial guarantees issued to related and third parties. After initial recognition, the Group evaluates the financial guarantees at the higher of the provision for ECL determined in accordance with the impairment requirements of FRS 109 and the initially recognised amount less, where appropriate, cumulative amortisation recognised in accordance with the principles of FRS 115. Further details are contained in Note 26 (ii).

Derecognition

A financial liability is derecognised when the obligation under the liability 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.20 Financial instruments (cont'd)

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial instruments – key measurement terms

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- Level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. For analysis of the fair value of financial instruments and details of measurement of financial assets, please refer to Note 29.

(e) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as commodity options and swaps, to hedge its risks against changes in the price of copper. Such derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are recognized as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, the Group applies cash flow hedging to hedge a potential change in the amount of cash flows due to a specific risk inherent in a recognised asset or liability or with a highly probable forecast transaction and may have an impact on profit or loss.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.20 Financial instruments (cont'd)

(e) Derivative financial instruments and hedge accounting (cont'd)

Initial recognition and subsequent measurement (cont'd)

At the inception of the hedging relationship, the Group formally designates and documents the hedging relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation specifies the hedging instrument, the hedged item, describes the nature of the hedged risk and how the Group will assess whether these hedging relationships meet the requirements for hedging effectiveness (including an analysis of the sources of hedging ineffectiveness and approaches to determining the hedging ratio). In order to qualify for hedge accounting, the hedge relationship must meet the hedge effectiveness criteria:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio is defined for these hedging relationships as the relationship between the quantity of the hedged item actually hedged by the Group and the quantity of the hedging instrument actually used by the Group to hedge the specified quantity of the hedged item.

Hedges that meet all of the hedge accounting criteria are accounted for, as described below:

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedging reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income. The cash flow hedging reserve is adjusted to the smallest of the accumulated profit or loss on the hedging instrument and the accumulated change in the fair value of the hedged item. The ineffective portion is recorded as part of other finance costs. For more details refer to Note 28.

The Group determines, at its sole discretion, only the intrinsic value of commodity options as a hedging instrument, excluding changes in their time value. The Group distinguishes the time value of options in relation to the transaction related hedged item. The time value of an option used by the Group to hedge such an item is by its nature the initial cost of the transaction. Changes in the fair value of the time value of options are initially recognized in OCI. The Group reclassifies the amount accumulated in OCI to profit or loss as a reclassification adjustment at the same time or times as the hedged cash flows affect profit or loss.

If the cash flow hedge accounting is discontinued, the amount accumulated in OCI remains in OCI if the occurrence of future cash flows being hedged is still expected. Otherwise, the specified amount is immediately reclassified to profit or loss as a reclassification adjustment.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.20 Financial instruments (cont'd)

(e) Derivative financial instruments and hedge accounting (cont'd)

Initial recognition and subsequent measurement (cont'd)

Once hedge accounting discontinues due to previously expected hedged cash flows, the residual amount accumulated in OCI will be recognized as described above.

(f) 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:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve 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.

2.21 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

For each business combination, the Group elects whether to measure the non-controlling interests 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 financial 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.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.21 Business combinations and goodwill (cont'd)

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 FRS 109 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses 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 profit or loss.

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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units (Note 3.1)).

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within 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 in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.22 Accounting for business combinations under common control

Acquisitions of entities under common control of the ultimate controlling party are accounted by the Group using the pooling of interest method. The assets and liabilities of a subsidiary transferred under common control are accounted for in these consolidated financial statements at the carrying amount of the transferring entity at the date control is obtained. The difference between the total carrying amount of net assets and the consideration paid is recognized in consolidated financial statements as an adjustment to equity.

2.23 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associate and joint venture are accounted for using the equity method.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.23 Investment in associates and joint ventures (cont'd)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately (Note 5).

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of comprehensive income (Note 5).

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.24 Investment properties

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. Transfers to or from investment property are made when, and only when, there is a change in the use of the property. Where owner-occupied property becomes investment property, the Group accounts for such property in accordance with property, plant and equipment accounting policy until the change in use occurs.

In 2021, investment property of the Group includes part of an office building held for the purpose of collecting lease payments. In 2021, part of an office building held for the purpose of collecting lease payments (Note 12(a)).

2.25 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction (including loss of control of a subsidiary that owns the assets) rather than through continuing use within 12 months. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
 - *Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations*
- Or
- Is a subsidiary acquired exclusively with a view to resale

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.25 Non-current assets held for sale and discontinued operations (cont'd)

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.27 Joint operations

The Group carries out joint activities in the form of joint operations. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

In connection with its shares in joint operations, the Group recognises: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its share of the proceeds from the sale of products produced in a joint operation; its expenses, including its share of joint costs (Notes 4 and 15 (d)).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.28 Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings are capitalised less any investment income on the temporary investment of these borrowings are capitalised.

2.29 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

3. Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the management is required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on the management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

Estimates are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from these estimates. The estimates and underlying assumptions applied are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change only affects that period, or in the revision period and future periods if the change affects the current and future periods.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies

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 discussed below.

(a) Impairment of non-financial assets

Balkhash and Zhezkazgan business units

As copper prices started to increase by an average of 3.02% starting from 2019, as well as refining costs were decreasing, the Group identified indicators of possible reversal of previously recognised impairment of non-current assets in 2015-2019. Therefore, the management estimated the recoverable amount of non-current assets in 2020. The management classified property, plant and equipment, mining and intangible assets to the two main CGUs (Balkhash and Zhezkazgan business units) as the smallest identifiable asset groups that generate cash inflows and are largely independent of the cash flows generated by other CGUs. Other non-significant CGUs mainly represent coal and energy divisions of the Group in Karaganda and Zhezkazgan regions.

As a result of the test, the Group recognised a reversal of an impairment loss for the Zhezkazgan and Balkhash business units as at 31 December 2020 in the amount of \$56,117,340.

During 2021 there was an increase in copper prices by an average of 51% compared to 2020, and an increase in revenue of \$823,650,000 (equivalent to KZT 381 billion) compared to 2020, as well as a decrease in processing costs metals. Due to that, the Group concluded that there are no indicators of possible impairment of the Zhezkazgan and Balkhash business units.

Other external indicators also showed no signs of impairment indicators:

- There is a stable growth of macroeconomic indicators, such as inflation, Tenge and US dollar exchange rates; the market data demonstrates that the value of enterprises operating in mining sector (EV/2P multiple indicator) increased in November 2021 compared to 31 December 2020. The growth is explained by the continued positive trend in copper prices.

In addition, no internal indicators of impairment have been identified by the management of the Group during the reporting period:

- There is an increase in production volumes due to the feasibility of production;
- There are no significant changes in the operating cycle of the Group's main production facilities (large asset disposals, capital expenditures, downtime, etc.);
- During the reporting period, there was a positive trend in the growth of profitability, operating profit of the Group, compared to the same last year period.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(a) Impairment of non-financial assets (cont'd)

Zhezkazgan REK JSC (ZhREK) business unit (cont'd)

As at 31 December 2021, the Group estimated the recoverable amount of non-current assets of ZhREK JSC as the higher of fair value less costs of disposal and value in use.

As a result of this assessment, management concluded that the recoverable amount of the non-current assets of this CGU is less than their carrying amount at the date of the assessment and accordingly, the Group recognised an additional impairment charge of \$6,605,169 (2020: \$9,823,537). Additional information is disclosed in Note 12.

Revenue from electricity transmission and distribution services was determined based on the forecasted volume of electricity transmission and the expected transmission tariff (from 2021-2022 period - the approved tariff; from 2023 - the estimated tariff):

	2021 (Oct.-Dec.)	2022	2023	2024	2025	2026
Electricity transmission volume (th. kWt/h.)	433,911	1,835,885	1,836,006	1,836,127	1,836,248	1,883,943
Tariff (USD/ kWt/h.)	0.01	0.01	0.01	0.01	0.01	0.01

To determine the final cash flow at the end of the forecast period, the market multiplier (EV / EBITDA) was used to the corresponding indicator of ZhREK JSC and was determined in the amount of \$44,117,510.

In the event of a 10% increase / decrease in the tariff, the recoverable amount of long-term assets will increase by \$12,391,841 / decrease by \$13,487,313.

In the event of a 10% increase / decrease in the transmission volume, the recoverable amount of long-term assets will increase by \$1,290,989 / decrease by \$1,356,712.

The cash flows were discounted using an interest rate of 14.95% for JSC ZhREK. The discount rate reflects the current market assessment of the risks inherent in the CGU, taking into account the time value of money and the individual risks of the assets that are part of the CGU, not included in the estimates of cash flows.

The calculation of the discount rate is based on the specific conditions inherent in the activities of the Group and its operating segments, and is determined based on the weighted average cost of its capital. The weighted average cost of capital takes into account both debt and equity capital. If the discount increases/decreases by 1%, the recoverable amount of long-term assets will decrease by \$887,261 / increase by \$931,859.

Management believes that as of 31 December 2021, the calculation of future cash flows based on the above reflects reasonable assumptions and represents the best estimate for for ZhREK JSC.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(a) Impairment of non-financial assets (cont'd)

Kazphosphate LLP

On 14 May 2021 the Group acquired Kazphosphate LLP ("KFF") and management decided that all KFF non-current assets represent separate CGU, for which the analysis of future cash flows was carried out as at 14 May 2021 to determine the fair value of these assets (Note 4).

As of 31 December 2021 no impairment indicators have been identified for KFF non-current assets.

(b) Acquisition of Kazphosphate LLP (further - KFF) – goodwill and identifiable assets fair value estimation

On 14 May 2021, Kaz Chemicals LLP acquired 100% ownership in KFF from Kazphosphate Ltd. The purchase price allocation was based on the fair values of the identifiable assets and liabilities.

Identifiable non-current assets owned by KFF were recorded at fair value based on reports prepared by an independent valuation company with appropriate professional qualifications and recent experience in valuing properties of a similar type and in a similar territory by PricewaterhouseCoopers Tax and Advisory LLP as at 14 May 2021. Fair value estimation was carried out in accordance with the current legislation of the Republic of Kazakhstan and International Valuation Standards.

Due to the nature of non-current assets, their fair value was estimated using various valuation techniques that are most appropriate in each specific case. Therefore, the following methods have been chosen for determining fair value:

- Non-current assets with a secondary market (buildings, land plots, transportation and non-operating assets) - the method of comparative analysis of sales/offers;
- Subsoil use rights - income approach. The residual value method was used to determine the fair value of subsoil use rights;

With a limited volume or lack of market data on the sale of comparable assets, the residual value of reproduction/replacement was used within the framework of the cost approach (method for determining the residual replacement cost).

Fair value levels are defined as follows:

- Quoted (unadjusted) prices of identical assets in active markets (Level 1);
- Data other than quoted prices included in Level 1 from observable markets for assets both directly (ie prices) and indirectly (ie derivatives from prices) (Level 2);
- Data on assets from non-observable markets (that is, unobservable data) (Level 3).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(b) Acquisition of Kazphosphate LLP (further - KFF) – goodwill and identifiable assets fair value estimation (cont'd)

The KFF's fair value of non-current assets were determined as follows:

The fair value of Level 2 assets, for which there is an active market, was determined using a market approach based on comparable market transactions, adjusted accordingly for differences.

The fair value of Level 3 assets, for which there were limited number of similar sales in the local market, was determined using a cost approach based on residual replacement or replacement cost. The amortised cost of replacement or reproduction was calculated using the following methods:

Land

Regulatory base rate method. The fair value was determined on the basis of the basic rate of payment for land plots, which is established in the document "On basic rates payments for land plots when they are granted to private ownership" of the corresponding region.

Buildings and Constructions

Comparative unit method. Applying this approach, the specific estimated cost of construction and installation works is taken as the specific base cost of the object, the unit of measurement of the object (sq. m, cubic meters, etc.).

Historical cost indexing method. The method of indexing historical costs, which assumes the use of the coefficient of appreciation of the cost in relation to the original book value. Information on the indices of appreciation of real estate objects was based on the data of the Committee on Statistics under the Ministry of National Economy of the Republic of Kazakhstan.

Machinery and Equipment, Transportation and Other Equipment

Direct recalculation method. Under this method, replacement/reproduction costs are calculated based on the manufacturer's price plus shipping, design, installation and all other necessary costs.

Historical cost indexing method. To determine the coefficients of recalculation of costs for the purchase of equipment, a correlation-regression model was used, built on data on the coefficients of revaluation of the analysed objects (depending on the year in which the object was entered) as defined in the framework of the direct conversion method.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(b) Acquisition of Kazphosphate LLP (further - KFF) – goodwill and identifiable assets fair value estimation (cont'd)

Construction-in-Progress

Method of indexing the original carrying amount. The original cost has been adjusted at current prices using inflation rates from the date of acquisition of the assets to the valuation date.

	Level 1	Level 2	Level 3	Total
	\$ 000	\$ 000	\$ 000	\$ 000
Land and buildings	–	10,719	129,814	140,533
Plant and Equipment	–	10,545	94,010	104,555
Other	–	50,288	4,720	55,008
Construction-in-Progress	–	–	66,241	66,241
Total	–	71,552	294,785	366,337

Estimating the fair value of assets measured using the cost approach, the appraiser estimated their recoverability using the discounted cash flow method. For these purposes, all KFF non-current assets were combined into one cash generating unit, for which an analysis of future cash flows was carried out to determine the value in use of these assets. In assessing value in use, future cash flows were discounted at a pre-tax discount rate that reflects market assessments of the time value of money and the risks inherent in the company at the date of the valuation.

By comparing the results of the cost method and the discounted cash flow value calculated using the income method, the fair values of property, plant and equipment and subsoil use rights (residual method) were determined as follows:

	14 May 2021
	\$ 000
Property, plant and equipment	366,337
Intangible assets (subsoil use rights)	305,025
Total estimated fair value	671,362

Key assumptions that have a significant effect on forecast of cash flows include:

- The forecast period covers period from 15 May 2021 to 31 December 2030, the period of stabilized level of profit, taking into account the increase in power production of ammophos from 480,000 tons per year to 960,000 tons due to the commissioning of a new line;

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(b) Acquisition of Kazphosphate LLP (further - KFF) – goodwill and identifiable assets fair value estimation (cont'd)

- The expected level of production volumes and sales of the main types of products were forecasted in accordance with 2021 production program and the current KFF's work program:

	7 months of 2021	2022	2023	2024	2025
Yellow phosphorus sales volume (thousand tons)	46	82	84	107	107
Ammophos sales volume (thousand tons) – domestic market	72	164	167	229	229
Ammophos sales volume (thousand tons) – export	231	524	534	731	731

- Selling prices for yellow phosphorus, ammophos (to the domestic market), phosphoric acid and tripolyphosphate sodium were predicted on the basis of actual data provided by the Company in the context of countries of sale with further adjustments for the expected inflation rate and the forecast rate.
- Export sales prices of yellow phosphorus and ammophos in the forecast period take into account the price dynamics for phosphate rock and diammonium phosphate (DAP), respectively, according to the forecasts of the World Bank. In 2022, the price forecast is assumed at the level of the weighted average price for the full year of 2021, taking into account the growth rate of DAP prices. Until 2025 the price forecast takes into account the growth rate according to the forecasts of the World Bank and from 2026 at the level of the expected US inflation rate.

	7 months of 2021	2022	2023	2024	2025
Yellow phosphorus sales volume (US Dollar/ton)	2,489	2,544	2,600	2,655	2,710
Growth rate		2%	2%	2%	2%
Ammophos sales volume (US Dollar/ton) – domestic market	294	302	312	324	336
Growth rate		3%	3%	4%	4%
Ammophos sales volume (US Dollar/ton) – export	411	370	349	327	305
Growth rate		-10%	-6%	-6%	-7%

- Cost of sales was projected in the context of variable and fixed production costs;
- Administrative expenses were projected based on the actual data with subsequent adjustments for the forecasted inflation rate and exchange rates;

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(b) Acquisition of Kazphosphate LLP (further - KFF) – goodwill and identifiable assets fair value estimation (cont'd)

- Transportation services (external) were projected based on the actual data, taking into account the growth rate of sales of main products with subsequent adjustments to the forecast inflation rate and exchange rates.
- The weighted average cost of capital (WACC) was determined at 11.54%

At the date of KFF acquisition the Group also recognised goodwill in the amount of \$137,148,000 (Note 4). The management performed impairment test of goodwill to assess whether any impairment occurred as at 31 December 2021. The recoverable amount of KFF non-current assets has been determined based on value-in-use calculations. These calculations require the use of estimates as were further detailed in this note above and were not significantly different from those applied for KFF net assets fair value estimation, apart from the following assumptions that were revised at the reporting date to reflect the developments that occurred between 14 May and 31 December, 2021:

- Sales prices for yellow phosphorus, ammophos were based on actual prices set in contracts for 2022 and preliminarily negotiated for 2023 with the buyers. These prices were fixed at the level of 3,080 starting from 2023 onwards:

	2022	2023	2024	2025	2026
Yellow phosphorus sales price (US Dollar/ton)	3,026	3,080	3,080	3,080	3,080
Growth rate		2%	0%	0%	0%
Ammophos sales price (US Dollar/ton) – domestic market	449	459	459	459	459
Growth rate		2%	0%	0%	0%
Ammophos sales price (US Dollar/ton) – export	498	509	509	509	509
Growth rate		2%	0%	0%	0%

- The WACC at the date of assessment was determined at 11.16%

As a result of this test, no impairment of goodwill occurred at the reporting date.

The estimate of the value-in-use is most sensitive to the following variables:

	Value in use	
	Increase	(decrease)
	\$ 000	\$ 000
Price 5% increase/(decrease)	380,414	(361,525)
Sales volume 5% increase/(decrease)	83,488	(207,248)
WACC 2%* increase(decrease)	(414,577)	684,882
Growth rate 5% increase (decrease)	10,653	(22,585)

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(c) Acquisition of share in Mandalya Turizm Isletmeleri Anonim Sirketi equity investment - goodwill and identifiable assets fair value estimation

On 8 November 2021 the Group acquired 26% share in Mandalya Turizm Isletmeleri Anonim Sirketi from Ekopark Turizm Insaat Sanayi Ticaret A.S. The former holds freehold and usufruct rights on subject property registered under the name of "Mandalya Turizm Isletmeleri A.S.". The determination of investment's fair value was based on the fair values of the identifiable assets and liabilities.

Identifiable non-current assets owned by Mandalya Turizm Isletmeleri Anonim Sirketi were recorded at fair value based on the report prepared by an independent valuation company with appropriate professional qualifications and recent experience in valuing properties of a similar type and in a similar territory by Celen Corporate Property Valuation and Counseling Inc. as at 19 August 2021. Fair value estimation was carried out in accordance with the International Valuation Standards.

