Chartered Accountants
Management, Tax & Legal
Consultants

Grant Thornton Amyot

ARMENIAN COPPER PROGRAMME
Closed Joint Stock Company

FINANCIAL STATEMENTS

for the year ended December 31, 2002

Yerevan, May 2003

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Auditors and Chartered Accountants, registered at the State Register of Armenia, registration certificate number 035877,
Enterprise and banking audit licenses # 021; 022, issued by the Ministry of Finance and Economy of Armenia

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Statement of management responsibilities

The Management of Armenian Copper Programme cjsc (hereinafter "the Company") are responsible for the preparation of these financial statements.

In so doing, they are required to:

- select appropriate accounting policies and to apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- adopt the going concern basis of accounting, unless circumstances make this inappropriate.

The Management are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Report of the auditors to the members of the board of Armenian Copper Programme cjsc

We have audited the accompanying balance sheet of Armenian Copper Programme csjc ("the Company") as of 31 December 2002 and the related statements of income and cash flows for the year then ended. The financial statements and notes set out on pages 5-23 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the year ended December 31, 2001 were audited by other auditors, whose report dated August 19, 2002 expressed an unqualified opinion.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give true and fair view of the financial position of the Company as of 31 December 2002, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Without qualifying our opinion we draw attention to the Note 28 to the financial statements. The financial statements of the Company have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

Grant Thornton Amyot

Grant Thornton Amyot LLC

Yerevan, 7 May 2003

Balance sheet
as at 31 December

	Note	**2002 (Audited)**	2001 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	3	**4,684,382**	4,019,686
Intangible assets	4	**62,925**	27,308
Deferred mining expenses	5	**255,780**	111,850
Long-term investments	6	**51,647**	-
		5,054,734	4,158,844
Current assets			
Inventories	7	**652,511**	501,789
Trade and other receivables	8	**580,423**	570,763
Cash and cash equivalents	9	**6,757**	6,509
		1,239,691	1,079,061
Total assets		**6,294,425**	5,237,905
Equity and liabilities			
Capital and reserves			
Share capital	10	**2,960,651**	1,506,179
Revaluation reserve	10	**3,088,366**	3,230,881
Accumulated profit/(loss)	10	**(2,031,980)**	(1,921,366)
		4,017,037	2,815,694
Non-current liabilities			
Deferred tax liability	11	**184,083**	195,132
		184,083	195,132
Current liabilities			
Short-term loans and borrowing	12	**604,546**	734,417
Trade and other payables	13	**1,488,759**	1,492,662
		2,093,305	2,227,079
Total equity and liabilities		**6,294,425**	5,237,905

The financial statements were approved by the members of the Board on 2 May 2003 and were signed on its behalf by:

Gagik Arzumanyan
Executive Director

Tigran Arabachyan
Chief Accountant

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 23.

Income statement
for the year ended 31 December

	Note	2002 (Audited)	2001 (Audited)
Revenue	14	**6,039,518**	5,249,524
Cost of sales	15	**(5,069,416)**	(4,969,914)
Gross profit		**970,102**	279,610
Other operating income	16	**879,430**	47,911
Sales expenses	17	**(313,904)**	(21,804)
Administrative expenses	18	**(807,155)**	(743,153)
Net foreign exchange loss	19	**(96,999)**	(78,295)
Provisions for obsolete and damaged stock		**19,434**	(50,852)
Other operating expenses	20	**(778,356)**	(226,125)
(Loss)/profit from operations		**(127,448)**	(770,904)
Borrowing cost		**(147,196)**	(214,664)
Loss before taxation		**(274,644)**	(985,568)
Tax credit	21	**11,049**	163,855
Net loss for the year		**(263,595)**	(821,713)