Due to the nature of non-current assets, their fair value was estimated using various valuation techniques that are most appropriate in each specific case. Therefore, the following methods have been chosen for determining fair value:

- Land as through vacant and/or the property as improved – sale comparison approach was applied, where several comparables with different ownership rights relevant to the subject property were used and adjusted accordingly (Level 2);
- Building and land improvements – cost approach. The method has been applied as replacement cost of the present improvements (Level 3);

The results of sales comparison approach and cost approach were compared to the results of income approach to estimate the market value of freehold and usufruct rights on subject property of the Company and was determined at the level of \$120,000,000. The main assumptions used in income approach were the following:

- The forecast period – until the end of 2067;
- Inflation rate – 2%;
- The hotel is in operation for 214 days (7 months) a year, on the basis of all-inclusive system and with a room capacity of the hotel at 275;
- The historic occupancy rate is 80%;
- Discount rate – 8.6%;
- The average hotel room rate -\$374 per day in 2022. Rates are escalated yearly by inflation rate;
- The terminal value is calculated for the freehold ownership. Capitalization rate is assumed as 6.9% which has been derived from "for sale" and "for rent" prices of 5-star hotels within Bodrum hotel market.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

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3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(c) Acquisition of share in Mandalya Turizm Isletmeleri Anonim Sirketi equity investment - goodwill and identifiable assets fair value estimation (cont'd)

As a result of the investment acquisition, the Group also recognized the embedded goodwill in the amount of \$10,843,000 (Note 5):

	November 2021
	\$ 000
Current assets	6,086
Non-current assets	118,321
Current liabilities	(10,408)
Non-current liabilities	(20,957)
Net assets on acquisition	93,042
Group's share in net assets (26%)	24,191
Goodwill arising on acquisition	10,843
Purchase consideration transferred	35,034

(d) Determination of ore reserves and useful lives of property, plant and equipment

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

The Group estimates its ore reserves and mineral resources based on information compiled by State Reserves Committee for the protection of reserves. A review of the Group's reserves and resources is undertaken on a regular basis with the approval by state authorities of the

Republic of Kazakhstan. In addition, the Group estimates reserves under the Australasian Code (JORC) with the assistance of independent consultants.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(d) Determination of ore reserves and useful lives of property, plant and equipment (cont'd)

In assessing the life of a mine for accounting purposes, mineral reserves are only taken into account where there is a high degree of confidence of economic extraction. Since the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charged in the statement of comprehensive income may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves being revised.

For property, plant and equipment depreciated on a straight-line basis over its useful economic life, the appropriateness of the assets' useful economic life is reviewed at least annually and any changes could affect prospective depreciation rates and asset carrying values.

(e) Employee benefits

The expected costs of providing long-term employee benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions. Assumptions in respect of the expected costs are set in consultation with an independent actuary.

In accordance with the legislation, the future payments are calculated on the basis of average salaries of employees currently in service. Other key assumptions include the selection of discount and mortality rates. The discount rate used has been determined by the reference to Kazakhstani Government bond rate denominated in Tenge and with a maturity similar to the maturity of the obligation. Mortality rates are based on the official mortality table of Kazakhstan published by the Government in 2016, adjusted for the current year period.

The management believes the assumptions used are appropriate, a change in the assumptions used would impact the employee benefit obligation recognised in the consolidated statement of financial position and hence the financial performance of the Group.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(f) Income taxes

In determining the level of accruals to be recognised in respect of any potential exposures for various tax liabilities, the management makes estimates in relation to the level of taxes payable, particularly in relation to transfer pricing, non-deductible items and outcomes of tax disputes (Note 30).

Accruals for uncertain tax provisions are presented as current or deferred income tax both in the consolidated statement of financial position and consolidated statement of comprehensive income. Calculation and payment of tax obligations may be audited by the tax authorities at a future date which may also impact the level of accruals and provisions recognised.

(g) Possible environmental obligations

Key judgments regarding environmental obligations are disclosed in Note 30.

(h) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group has lease contracts for office rent with a term of 12 months. Although these contracts have been renewed during previous years, the Group does not recognize a right-of-use asset under such contracts as the contracts do not contain extension options, and in relation to contracts where the extension options are provided by the law, the Group does not have sufficient assurance that it will exercise these options, due to the facts that the Group has not incurred significant capital expenditures in respect of such premises, leased premises are used to accommodate a small number of employees and therefore the possible relocation costs will not be significant. In addition, the premises are not specialized for the Group and there is a sufficient number of alternative premises on the office rental market that the Group could use.

For office lease for a period of 5 years, information is disclosed in Note 27.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

4. Group information

As at 31 December 2021 and 2020, the following subsidiaries, joint arrangements and associates were included in the consolidated financial statements of the Group:

Name	Principal activities	Country of incorporation	Share	
			2021	2020
Kazakhmys Limited (UK)	Investment holding	United Kingdom	100%	100%
Valion Investment Ltd	The aircraft holder	British Virgin Islands	100%	100%
Kazakhmys Holding Group B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Management B.V.	Investment holding	Netherlands	100%	100%
KCC B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Power Projects B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Smelting B.V.	Investment holding	Netherlands	100%	100%
Financial Services B.V. (Note 4)	Investment holding	Netherlands	-	100%
Kazakhmys Maintenance Services B.V.s	Investment holding	Netherlands	100%	100%
Kazakhmys Construction B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Exploration B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Resources B.V.	Investment holding	Netherlands	100%	100%
Kazakhmys Corporation Finance Ltd	Financing activities	United Kingdom	100%	100%
Kazakhmys Smelting Finance Ltd	Financing activities	United Kingdom	100%	100%
Diorto Ltd (Note 4)	Investment holding	Cyprus	100%	-
Kazakhmys Copper JSC	Investment holding	Kazakhstan	100%	100%
Kazakhmys Corporation LLP	Production of copper concentrate	Kazakhstan	99.9%	99.9%
Kazakhmys Smelting LLP	Copper smelting	Kazakhstan	100%	100%
Novomek Holding LLC (Note 4)	Investment holding	Russia	70%	-
Novomek Engineering LLC (Note 4)	Engineering survey	Russia	70%	-
Kazakhaltyn Service LLP	Repair services	Kazakhstan	-	100%
Maker LLP	Construction and maintenance	Kazakhstan	99.9%	99.9%
Kazakhmys Distribution LLP	Heat distribution	Kazakhstan	99.9%	99.9%
Kazakhmys Coal LLP	Production of coal	Kazakhstan	99.9%	99.9%
Kazakhmys Drilling LLP	Geological works	Kazakhstan	100%	100%
Kazakhmys Holding LLP	Management services	Kazakhstan	100%	100%
Kazakhmys Energy LLP	Power generation	Kazakhstan	100%	100%
GRES Topar LLP	Power generation	Kazakhstan	100%	100%
Kazakhmys Maintenance Services LLP	Repair services	Kazakhstan	100%	100%
Karagandinski NII obagasheniya i metallurgii LLP	Construction	Kazakhstan	100%	100%
Dank LLP	Construction	Kazakhstan	100%	100%
Aidarly Project LLP	Exploration project	Kazakhstan	68.9%	68.9%
Anisimov Project LLP	Exploration project	Kazakhstan	100%	100%
Anisimov Kluch LLP	Exploration project	Kazakhstan	90%	90%
Zhanashyr Project LLP	Exploration project	Kazakhstan	100%	100%
Zhezkazgan REK JSC	Electricity distribution	Kazakhstan	90%	90%

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

4. Group information (cont'd)

Name	Principal activities	Country of incorporation	Share	
			2021	2020
Zhezkazgan Air JSC	Airline services	Kazakhstan	99.47%	99.47%
Medical Center Zhezkazgan LLP	Medical services	Kazakhstan	100%	100%
Technological College of Corporation Kazakhmys LLP	General and professional education	Kazakhstan	100%	100%
Polytechnic College of Corporation Kazakhmys LLP	General and professional education	Kazakhstan	100%	100%
SP KazBelaz LLP	Other services	Kazakhstan	51%	51%
FZE KZ LLP	Rental of property	Kazakhstan	100%	100%
Kazakhstanskaya Innovacionnaya Metallurgiya LLP (Note 4)	Other services	Kazakhstan	–	100%
Professional Paramilitary Emergency Service «Partner» LLP (Note 4)	Other services	Kazakhstan	100%	–
Qazaq Geophysics (QG) LLP (Note 4)	Mine Exploration	Kazakhstan	100%	–
Mineral Operating LLP (Note 4)	Mine Exploration	Kazakhstan	100%	–
Dautbay Project LLP (Note 4)	Exploration project	Kazakhstan	75%	–
Kazakhmys Development LLP	Other services	Kazakhstan	100%	100%
GRP–Kazakhmys GmbH	Import & export of equipment	Germany	51%	51%
Gemstone LLP	Mine Exploration	Kazakhstan	100%	100%
Zhambylmys LLP	Exploration project	Kazakhstan	100%	100%
Itauyz Project LLP	Exploration project	Kazakhstan	75%	75%
Tamdy-Sainbulak Project LLP	Exploration project	Kazakhstan	75%	75%
Dyussembay Project LLP	Exploration project	Kazakhstan	75%	75%
Ozernoye Project LLP	Exploration project	Kazakhstan	75%	75%
Altynkazgan Project LLP	Exploration project	Kazakhstan	75%	75%
Idygei Project LLP	Exploration project	Kazakhstan	75%	75%
Zhez Green Organic LLP - Arka	Other services	Kazakhstan	70%	100%
Cuprum Project LLP (Note 4)	Exploration project	Kazakhstan	75%	75%
Benkala Cuprum Project LLP	Mine Exploration	Kazakhstan	100%	100%
Kazakhmys Barlau LLP	Processing and copper-smelting services	Kazakhstan	100%	100%
Kazakhmys Progress LLP	Business Management consultation	Kazakhstan	99.9%	99.9%
Gorservice KZ LLP	Bakery and flour confectionery	Kazakhstan	99.9%	99.9%
Ulytaunan LLP	Mine Exploration	Kazakhstan	100%	100%
SN Mining LLP	Mine Exploration	Kazakhstan	100%	100%
BM Mining LLP	Mine Exploration	Kazakhstan	100%	100%
Green Plaza LLP	Water supply & sewerage	Kazakhstan	100%	100%
Kaz Green Energy LLP	Green energy	Kazakhstan	70%	70%
Mandalya Turizm Isletmeleri Anonim Sirketi (Note 5)	Hotel & restaurants	Turkey	26%	–
Kazphos LLP (Note 5)	Fertilization	Kazakhstan	40%	–
Kaz Chemicals LLP	Fertilization	Kazakhstan	80%	80%
Kaz Chemicals Trading House LLP	Trading activities	Kazakhstan	80%	80%
Kazphosphate LLP (Note 4)	Fertilization	Kazakhstan	80%	–
Agro Lab LLP	Technical tests and soil analysis	Kazakhstan	64%	64%

Changes during 2021

On 9 April 2021, Kazakhstanskaya Innovacionnaya Metallurgiya LLP ceased operations and was liquidated.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

4. Group information (cont'd)

Changes during 2021 (cont'd)

On 14 May 2021, Kaz Chemicals LLP acquired 100% of Kazphosphate LLP (further- KFF) from Kazphosphate Ltd. for the amount of \$611,237,000. During 2021 all cash amount was repaid. KFF operates a chemical plant for the production of mineral fertilizers, fodder defluorinated phosphates used in agricultural sector.

The fair value of the net identifiable assets (Note 3(b)) of KFF as at the date of acquisition was:

	14 May 2021
	\$ 000
Property, plant and equipment	366,337
Intangible assets	305,025
Investment in joint venture	1,883
Inventory	70,507
Trade and other receivables	47,706
Cash and cash equivalents	10,763
Other financial assets	151,599
Prepayments and other assets	27,046
Income tax payable	(7,376)
Borrowings and other financial liabilities	(308,140)
Provisions	(4,006)
Deferred tax liability	(109,753)
Employee benefits	(519)
Trade and other payables	(53,047)
Deferred income	(2,300)
Other non-financial liabilities	(21,636)
	<hr/>
Net assets on acquisition	474,089
Goodwill arising on acquisition	137,148
	<hr/>
Purchase consideration transferred	611,237
	<hr/>

As of 31 December 2021 the Group's goodwill balance has not been impaired (Note 3(a)).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

4. Group information (cont'd)

Changes during 2021 (cont'd)

On 14 July 2021, the Kazakhmys Maintenance Services B.V. acquired 70% of shares in Novomek Holding LLC (as well as its subsidiary Novomek Engineering LLC) from an individual for the amount of \$95 (equivalent to 7,000 RUB).

On 22 November 2021, KCC B.V. disposed of its entire investment in Financial Services B.V., by selling 100% of shares to FRM Corporation Limited for the amount of \$100. Also, KCC B.V. and FRM Corporation Limited signed an addendum according to which the Group transferred extra compensation in the amount of \$15,378,000 for the purpose of liquidation of Financial Services B.V. Extra compensation payable was set-off with loan issued to FRM Corporation Limited by Valion Investment Ltd. As a result, the Group has recognized a gain from sale of the subsidiary as follows:

	22 November 2021
	<u>\$ 000</u>
Assets	(7)
Borrowings	77,690
Write-off of loan given to acquirer	(16,139)
Gain from sale of the subsidiary	(61,507)
Exchange adjustment	(37)
	<u> </u>
Purchase consideration transferred	<u> </u> <u> </u>

On 28 August 2021, through the department of registration of rights to real estate and legal entities of the branch of the non-profit joint-stock company "State Corporation "Government for Citizens" in the Karaganda region, the Group renamed Arka Cuprum Project LLP into Zhez Green Organic LLP.

On 1 June 2021, the Group acquired a 100% interest in Professional Paramilitary Emergency Service "Partner" LLP from third parties for the amount of \$39,370 (equivalent to KZT 17 million).

On 27 April 2021, the Management of the Group decided to establish Qazaq Geophysics (QG) LLP with an authorized capital of \$2,411,000, equivalent to KZT 1,013 million. The main activity of the company is exploration, research and development and other work related to the geological industry.

On 20 May 2021, the Group acquired from third parties a 100% stake in Mineral Operating LLP (as well as its subsidiary- Dautbay Project LLP with a 75% interest) for \$238,000 (equivalent to KZT 100 million). According to the agreement, ownership of the participation interest passes to the Group from the moment the purchased company is re-registered with the authorized bodies due to a change in the composition of participants. The date of transition to the Group is 19 November 2021.

On 22 December 2021, the Group registered a new legal entity Diorto Limited, located in Cyprus, Limassol, Lara Court, Arch. Makariou III, 276, the main activity of which is to carry on the business of an investment holding company. The charter capital of the company is \$1,133 (equivalent to EUR 1,000).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

4. Group information (cont'd)

Changes during 2020

Kazakhmys Satpayev LLP was on liquidation stage last two years and on 30 September 2020 it was officially liquidated. On 29 December 2020, its holding company Kazakhmys Satpayev B.V. was officially liquidated as well.

On 19 March 2019, Sayk-4 Project LLP handed over a subsoil use contract to Kazakhmys Corporation LLP, in connection with which the entity was renamed to BM Factory Project LLP on 20 January 2020. The main activity is the processing of minerals, as well as their subsequent sale and sale of by-products of processing. On 14 August 2020, the Group sold BM Factory Project LLP to Goldstone Minerals LLP.

On 31 December 2019, the Group and the Republican Central Headquarters of Professional Military Rescue Services signed an agreement for the sale of Seriktes Emergency Rescue Service LLP.

In April 2020, the Group registered new legal entity Kazakhmys Progress LLP, located in the Republic of Kazakhstan, Karaganda's district, Balkhash city, Lenin Street 1. The main activity is the processing of concentrates and recycling of production waste. The charter capital of the company is \$468,000 (KZT 193 million). The contribution to the charter capital of the subsidiary by non-controlling owners amounted to \$7,280 (KZT 3 million).

All of the above changes did not have significant impacts on the Group's consolidated financial statements

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

4. Group information (cont'd)

Joint operations with Industry Dynamics LLP

In November 2020, Kazakhmys Corporation LLP signed an agreement on joint activities with Industry Dynamics LLP (hereinafter - "ID"), without creating a legal entity, the purpose of which is to make a profit from the sale of finished products (copper rod) received in the processing of non-ferrous scrap. This project was financed by the Group in the amount of \$2,874,016 (KZT 1,241 million). The agreement states that the parties are carrying out joint operations, and the shares of the participants are distributed in the proportions of 70% and 30% for the Group and ID, respectively. The entire amount of funding must be paid to the Group from ID's own funds. The term of joint operations is until 31 December 2030.

At the date of the cash transfer by ID, the Group recognized cash in the amount of \$2,104,000 (KZT 869 million) plus income from joint operations (Note 7(iii)) for the same amount, which is a 70% interest of the Group.

During 2021, the Group recognized its share of revenue, cost of sales, administrative expenses and other income and expenses as part of the joint operations. In addition, in 2021 the Group provided additional financing in the amount of \$1,410,375 (KZT 609 million), on the initial terms of joint operation establishment. As a result, the Group recognized additional income from financing the joint operations in the amount of \$1,002,282 (KZT 426 million) (Note 7(iii)).

The summary of financial information for these joint operations is presented below and is based on amounts before the elimination of transactions between entities of the Group.

Statement of Comprehensive Income

	Joint Operations	
	2021	2020
	\$ 000	\$ 000
Revenue from contracts with customers	21,634	-
Cost of sales	(17,356)	-
Administrative expenses	(5)	-
Other income	2	-
Finance income	106	-
Profit before tax	4,381	-
Income tax expense	(875)	-
Profit for the year	3,506	-
Total comprehensive income	3,506	-

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

4. Group information (cont'd)

Joint operations with Industry Dynamics LLP (cont'd)

	31 December 2021	31 December 2020
	\$ 000	\$ 000
Inventory, cash and cash equivalents and other current assets	10,857	2,065
Property, plant and equipment and other non-current assets	86	—
Trade and other payables and other current liabilities	(5,482)	—
Total equity	5,461	2,065

5. Investment in associate and joint venture

	2021	2020
	\$ 000	\$ 000
Mandalya Turizm Isletmeleri Anonim Sirketi (26%) - associate	33,192	—
Kazphos LLP (40%) - joint venture	2,260	—
Total investment in associate and joint venture	35,452	—

On 8 November 2021 the Group acquired 26% share in Mandalya Turizm Isletmeleri Anonim Sirketi from Ekopark Turizm Insaat Sanayi Ticaret A.S. Fair value of consideration paid for this acquisition was equal to \$35,033,500. According to Share Purchase Agreement the consideration included \$20,000,000 cash and Ekopark Turizm Insaat Sanayi Ticaret A.S.'s debt off-set in the amount of \$15,000,000 and the accrued interest in the amount of \$33,500.

As a result of Kazphosphate LLP acquisition on 14 May 2021 (Note 4), the Group acquired 40% share profit in Kazphos LLP.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

5. Investment in associate and joint venture (cont'd)

The Group's interest in Mandalya Turizm Isletmeleri Anonim Sirketi and Kazphos LLP is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Group's investment in Mandalya Turizm Isletmeleri Anonim Sirketi and Kazphos LLP:

	31 December 2021	
	Mandalya (26%) \$000	Kazphos (40%) \$000
Current assets	953	2,033
Non-current assets	89,022	3,202
Current liabilities	(5,432)	(598)
Non-current liabilities	(20,395)	(116)
Exchange translation	21,810	—
Equity	85,958	4,521
Group's share in equity	22,349	1,808
Minority interests	—	452
Goodwill	10,843	—
Group's carrying amount of investment	33,192	2,260
	8 November – 31 December 2021 \$000	14 May – 31 December 2021 \$000
Revenue	—	3,058
Cost of sales	(37)	(2,083)
Administrative expenses	—	(26)
Other operating income	—	53
Other operating expenses	—	(15)
Finance income	—	161
Finance costs	(266)	(172)
Income before tax	(303)	976
Income tax expense	(5,353)	(161)
Net (loss)/income and total comprehensive income for the year	(5,656)	815
Group's share of (loss)/profit for the year	(1,471)	326

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

5. Investment in associate and joint venture (cont'd)

Summarised information about cash flows from joint venture is below:

	2021
	Kazphos (40%)
	\$ 000
Cash flows from operating activities	(859)
Cash flows from investing activities	(72)
Cash flows from financing activities	5
Net decrease in cash and cash equivalents	(926)

The movement of the balance of investment in associate for the year ended 31 December 2021 was as follows:

	2021	2021
	Mandalya	Kazphos
	(26%)	(40%)
	\$000	\$000
Fair value of investment as at the date of acquisition	35,111	1,883
Share of (loss)/profit in associate	(1,471)	408
Exchange adjustment	(448)	(31)
Carrying amount as at 31 December 2021	33,192	2,260
Recognized share of (loss)/profit of an associate	(1,471)	326
Cumulative recognized share of (loss)/profit of the associate	(1,471)	326

At initial recognition of investment in associate, the Group recognized goodwill embedded in the investment in amount of \$10,842,000. As at 31 December 2021 the goodwill was not impaired.

MMC Kazakhaltyn JSC (2020)

On 26 August 2020, the Group sold its 25% share in MMC Kazakhaltyn JSC and its loans due from MMC Kazakhaltyn JSC to AK AltynAlmas JSC.

The consideration received included \$110,067,000 cash for the investment and \$17,175,000 cash and novation of debt owed to AK AltynAlmas JSC by Talas Gold Mining Company LLC in the amount of \$15,068,000 for loans due from an associate (Note 15).

In relation to the sale of investment and novation agreement, the Group disposed from the consolidated balance sheet its investment in associate in amount of \$65,650,000 and its loans due from MMC Kazakhaltyn JSC in amount of \$32,243,000. The difference between net disposal proceeds and carrying amount of the investment in associate was recognized as a gain on disposal of an associate in profit or loss in amount of \$46,170,000.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

5. Investment in associate and joint venture (cont'd)

MMC Kazakhaltyn JSC (2020) (cont'd)

The Group's interest in MMC Kazakhaltyn JSC is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in MMC Kazakhaltyn JSC:

	26 August 2020	31 December 2019
	\$ 000	\$ 000
Current assets	234,343	159,759
Non-current assets	396,903	300,246
Current liabilities	(120,111)	(85,051)
Non-current liabilities	(356,196)	(254,490)
Equity	154,939	120,464
	For the period from 1 January to 26 August 2020 \$ 000	For the period from 1 January to 31 December 2019 \$ 000
Revenue	241,355	297,520
Cost of sales	(111,173)	(139,342)
Administrative expenses	(32,880)	(26,720)
Selling expenses	(2,799)	(3,983)
Other operating income	1,147	809
Other operating expenses	(2,789)	(4,718)
Impairment losses	(4,354)	(1,765)
Foreign exchange loss	(34,328)	308
Finance income	642	487
Finance costs	(7,735)	(43,430)
Income before tax	47,086	79,166
Income tax expense	(4,693)	(7,838)
Net income and total comprehensive income for the year	42,393	71,328
Group's share of profit for the year (25%)	10,597	17,832

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

6. Revenue

	2021	2020
	\$ 000	\$ 000
Revenue from contracts with customers	3,032,418	2,208,768
Other revenue (Note 2.16)	38,809	36,363
Revenue	3,071,227	2,245,131

Disaggregation of revenue

<u>Revenue by products</u>	2021	2020
	\$ 000	\$ 000
Copper cathodes	1,842,594	1,413,902
Gold	322,928	342,865
Mineral fertilizers (Note 4)	262,388	—
Silver	215,518	168,282
Copper concentrate	66,819	—
Processing	58,470	78,063
Copper rods	39,056	30,282
Other revenue	224,645	175,374
Total revenue from contracts with customers	3,032,418	2,208,768

<u>Revenue by geographical location</u>	2021	2020
	\$ 000	\$ 000
UAE (Dubai)	2,130,117	1,579,379
CIS	720,161	624,945
EU countries	125,914	4,437
Other	56,226	7
Total revenue	3,032,418	2,208,768

Pre-export financing

In August 2021, the Group entered into a long-term agreement with trading company Sber Trading Swiss AG for the supply of cathode copper from September 2021 to July 2026. As part of this agreement, the Group received an advance payment of \$500,000,000. The transaction price also includes a financing component calculated at a rate of 4.15%. This rate is proportional to the rate that would have been applied to a separate financing transaction between the Group and Sber Trading Swiss AG at the time the contract was entered into.

As part of the upfront payment, the Group recognized revenue in the amount of \$46,175,000 and recognized interest expense on the financing component of \$7,025,000 (Note 9).

As at 31 December 2021, long-term advances received are included in other non-financial liabilities in Note 25.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

6. Revenue (cont'd)

Provisionally priced sales

The contract for the sale of cathode copper provides for preliminary sale prices, and the final prices are determined on the basis of the average market price for cathode copper for the month following the month of delivery.

The final prices for the above volumes, estimated at the preliminary price, will be determined during the month following the delivery. As at 31 December 2021, sales transactions, for which final prices had not been determined, were revalued based on the respective forward metal prices (generally, one month for copper cathode).

Cathode copper price adjustments recorded in 2021 between the final price and the future price at the settlement date at the time of sale resulted in a decrease of \$38,809,000 which is included in revenue as other revenue (2020: a decrease by \$36,363,000).

7. Cost of sales, administrative expenses and other operating income / expenses

The following tables analyse the major components of cost of sales, administrative expenses and other operating income/expenses:

(i) Cost of sales

	2021	2020
	\$ 000	\$ 000
Raw materials	597,667	392,089
Production overheads	370,563	314,275
Employee salaries and payroll taxes	321,344	284,601
Depreciation, depletion and amortization	176,537	121,572
Mineral extraction tax	157,149	99,961
Utilities	66,711	30,069
Insurance	42,976	40,276
Other taxes	29,754	31,747
Land leases (Note 27.1)	3,619	3,371
Other leases (Note 27.1)	75	685
Other	5,227	4,490
Change in work-in-progress and finished goods	(83,020)	(97,818)
Total cost of sales	1,688,602	1,225,318

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

7. Cost of sales, administrative expenses and other operating income / expenses (cont'd)

(ii) Administrative expenses

	2021	2020
	\$ 000	\$ 000
Employee salaries and payroll taxes	228,524	187,819
Social responsibility costs	85,689	160,753
Legal and professional fees	41,787	30,143
Transportation	31,472	28,759
Levies and charges	17,564	5,165
Insurance	16,420	10,298
Depreciation and amortization	12,393	8,764
Communication services	7,868	2,378
Social contributions	6,610	3,458
Supplies	6,511	6,219
Business travel	3,939	2,034
Medical and social support	3,080	5,015
Other leases (Note 27.1)	2,659	2,620
Utilities	1,772	4,870
Land leases (Note 27.1)	1,713	1,945
Bank fees	415	990
(Income)/loss on personal injury claims and payments for sick leaves	(102,390)	93,723
Other	33,115	34,920
Total administrative expenses	399,141	589,873

Income from personal injury claims include actuarial gains recognized in amount of \$109,619,000 (2020: actuarial loss recognized in amount of \$88,442,000) (Note 22).

Social responsibility costs include gratuitous transfer of a land plot to the non-commercial fund in the amount of \$1,405,000 (2020: \$16,498,000).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

7. Cost of sales, administrative expenses and other operating income / expenses (cont'd)

(iii) Other operating income

	2021	2020
	\$ 000	\$ 000
Income from the sale of non-production inventory	23,604	108,735
Lease income	12,365	1,981
Supplies	9,316	3,209
Income from fines and penalty charges	6,328	2,855
Scrap material	2,974	1,843
Railway services	1,584	7,923
Sanatorium, medical and canteen	1,120	2,087
Income from refundable contributions to a joint operation (Note 4)	1,002	2,104
Rental income from investment property (Note 27.2)	911	75
Derecognition of social liabilities	432	225
Utilities	181	22
Chemical analysis services	5	—
Other	5,455	14,113
Total other operating income	65,277	145,172

(iv) Other operating expenses

	2021	2020
	\$ 000	\$ 000
Expense from the sale of non-production inventory	22,989	132,786
Supplies	11,908	4,214
Chemical analysis services	4,406	2,942
Loss on disposal of property, plant and equipment	4,359	1,705
Depreciation of leased assets	2,772	2,736
Railway services	2,101	2,133
Loss on disposal of intangible assets	1,730	676
Repair expenses	1,441	2,106
Sanatorium, medical and canteen	570	862
Loss on disposal of mining assets	552	6,807
Other leases (Note 27.1)	446	426
Scrap material	202	121
Utilities	31	22
Land leases (Note 27.1)	12	12
Losses from disposal of subsidiaries	—	748
Other	7,859	11,194
Total other operating expenses	61,378	169,490

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

8. Impairment losses

(a) Impairment losses on financial assets include the following:

		2021	2020
	Note	\$ 000	\$ 000
Impairment charge on other financial assets	15 (e)	(11,814)	(4,407)
Impairment charge on loans given	15	(5,586)	(18,143)
Impairment charge on trade and other receivables	18	(1,996)	(2,882)
Impairment (charge) / reversal on long-term deposits		(228)	160
Impairment charge on cash and cash equivalents	20	(74)	(658)
Impairment reversal / (charge) on bank deposits		167	(182)
Total impairment losses on financial assets		(19,531)	(26,112)

(b) (Impairment losses) / reversal of impairment on non-financial assets include the following:

		2021	2020
	Note	\$ 000	\$ 000
Impairment (charge) / reversal on property, plant, and equipment	12	(31,529)	16,919
Impairment charge on investment property	12.1	(8,398)	—
Impairment charge on inventories	16	(1,648)	(16,695)
Impairment (charge) / reversal on prepayments and other current assets	17	(1,922)	4,185
Impairment (charge) / reversal on mining assets	13	(934)	15,973
Impairment charge on non-current investments		(8)	—
Impairment reversal on assets held for sale		—	1,354
Impairment reversal on intangible assets	11	—	1,485
Impairment reversal on advances paid for non-current assets	14	11,494	3,523
Total (impairment losses) / reversal of impairment on non-financial assets		(32,945)	26,744

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

9. Finance income and finance costs

	2021	2020
	\$ 000	\$ 000
Finance income		
Unwinding of discount	39,662	32,026
Interest income on other financial assets	7,906	5,630
Interest income	3,181	1,952
Net foreign exchange gain	2,098	–
Amortisation of financial guarantees (Note 26)	87	–
Recognition of discount on borrowings (Note 26)	–	2,393
Gain on early repayment of loans	–	1,075
Other	2,475	2,801
Total finance income	55,409	45,877
	2021	2020
	\$ 000	\$ 000
Finance costs		
Interest on borrowings (Note 26)	34,922	24,412
Interest on employee benefits (Note 22)	22,395	23,700
Loss on modification of the loans given (Note 15(b))	19,053	13,442
Ineffectiveness on option commodity contracts designated as cash flow hedges (Note 28)	16,450	–
Unwinding of discount on provisions and payment for licenses	9,812	10,057
Revaluation of financial guarantee (Note 26)	8,727	9,495
Interest expense on financing component (Note 6)	7,025	–
Unwinding of discount on borrowings (Note 26)	4,406	4,093
Recognition of discount on loan given to "Industry Dynamics" LLP (Note 15(d))	1,920	–
Interest on lease liabilities (Note 27)	1,300	697
Recognition of financial guarantee (Note 26)	514	–
Net foreign exchange loss	–	49,706
Loss on early repayment of loans	–	3,761
Recognition of discount on other financial assets	–	3,204
Other	159	(3)
Total finance costs	126,683	142,564

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

10. Income tax

(i) Income tax expenses

Income tax expenses shown in the consolidated statement of comprehensive income for the years ended 31 December 2021 and 2020 are presented as follows:

	Group	
	2021	2020
	\$ 000	\$ 000
Current income tax		
Current income tax – current period	159,493	88,049
Current income tax - prior periods	1,542	(3,165)
	161,035	84,884
Deferred income tax		
Deferred income tax - prior periods	2,205	–
Deferred income tax - current period	2,828	(28,575)
	5,033	(28,575)
	166,068	56,309
Income tax disclosed in the statement of profit and loss	181,595	56,309
Income tax disclosed in the statement of comprehensive income	1,206	–
Income tax disclosed in the statement of changes in equity	(16,733)	–

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

10. Income tax (cont'd)

(i) Income tax expenses (cont'd)

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense was as follows for the years ended 31 December:

	Group	
	2021	2020
	\$ 000	\$ 000
Profit before tax	852,068	333,579
At Singapore's statutory income tax of 17%	144,852	56,708
Effect of higher tax rates in Kazakhstan (20%)	25,562	10,008
Adjustment in respect of current income tax of previous years	1,542	(3,165)
Adjustment in respect of deferred tax of previous years	2,235	—
Unrecognised tax losses (Note 10 (iii))	2,605	(8,979)
Movement in unrecognised deferred tax assets	(1,857)	(14,685)
Share of results of an associate and gain on disposal of an associate (Note 5)	293	(11,353)
<i>Non-deductible expenses for tax purposes:</i>		
Sponsorship	10,976	23,833
Write-off of assets	4,486	—
Guarantees	1,831	—
Other non-deductible expenses	(10,930)	3,942
Total income tax expense	181,595	56,309

Corporate income tax ('CIT') is calculated at 17% (2020: 17%) of the taxable profit for the year for the Group. Legal entities in Kazakhstan calculate CIT at 20% (2020: 20%).

Non-deductible expenses

Included within non-deductible expenses are impairment charges and provisions recognised against various assets, social sphere, penalties, fines and other on-going business expenses within the Group.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

10. Income tax (cont'd)

(ii) Recognised deferred tax assets and liabilities

The amounts of deferred tax assets / (liabilities) provided in the consolidated financial statements are as follows:

	2021	Business combinations	Charged to profit or loss	Charged to other comprehensive income	Charged to capital	Exchange adjustment	2020
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000		\$ 000
Employee benefits	75,516	103	(23,095)	(1,206)	-	(2,248)	101,962
Discount on receivable from the shareholder	28,247	-	(3,232)	-	16,733	(566)	15,312
Taxes, other than income tax	13,951	411	413	-	-	(350)	13,477
Provisions	16,095	521	3,483	-	-	(368)	12,459
Tax losses	15,388	380	6,476	-	-	(313)	8,845
Trade and other payables	4,620	-	380	-	-	(115)	4,355
Trade and other receivables	8,182	(190)	96	-	-	(213)	8,489
Inventories	1,343	52	1,068	-	-	(22)	245
Deferred income	1,306	120	1,204	-	-	(18)	-
Interest payable	364	26	200	-	-	(7)	145
Other current assets	2	2	-	-	-	-	-
Fixed assets	(157,571)	(111,074)	333	-	-	2,729	(49,559)
Pre-export financing	(7,726)	-	(7,830)	-	-	104	-
Lease liability	-	56	(56)	-	-	-	-
Total deferred taxes	(283)	(109,593)	(20,560)	(1,206)	16,733	(1,387)	115,730

Fixed assets include intangible assets, property, plant and equipment, and mining assets.