Cash flow statement

for the year ended 31 December 2002

	2002 (Audited)	2001 (Audited)
Cash flow from operating activities		
Reconciliation of operating loss to net cash flow from operating activities		
Loss before profit tax	**(274,644)**	(985,568)
Depreciation of property, plant and equipment	**133,045**	73,567
Amortisation of intangible assets	**29,023**	9,579
Amortization of mining expenses	**71,471**	-
Loss of property, plant and equipment disposal	**(35)**	17,852
Provision charges and other accruals	**340,256**	57,346
Interest expenses	**147,196**	214,664
Operating profit/(loss) before changes in working capital	***446,312***	*(612,560)*
Changes in working capital		
Decrease/(increase) in trade and other receivables	**(9,660)**	338,244
Decrease/(increase) in inventories	**(150,722)**	(49,560)
(Decrease)/increase in trade and other payables	**(3,903)**	630,381
Net cash inflow/(outflow) from operations	***(156,479)***	*306,505*
Interest paid	**(538,390)**	(43,534)
Cash flow from operating activities	**(694,869)**	262,951
Net cash inflow/(outflow) from investing activities		
Purchase of property, plant and equipment	**(810,969)**	(216,562)
Investment in the mining property	**(149,240)**	(111,850)
Purchase of intangible assets	**(62,925)**	(24,740)
Purchase of other company's shares	**(52,697)**	(10,592)
Proceeds from disposal of PPE	**35**	6,759
Net cash used in investing activities	***(1,075,796)***	*(356,985)*
Cash flows from financing activities		
Proceeds from short term loans and borrowing	**6,649,014**	91,646
Proceeds from share issue	**1,454,472**	966,179
Short term loan and borrowings paid	**(6,532,566)**	(1,203,712)
Net cash used in financing activities	***1,570,920***	*(145,887)*
Net decrease in cash and cash equivalents during the year	**246,567**	(239,901)
Cash and cash equivalents at beginning of the year	**(239,810)**	91
Cash and cash equivalents at end of the year	**6,757**	(239,810)

Notes to the financial statements

For the year ended 31 December 2002

1. Background

Armenian Copper Programme cjsc (previous Manes yev Vallex cjsc) was established in August 1997. The principal activity of the Company is production and distribution of blister copper. The entire production is exported.

Legal address of the Company is: Khanjyan Str. 19, Yerevan, Republic of Armenia.

The Company has an authorized capital of 40,000 (forty million). During the year 2002 the Company issued and allocated 1,454,472 shares. As at 31 December 2002 the Company's share capital amounted to 2,960,651 KAMD consisting of 2,960,651 ordinary shares with nominal value of AMD 1,000 each with their respective shareholdings,

- VALEX F.M. Establishment - 81.74%
- Valeri Medzhlumyan - 18.26%

The Company has a branch in Stepanakert.

2. Accounting policies

The principal accounting policies adopted for the preparation of the financial statements of the Company are set out below.

2.1 Preparation and presentation of financial statements

These financial statements are prepared in accordance with International Accounting Standards (IAS). Financial statements and related notes are presented in thousand Armenian Drams (KAMD).

2.2 Use of estimates

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.3 Recognition of revenue

Revenue is recognized on an accrual basis. For the sale of finished products, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and when no significant uncertainties remain regarding the consideration, associated costs or the possible return of goods.

2.4 Deferred mining expenses

Pre-production mining costs are classified per area of interest based on the following principals:

1. pre-production (prospecting, mineral rights acquisition, exploration, evaluation or appraisal, development and construction) costs are incurred per area of interest and are recorded as deferred expenses on mines;
2. upon the proof of the economical feasibility of the industrial extraction of minerals in the particular area of interest the deferred expenses on mines relating to this area are capitalized;

3. if the industrial extraction of minerals in a particular area of interest is proved not to be economically feasible the deferred expenses on mines relating to this area of interest is charged to the income statement in the period it is proved not to be economically feasible;
4. the deferred expenses on mines relating to a particular area of interest are charged to the income statement and recognized as expenses even if the industrial extraction of minerals in the area of interest has been proved to be economically feasible but the industrial extraction is not planned to be performed because of any other reason;
5. the deferred expenses on mines relating to a particular area of interest are charged to the income statement and recognized as expenses if during a three year period the industrial extraction of minerals in the area has not be proved to be economically feasible and a plan for industrial extraction of minerals has not been developed;
6. any deferred expenses on proved but undeveloped areas of interest are periodically re-evaluated to determine the economically feasibility. If the area is found not to be economically feasible the deferred expenses are written off immediately to the income statement.