The movement in the net deferred tax assets / (liabilities) is as follows:

	2021	2020
	\$ 000	\$ 000
At beginning of the year	115,730	94,840
Recognised in profit or loss	(20,560)	28,575
Recognised in other comprehensive income	(1,206)	-
Recognised in a statement of changes in equity	16,733	-
Business acquisition	(109,593)	-
Exchange adjustment	(1,387)	(7,685)
	(283)	115,730
Deferred tax assets	107,450	122,850
Deferred tax liabilities	(107,733)	(7,120)
	(283)	115,730

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

10. Income tax (cont'd)

(iii) Unrecognised deferred tax assets

Unrecognised deferred tax assets comprised the following:

	2021		2020	
	Temporary difference	Deferred Tax	Temporary difference	Deferred Tax
	\$ 000	\$ 000	\$ 000	\$ 000
Tax losses	304,550	60,910	291,525	58,305

11. Intangible assets

	Licenses	Other	Total
	\$ 000	\$ 000	\$ 000
Cost			
At 1 January 2020	22,884	29,692	52,576
Additions	8,485	4,143	12,628
Disposals	(1,073)	(2,296)	(3,369)
Reclassification	688	(688)	—
Exchange adjustment	(2,313)	(2,584)	(4,897)
At 31 December 2020	28,671	28,267	56,938
Additions	106	5,967	6,073
Disposals	(1,730)	(75)	(1,805)
Acquisition through business combination (Note 4)	304,126	899	305,025
Exchange adjustment	(4,997)	(804)	(5,801)
At 31 December 2021	326,176	34,254	360,430
Amortisation and impairment			
At 1 January 2020	4,082	7,212	11,294
Amortisation charge	7,689	2,514	10,203
Disposals	—	(1,647)	(1,647)
Reversal of impairment (Note 8)	(1,257)	(228)	(1,485)
Exchange adjustment	(490)	(421)	(911)
At 31 December 2020	10,024	7,430	17,454
Amortisation charge	1,000	2,533	3,533
Disposals	—	(75)	(75)
Exchange adjustment	(267)	(215)	(482)
At 31 December 2021	10,757	9,673	20,430
Net book value			
At 31 December 2021	315,419	24,581	340,000
At 31 December 2020	18,647	20,837	39,484

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

12. Property, plant and equipment

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cost					
At 1 January 2020	293,221	777,682	181,093	122,855	1,374,851
Additions	9,500	5,294	4,904	166,911	186,609
Transfers	70,638	89,851	13,852	(174,341)	—
Disposals	(13,312)	(15,769)	(7,643)	(9,636)	(46,360)
Reclassification	54,881	(46,052)	(5,507)	(3,322)	—
Reclassification to investment property	(9,771)	—	—	—	(9,771)
Change in estimates	38,152	—	—	—	38,152
Exchange adjustment	(30,515)	(74,038)	(17,200)	(11,210)	(132,963)
At 31 December 2020	412,794	736,968	169,499	91,257	1,410,518
Additions	1,753	15,114	5,399	395,151	417,417
Transfers	34,354	197,559	41,143	(273,056)	—
Disposals	(7,114)	(12,485)	(2,425)	(5,831)	(27,855)
Reclassification	448	(4,608)	(713)	4,873	—
Reclassification to investment property	(4,934)	—	—	—	(4,934)
Acquisition through business combination (Note 4)	139,978	105,234	54,691	66,657	366,560
Change in estimates	(1,866)	—	—	—	(1,866)
Exchange adjustment	(12,115)	(22,611)	(4,713)	(4,811)	(44,250)
At 31 December 2021	563,298	1,015,171	262,881	274,240	2,115,590
Depreciation and impairment					
At 1 January 2020	112,871	271,045	65,507	26,756	476,179
Depreciation charge	25,165	79,814	16,363	—	121,342
(Accrual) / reversal of impairment (Note 8)	(8,502)	(10,377)	4,307	(2,347)	(16,919)
Disposals	(2,247)	(13,174)	(5,134)	(2,620)	(23,175)
Transfers	1,421	107	155	(1,683)	—
Reclassification	18,339	(15,777)	(2,552)	(10)	—
Net exchange adjustment	(11,301)	(26,351)	(3,290)	(2,395)	(43,337)
At 31 December 2020	135,746	285,287	75,356	17,701	514,090
Depreciation charge	31,538	131,423	22,813	—	185,774
Accrual of impairment (Note 8)	12,717	16,370	(254)	2,696	31,529
Disposals	(5,086)	(10,441)	(840)	(110)	(16,477)
Reclassification	225	(319)	94	—	—
Net exchange adjustment	(3,950)	(9,027)	(1,824)	(484)	(15,285)
At 31 December 2021	171,190	413,293	95,345	19,803	699,631
Net book value					
At 31 December 2021	392,108	601,878	167,536	254,437	1,415,959
At 31 December 2020	277,048	451,681	94,143	73,556	896,428

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For the financial year ended 31 December 2021**

12. Property, plant and equipment (cont'd)

The movement of right-of-use assets is disclosed in Note 27.1.

Depreciation charge for property, plant and equipment is allocated as the following:

	2021	2020
	\$ 000	\$ 000
Cost of sales	161,478	107,819
Administrative expenses	9,859	1,439
Other operating expenses	2,772	2,736
Selling and distribution expenses	890	1,334
Capitalized depreciation	10,775	8,014
	185,774	121,342

(a) Investment property

The Group owned a land held for an undetermined future use. Under FRS 40, this type of property is classified as investment property. As of 31 December 2019, the remaining amount of investment property equaled \$6,189,000. In June 2020, this land was donated as part of the charitable assistance.

In December 2020 the Group completed the construction of an office building in Almaty with an initial cost of \$48,300,000, built for administrative purposes. Part of the building was leased to a related party. Accordingly, this part of the building with a carrying amount of \$9,771,000 held for the purpose of receiving lease payments, was reclassified to investment property.

The amount of monthly lease payments is \$101,000 (KZT 43 million, excluding VAT). Rental income from investment property in the amount of \$911,000 was recognised in other operating income (Note 7(iii)).

As at 31 December 2021, the fair value of investment property is based on the valuation report prepared by an accredited independent appraiser. The valuation company is an expert in the valuation of this type of investment property. The valuation model was applied in accordance with the recommendations of the International Valuation Standards Committee. The Group recognised an impairment loss in the amount of \$8,398,000 as a result of this assessment. Accordingly, as at 31 December 2021, the fair value of investment property equals to its carrying amount.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

12. Property, plant and equipment (cont'd)

(a) *Investment property (cont'd)*

	2021	2020
	\$ 000	\$ 000
At 1 January	9,586	6,189
Reclassification from property, plant and equipment	4,934	9,771
Depreciation charge	(742)	–
Disposals	–	(5,713)
Impairment charge (Note 8(b))	(8,398)	–
Exchange adjustment	(185)	(661)
At 31 December	5,195	9,586

The Group has no contractual obligations to acquire, construct or improve investment property, provide repair and maintain services.

	2021	2020
	\$ 000	\$ 000
Rental income from investment property	911	75
Direct operating expenses (including repair and maintenance), that did not result in rental income (included in cost of sales)	(31)	(7)
Income from investment property	880	68

(b) *Fully depreciated assets*

At 31 December 2021, the cost of fully depreciated property, plant and equipment in use was \$149,260,000 (2020: \$108,776,000).

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

13. Mining assets

	Mine development costs \$ 000	Mine exploration costs \$ 000	Mine stripping costs \$ 000	Construction in progress \$ 000	Total \$ 000
Cost					
At 1 January 2020	298,290	16,415	48,255	41,353	404,313
Additions	5,078	10,967	2,874	67,984	86,903
Transfers	71,771	—	—	(71,771)	—
Change in estimates	(23,351)	—	2,579	—	(20,772)
Disposals	(2,107)	(424)	(4,993)	(4,073)	(11,597)
Exchange adjustment	(29,128)	(1,751)	(4,563)	(3,755)	(39,197)
At 31 December 2020	320,553	25,207	44,152	29,738	419,650
Additions	4,070	27,336	33,026	89,623	154,055
Transfers	70,131	—	113	(70,244)	—
Change in estimates	(15,436)	—	(174)	—	(15,610)
Disposals	(40)	(54)	(21)	—	(115)
Exchange adjustment	(8,868)	(1,000)	(1,555)	(1,009)	(12,432)
At 31 December 2021	370,410	51,489	75,541	48,108	545,548
Depletion and impairment					
At 1 January 2020	52,563	1,380	15,699	10,019	79,661
Depletion	10,837	—	2,916	—	13,753
Reversal of impairment (Note 8)	(13,798)	(12)	(1,056)	(1,107)	(15,973)
Disposals	(654)	(429)	(678)	—	(1,761)
Exchange adjustment	(4,903)	(122)	(1,505)	(922)	(7,452)
At 31 December 2020	44,045	817	15,376	7,990	68,228
Depletion	16,701	—	606	—	17,307
Accrual of impairment (Note 8)	—	793	141	—	934
Exchange adjustment	(1,334)	(31)	(398)	(202)	(1,965)
At 31 December 2021	59,412	1,579	15,725	7,788	84,504
Net book value					
At 31 December 2021	310,998	49,910	59,816	40,320	461,044
At 31 December 2020	276,508	24,390	28,776	21,748	351,422

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

14. Other non-current assets

	31 December 2021	31 December 2020
	\$ 000	\$ 000
Advances paid for purchase of other non-current non-financial assets	142,453	70,808
Other	100,695	837
	243,148	71,645
Provision for impairment of non-current assets	(5,668)	(17,764)
Total	237,480	53,881

Changes in provision for impairment of non-current assets are as follows:

	2021	2020
	\$ 000	\$ 000
Provision at the beginning of the reporting period	(17,764)	(23,335)
Reversal for the year (Note 8)	11,494	3,523
Write-off	312	–
Exchange adjustment	290	2,048
At 31 December	(5,668)	(17,764)

On 28 December 2021, the Group concluded agreement with an entity under common control KAZ Minerals Koksay Holding B.V., on the purchase of 100% ownership rights in the Kaz Minerals Koksay B.V. for \$361,800,000. As at the reporting date, the Group has made a prepayment for ownership rights in the amount of \$100,000,000.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

15. Other financial assets

	31 December 2021	31 December 2020
	\$ 000	\$ 000
<i>Financial assets measured at fair value through other comprehensive income:</i>		
– Non-listed equity investments (unquoted) (a)	4,736	5,077
<i>Financial assets measured at amortised cost:</i>		
– Long-term deposits (a)	12,397	12,166
– Loans given to shareholders (b)	660,384	226,930
– Loans given to other parties (c)	1,878	93
– Loan given to Industry Dynamics LLP (d)	2,471	2,568
– Others (e)	114,357	26,882
	796,223	273,716
Current	265,065	141,474
Non-current	531,158	132,242
Total	796,223	273,716

Investments in equity instruments designated at fair value through other comprehensive income

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	Share	31 December 2021	31 December 2020
		\$ 000	\$ 000
<u>Non-listed equity investments (unquoted)</u>			
Insurance Company Kazakhmys JSC	9.98%	2,897	2,972
KM Life JSC	9.98%	1,394	1,430
Kazenergocabel JSC	10.2%	445	456
Other		–	219
		4,736	5,077

The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

15. Other financial assets (cont'd)

(a) Non-listed equity investments and long-term deposits

	Non-listed equity investments	Long-term deposits	Total
	\$ 000	\$ 000	\$ 000
Cost			
At 1 January 2020	3,002	10,481	13,483
Additions	–	3,848	3,848
Fair value gain on equity instruments designated at FVOCI	2,282	–	2,282
Exchange adjustment	(207)	(1,903)	(2,110)
At 31 December 2020	5,077	12,426	17,503
Additions	–	1,566	1,566
Acquisition through business combination (Note 4)	–	599	599
Disposals	–	(1,171)	(1,171)
Exchange adjustment	(341)	(580)	(921)
At 31 December 2021	4,736	12,840	17,576
31 December 2021			
Expected credit loss	–	(443)	(443)
	4,736	12,397	17,133
31 December 2020			
Expected credit loss	–	(260)	(260)
	5,077	12,166	17,243

Long-term deposits

In accordance with the site restoration obligations, the Group is obliged to make contributions to the special bank accounts with restricted cash classified as non-current deposits. Average interest rate on non-current deposits is 0.5% per annum. Interest income is recognised in the consolidated statement of comprehensive income.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

15. Other financial assets (cont'd)

(b) Loans given to shareholders

On 15 November 2017, the Group concluded agreement with ultimate controlling owner, Mr. Vladimir Kim, on the purchase of 100% ownership rights in the KCC Finance LLP for \$490,798,000 (equivalent to KZT 160 billion) with a deferred payment according to the schedule till 31 December 2025. As at the date of the transaction, net assets of the subsidiaries were represented by cash and cash equivalents of \$204,819,000 (equivalent to KZT 68 billion) and receivables of \$282,209,000 (equivalent to KZT 92 billion).

The Group presented this sale in accordance with its substance, as an interest-free loan given to the shareholder. Cash flows expected from the sale were discounted at the market rate of 16.1% and was recognised in equity.

During 2021, the amount due from the shareholder was not repaid (the amount of repayments in 2020: nil). In 2021, the provision balance for expected credit losses is \$25,760,000 (2020: \$26,426,000). In 2021, as a result of the deferred repayment of overdue payments, an expense from the loan modification in the amount of \$19,052,806 was recognised (2020: expense from modification for the amount of \$13,442,000) in Finance costs (Note 9).

On 29 November 2021, the Group entered into a loan agreement with the ultimate controlling owner, Mr. Vladimir Kim, with the principle amount of \$500,000,000 (KZT 217,268 million) at 9.75% per annum and maturity date till 28 November 2024. The loan was discounted at a market rate of 17% per annum and the discount was recognized in equity in the amount of \$83,669,000 (KZT 35,645 million). As at 31 December 2021, the Group recognized a provision for expected credit losses in the amount of \$4,629,000 (KZT 1,972 million).

During 2020, the Group issued several loans (in KZT and USD) to the second shareholder for the total amount of \$188,783,000. The USD loan bears an interest of 4.125% per annum and the principal and interest are repayable in 3 years. In 2021, there were no principal repayments (2020: the Group received principal repayments in the amount of \$140,173,000).

On 1 July 2021, the Group transferred from Financial Services B.V. to Kazakhmys Ltd, the old loan to the second shareholder in the amount of \$48,610,000 of principal and interest receivable in the amount of \$676,000, with the maturity till 26 August 2023 at annual interest rate of 4.13%. At the initial recognition of this loan given no discount was recognised since the contract interest rate is within the range of market rates (2020: nil, the interest rate per old loan contract was within the range of market rates, therefore no discount was recognised). In 2021 provision balance for expected credit losses is \$6,107,000 (2020: \$6,386,000).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

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15. Financial assets (cont'd)

(c) Loans given to other parties

In 2019, loans given to an associate and other parties consisted of separate KZT and USD loans to MMC Kazakhaltyn JSC. In 2020, loans given to other parties represented the loan given to Institute Holding Ltd. Loans given to MMC Kazakhaltyn JSC were fully disposed from consolidated financial statements as a result of sale and novation agreement (Note 5), therefore previously recorded provision for expected credit loss of \$3,852,000 was reversed (Note 8).

The Group recognized the loan due from Talas Gold Mining Company LLC as a result of novation agreement with Altynalmas JSC in amount of \$15,068,000 (Note 5). Further, the Group signed novation agreement with Institute Holding Ltd. and assigned the loan due from Talas Gold Mining Company LLC in amount of \$15,068,000 in exchange for set-off of the loan owed by the Group to Institute Holding Ltd. in amount of \$6,830,000 (Note 26(p)) and obligation to repay the rest amount equal to \$8,238,328. As of 31 December 2020, the Group fully impaired the loan outstanding from Institute Holding Ltd.

On 22 November 2021, the Group set-off loans issued to FRM Corporation Limited as part sale of subsidiary Financial Services B.V. described in Note 4.

On 7 October 2021, the Group issued a loan to Whitecliff investment Management B.V., with the principal amount of \$1,954,000 at 1.7% per annum and maturity date till 7 October 2023. As at 31 December 2021, the Group recognized a provision for expected credit losses in the amount of \$97,000.

(d) Loan given to Industry Dynamics LLP ("ID")

As of 31 December 2021 other financial assets include other receivable in the amount of \$4,284,000 from ID under a joint arrangement agreement (31 December 2020: \$2,948,000) in Note 4.

According to a bilateral protocol signed in 2021 that includes a repayment schedule, the loan was discounted at a market rate of 13.40%, and the amount of discount at initial recognition amounted to \$1,920,000 (Note 9). During 2021, the Group recognized the amortisation of discount in the amount of \$157,000 (2020: nil, as the protocol with the repayment schedule was not signed and the balance of the loan was classified as payable "on demand").

At 31 December 2021, the Group reversed the allowance for expected credit losses in respect of these amounts in the amount of \$300,000 (2020: the Group recognized a provision or expected credit losses in the amount of \$390,000).

(e) Other

Other financial assets are mainly represented by short-term and long-term receivables from third parties arising from the agreements reached with these parties on the return of amounts previously paid as advances for goods and services in the form of monetary funds. Cash flows were discounted at a market interest rate, the discount was recognised in profit or loss (Note 9). During 2021, the Group recorded an additional provision for the expected credit losses in the amount of \$11,814,000 (2020: \$4,407,000, Note 8).

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

16. Inventories

	31 December 2021	31 December 2020
	\$ 000	\$ 000
Raw materials and consumables	160,864	101,233
Work-in-progress	320,090	238,547
Finished goods	114,162	96,959
Total inventories	595,116	436,739

Change in work-in-progress and finished goods includes exchange adjustment in the amount of \$22,345,000 (2020: \$31,558,000).

During the period, the Group recognised an additional provision for impairment of inventories in the amount of \$1,648,000 (2020: an accrual of provision in the amount of \$16,695,000 was recognised) (Note 8(b)).

17. Prepayments and other current assets

	Group 31 December 2021	31 December 2020
	\$ 000	\$ 000
VAT reclaimable	113,580	68,636
Prepayments for goods and services	64,293	38,565
Insurance prepaid	47,945	36,357
Prepayments to related parties	20,824	8,221
Other	9,516	3,784
Prepayments and other current assets	256,158	155,563
Provision for impairment	(7,466)	(6,683)
Total prepayments and other current assets	248,692	148,880

Changes in provision for impairment of prepayments and other current assets are as follows:

	2021	2020
	\$ 000	\$ 000
Provision at the beginning of the reporting period	(6,683)	(4,181)
(Charge) / recovery for the year (Note 8(b))	(1,922)	4,185
Write-off for the year	955	197
Exchange adjustment	184	(6,884)
Provision for impairment	(7,466)	(6,683)

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

18. Trade and other receivables

	Group	
	31 December 2021	31 December 2020
	\$ 000	\$ 000
Trade and other receivables at amortised cost:		
Amounts due from third parties	59,583	41,315
Amounts due from related parties (Note 31)	17,804	14,675
Less: Expected credit losses	(14,657)	(13,941)
	62,730	42,049
Trade and other receivables at fair value:		
Amounts due from third parties	40,936	105,329
Total trade and other receivables	103,666	147,378

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Expected credit losses ("ECL")

The movement in allowance for expected credit losses of trade receivables based on lifetime ECL are as follows:

	2021	2020
	\$ 000	\$ 000
Provision for ECL at the beginning of the reporting period	(13,941)	(12,113)
Charge for the year (Note 8(a))	(1,996)	(2,882)
Write-off for the year	1,062	—
Exchange adjustment	218	1,054
Provision for ECL at 31 December	(14,657)	(13,941)

As at 31 December, the ageing analysis of trade receivables is as follows:

	31 December 2021		31 December 2020	
	Gross value	Impairment	Gross value	Impairment
	\$ 000	\$ 000	\$ 000	\$ 000
Not past due	28,042	(807)	9,786	(265)
Past due 0-90 days	26,636	(767)	27,814	(1,945)
Past due 91-180 days	7,074	(919)	6,650	(1,635)
Past due 181-270 days	4,606	(2,495)	2,682	(1,167)
Past due more than 270 days	11,029	(9,669)	9,058	(8,929)
	77,387	(14,657)	55,990	(13,941)

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

19. Bank deposits

Bank deposits are denominated in KZT and USD with initial terms of maturities more than three months but less than twelve months that are invested with major Kazakhstan banks and local branches of international financial institutions. Bank deposits bear interest from 5.5% to 9.0% (2020: 4.5% to 5.0%) per annum. In 22 December 2021 the Group concluded letter of credit with the Development Bank of Kazakhstan JSC in the amount of \$21,025,677 for the purpose of purchase of equipment for solar electric plant «Balkhash» with maturity until 31 August 2022.

20. Cash and cash equivalents

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$ 000	\$ 000	\$ 000	\$ 000
Cash at bank	53,645	17,785	13	14
Petty cash	40	43	—	—
	53,685	17,828	13	14
Expected credit losses	(732)	(658)	—	—
Total cash and cash equivalents	52,953	17,170	13	14

Cash at bank principally earns interest based on daily bank deposit rates. During 2021, \$74,000 of provision was charged to profit or loss (2020: provision was charged for \$658,000, Note 8(a)).

As at 31 December 2020, cash at current bank accounts was pledged as collateral for the Group's loans due to JSC Halyk Bank of Kazakhstan (Note 26). During 2021, these loans were refinanced to SB Sberbank of Russia JSC.

21. Equity

(a) Charter capital

	Group and Company	
	31 December 2021	31 December 2020
	\$	\$
Charter capital		
At 1 January and 31 December	100	100

The Owners are entitled to receive dividends as and when declared by the Group. During 2021, the Group's subsidiaries paid no dividends to their non-controlling shareholders (2020: nil).

During 2021, the Group did not declare or pay dividends to Owners (2020: nil).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

21. Equity (cont'd)

(b) Non-controlling interests

Contribution to charter capital

During the financial year ended 31 December 2021, the contribution to charter amounted to \$4,697,000.

22. Employee benefits

The Group provides post-retirement benefits in Kazakhstan which are unfunded. These benefits include one-time retirement grants, financial aid, dental care, medical benefits, long-term disability allowances, sanatorium visits, annual financial support to pensioners, free tickets for city buses, privilege tickets for shuttle buses and funeral aid.

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2021	2020
	\$ 000	\$ 000
Current service cost	1,099	1,109
Past service cost / (income)	1,685	(230)
Net actuarial (gains) / losses recognised	(112,403)	87,563
Interest cost on benefit obligation	22,395	23,700
Total	(87,224)	112,142

In accordance with Kazakhstan law, the Group obtained insurance cover for the disability payments to employees from February 2005. These disability payments that were covered by insurance contracts were accounted for under FRS 119 Employee benefits' as an insured benefit, with no asset or liability being recognised in the Group's consolidated financial statements.

The expense is recognised in the following line items of the consolidated statement of comprehensive income:

	2021	2020
	\$ 000	\$ 000
Administrative (income) / expenses	(109,619)	88,442
Finance costs (Note 9)	22,395	23,700
Total	(87,224)	112,142

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

22. Employee benefits (cont'd)

The movement in the defined benefit obligation is as follows:

	2021		2020	
	Post-employment	Other	Post-employment	Other
	\$ 000	\$ 000	\$ 000	\$ 000
Opening balance	36,562	477,993	28,046	435,566
Current service cost	1,022	77	1,070	39
Past service cost / (income)	142	1,543	(230)	–
Acquisition through business combination (Note 4)	191	328	–	–
Net actuarial (gain) / loss in profit or loss	–	(106,006)	488	89,754
Net actuarial (gain) / loss in other comprehensive income	(6,881)	–	10,556	–
Interest cost on benefit obligation	1,718	20,843	1,453	22,322
Benefits provided to employees	(2,076)	(28,072)	(1,937)	(26,979)
Exchange adjustment	(326)	(10,567)	(2,884)	(42,709)
	30,352	356,139	36,562	477,993

The movement in the plan asset is as follows:

	2021		2020	
	Post-employment	Other	Post-employment	Other
	\$ 000	\$ 000	\$ 000	\$ 000
Opening balance	1,275	2,701	623	855
Interest income	60	106	31	44
Contributions to plan assets	1,876	27,429	1,877	26,107
Benefits paid	(2,076)	(28,072)	(1,886)	(26,158)
Actuarial gain	166	6,397	710	1,969
Exchange adjustment	(27)	(148)	(80)	(116)
	1,274	8,413	1,275	2,701

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
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22. Employee benefits (cont'd)

The expected settlement of the defined benefit obligation is as follows:

	2021	2020
	\$ 000	\$ 000
Defined benefit obligation	386,491	514,555
Less: fair value of plan assets	(9,687)	(3,976)
Net liability at 31 December	376,804	510,579
Current	31,051	29,393
Non-current	345,753	481,186
Net liability at 31 December	376,804	510,579

The principal actuarial assumptions used in determining the defined benefit obligation are as follows:

	2021	2020
Discount rate	7.09%	4.53%
Medical and other related cost increases	5.5%	5.6%
Possibility of dismissal	0.01-27.8%	0.5-23.2%
Increase in future salary	5.5%	5.6%

In addition, mortality rates were determined with reference to the statistical mortality table of the population of Kazakhstan published by the Government as of 2016 with an adjustment of 83% (adjusted for disability for disabled people). Staff turnover was determined based on actual historical data taking into account age and gender.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

22. Employee benefits (cont'd)

A quantitative sensitivity analysis for significant assumptions as at 31 December, is as follows:

	Post-employment benefits Increase/(decrease)		Other long-term payments Increase/(decrease)	
	2021	2020	2021	2020
	\$ 000	\$ 000	\$ 000	\$ 000
Discounting rate				
Decrease by 1%	3,118	5,352	37,738	59,013
Increase by 1%	(2,568)	(4,137)	(31,708)	(50,058)
Inflation rate				
Decrease by 1%	(2,376)	(3,782)	(34,120)	(54,122)
Increase by 1%	2,814	4,839	40,019	65,513
Percentage of future salary increases				
Decrease by 1%	(342)	(322)	—	—
Increase by 1%	372	253	—	—
Probability of dismissal				
Decrease by 1%	2,277	2,968	121	116
Increase by 1%	(1,985)	(2,457)	(99)	(96)
Mortality				
Decrease by 10%	299	577	19,047	33,481
Increase by 10%	(294)	(532)	(17,015)	(29,126)

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

23. Provisions

	Site restoration	Other	Total
	\$ 000	\$ 000	\$ 000
At 1 January 2020	143,460	25,080	168,540
Accrual	252	1,179	1,431
Unwinding of discount	6,546	–	6,546
Disposal	(5)	–	(5)
Change in estimates	17,559	–	17,559
Exchange adjustment	(13,247)	(2,389)	(15,636)
At 31 December 2020	154,565	23,870	178,435
Accrual	371	12,954	13,325
Unwinding of discount	7,762	–	7,762
Utilized	–	(1,143)	(1,143)
Change in estimates	(18,421)	–	(18,421)
Acquisition through business combination (Note 4)	3,192	814	4,006
Exchange adjustment	(2,798)	(819)	(3,617)
At 31 December 2021	144,671	35,676	180,347
Current	157	34,662	34,819
Non-current	144,514	1,014	145,528
At 31 December 2021	144,671	35,676	180,347
Current	–	23,865	23,865
Non-current	154,565	5	154,570
At 31 December 2020	154,565	23,870	178,435

(i) Site restoration

The costs of decommissioning and restoration are based on the requirements of the Group's contracts for subsoil use. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines at the dates of depletion of each of the deposits. The present value has been calculated using a discount rate of 4.38 – 7.16% per annum (2020: 4.63-6.52%). The liability becomes payable at the end of the useful life of each mine, which ranges from 1 to 38 years. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, and the levels of discount and inflation rates.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

23. Provisions (cont'd)

(ii) Other

In 2018, the Group recognised a provision within the probable liability to the government outstanding at the time of issue of the financial statements in the amount of \$29,969,000 and reversed the previously accrued provision in the amount of \$15,713,000 in 2019 due to the completion of inspections by public authorities for prior periods. As at 31 December 2021, the balance of the provision is \$22,135,000 (KZT 9,558 million) (31 December 2020: \$22,708,000 (KZT 9,558 million)).

During 2019-2021, the Group concluded thirteen non-legally binding memorandums with local executive bodies on social support and construction of social facilities, with the approximate cost of implementation of \$28,413,000 (KZT 12,105 million). As at 31 December 2021, the balance of the unfulfilled provision is \$8,972,000 (KZT 3,874 million) (31 December 2020: nil).

24. Trade and other payables

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$ 000	\$ 000	\$ 000	\$ 000
Trade payables	201,762	178,675	—	—
Salaries and related payables	60,699	55,936	—	—
Amounts payable to related parties	37,290	12,587	—	—
Other payables and accrued expenses	5,474	4,091	222	107
Total trade and other payables	305,225	251,289	222	107

Trade accounts payable are non-interest bearing and are normally settled on 30 to 40 days term after recognition, mainly nominated in Kazakhstani Tenge. Other taxes payable principally comprise payroll taxes and environmental fund payments remitted to the appropriate tax authority on a monthly basis. Other payables are non-interest bearing and have an average term of 30 days.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
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25. Other non-financial liabilities

	Group	
	31 December 2021	31 December 2020
	\$ 000	\$ 000
Contract liabilities due to third parties (ii) (Note 6)	600,095	28,885
Other taxes payable (ii)	71,702	71,395
Government grants (i)	12,436	686,722
Contract liabilities due to related parties (ii)	2,489	1,397
	686,722	101,677
Current	214,015	101,677
Non-current	472,707	686,722

(i) Government grants

	Group	
	31 December 2021	31 December 2020
	\$ 000	\$ 000
Non-current		
Entrepreneurship Development Fund "Damu" JSC	12,436	686,722

Government grants were recognised in deferred income as follows:

\$ 000	2021	2020
Deferred income at 1 January	-	-
Recognition of government grants - <u>Kaz Green Energy LLP</u> (a)	5,986	-
Recognition of government grants - <u>Kazphosphat LLP</u> (b) (Note 4)	4,319	-
Acquisition through business combination (b) (Note 4)	2,300	-
Exchange adjustment	(169)	-
Deferred income at 31 December	12,436	-

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

25. Other non-financial liabilities (cont'd)

(i) Government grants (cont'd)

(a) Kaz Green Energy LLP government grant

Under the state program on business support and development "Business Roadmap-2025", in December 2021 the Entrepreneurship Development Fund "Damu" JSC, the Development Bank of Kazakhstan JSC and the Kaz Green Energy LLP entered into a subsidy agreement, according to which the Entrepreneurship Development Fund "Damu" JSC subsidizes part of the interest rate (7.79%) on a bank loan received by the Group from the Development Bank of Kazakhstan JSC till 22 December 2026 for the purpose of construction of 1st stage of solar electric plant "Balkhash" with capacity 50 MW (Note 26 (e)). The bank loan was recognized at fair value using a market effective interest rate of 14.60% per annum. The difference between the nominal and fair value of the loan was accounted for as government grant. As a result, the grant at the date of recognition of the loan in the amount of \$5,986,000 thousand was recognized as deferred income and will be utilized over 25 years, which is useful life of the electric plant. The Group plans to complete the construction of the electric plant and put it into operation in July 2022. As of 31 December 2021 Group fulfilled all conditions and contingencies attached to this grant.

(b) Kazphosphat LLP government grant

Under the state program on business support and development "Business Roadmap-2025", in March 2020 the Entrepreneurship Development Fund "Damu" JSC, Halyk Bank JSC and KFF entered into a subsidy agreement, according to which the Entrepreneurship Development Fund "Damu" JSC subsidizes part of the interest rate (9%) on a bank loan received by KFF from Halyk Bank JSC (Note 26 (g)). The bank loan was recognized at fair value using a market effective interest rate of 15% per annum. In September 2022 the Group plans to complete the construction of the production plant with 500 thousand tons of monoammonium phosphate and ammophos capacity. After commissioning construction, the Group will start to depreciate the subsidy over the period of the production plant's useful life. During 2021 the Group recognized grant for the period in the amount of \$4,319,440. As of 31 December 2021 Group fulfilled all conditions and contingencies attached to this grant.

(ii) Contract liabilities

Contract liabilities include advances received, which are recognised as revenue as goods are transferred to customers. The Group expects contract liabilities to be recognised as revenue over the next year.

Other taxes payable principally comprise payroll taxes and environmental fund payments remitted to the appropriate tax authority on a monthly basis and other.

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25. Other non-financial liabilities (cont'd)

(ii) Contract liabilities (cont'd)

Pre-export financing

Contract liabilities due to third parties include advances on pre-export financing agreement in the amount of \$451,825,000 (Note 6). Details of these liabilities are presented below:

	Group	
	2021	2020
	\$ 000	\$ 000
At 1 January	–	–
Deferred during the year	504,119	–
Recognized as revenue during the year (Note 6)	(46,175)	–
Exchange adjustment	(6,119)	–
At 31 December	451,825	–
Current	91,554	–
Non-current	360,271	–

The contract contains financial and non-financial covenants for execution. As at 31 December 2021 and for the year ended on that date, the Group had no covenant violations.

On 15 December 2021, the Group concluded agreement with Russian Copper Company Limited, on the sale of 60% ownership rights in newly created company Diorto Limited. As at the reporting date, the Group has received a prepayment for ownership rights in the amount of \$100,000,000.

26. Borrowings and other financial liabilities

	Group	
	31 December 2021	31 December 2020
	\$ 000	\$ 000
Interest-bearing loans (i)	1,295,727	456,463
Guaranties and other financial instruments (ii)	77,288	70,024
Lease liabilities (Note 27.1)	16,651	9,354
Payment for licenses and social liabilities (iii)	18,659	16,764
	1,408,325	552,605
Current	391,166	345,886
Non-current	1,017,159	206,719
	1,408,325	552,605

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Notes to the Financial Statements

For the financial year ended 31 December 2021

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans

	Interest rate	Effective interest rate	Maturity	31 December 2021 \$000	31 December 2020 \$000
Current interest-bearing loans					
USD 150,000,000 Sberbank of Russia loan (a)	2.95%	3.80%	November 2022	150,000	-
KZT 51,085,200,000 "Elbasy Fund" Private Fund loan (b)	5.00%	5.00%	October 2022	121,081	-
USD 31,000,000 Subsidiary bank Sberbank of Russia loan (c)	3.70%	3.80%	January 2023	31,326	63,020
USD 75,000,000 Subsidiary bank Sberbank of Russia loan (c)	3.60%	3.70%	April 2024	25,000	-
USD 16,125,000 Halyk Bank loan (d)	4.50%	5.13%	July 2022	16,780	-
KZT 7,000,000,000 Development Bank of Kazakhstan loan (e)	6.39%	6.60-6.70%	August 2023	16,211	-
USD 30,000,000 Nurbank loan (f)	3.80%	4.00%	December 2022	7,500	-
USD 1,784,000 Halyk bank loan (d)	4.50%	6.02%	July 2022	1,820	-
USD 440,000,000 Halyk bank loan (d)	4.50%	4.87%	May 2028	1,397	-
KZT 40,000,000,000 Halyk bank loan (g)	15.00%	16.10%	April 2030	1,240	-
USD 135,000,000 Halyk bank loan (d)	4.50%	4.76%	May 2028	1,146	-
KZT 2,500,000,000 Halyk bank loan (g)	14.00%	15.20%	August 2024	1,181	1,149
KZT 2,186,260,451 Nurbank loan (h)	6.00%	9.7-12.6%	May 2023	1,160	1,009
USD 142,500,000 Halyk bank loan (d)	5.70%	5.30-5.70%	October 2026	872	-
KZT 2,527,508,000 Baiterek Venture fund loan (i)	8.00%	7.47%	December 2029	862	837
KZT 5,000,000,000 Halyk bank loan (g)	6.00%	6.30%	February 2022	554	-
KZT 19,993,960,000 Halyk bank loan (g)	11.00%	19.59%	October 2021	-	-
KZT 10,867,846,618 Development Bank of Kazakhstan loan (e)	13.79%	14.50%	November 2035	503	-
USD 225,000,000 Halyk bank loan (d)	4.00%	4.40%	December 2022	-	105,112
USD 85,000,000 RBK Bank Loan (k)	5.50%	5.60%	December 2021	-	85,171
USD 20,000,000 Halyk bank loan (d)	6.00%	6.01-6.07%	October 2021	-	-
USD 112,198,000 Halyk bank loan (d)	7.00%	14.12%	October 2021	-	-
USD 47,893,080 VNSV Finance Limited (j)	5.00%	1.99%	November 2021	-	38,863
USD 138,000,000 Betefin Trust Reg (l)	4.00%	9.45%	December 2021	-	32,450
USD 12,000,000 SB VTB Bank JSC (n)	3.75%	3.86%	September 2021	-	11,994
USD 200,000 WIM BV (m)	3.00%	1.62%	December 2021	-	127
Total current interest-bearing loans				378,633	339,732
Non-current interest-bearing loans					
USD 440,000,000 Halyk bank loan (d)	4.50%	4.87%	May 2028	436,265	-
USD 135,000,000 Halyk bank loan (d)	4.50%	4.76%	May 2028	134,416	-
KZT 40,000,000,000 Halyk bank loan (g)	15.00%	16.10%	April 2030	92,563	-
USD 85,000,000 RBK Bank Loan (k)	5.50%	5.60%	November 2034	85,180	-
USD 142,500,000 Halyk bank loan (d)	5.70%	5.30-5.70%	October 2026	81,689	-
USD 75,000,000 Subsidiary bank Sberbank of Russia loan (c)	3.60%	3.70%	April 2024	50,000	-
KZT 10,867,846,618 Development Bank of Kazakhstan loan (e)	14.60%	14.50%	November 2035	18,759	-
USD 12,000,000 SB VTB Bank JSC (n)	3.75%	3.80%	September 2021	12,000	-
KZT 2,527,508,000 Baiterek Venture fund loan (i)	8.00%	7.47%	December 2029	3,985	5,799
KZT 2,500,000,000 Halyk bank loan (g)	14.00%	15.20%	August 2024	2,066	3,397
KZT 2,186,260,451 Nurbank loan (h)	6.00%	9.7-12.6%	May 2023	108	1,073
KZT 15,362,073 Halyk bank loan (g)	14.00%	14.40%	November 2031	35	-
KZT 12,094,310 Homil Group loan (o)	0%	0%	April 2024	28	-
USD 225,000,000 Halyk bank loan (d)	4.00%	4.40%	December 2022	-	105,676
USD 6,927,797 Institute Holding LTD (p)	3.62%	3.17%	May 2022	-	786
Total non-current interest-bearing loans				917,094	116,731
Total interest-bearing loans				1,295,727	456,463

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(a) Sberbank of Russia PJSC

On 15 November 2021, the Group entered into \$150,000,000 revolving credit line agreement with Sberbank of Russia PJSC at rate of 3.15% with an availability period until November 2022. The purpose of the loan is working capital replenishments. Starting from 15 December 2021 the interest rate for the Group has been reduced to 2.95% per annum. As at 31 December 2021 the credit line amount was fully utilised.