Accumulated mining expenses are amortised by using linier method, based on the specific gravity of actually extracted ore during the current period within the expected extraction quantity of ore.

2.5 Going concern

The accompanying financial statements of the Company have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

2.6 Property, plant and equipment (PPE)

PPE are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. PPE acquired after revaluation are accounted at cost less accumulated depreciation and impairment. Cost includes all expenditures directly attributable in bringing the assets to working condition for its intended use.

Revaluation reserve is reversed when previously revalued PPE are disposed at an amount attributed to those PPE.

Depreciation of PPE is calculated on a straight line basis over their estimated useful lives.

Estimated lives and percentages applicable for calculation of depreciation are presented below:

Class	**Annual %**	**Useful life**
Buildings, constructions	2%	50 year
Conveyance schemes	5%	20 year
Machinery and equipment	10%	10 year
Motor vehicles	10%	10 year
Production fixture	20%	5 year
Communication equipment	20%	5 year
Computers	50%	2 year
Other property, plant and equipment	10%	10 year
Leasehold improvement	5%	20 year

2.7 *Intangible assets*

Intangible assets are stated at their acquisition cost less amortization. Amortization is calculated on a straight lien basis over their useful lives. Amortization is not calculated for those intangible assets, which are procured or internally generated in December month of the year.

Estimated lives and percentages applicable for calculation of amortization are presented below:

Class	**Annual %**	**Useful life**
Accounting software	50%	2 year
Other intangible assets	10%	10 year

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value, cost is calculated using the weighted average purchase price.

2.9 Accounts receivable

Trade and other receivables are stated at their cost less impairment losses.

2.10 Social insurance

The Company makes contributions from calculated salary to the State Fund for Social Insurance. The contributions are included in the financial result as they are incur.

2.11 Accounts payable

Trade and other payables are stated at the amount of principle outstanding.

2.12 Foreign currency transactions

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Armenian Drams at year-end exchange rates defined by the Central Bank of Armenia (CBA). Non-monetary assets and liabilities are translated at historical exchange rates defined by CBA. Foreign currency revenues and expenses are recorded in the accounts at rates defined by the CBA on the date of transaction. All gains and losses arising as a result of foreign exchange activities are recognized in the income statement for the year.

The official exchange rates defined by the CBA are set out below.

	USD 1	EURO 1
31 December 2001	561.81 Drams	495.12 Drams
31 December 2002	584.89 Drams	606.88 Drams

2.13 Taxation

Taxes are calculated under Armenian Tax Legislation. Armenian Copper Programme cjsc, as a company with foreign investment, has a 50% profit tax privilege for the period from 2001 to 2008, according to Article 39 of the RA Law “On Profit Tax”.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

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 amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets are reviewed at each balance sheet date. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be recovered. Each reduction in value shall be reversed as much as the recovery of tax benefit is probable.

2.14 Investments

Equity investments, in which the Company holds more than 20% of capital issued by investors are accounted using the equity method. Investments less then 20% are considered as financial investments and are stated at fair value, which is subject to revision for impairment.

2.15 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

An impairment loss is only reversed 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.

2.16 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash balances held with the banks.

2.17 Loans and borrowings

Loans and borrowings are stated at cost less attributable transaction costs.

2.18 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect 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.

3. Property, plant and equipment

	Buildings	Leasehold improvement	Plant, constructions and equipment	Motor vehicles	Fixtures and fittings	Total
Cost **(Note 3.1)**						
As at 31.12.01 (audited)	2,769,921	68,262	1,052,944	20,185	114,062	4,025,374
Additions (Note 3.2)	27,052	1,954	861,316	12,012	197	902,531
Disposals (Note 3.3)	(80,480)	-	(34,687)	-	(8)	(115,175)
As at 31.12.02 (audited)	**2,716,493**	**70,216**	**1,879,573**	**32,197**	**114,251**	**4,812,730**
Depreciation						
As at 31.12.01 (audited)	-	5,688	-	-	-	5,688
Charge for the year (Note 3.4)	32,610	3,454	79,223	3,147	14,692	133,126
Adjustments (Note 3.5)	-	-	(10,466)	-	-	(10,466)
As at 31.12.02 (audited)	**32,610**	**9,142**	**68,757**	**3,147**	**14,692**	**128,348**
Net book value						
As at 31.12.01 (audited)	2,769,921	62,574	1,052,944	20,185	114,062	4,019,686
As at 31.12.02 (audited)	**2,683,883**	**61,074**	**1,810,816**	**29,050**	**99,559**	**4,684,382**

The depreciation is calculated based on the rates stated in note 2.6 to the financial statement.

3.1 The revaluation has been performed by Artin Enterprise ltd, a licensed valuer, as at 31 December 2001.

3.2 Additions include:

current acquisition	810,969
adjustment for recently identified items	30,023
own production	34,384
capitalised expenses	2,183
recorded from account "Inventories"	15,819
internal movement	9,153
Total	**902,531**

3.3 Disposals include:

write off, including:	89,607
reversal of revaluation reserve (Note 10)	*70,760*
current disposals	236
transfer to other accounts	16,179
internal movement	9,153
Total	**115,175**

3.4 Depreciation charges include:

annual depreciation, including:	130,575
adjustment to revaluation reserve (Note 10)	*82,221*
capitalized depreciation	2,470
transfer to account "Inventories"	81
Total	**133,126**

3.5 Difference of revaluation results (Note 10).

4. Intangible assets

	Computer software	Copper alloying technology	Mine developing costs	Total
Cost				
As at 31.12.01 (audited)	9,112	35,792	-	44,904
Additions (Note 4.1)	-	1,715	62,925	64,640
As at 31.12.02 (audited)	**9,112**	**37,507**	**62,925**	**109,544**
Amortization				
As at 31.12.01 (audited)	932	16,664	-	17,596
Charge for the year	8,180	20,843	-	29,023
As at 31.12.02 (audited)	**9,112**	**37,507**	**-**	**46,619**
Net book value				
As at 31.12.01 (audited)	8,180	19,128	-	27,308
As at 31.12.02 (audited)	**-**	**-**	**62,925**	**62,925**

4.1 Additions include:

current acquisitions in December	62,925
entered from other assets	1,715
Total	**64,640**

5. Deferred mining expenses

	31.12.01 (audited)	Additions	Disposals	31.12.02 (audited)
Cost or valuation				
Alaverdi cooper mining expenses	100,589	149,240	-	249,829
Capitalised rent and services	11,261	25,410	-	36,671
Capitalization of loan expenses	-	35,112	-	35,112
Insurance and other expenses	-	5,639	-	5,639
Total	**111,850**	**215,401**	**-**	**327,251**
Amortisation				
Alaverdi cooper mining expenses	-	(71,471)	-	(71,471)
Net book value	**111,850**	**143,930**	**-**	**255,780**

Mining expenses were amortised by the method stated in Note 2.4 to the financial statements.

6. Long-term investments

	31.12.01 (audited)	Additions	Disposals	31.12.02 (audited)
Cost				
Manes Non-ferrous Metals Plant ojsc	16,865	21,486*	-	38,351
"Mining metallurgical institute" cjsc	-	51,423	-	51,423
"Pirit" Ltd.	-	1,050	-	1,050
"Valex IT" Ltd.	-	5	-	5
Total	**16,865**	**73,964**	**-**	**90,829**
Impairment				
Manes Non-ferrous Metals Plant ojsc	(16,865)	(21,267)*	-	(38,132)
"Mining metallurgical institute" cjsc	-	-	-	-
"Pirit" Ltd.	-	(1,050)	-	(1,050)
"Valex IT" Ltd.	-	-	-	-
Total	**(16,865)**	**(22,317)**	**-**	**(39,182)**
Net book value				
Manes Non-ferrous Metals Plant ojsc	-	219	-	219
"Mining metallurgical institute" cjsc	-	51,423	-	51,423
"Pirit" Ltd.	-	-	-	-
"Valex IT" Ltd.	-	5	-	5
Total	**-**	**51,647**	**-**	**51,647**