During 2021, the Group paid accrued interest in the amount of \$324,585.

(b) "Elbasy Fund" Private fund

On 22 October 2021, the Group entered into a loan agreement with "Elbasy Fund" private fund in the amount of KZT 51,085 million, equivalently \$119,909,866 at rate of 5% per annum with a maturity until 25 October 2022. The Group has determined the interest rate on this loan agreement to be equivalent to market rate on US dollar loans due to the fact that the terms of the loan agreement provide for indexation of payments by the change in the exchange rate of Tenge against US dollar between the date of conclusion of the agreement and the payment date. The purpose of the loan is working capital replenishments.

(c) Subsidiary bank Sberbank of Russia JSC

In 2016, the Group concluded credit line agreement for \$36,000,000 with availability period until November 2018 for the purpose of short-term working capital replenishments. Kazakhmys Energy LLP acts as a guarantor for this credit line facility. In 2019, the Group entered into an additional agreement to increase the revolving credit line from \$36,000,000 to \$76,000,000 and to extend the availability period until 23 November 2020 with Kazakhmys Energy LLP acting as a guarantor.

During 2020, the Group entered into several bank loan agreements under credit lines with SB Sberbank of Russia JSC totalling \$92,750,000 at 3.7% per annum until the end of 2021. Bank loans were fully repaid by the Group in 2020 and 2021.

In 2021 the Group concluded addendum to the credit line agreement to reduce the revolving credit line amount from \$76,000,000 to \$31,000,000, as well as to extend the availability period until 23 January 2023. On 31 December 2021, the Group fully utilised this credit facility (31 December 2020: \$63,020,000).

On 21 April 2021, the Group entered into \$75,000,000 non-revolving credit line agreement with SB Sberbank of Russia JSC with an availability period until April 2024. The purpose of the loan is to refinance the loan from Halyk Bank JSC. As at 31 December 2021 credit line amount was fully utilised.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(c) Subsidiary bank Sberbank of Russia JSC (cont'd)

On 27 September 2021, the Group entered into a bank loan agreement under credit line agreement with SB Sberbank JSC in the amount of \$6,000,000 at 3.7% per annum for a period until 27 January 2022.

On 24 November 2021, the Group entered into a bank loan agreement under credit line agreement with SB Sberbank JSC in the amount of \$25,000,000 at 3.7% per annum for a period until 24 January 2022.

During 2021, the Group repaid \$62,296,364 of its principal and paid accrued interest in the amount of \$2,994,890 (2020: \$74,464,000 and \$1,845,259, respectively).

(d) Halyk Bank JSC (USD)

On 20 January 2017, the Group signed an agreement for a renewable credit line for the amount of \$60,000,000 with the Halyk Bank JSC at rate of 6% per annum. The funds on current accounts and deposits in the bank were pledged as collateral.

As at 31 December 2020, the Group has used \$15,000,000. On 12 April 2021, the Group terminated this credit line agreement.

On 9 December 2019, the Group entered into an agreement to obtain a credit line in the amount of \$225,000,000 with Halyk Bank JSC for working capital replenishment at 4% per annum with a maturity of up to 36 months. By the end of 2019, the Group utilized \$210,000,000 under this agreement.

During 2021 and 2020 the Group has not utilized the balance of \$15,000,000 credit line limit.

During 2021 the Group refinanced principal in the amount of \$210,000,000 and accrued interest in the amount of \$1,786,259 with SB Sberbank of Russia JSC (2020: repayment of the principal in the amount of \$13,803,125 and accrued interest in the amount of \$8,107,520).

In 2021 the Group concluded several credit line agreements with total amounts of \$575,000,000 for the period until 18 May 2028 and \$17,909,000 for the period until July 2022 at rate of 4.6% with Halyk Bank JSC. The purpose of these loans is the acquisition of 80% ownership in the charter capital of Kazphosphate LLP.

During 2021 the Group repaid accrued interest on these loans in the amount of \$11,829,449. Fees for the organization of the credit line facility amounted to \$5,175,000.

As a result of KFF acquisition (Note 4) \$142,500,000 Halyk Bank JSC credit line agreement was transferred to the Group. The non-renewable credit line agreement was concluded in 2019 at rate of 4.5% for the period until October 2026. At the date of acquisition the principal and interest accrued balance amounted to \$98,102,293.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(d) Halyk Bank JSC (USD) (cont'd)

During 2021, the Group repaid principal and accrued interest in the amount of \$15,470,246 and \$2,773,730 respectively.

As a result of KFF acquisition (Note 4) \$20,000,000 credit line agreement with Halyk bank JSC was transferred to the Group. The credit line agreement was concluded in May 2018 for the period until May 2022. At the date of acquisition the principal and interest accrued balance amounted to \$6,378,316.

During 2021, the Group repaid principal and accrued interest in the amount of \$6,378,177 and \$138,889 respectively.

As a result of KFF acquisition (Note 4) USD 112,198,000 credit line agreement with Halyk bank JSC was transferred to the Group. The credit line agreement was concluded in September 2019 for the period until September 2024. At the date of acquisition the principal and interest accrued balance amounted to \$79,095,658.

During 2021, the Group fully repaid the loan and accrued interest in the amount of \$80,279,867.

(e) Development Bank of Kazakhstan JSC

As a result of KFF acquisition (Note 4) KZT 7,000 million equivalently \$16,430,768 at rate of 6.39% Development Bank of Kazakhstan JSC credit line agreement was transferred to the Group. The credit line agreement was concluded for the period until August 2023. At the date of acquisition the principal and interest accrued balance amounted to KZT 7,002 million equivalently \$16,436,601. The purpose of the loan is working capital replenishments. During the year the Group received additional amount of KZT 16 mln equivalently \$36,382.

During 2021, the Group repaid principal and accrued interest in the amount of \$36,382 and \$509,439 respectively.

On 22 November 2021 the Group concluded non-renewable credit line facility agreement with Development Bank of Kazakhstan JSC for the amount of KZT 16,950 million equivalently \$39,785,931 for the purpose construction of solar power station "Balkhash" with availability period of 6 months. On 30 December 2021, the Group signed a loan agreement with Development Bank of Kazakhstan JSC for the amount of \$25,509,583, equivalently KZT 10,868 million at 13.79% per annum with maturity until 22 November 2035. The purpose of the loan was to finance construction of solar electric plant "Balkhash" with capacity 50 MW. According to subsidy agreement, the Entrepreneurship Development Fund "Damu" JSC subsidizes part of the interest rate (7.79%) on this loan till 22 November 2026. As a result, on initial recognition of this loan, the difference between the nominal and fair value of the loan was accounted for as government grant. As a result, the government grant was recognized as deferred income (Note 25 (i)) at the date of recognition of the loan in the amount of \$5,986,000 thousand.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(f) Nurbank JSC (USD)

On 7 December 2021, the Group entered into \$30,000,000 revolving credit line agreement with Nurbank JSC at rate of 3.8% with availability period until 7 December 2022. The purpose of the loan is working capital replenishments. Cash deposit in the amount of \$200,000 in the bank is used as collateral.

On 30 December 2021, the Group entered into a bank loan agreement under the credit line agreement with Nurbank JSC in the amount of \$4,000,000 at 3.8% per annum for a period until 30 December 2022. The Group received full cash on this loan in 2021.

On 31 December 2021, the Group entered into a bank loan agreement under credit line agreement with Nurbank JSC in the amount of \$3,500,000 at 3.8% per annum for a period until 31 December 2022. The Group received full amount of cash on this loan in 2021.

(g) Halyk Bank JSC (KZT)

On 22 August 2019, the Group obtained a revolving credit line in the amount of KZT 2,500 million, equivalently \$6,500,000, from Halyk Bank JSC at 14% per annum. The funds that are on the guarantee deposit in the bank of Halyk Bank JSC pledged as collateral. On 28 August 2019, the Group entered into an agreement on a bank loan, to the abovementioned agreement on a renewable credit line, in the amount of \$6,033,548 (KZT 2,338 million) for a period of 60 months, at 14% per annum.

On 22 December 2020, the Group entered into an agreement to provide a bank loan in the amount of \$332,000 (KZT 140 mln), for a period of 60 months, at 14% per annum.

During 2021, the Group repaid \$1,201,097 of its principal and accrued interest in the amount of \$570,382 (2020: \$830,600 and \$695,000, respectively).

On 11 October 2021 the Group concluded non-renewable credit line facility agreement with Halyk bank for the amount of KZT 7,916 million equivalently \$18,580,527 for the purpose construction of bio power station with availability period of 6 months from financing date. On 29 December 2021, the Group signed a loan agreement with Halyk bank JSC for the amount of KZT 15.3 million, equivalently \$36,059, at 14% per annum with maturity on 18 November 2031.

As a result of KFF acquisition (Note 4) KZT 40,000 million equivalently \$93,890,102 at rate of 15% credit line agreement with Halyk bank JSC was transferred to the Group. The credit line agreement was concluded in March 2020 for the period until April 2030. At the date of KFF acquisition the principal and interest accrued balance amounted to KZT 25,796 million equivalently \$60,548,783. The purpose of the loan is to finance the construction of the start-up complex for the production of 500 thousand tonnes of monoammonium phosphate and ammophos at ZMU.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(g) Halyk Bank JSC (KZT) (cont'd)

In accordance with the State program of support and development of business "Business Roadmap - 2025", approved by the Government of the Republic of Kazakhstan on 24 December 2019 #968, Entrepreneurship Development Fund "Damu" JSC subsidizes the interest rate on the credit line at a rate of 9% (Note 25 (i)).

During 2021, the Group accrued interest in the amount USD 8,503,030 which have been capitalized into the cost of fixed assets.

During 2021, the Group paid accrued interest in the amount USD 7,294,338.

As a result of KFF acquisition (Note 4) KZT 19,993,960,000 and KZT 5,000,000,000 credit line agreement with Halyk bank JSC was transferred to the Group. The credit line agreement was concluded in September 2019 for the period until September 2024.

At the date of acquisition the principal and interest accrued balance amounted to \$39,330,349 respectively.

During 2021, the Group fully repaid principal and accrued interest in the amount of KZT \$38,495,352.

(h) Nurbank JSC

On 18 March 2016, the Group concluded a non-revolving credit line agreement for the total amount of \$6,341,562 (KZT 2,186 million) with the purpose of capital expenditures on modernization of concentrators. Kazakhmys Energy LLP acts as a guarantor for this credit facility. As a result of discounting loan to its amortised cost at market rates of 9.7% to 12.6% per annum, the Group recognised discount for the total amount of \$869,000 (KZT 297 mln). As at 31 December 2021, the loan discount amounted to \$152,571 (2020: \$220,366).

During 2021, the Group repaid principal in the amount of \$997,272 and accrued interest in the amount of \$113,037 (2020: \$1,026,760 and \$179,198, respectively).

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(i) Baiterek Venture Fund JSC

On 30 September 2019, Kaz Green Energy LLP signed a KZT loan agreement with Baiterek Venture Fund JSC for the amount of \$6,520,414, equivalently in KZT 2,527,508,000 at 8% per annum with maturity on 1 March 2029. The aim of the loan was to finance the capital expenditures of equipment and construction works of solar power station «Kengir» with capacity 10 MW. During 2020 the addendum was signed according which the maturity date changed to 30 March 2029.

During 2021 Kaz Green Energy LLP accrued interest in the amount \$428,000 (2020: \$493,000). As at 31 December 2021, the Company repaid \$757,000 (2020: \$640,000).

(j) VNSV Finance Limited

On 5 November 2019, the Group entered into a facility agreement with VNSV Finance Limited for general corporate purposes. The loan bears an interest of 5% per annum and the principal and associated interests are repayable in 2 years for the amount of \$2,004,495.

During 2020, the Group signed a novation agreement with Beteifin Trust Reg. on which the Group partially transferred liability to VNSV Finance Ltd. in the amount of \$37,893,080 (Note 26 (i)).

On 22 November 2021, the Group has disposed of its entire investment in Financial Services B.V., by selling 100% of shares to FRM Corporation Limited. As a result, the full amount of this loan, including the outstanding principle in the amount of \$42,034,815 (2020: \$39,897,575), accrued interest in the amount of \$3,003,465 (2020: \$1,108,237) were disposed by the Group.

(k) Bank RBK JSC

On 9 November 2018, the Group signed a renewable credit line agreement for the amount of \$85,000,000 with RBK Bank JSC at the rate of 6% per annum with availability period till 9 November 2019 and maturity until 9 November 2025. The purpose of the loan is working capital replenishments. As of 31 December 2018, the Group used the entire credit line. As of 31 December 2021, fixed assets in amount of \$53,165,270 were pledged as collateral (2020: \$38,881,220). During 2018 the Group fully utilized the credit line and as of 31 Dec 2021 all bank loans under this credit line agreement were fully repaid.

On 26 August 2021 the Group entered into an additional agreement to the credit line with Bank RBK JSC to increase the availability period from 9 November 2019 to 1 September 2022, as well as to reduce the rate from 6% to 5.5% per annum.

On 24 November 2021 the Group entered into a bank loan agreement under the credit line with Bank RBK JSC in the amount of \$85,000,000 at rate of 5.5% per annum for a period until 22 November 2024.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(k) Bank RBK JSC (cont'd)

During 2021, the Group repaid principal in the amount of \$85,905,406 and accrued interest in the amount of \$4,262,089 (2020: payment of accrued interest in the amount of \$4,872,260). As at 31 December 2021, the Group has fully utilised the entire credit facility (as at 31 December 2020: the credit facility has been fully utilized).

(l) Beteifin Trust Reg.

On 12 August 2014, Financial Services B.V. signed an agreement with Beteifin Trust reg, as Lender, for dollar term facility in the amount of \$138,000,000 needed for debt refinancing purposes.

On 1 August 2019, the Group signed an addendum on prolongation of the payment of abovementioned agreement till 12 August 2021. The change in fair value was recognised as gain on modification through profit or loss in the amount of \$8,553,029 and the amortisation of the discount amounted to \$3,907,093.

On 1 September 2020, the Group signed novation agreement on which the Group transferred to Beteifin Trust Reg. the loan given by the Group to Clifford Securities Ltd. in amount of \$40,000,000 in exchange of decrease the existing liability. As a result, outstanding principal balance was decreased by \$6,095,095 and interest payable by \$33,904,905. The change in fair value was recognised as gain on early repayment in profit or loss in the amount of \$3,480,731.

During 2020, the Group signed novation agreement with Beteifin Trust Reg. on which the Group partially transferred liability to VNSV Finance Ltd. in the amount of \$37,893,080 (Note 26 (j)).

During 2021, the Group made principal repayments of \$2,147,860 (2020: \$30,000,000).

The finance cost charged to profit or loss during 2021 was in the amount of \$1,567,044 (2020: \$6,382,497).

On 22 November 2021, the Group has disposed of its entire investment in Financial Services B.V., by selling 100% of shares to FRM Corporation Limited (Note 4). As a result, the full amount of this loan, including the outstanding principle in the amount of \$30,027,260 (2020: \$32,175,120), accrued interest at 4% in the amount of \$1,845,456 (2020: \$763,720) were disposed by the Group.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(m) WIM BV.

On 28 February 2018, Financial Services B.V. signed an agreement with Whitecliff Investment Management B.V., as Lender, for dollar term facility in the amount of \$100,000 needed for general corporate purposes.

On 22 November 2021, the Group has disposed of its entire investment in Financial Services B.V., by selling 100% of shares to FRM Corporation Limited (Note 4). As a result, the full amount of this loan, including the outstanding principle in the amount of \$125,538 (2020: \$125,538), accrued interest at 2.50% in the amount of \$8,720 (2020: \$5,877) and the remaining discount balance of \$881 (2020: \$4,426) were disposed by the Group.

(n) SB VTB Bank JSC

On 14 August 2019, the Group entered into a general agreement on the provision of a credit line in the amount of \$15,000,000 with VTB Bank SB at a rate of 5.0% per annum, with an availability period of 36 months. The purpose of the loan is to finance working capital. As at 31 December 2020, the Group has fully utilized the credit line. On 14 September 2020, the Group concluded addendum to a credit line agreement with SB VTB Bank JSC to reduce the rate from 5% to 3.75% per annum.

On 14 September 2020, the Group entered into bank loan agreement under the credit line agreement in the amount of \$12,000,000 (equivalent to KZT 5,115 million) from SO VTB Bank JSC (Kazakhstan) at the rate of 3.75% per annum, with maturity of 12 months. The purpose of the loan is the replenishment of the working capital. The loan was fully repaid in 2021.

On 10 September 2021, the Group concluded addendum to the credit line agreement with SB VTB Bank JSC according to which the part of the credit line in the amount of \$12,000,000 becomes revolving.

On 10 September 2021, the Group entered into a bank loan agreement under the credit line with SB VTB Bank JSC (Kazakhstan) in the amount of \$12,000,000 at a rate of 3.75% per annum with a maturity until 10 September 2023. The Group received full amount of cash on this loan in 2021.

During 2021, the Group repaid principal in the amount of \$12,000,000 and accrued interest in the amount of \$445,345 (2020: repayment of the principal in the amount of \$15,183,440 and accrued interest in the amount of \$661,097).

As at 31 December 2021, the Group has fully utilized the credit line (31 December 2020: the credit line has been fully utilised).

(o) Homil Group JSC

On 1 March 2021, the Group received interest-free loan from Homil Group JSC for the amount of KZT 12 million, equivalently \$28,009 for the period until 30 April 2024.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

26. Borrowings and other financial liabilities (cont'd)

(i) Interest-bearing loans (cont'd)

(p) Institute Holding Ltd.

On 23 May 2016, Financial Services B.V. signed an agreement with Institute Project B.V., as Lender, for loan facility in the amount of \$7,591,000 needed for general corporate purposes. On 1 January 2017, the loan and accrued interest was novated to shareholder of the Lender – Institute Holding Ltd.

On 23 May 2019, the Group signed an addendum on prolongation of the payment of this agreement till 23 May 2022. The change in fair value was posted through profit or loss in the amount of \$743,365 and the amortisation of the discount amounted to \$185,797.

During 2020, the loan was decreased as a result of novation agreement with Institute Holding Ltd. for the amount of \$6,829,672 (Note 15 (c)).

During 2021, the Group has fully repaid the accrued interest balance in the amount of \$772,500.