* Including:	
current acquisitions	219
adjustment of the previous years	21,267
Total	**21,486**

7. Inventories

	31.12.02 (audited)	31.12.01 (audited)
Raw materials	**610,471**	350,741
Work-in-progress	**27,870**	37,216
Finished product	**27,944**	126,700
Goods	**3,657**	18,933
Small value items at warehouse	**15,562**	20,626
Total	**685,504**	554,216
Provision for obsolete and damaged stock	**(32,993)**	(52,427)
Total	**652,511**	501,789

8. Trade and other receivables

	31.12.02 (audited)	31.12.01 (audited)
Trade receivables	**93,785**	137,064
Settlements with the state budget (note 8.1)	**400,963**	229,001
Prepayments	**66,387**	148,832
Other receivables	**20,918**	55,866
Total	**582,053**	570,763
Allowance for doubtful debts	**(1,630)**	-
Net book value	**580,423**	570,763

8.1 Settlements with the budget

	31.12.02 (audited)	31.12.01 (audited)
VAT	**385,849**	196,209
Environmental fee	**15,110**	32,181
Property tax	**-**	419
Land tax	**4**	192
Total	**400,963**	229,001

9. Cash and cash equivalents

	31.12.02 (audited)	31.12.01 (audited)
Cash in hand	**354**	3,946
Current account	**6,103**	2,150
Foreign currency account	**300**	413
Total	**6,757**	6,509
Overdraft	**-**	(246,319)
Impact on cash and cash equivalents	**6,757**	(239,810)

10. Capital and reserves

	Share capital	Revaluation reserves	Accumulated profit/(loss)	Total
Balance as at 31.12.00 (Audited)	540,000	-	(1,099,653)	(559,653)
Net income/(loss) of the current year	-	-	(821,713)	(821,713)
Surplus revaluation of PPE	-	3,589,868	-	3,589,868
Deferred tax effect of revaluation	-	(358,987)	-	(358,987)
Shares issued	966,179	-	-	966,179
Balance as at 31.12.01 (Audited)	**1,506,179**	**3,230,881**	**(1,921,366)**	**2,815,694**
Income/(loss) of the current year	-	-	(263,595)	(263,595)
Change in revaluation reserve and retained earnings	-	(142,515)*	152,981*	10,466
Shares issued **	1,454,472	-	-	1,454,472
Balance as at 31.12.02 (Audited)	**2,960,651**	**3,088,366**	**(2,031,980)**	**4,017,037**

* Including:

	Revaluation provision	Accumulated Loss
reversal of revaluation reserve of disposal on PPE (Note 3)	(70,760)	70,760
realisation of revaluation reserve of PPE (Note 3)	(82,221)	82,221
adjustment to revaluation reserve (Note 3)	10,466	-
Total	**(142,515)**	**152,981**

** Details are presented in Note 1 to the financial statements.

11. Deferred tax liability

	31.12.01 (Audited)	Increase	Decrease	31.12.02 (Audited)
Deferred tax liability	195,132	-	11,049*	184,083
Total	**195,132**	**-**	**11,049**	**184,083**

* See Note 21.

12. Short-term loans and borrowing

	31.12.01 (audited)	Increase	Decrease	31.12.02 (audited)
Bank overdraft	246,319	487,379	733,698	-
Bank loans	174,473	6,455,051	6,024,978	604,546
Shareholder borrowing	313,625	193,963	507,588	-
Total	**734,417**	**7,136,393**	**7,266,264**	**604,546**

13. Trade and other payables

	31.12.02 (audited)	31.12.01 (audited)
Trade payables	**1,148,881**	558,649
Advances received	**22,654**	347,764
Interest payable on borrowings	**4,940**	396,134
Settlements with the budget (note 13.1)	**241,910**	46,755
Social insurance	**9,499**	73,588
Payables to staff	**60,875**	69,772
Total	**1,488,759**	1,492,662

13.1 Settlements with the budget

	31.12.02 (audited)	31.12.01 (audited)
Income tax	**99,840**	39,734
Profit tax of non-resident	**25,784**	170
Fines and penalties	**106,230**	6,851
Property tax	**10,056**	-
Total	**241,910**	46,755

14. Revenue

	2002 (audited)		2001 (audited)
Production	**5,811,977**		5,112,685
Goods	**214,223**		106,272
Services	**13,318**		30,567
Total	**6,039,518**		5,249,524

15. Cost of sales

	2002 (audited)		2001 (audited)
Raw materials	**4,068,448**		4,126,574
Salary expenses	**266,180**		325,772
Social insurance expenses	**49,265**		71,585
Gas expenses	**425,160**		339,842
Electrical energy expenses	**105,397**		83,348
Depreciation of PPE	**39,939**		57,533
Amortization of intangible assets	**20,843**		9,579
Balance change of finished product	**98,756**		(34,061)
Cost of goods sold	**141,792**		90,331
Amortization of mining expenses	**71,471**		-
Capitalized expenses of Alaverdi mine	**(149,240)**	*	(100,589)
PPE produced for own needs	**(34,384)**	**	-
Administrative expenses	**(34,390)**	***	-
Other operating expenses	**(452)**	***	-
Other expenses	**631**		-
Total	**5,069,416**		(4,969,914)

* Capitalized mining works (See Notes 2.4, 5).

** Property, plant and equipment produced by auxiliary production for own needs (See Note 3).

*** Works done by auxiliary production for administrative needs (See Notes 18, 20).

16. Other operating income

	2002 (audited)		2001 (audited)
Proceeds from sale of other materials	**589,667**		620
Gain/(loss) on disposal of PPE	**35**		(17,852)
Income from liquidation of PPE and recording of other materials	**1,583**		-
Income from recording of recently identified assets	**30,023**	*	-
Income from recording of wastes	**183,336**	**	-
VAT adjustment	**48,193**		-
Fines and penalties received	**18,692**		13,297
Sale of computer equipment	**-**		24,892
Translation of monetary items	**177**		-
Other operating income	**7,724**		26,954
Total	**879,430**		47,911

* See Note 3.2 of Note property, plant and equipment.

** Income from recording of wastes not included in previous year accounting.

17. Sales expenses

	2002 (audited)	2001 (audited)
Transportation expenses	**302,980**	21,804
Customs fee	**5,906**	-
Other expenses	**5,018**	-
Total	**313,904**	21,804

18. Administrative expenses

	2002 (audited)	2001 (audited)
Salary expenses	**291,192**	368,309
Social insurance expenses	**37,073**	45,799
Utilities and communication expenses	**8,272**	78,612
Representation expenses and business trip expenses	**16,889**	26,560
Consulting fees	**12,866**	33,645
Current renovation expenses of PPE	**10,253**	57,011
Depreciation of PPE	**90,636**	45,567
Amortization of intangible assets	**8,180**	-
Fines and penalties	**188,533**	-
Auxiliary production expenses	**34,390**	-
Other administrative expenses	**108,871**	87,650
Total	**807,155**	743,153

19. Net foreign exchange loss

	2002 (audited)	2001 (audited)
Income	**43,172**	51,442
Loss	**(140,171)**	(129,737)
Total	**(96,999)**	(78,295)

20. Other operating expenses

	2002 (audited)	2001 (audited)
Court and other duties	**-**	64,213
Cost from disposal of other materials	**314,143**	-
Liquidation expenses of PPE	**90,254**	-
Exploration expenses	**76,476**	29,723
Environmental fee	**10,823**	7,044
Staff related expenses	**5,058**	2,900
Fines and penalties	**213,001**	33,825
Impairment of long-term investments	**1,050**	-
Main production expenses	**452**	-
Expenses related to spoil of assets	**34,325**	-
Bad debts expenses	**1,630**	-
Provision for non-used vacation days	**13,358**	-
Other lease and operating expenses	**17,786**	66,616
Total	**778,356**	204,321

21. Profit tax expenses

	2002		2001	
	Taxation	**Profit tax (10%)**	Taxation	Profit tax (10%)
Accounting loss	**(274,644)**	**(27,464)**	(985,568)	(98,557)
Non deductible expenses (net)	**164,149**	**16,415**	159,180.0	15,918
Deferred tax asset not accounted for in prior years	-	-	(812,160.0)	(81,216)
Profit tax expense/ (credit)	**(110,495)**	**(11,049)**	(1,638,848.0)	(163,855)