Covenants

As at 31 December 2021 and 2020 and for the years ended on those dates, the Group had no covenant violations except as follows:

As at 31 December 2021, the Group breached the banking covenant for exceeding the amount of capital and investment costs incurred, which should not exceed the equivalent of \$400 million annually, in accordance with the terms of the loan agreement with Bank RBK JSC. At the reporting date, the Group received a written notice from the bank, according to which the bank released the Group from compliance with the above condition and agreed not to accrue penalties and not require early repayment of debt for the year ended 31 December 2021.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

26. Borrowings and other financial liabilities (cont'd)

(ii) Guaranties and other financial instruments

	Group	
	2021	2020
	\$ 000	\$ 000
Bondholders of DSFK (a)	76,251	70,024
Industrial Development Fund JSC (DBK Leasing	1,037	–
	77,288	70,024

(a) Bondholders of DSFK

The Group has provided finance guarantees to the bondholders of the subsidiary "Special Finance Company DSFK".

The Group provided a put option to the bondholders on the DSFK's collateralized debt obligations ("CDO") for a total amount of 50 billion Tenge (in case return on CDO is lower than 72 billion Tenge), according to the frame agreement. Pursuant to the frame agreement, bondholders may exercise their right for the partial repurchase in 5 years from the CDO origination date. Bondholders are mainly National Bank of the Republic of Kazakhstan and other Governmental companies.

At the time of initial recognition, upon disposal of the subsidiary, the Group recognised the financial guarantee at fair value. At the subsequent reporting dates, this financial guarantee was measured at the amount of expected credit losses, as they were greater than the initial fair value less possible amortisation in accordance with the principles of FRS 115 "Revenue from contracts with customers".

In 2021, the Group reduced the liability under the guarantee by \$3,300,327 (KZT 1,406 million) as a result of a transaction to sell CDOs owned by two counterparties. During 2021, the Group recognized an increase in the carrying amount of the guarantee liability in the amount of \$8,102,716 (KZT 3,452 million) as part of finance costs (2020: \$9,495,096, equivalently KZT 3,921 million).

(b) Industrial Development Fund JSC (DBK Leasing JSC) – Tranco Express LLP

On 16 March 2021, the Group issued a guarantee to secure a financial lease to Tranco Express LLP from Industrial Development Fund JSC for the total amount of \$2,927,024 (KZT 1,247 million), issued at a rate of 7% per annum. At the date of initial recognition, the guarantee was measured at fair value of \$514,048 (KZT 219 mln). During 2021, the amortization of the guarantee amounted to \$86,848 (KZT 37 mln) and was recognized in finance income.

As at 31 December 2021, the ECL on this guarantee was estimated at a total of \$1,039,833 (KZT 449 million), resulting in a finance expense of \$624,369 (KZT 267 million) recognized in the consolidated statement of comprehensive income.

Covenants

As at 31 December 2021 and 2020 and for the years ended on those dates, the Group had no covenant breaches under its guarantee agreements. Also, there were no violations of covenants from the side of companies in respect of which obligations the Group acts as a guarantor.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

26. Borrowings and other financial liabilities (cont'd)

Reconciliation of liabilities arising from the Group's financing activities at 31 December 2021:

\$ 000	1 January 2021	Cash flows	Acquisition through business combination (Note 4)	Interest accrued	Foreign exchange movement	Disposal of FS BV (Note 4)	Other	31 December 2021
Borrowings - short-term	339,732	(91,359)	60,412	15,990	8,453	(77,690)	123,095	378,633
Borrowings - long-term	116,731	679,254	239,480	23,338	6,968	—	(148,677)	917,094
Leases - short-term	4,875	(8,355)	1,591	697	1,229	—	8,026	8,063
Leases - long-term	4,479	—	6,657	603	1,614	—	(4,765)	8,588
Licenses - short-term	2,055	(1,763)	—	801	157	—	3,220	4,470
Licenses - long-term	14,709	—	—	671	(63)	—	(1,128)	14,189
Dividends	563	—	—	—	—	—	(33)	530
Total	483,144	577,777	308,140	42,100	18,358	(77,690)	(20,262)	1,331,567

Reconciliation of liabilities arising from the Group's financing activities at 31 December 2020:

\$ 000	1 January 2020	Cash Flows	Interest accrued	Foreign exchange movement	Other	31 December 2020
Borrowings - short term	277,464	(58,031)	23,539	27,868	68,892	339,732
Borrowings - long term	256,832	(1,159)	4,966	19,741	(163,649)	116,731
Leases - short term	5,020	(3,369)	260	503	2,461	4,875
Leases - long term	8,417	—	437	—	(4,375)	4,479
Licenses - short term	1,920	(1,761)	210	271	1,415	2,055
Licenses - long term	15,830	—	1,727	308	(3,156)	14,709
Dividends	622	—	—	—	(59)	563
Total	566,105	(64,320)	31,139	48,691	(98,471)	483,144

(iii) Payments for licences and social liabilities

In accordance with contracts for subsoil use, the Group is liable to repay the costs of geological information provided by the Government of Kazakhstan for licensed deposits. The total amount payable by the Company is discounted to its present value using a discount rate of 5.8 - 16.1% per annum (2020: 5.3% - 16.1%). The maturity of liabilities is specified in the working programs of the appropriate subsoil use contracts and varies from 2022 to 2034.

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

27. Leases

27.1 The Group as a lessee

Right-of-use assets are presented within property, plant and equipment according to the classes of underlying assets:

\$ 000	Machinery and equipment	Other	Total
Carrying amount at 1 January 2020	30,235	1,134	31,369
Additions	31	—	31
Depreciation charge	(4,534)	(460)	(4,994)
Net exchange adjustment	(2,769)	(99)	(2,868)
Carrying amount at 31 December 2020	22,963	575	23,538
Acquisition through business combination	17,495	—	17,495
Additions	439	3,971	4,410
Depreciation charge	(3,252)	(663)	(3,915)
Purchase of leased assets under lease agreements	(6,034)	—	(6,034)
Net exchange adjustment	(694)	(59)	(753)
Carrying amount at 31 December 2021	30,917	3,824	34,741

On March 19, 2021, the Group entered into an office lease agreement in the city of Almaty for a period of 5 years from 1 April 2021 to 1 April 2026.

The following lease expenses were recognized in profit or loss:

\$ 000	2021	2020
Depreciation of right-of-use assets (included in cost of sales)	3,252	4,994
Depreciation of right-of-use assets (included in administrative expenses)	663	—
Interest expense on lease liabilities (Note 9 – Finance costs)	1,300	697
Land lease (Note 7)	5,344	5,328
Other lease (Note 7)	3,180	3,731
Total	13,739	14,750

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

27. Leases (cont'd)

27.1 The Group as a lessee (cont'd)

Land lease expense refers to variable lease payments - in previous years, the land tax rate and the cadastral value of land fluctuated between 6-8% (2020: 5-7%). If the land tax rate is increased/decreased by 10%, the annual rent payments will increase/decrease by \$751,120.

Other leases consist of low-value asset leases and short-term leases.

Total cash outflow from leases in 2021 amounted to \$4,126,000 (2020: \$9,512,000).

Set out below are the carrying amounts of lease liabilities (included under Borrowings and other financial liabilities) and the movements during the period:

	2021 \$ 000	2020 \$ 000
At the beginning of the reporting period	9,354	13,437
Additions	3,596	—
Finance costs (Note 9)	1,300	697
Acquisitions through business combination	8,248	—
Payments	(7,980)	(3,369)
Exchange adjustment	2,133	(1,411)
Lease liabilities	16,651	9,354
Short-term	8,063	4,875
Long-term	8,588	4,479

27.2 The Group as a lessor

The Group has entered into a real estate operating lease agreement for a portfolio of investment property consisting of certain office space for a period of 3 years (Note 12.a). Rental income recognized by the Group during the year amounted to \$911,000 (2020: \$75,000). The minimum lease payments receivable in future periods under non-cancellable operating leases as at 31 December are:

\$ 000	2021	2020
During the year	899	910
More than 1 year, but not more than 5 years	1,199	2,165
Total	2,098	3,075

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

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28. Derivative financial assets and liabilities

Derivative instruments designated at the Group's discretion as hedging instruments

Cash flow hedging

The Group is exposed to certain risks associated with its current business activities. The main risk that is managed using derivatives is the risk of changes in commodity prices.

Commodity price risk

In 2021 the Group signed an ISDA agreement with Sberbank of Russia PJSC and VTB Bank PJSC and entered into a transaction to purchase commodity options and commodity swap to reduce commodity risks. The initial price, premium and conditional volume of copper are indicated in each confirmation submitted by the Group and accepted by the Bank.

Hedging instruments are presented by put options with a deferred premium, zero-cost collars and swaps:

Put option with a deferred premium. The premium is paid at the end of each month. If out-of-the-money option exists at the end of the month, the Group pays a premium. In case of in-the-money option, the bank pays the difference between the average monthly price and the strike price (option exercise price) minus the premium; or the Group pays if the premium exceeds the difference.

Zero-cost collars. If the average selling price is higher than the upper strike price (the call option exercise price), the Group pays the difference. If the average selling price is lower than the lower strike (strike price of the put option), the Bank pays the difference.

Commodity swaps. In accordance with the agreement, the Group transfers or receives the difference between the average monthly price and the fixed price of the instrument (the strike price of the swap).

The parties are not related to each other and the contract is concluded on market terms.

These contracts signed on 29 June 2021 are expected to result in less volatility in cash flows attributable to price fluctuations of copper. Hedging of price volatility of forecast copper purchase transactions is carried out in accordance with the risk management strategy approved by the Management of the Group.

During 2021, the Group entered into transactions represented by commodity options with deferred premium and zero-cost collars for the purposes of risk management related to changes in cash flows from expected copper cathode sales in the period 2021-2024. As at 31 December 2021, the nominal volume of instruments is 499,398 tonnes of cathode copper.

It is expected that there is an economic relationship between the hedged item and the hedging instrument, since the main parameters of the hedging instrument are comparable to the parameters of highly probable forecast sales (including the underlying asset, settlement currency, volume and expected settlement dates of contracts). The Group sets a hedging ratio of 1:1. To test the effectiveness of hedging relationships, the Group uses the hypothetical derivative method. The fair value of a hypothetical derivative instrument is used by the Group to assess the change in the fair value of the hedged item for the purpose of its subsequent correlation with the change in the fair value of the hedging instrument.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

28. Derivative financial assets and liabilities (cont'd)

Derivative instruments designated at the Group's discretion as hedging instruments (cont'd)

Cash flow hedging (cont'd)

The main sources of ineffectiveness are:

- Unmatched timing of payments of cash flows for a hedged item and a hedging instrument;
- Availability of a deferred premium on a hedging instrument;
- Changes in the forecast cash flows for a hedged item;
- The counterparty credit risk affecting the change in the fair value of a hedging instrument;
- Further costs associated with the execution of a hedging instrument;
- The fact that the hedging instrument is "in the money" at the inception date of the hedging relationship.

The Company has entered into the option contracts with the following main criteria:

	Maturities					
	Less than 6 months	6-12 months	12-18 months	18-24 months	Over 24 months	Total
At 31 December 2021						
Commodity options						
Nominal volume (in tonnes)	109,998	110,400	110,400	79,140	79,140	489,078
Nominal amount (in '000 US dollar)	1,066,101	1,069,997	1,069,997	767,025	767,025	4,740,145
Average hedged price (US dollar)	8,660	8,660	8,660	8,653	8,563	
Commodity swaps						
Nominal volume (in tonnes)	—	—	—	5,160	5,160	10,320
Nominal amount (in '000 US dollar)	—	—	—	50,011	50,011	100,022
Average hedged price (US dollar)	—	—	—	9,280	9,280	

As at 31 December 2021, the carrying amount of the instruments equals to the amount of \$86,780,917 (2020: nil).

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**Notes to the Financial Statements
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28. Derivative financial assets and liabilities (cont'd)

Derivative instruments designated at the Group's discretion as hedging instruments (cont'd)

Cash flow hedging (cont'd)

The impact of cash flow hedge on the statement of financial position is presented below:

(a) Hedging instruments

				Change in fair value used to measure ineffectiveness for the period
\$ 000	Nominal volume	Carrying amount	Line in the statement of financial position	
For the year ended 31 December 2021				
Commodity option contracts	489,078	(89,713)	Derivative financial instruments	(7,093)
Commodity swap contracts	10,320	2,932	Derivative financial instruments	2,972
Carrying amount, net		(86,781)		
Current		74,062		
Non-current		12,719		

(b) Hedged items

in \$000	Change in fair value used to measure ineffectiveness for the period	Cash flow hedging reserve	Cost of hedging reserve
At 31 December 2021			
Highly probable forecast sales	(3,802)	(4,096)	(94,562)

The impact of cash flow hedging on the statement comprehensive income is presented below:

in \$000	Amounts related to hedging relationships		Amounts related to cost of hedging				
	Total gain/(loss) from hedging recognized in OCI	Hedge ineffectiveness recognized in profit or loss	Line in the statement of comprehensive income	Cost of hedging recognized in OCI	Ineffective part of cost of hedging recognized in profit or loss	Amount reclassified from OCI to profit or loss	Line in the statement of comprehensive income
For the year ended 31 December 2021							
Highly probable forecast sales	(4,096)	(26)	Finance cost	(112,856)	(16,424)	(18,294)	Revenue

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

28. Derivative financial assets and liabilities (cont'd)

Derivative instruments designated at the Group's discretion as hedging instruments (cont'd)

Cash flow hedging (cont'd)

(b) Hedged items (cont'd)

Derivatives designated at the Group's discretion as hedging instruments reflect a negative change in the fair value of commodity options determined at the Group's discretion as cash flow hedging instruments for highly probable future sales made in US dollars. Such derivatives also include changes in the fair value of commodity options executed in 2021. The Group's risk management strategy and how it is applied to risk management are described in Note 29.

29. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are foreign currency risk, commodity price risk, credit risk and liquidity risk. These risks arise from exposures that occur in the normal course of business and are managed by the Treasury department.

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, trade payables, interest-bearing loans and other financial liabilities and assets which arise directly from its operations. The Group's accounting policies with regard to financial instruments are detailed in Note 2.

(a) Derivatives and financial instruments and risk management

The Group periodically uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices. The Group's philosophy is generally not to hedge its core revenue streams. In periods of significant market volatility or uncertainty, the Group may use derivative instruments as means of reducing volatility and any negative impact on its operating cash flows. Strict limits on the size and type of any derivative hedge transaction are laid down by the management and subject to strict internal controls. The Group does not hold any speculative financial instruments.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

29. Financial risk management objectives and policies (cont'd)

(a) Derivatives and financial instruments and risk management (cont'd)

The carrying amounts of financial assets and liabilities by categories are as follows:

	Note	31 December 2021 \$ 000	31 December 2020 \$ 000
Financial assets			
<i>Financial assets measured at fair value through OCI</i>			
Non-listed equity investments	15	4,736	5,077
<i>Financial assets measured at fair value through profit or loss</i>			
Trade and other receivables	18	40,936	105,329
<i>Financial assets measured at amortised cost</i>			
Trade and other receivables	18	62,730	42,049
Bank deposits	19	31,327	65,389
Cash and cash equivalents	20	52,953	17,170
Long-term deposits	15	12,397	12,166
Loans given to shareholders	15	660,384	226,930
Loans given to other parties	15	1,878	93
Loan given to Industry Dynamics LLP	15	2,471	2,568
Others	15	114,357	26,882
Financial liabilities			
<i>Financial liabilities at fair value through OCI</i>			
Derivative liability	28	86,781	—
<i>Financial liabilities at amortised cost</i>			
Interest-bearing loans	26 (i)	1,295,727	456,463
Trade and other payables	24	305,225	251,289
Payment for licenses and social liabilities	26 (iii)	18,659	16,764
Dividends payable		530	563
<i>Lease liabilities</i>			
Lease liabilities	27	16,651	9,354
<i>Financial guarantee agreements</i>			
Guaranties and other financial instruments	26 (ii)	77,288	70,024

East Copper Holdings Private Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

29. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Group's functional currency. The functional currency of the Group is Tenge. The currency giving rise to the majority of the foreign currency risk is the US Dollar. Accounts impacted by US Dollar include revenues, bank deposits, trade receivables, loans and certain trade payables. The Group generally does not enter into hedging operations in respect of its exposure to foreign currency risk.

In accordance with FRS 107, the impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2021 and 2020.

The Group's exposure to a foreign currency risk based on the gross amounts is shown in the following table:

	Changes in USD rates	Effect on profit before tax \$ 000
2021	13.00%	(144,390)
	-10.00%	111,070
2020	14.00%	(82,616)
	-11.00%	64,912

The Group is exposed to fluctuations in copper prices, which are set in US dollars on international markets. The Group is also exposed, although to a lesser extent, to movements in the prices of other metals, including gold and silver, which are also produced by the Group as by-products along with copper production.

The Group's Board of Directors has developed and approved for use a strategy to manage and reduce the copper price risk. Considering the forecast copper sales for the next 30 months, the Group hedges the copper purchase price risk using commodity options for this purpose. Commodity options do not involve physical delivery of copper and are used as a cash flow hedging instrument to offset the impact of changes in copper price. The Group hedges approximately 75% of expected copper sales, which are considered highly probable (Note 28).

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**Notes to the Financial Statements
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29. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk (cont'd)

The table below shows the impact of changes in copper prices using hedge accounting:

	Copper price changes	Effect on profit before tax \$ 000	Effect on equity before tax \$ 000
2021	2.00%	—	104
	-13.00%	(9)	(787)
2020	14.00%	11,387	—
	-20.00%	(19,546)	—

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is not exposed to interest rate risk as at 31 December 2021 and 2020, the Group had no financial assets and liabilities with a floating interest rate.

(d) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets. Creditworthiness of counterparties is assessed prior to, during, and after the conclusion of transactions to ensure exposure to a credit risk is limited to an acceptable level. The maximum exposure to a credit risk is represented by the carrying amount of each financial asset as at the reporting date.

The Company is exposed to concentration of credit risk as its major sales are made to Advaita Trade DMCC. As at 31 December 2021, 5 top customers accounted for 53% (2020: 78%) of the trade and other receivables of the Group.