22. Off-balance accounts

	31.12.02 (audited)	31.12.01 (audited)
PPE received by operational lease	**2,247**	2,247
Inventory stored under responsibility	**110,744**	2,154
Written off receivables	**379,030**	377,400
Written off payables	**617**	202,039
Small value items in use	**23,344**	19,425

23. Commitments and contingencies

Legal

According to contract "On sale (privatisation) of state own shares" signed in October 2002 between the RA Government and "Mining metallurgical institute" cjsc, "Armenian Cooper Programme" cjsc and "Native iron plant" cjsc, the companies should make contributions amounting to USD 2,500,000 within 3-year period.

Tax contingencies

The Company claimed the results of inspection carried out by the Tax Department of the RA Government in 2001. The court has not yet made decision.

Operating lease commitments

The Company is a lessee. Minimum lease payment rates are presented below.

	31.12.02	**31.12.01**
1 year	18,586	19,495
From 2 to 5 years	81,671	97,474
More than 5 years	113,849	69,131
	214,107	186,100

24. Post balance sheet events

In 2003 the Company's allocated and paid-in capital was replenished at 58,464 KAMD.

25. Collateral

According to credit agreement signed with EBRD on 6 December 2002, the Company pledged the following items as collateral against USD 3,000,000 (three million) to be received:

- all immovable property belonging to the Mortgagor by the right of ownership, as well as any real estate becoming its ownership;
- movable property

  a) first ranking mortgage – movable property (including engineering tools, mechanisms, equipment, transport means) belonging to and accounted in the Mortgagor's financial statements as at 31 December 2001, with a value of AMD equivalent to EURO 10,000,

b) second ranking mortgage – the assets pledged under Mortgage Agreement N023/H, dated 14 November 2002 between the Mortgagor and Unibank cjsc, and under Mortgage Agreement N1413/361A, dated 18 November 2002 between the Mortgagor and ArmSavingsBank cjsc.

- commodities in circulation - including all copper concentrate, copper scrap and finished products (blister copper) belonging to the Mortgagor by the right of ownership from the date of signing of the agreement;
- revenue account – all monetary assets available in the Revenue Account (escrow account), as well as deposited into such account in the future;
- disbursement account - all monetary assets available in the Revenue Account (escrow account), as well as deposited into such account in the future;
- shares - 2,960,651 shares issued and allocated as at 6 December 2002 (100%)
  a) first ranking mortgage – 2,220,489 shares or 75%
  b) second ranking mortgage – 740,162 shares or 25%
- all of its rights, interests and benefits (including the right of insurance compensation) under its insurance agreements;
- all of its rights, interests and benefits under the off-take agreements.

26. Related party transactions

The related parties of the Company are “Manes Non-ferrous Metals Plant” ojsc, “Mining metallurgical institute” cjsc, “Pirit” Ltd. and “Vallex IT” Ltd. (Note 7).
During the year 2002 the Company has fully paid the loan debt to the shareholder amounting to 507,588 KAMD and interest accrued on the loan amounting to AMD 410,835 KAMD.

27. Balance sheet of the branch in Stepanakert

as at 31 December 2002

	31.12.02 (audited)
Assets	
Other payables	**350**
Cash and cash equivalents	
- cash in hand	***2***
- bank account	***196***
VAT	**4,157**
Total assets	**4,705**
Liabilities	
Social insurance	**14**
Settlements with the staff	**95**
Income tax	**55**
Settlements with the head office	**4,541**
Total liabilities	**4,705**

These account balances have been incorporated into the financial statements of the Company.

28. Going concern

The accompanying financial statements of the Company have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

During the year ended December 31, 2002 the Company incurred losses of 263,595 KAMD resulting in an accumulated loss of 2,031,980 KAMD as at December 31, 2002. Current liabilities as of that date exceed current assets by 853,614 KAMD.

Additionally, the positive equity balance is mainly due to revaluation reserve.