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Notes to the Financial Statements For the financial year ended 31 December 2021

29. Financial risk management objectives and policies (cont'd)

(d) Credit risk (cont'd)

Exposure to credit risk

The table below shows the balances of bank accounts and deposits at the reporting date using the credit ratings:

	31 December 2021		31 December 2020	
	Current accounts	Deposits	Current accounts	Deposits
	\$ 000	\$ 000	\$ 000	\$ 000
Halyk Bank - S&P / BB+ / Stable	30,678	275	3,077	2,018
RBK Bank - Moody's / B2 / Positive	12,131	21,650	3,756	71,939
Sberbank - Moody's / Baa3 / Positive	4,414	57	1,847	2
Forte JSC - Moody's / Ba2 / Stable	4,231	-	6,418	-
CenterCredit - S&P / B / Stable	196	532	-	-
Development bank of Kazakhstan - Moody's/Baa2/Stable/	-	21,019	-	-
Citibank Kazakhstan JSC – S&P / A+ / stable	-	-	2	-
GazPromBank - S&P / BB / stable	-	-	58	-
Other	1,995	642	2,627	4,020
	53,645	44,175	17,785	77,979

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to derivative financial instruments.

(e) Liquidity risk

The Group maintains a balance between availability of funding and maximising investment return on its liquid resources through the use of liquid cash investments of varying maturities, credit facilities and long-term debt instruments. Management regularly reviews the funding requirements of the Group in selecting appropriate maturities for its liquid cash investments.

The Group's policy is to centralise debt and surplus cash balances to the maximum extent possible.

Maturity of financial liabilities

The table below analyses the Group's financial liabilities which will be settled on a gross basis into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

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Notes to the Financial Statements
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29. Financial risk management objectives and policies (cont'd)

(e) Liquidity risk (cont'd)

Maturity of financial liabilities (cont'd)

2021	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing loans	–	47,894	389,590	759,131	365,417	1,562,032
Trade and other payable	–	305,225	–	–	–	305,225
Payment for licenses	2,517	–	1,953	16,007	4,759	25,236
Lease liabilities	–	1,265	8,008	8,964	–	18,237
Dividend payable	530	–	–	–	–	530
Total	3,047	354,384	399,551	784,102	370,176	1,911,260

2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing loans	–	64,851	292,437	118,339	2,481	478,108
Trade and other payable	–	251,289	–	–	–	251,289
Payment for licenses	–	77	1,970	16,880	5,982	24,909
Lease liabilities	–	1,160	3,758	4,679	–	9,597
Dividend payable	563	–	–	–	–	563
Total	563	317,377	298,165	139,898	8,463	764,466

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**Notes to the Financial Statements
For the financial year ended 31 December 2021**

29. Financial risk management objectives and policies (cont'd)

(f) Fair value of financial assets and liabilities

Fair value of financial assets and liabilities is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. Carrying amounts stated in financial statements are reasonable approximations of the fair values.

Below is a comparison of the carrying value and fair value of financial instruments of the Group, presented in the financial statements, by category, with the exception of those financial instruments, the carrying value of which approximates their fair value.

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying value	Fair value
Financial assets				
Loans given to shareholder (Note 15)	660,384	653,236	226,930	232,382
Loans given to third parties (Note 15)	1,878	2,032	93	93
Others (Note 15)	116,828	116,266	29,450	29,450
Financial liabilities				
Payments for licences (Note 26)	18,659	21,210	16,764	15,968
Interest-bearing loans (Note 26)	1,295,727	1,313,102	456,463	457,857
Guaranties and other financial instruments (Note 26)	77,288	74,038	70,024	70,022

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Notes to the Financial Statements

For the financial year ended 31 December 2021

29. Financial risk management objectives and policies (cont'd)

(g) Fair value measurement hierarchy

For the years ended 31 December 2021 and 2020 there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

The table below discloses the measurement hierarchy for assets and liabilities of the Group at the fair value.

	Date of measurement	Total	Fair value measurement with the use of Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
Financial assets designated at FVOCI					
Non-listed equity investments	31-Dec-21	4,736	—	—	4,736
	31-Dec-20	5,077	—	—	5,077
Financial assets measured at FVTPL					
Trade and other accounts receivable	31-Dec-21	40,936	—	40,936	—
	31-Dec-20	105,329	—	105,329	—
Financial liabilities measured at FV					
Derivative financial instruments	31-Dec-21	86,781	—	86,781	—
	31-Dec-20	—	—	—	—

(h) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to support its business and reduce the cost of capital.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders and return capital to shareholders.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

29. Financial risk management objectives and policies (cont'd)

(h) Capital management (cont'd)

The Group considers the following amounts under capital management:

	31 December 2021	31 December 2020
	\$ 000	\$ 000
Borrowings, other financial liabilities and derivative liabilities	1,495,106	552,605
Less: cash and short-term deposits	(84,280)	(82,559)
Net debt	1,410,826	470,046
Equity attributable to equity holders of the Parent	1,418,140	930,590
Capital and net debt	2,828,966	1,400,636

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. In the current period, the Group's covenants on interest-bearing loans and borrowings were not violated, except for one specified in (see Note 26 (i)).

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

30. Commitments and contingencies

Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. The management believes that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial position or results of operations of the Group. As of 31 December 2021 and 2020, the Group was not involved in any significant legal proceedings, including arbitration, other than those involving the taxation matters set out below.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to FRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe.

Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

30. Commitments and contingencies (cont'd)

Taxation (cont'd)

The Group believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to accrue contingencies in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2021.

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for the management to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

The tax code of the Republic of Kazakhstan requires to assess capital gain, if there is any, determined as the difference between initial cost and selling price. According to the article 228, point 7 of the tax code, in case of reorganization the cost of initial investment is determined based on the act of transfer or separation balance. There is a possibility that the government tax authorities may not accept the deed of demerger as equivalent to the act of transfer or separation balance as required by the tax code. In this case there might be additional tax accruals including fines and penalties.

During 2021 and in prior years periods, the Group submitted additional declarations on corporate income tax for previous periods, where the approaches for deduction of costs incurred during production sites conservation and accounting for depreciation of mining assets were changed. The modified approach provides for depreciation using the deductive balance method and leads to an increase in deductions under contractual activity (Note 10). Calculation and payment of tax liabilities will be checked by the tax authorities in the future. The disagreement of the tax authorities with a modified CIT calculation approach may have an impact on the amount of recognised charges and penalties.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market prices determined on arm's length basis.

The law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law does not provide detailed instructions on its application to various types of transactions, as a result of which there is a risk that the position of the tax authorities may differ from the position of the Group, which may result in additional amounts of taxes, fines and penalties.

The legislation clarified certain areas of interpretation, including the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities.

There are different interpretations of transfer pricing law and some of its provisions shall exclusively prevail. Moreover, the law is not supported by detailed guidance. As a result, there is no clear regulation for transfer pricing control for different types of transactions.

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Notes to the Financial Statements For the financial year ended 31 December 2021

30. Commitments and contingencies (cont'd)

Transfer pricing control (cont'd)

Due to uncertainties associated with transfer pricing legislation of the Republic of Kazakhstan there is a risk that tax authorities may take a position different from the position of the Group, which may result in additional taxes, penalties and interest.

Group reorganization in 2018-2019

As at the date of signing of these consolidated financial statements, there is uncertainty as to whether additional issuance of shares is regulated by the transfer pricing law. In order to set off the debt before KCC B.V. for the purchase of 99.9% share in Kazakhmys Corporation (described above), Kazakhmys Copper JSC issued 34,722 million ordinary share each valued at KZT 5 per share to its sole shareholder KCC B.V. As at 31 December 2018, the amount of consolidated net assets of Kazakhmys Copper JSC exceeded the number of additional shares issued. Since this transaction was conducted with foreign entity, who is also a related party, management of the Group believes that this transaction might be subject to regulation by the transfer pricing law. Although, the transfer pricing law is not detailed as to how the fair value of shares should be calculated and there is no history of additional tax accruals in similar cases.

Possibly with further development of the transfer pricing law the above mentioned transaction might be argued against by the government tax authorities. The effect of this cannot be reliably measured but may be significant.

Export sales of tripolyphosphate

In 2021 the Group (KFF) realized tripolyphosphate (TPFN) export sales at relatively below market prices level, resulting in negative gross margin result. Total 2021 TPFN export revenue amounted to \$19,853,000, whilst cost of production was KZT \$20,038,000.

As for TPFN transfer pricing regulation rules apply, the Group should adjust its taxable revenue to market price levels in case of selling at "bellow market" price. Since TPFN is not a quoted commodity, the Group has to apply "Cost Plus method", which is the 2nd method in an obligatory priority list.

Under this method revenue should be calculated based on comparing "margin norm" of the Group sales with market level of comparable companies.

Currently, the Group holds its defense position based on that fact that TPFN is a derivative product of phosphoric acid that is another product which KFF sells and therefore its "margin norm" should be calculated aggregated both for TPFN and PA. Based on this argumentation the management of the Group believes that it could sustain its position and provide all supporting documentation as in this situation TPFN sales do not result in a negative margin and therefore could minimize its transfer pricing risk. The effect of this cannot be reliably measured but may be significant.

The management of the Group believes that as at 31 December 2021, its interpretation of the relevant legislation is appropriate and that the Group's positions with respect to transfer pricing will be sustained.

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Notes to the Financial Statements

For the financial year ended 31 December 2021

30. Commitments and contingencies (cont'd)

Period for additional tax assessments

The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period in respect of all taxes, except for excess profits tax. In respect of excess profits tax, they are able to raise additional tax assessments for five years after the expiration of the terms of the relevant subsoil contract

Environmental liabilities

The Group also may suffer potential losses as a result of claims by regional environmental authorities, which may arise in respect of previous periods of fields development, which are currently mined by the Group. As Kazakhstan's laws and regulations evolve concerning environmental assessments and site restoration, the Group may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of the respective parties' ability to pay for the costs related to environmental reclamation. However, depending on any unfavourable claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Group's future results of operations or cash flow could be materially affected in a particular period. The management believes it is unlikely that such costs will have a material effect on the financial position of the Group and accordingly no additional provisions for possible environmental claims or penalties are included in the accompanying consolidated financial statements.

The management believes that there are no significant liabilities under the current legislation, which are not accrued in the Group's consolidated financial statements. The provisions that have been made for costs associated with restoration and abandonment of mine sites upon depletion of deposits (see Note 23), are based upon the estimation of the Group's specialists. Where events occur that change the level of estimated future costs for these activities, the provisions will be adjusted accordingly.

Contingent liabilities

The Group assesses the likelihood of significant liabilities arising from individual circumstances and creates provisions in its consolidated financial statements when it is probable that the events giving rise to the liability occurring and the amount of the liability can be estimated with reasonable certainty. In cases where the likelihood that the events leading to the obligation will occur is not sufficiently significant, and/or the amount of the obligation cannot be estimated with reasonable certainty, the Group discloses contingent liabilities unless the likelihood of an outflow of resources to settle the obligation is very low.

The Group has one legally non-binding memorandum of understanding with local executive bodies on social support and construction of social facilities, the approximate cost of which is \$15,986,000. However, as at 31 December 2021 this project is in the early stages of discussion and the Group has concluded that at the reporting date it is not significantly probable that events leading to the liability will occur and the amount of the liability cannot be reasonably estimated degree of reliability.

Management believes that as at 31 December 2021, the Group had no other contingent liabilities other than those mentioned above (31 December 2020: \$20,748,000).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

30. Commitments and contingencies (cont'd)

Use of subsoil and exploration rights

In Kazakhstan, all subsoil reserves belong to the State, with the Ministry of Industry and New Technologies (the "Ministry") granting exploration and production rights to third parties. Subsoil and exploration rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. These rights may be terminated by the Ministry if the Group does not satisfy its contractual obligations. The current subsoil rights will expire at varying dates up to 2044.

Other contractual commitments

The table below sets out the Group's expenditure commitments for property, plant and equipment as at 31 December 2021 and 2020:

	31 December 2021 \$ 000	31 December 2020 \$ 000
PPE purchase commitments	330,503	108,461

31. Related party transactions

(a) Related party transactions

In accordance with FRS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties include key management personnel of the Group, entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel or shareholders of the Group.

Transactions with related parties are made at terms agreed between the parties that could differ from market conditions. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs in cash. No guarantees were provided with respect to accounts receivable and payable of related parties. A need for provisioning for receivables from related parties is assessed each financial year through examining the financial position of the related party and the market in which the related party operates.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 December 2021

31. Related party transactions (cont'd)

(a) Related party transactions (cont'd)

Details of transactions between the Group and its related parties are disclosed below. The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial period:

	2021	2020
	\$ 000	\$ 000
Sales to related parties	154,213	122,862
Sale of investment in an associate	–	112,215
Purchases from related parties	286,403	225,906
Receivable from shareholders	697,678	260,504
Amounts due from related parties	17,804	14,675
Loans given	14,443	17,233
Prepayments to related parties	148,617	11,690
Long-term deposits	21,614	71,939
Cash and cash equivalents	11,194	3,756
Allowance for doubtful receivables	(1,578)	(1,691)
Provision on loans given	(1,427)	(2,221)
Provision on prepayments to related parties	(3,381)	(3,469)
Contract liabilities	(2,489)	(1,397)
Provision on receivables from shareholder	(37,294)	(33,574)
Amounts payable to related parties	(37,290)	(12,587)
Loans received	(206,261)	(85,171)
Cash received from loans given	(517,935)	(190,977)
Cash proceeds from loans given	3,014	159,702

(b) Compensation of the members of the Board of Directors and the Management Board

The Board of Directors of the Group consists of directors who actively participate in management of the Group. The management of the Group's operating activities is carried out by the Management Board. As of 31 December 2021, there were 7 and 2 members in the Board of Directors of the Group and the Management Board, respectively, with the total compensation of \$4,415,000 (2020: 9 and 2 members, respectively, with the total compensation of \$7,125,000).

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

32. Events after the reporting period

Change in Group structure

On 14 January 2022, the Company - East Copper Holdings Private Limited, incorporated in Singapore, sold its investment interest in Kazakhmys Limited to Kazakhmys Holding Limited, a Private Company incorporated under the law of International Financial Centre "Astana".

Events in Kazakhstan

On January 2, 2022, protests began in the Mangistau region of Kazakhstan related to a significant increase in the retail price of liquefied natural gas. These protests spread to other cities and led to riots, property damage and loss of lives. On January 5, 2022, the Government declared a state of emergency.

As a result of the above protests and the imposition of a state of emergency, the President of Kazakhstan made a number of public statements on possible measures, including changes to tax laws, the introduction of measures to support financial stability, control and stabilization of inflation and Tenge exchange rate.

In the beginning of 2022, the Kazakhmys Limited Group provided charitable assistance to the foundation called "Kazakhstan Khalkyna" in the amount of \$22,534,000.

The Kazakhmys Limited Group is not currently in a position to quantify what impact, if any, any new measures that the Government may take on the Group's financial position or the effect that the above protests and the state of emergency would have on the economy of Kazakhstan.

Events in Ukraine

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation.

Due to the growth of geopolitical tensions, since February 2022, there has been a significant increase in volatility in the stock and currency markets, as well as a significant depreciation of Tenge against US dollar and Euro.

The Kazakhmys Limited Group considers these events as non-adjusting events after the reporting period, the quantitative effect of which cannot currently be estimated with a reasonable degree of certainty. The management of the Group is currently analysing the possible impact of changing micro- and macroeconomic conditions on the financial position and results of operations of the Group.

Loans received

On 5 January 2022 the Group entered into a credit line agreement with Halyk Bank JSC in the amount of \$4,978,926 (equivalent of KZT 2,150 million) for a month until 4 February 2022 at 12.5% per annum. The purpose of this loan is to replenish working capital of the Group. The credit line was fully utilised.

On 13 January 2022 the Group signed an agreement for a USD non-renewable credit line for the amount \$46,115,889 (equivalent of KZT 20,000 million) with Halyk Bank JSC at the rate of 12.5% per annum until January 2029. The main purpose of the loan is to finance the construction of the start-up complex for the production of 500 thousand tons of monoammonium phosphate and ammophos. The Group has utilised the entire credit line.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

32. Events after the reporting period (cont'd)

Loans received (cont'd)

On 14 January 2022, The Group signed a loan agreement with Development Bank of Kazakhstan JSC for \$1,921,892 (equivalent of KZT 830 million) for a period until 22 November 2035 at 14.60% per annum. The purpose of this loan is construction of 1st stage of solar electric plant "Balkhash" with capacity 50 MW.

On 3 February 2022 the Kazakhmys Limited Group signed a loan agreement with a Bravo Commodities LLP for \$5,104,966 (equivalent of KZT 2,217 million) for a period until 1 September 2022 at 10.25% per annum. The purpose of this loan is to replenish working capital of the Group. The credit line was fully utilised.

On 11 March 2022, the Kazakhmys Limited Group entered into a \$100,000,000 (equivalent to KZT 50,997 million) non-revolving credit line agreement with ForteBank JSC at 4.5% per annum, with an availability period until March 2025. The purpose of the loan is to partially refinance debt in SB Sberbank of Russia JSC. The Kazakhmys Limited Group has utilised the entire credit line.

On March 17, 2022, the Kazakhmys Limited Group entered into a \$55,000,000 (equivalent to KZT 27,992 million) revolving credit facility agreement with First Heartland Jusan Bank JSC at 4.5% per annum, with an availability period until March 2023. The purpose of the loan is to partially refinance debt in SB Sberbank of Russia JSC. The Kazakhmys Limited Group has utilised the entire credit line.

Loan issued to the Ultimate Controlling Party

On 24 February 2022, in order to ensure the proper performance of the obligations of the borrower, the Kazakhmys Limited Group received a pledge in the form of 14.6% of all ordinary voting shares of the Private Company "Kazakhmys Holding Limited", the ultimate parent of the Group.

Investigation case against Kazphosphate LLP (KFF)

On 1 March 2022, the Agency for the Protection and Development of Competition (APDC) initiated an investigation against KFF on the issue of the Company's possible violation of the Competition Law in part of establishing and maintaining of monopoly high prices. The subject of the investigation is identification of facts or data that would confirm or refute the above violation by the Company.

Along with the course of the investigation, the Company admits that it may face potential administrative fines. However, the exact amount of possible amount of fines as well as likelihood of its outcome is not yet possible to evaluate, since the investigation is still in the process. The Group expects the investigation to be ended by the end of May and believes in its successful outcome.

Derivative financial instrument

In May 2022, the Group terminated the hedging instrument contracts with VTB Bank PJSC and Sberbank of Russia PJSC. The early termination fee accordingly is amounted to \$240,088,749, from which \$50,000,000 is immediately payable to PJSC VTB Bank and \$190,088,749 payable to PJSC Sberbank till July 2024. The Kazakhmys Limited Group is currently assessing the effect of termination on financial statements.

East Copper Holdings Private Limited and its Subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2021

33. Authorisation of financial statement for issue

The financial statements for the financial year ended 31 December 2021 were authorised for issue in accordance with the resolution of the directors on 7 June 2022.

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