Independent Auditor’s Report

The Financial Statements as at December 31, 2021 and for the year then ended

LIMITED LIABILITY COMPANY

«POBUZHZHYA’S DEVELOPMENT»

Translation from original in Ukrainian

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INDEPENDENT AUDITOR`S REPORT

To the shareholders and management of
«POBUZHZHYA'S DEVELOPMENT» LLC

6 Panasa Myrnoho str., office 401
Kyiv, Ukraine, 01011

Opinion

We have audited the Financial Statements of «Pobuzhzhya's Development» Limited Liability Company (hereinafter – LLC «Pobuzhzhya's Development», the Company), which comprise the Statement of Financial Position as at December 31, 2021, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and notes to the Financial Statements including the summary of significant accounting policies.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and the cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) and meet the requirements of the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» dated 16.07.1999 No. 996-XIV regarding the preparation of financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs).

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company within the meaning of Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our ethical responsibilities under the IESBA Code requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

As described in Note 2.1 «Basis of financial statements preparation», the financial statements have been prepared on the basis of the assumption that the Company will continue as a going concern for the foreseeable future.

The main activities of the Company are represented by exploration and evaluation of the graphite ores (Note 1 «Information about the Company»). As of the date of signing this Independent Auditor's Report, the graphite ores exploration and production project is at the investment stage, and no operating activities are currently conducted. As at the reporting date of December 31, 2021 and during the year then ended, the Company's activities were financed by non-interest-bearing assistance from a related party, City Estate Management LLC (Note 14 «Related party transactions»).

We draw attention to Note 18 «Events after the end of the reporting period», which indicate that the Company is not able to predict the further development or outcome of the russian military aggression started on February 24, 2022, since the military actions are developing rapidly and is not under the control of the Company.

These circumstances indicate that there is a material uncertainty that may cast significant doubt about the Company's ability to continue its activities on a going concern basis. Our opinion on this matter has not been modified.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have identified the matters described below as key audit matters to be communicated in our report.

List of key matters	The Auditor's approach to considering these matters
Related party transactions	
Transactions with related parties for 2020 and 2021, as well as outstanding balances with related parties as at December 31, 2021 and December 31, 2020 disclosed in Note 14 «Related party transactions», are material to the financial statements as at December 31, 2021 and for the year then ended. Considering the materiality of the above transactions and balances, as well as the	Our audit procedures applied to the analysis of transactions with related parties for 2020 and 2021 and balances with related parties as at December 31, 2021 and December 31, 2020 included, in particular: • verification of the completeness of the related party list received from the Company;

List of key matters	The Auditor's approach to considering these matters
fact that the Company's activities are financed by a related party, we consider this matter to be a key audit matter that requires the auditor to pay particular attention to the completeness of disclosures on related party transactions in accordance with IFRS.	• communication with related parties that had an impact on the Company's activities during the reporting period; • completeness analysis of information disclosure on transactions with related parties in the Company's financial statements..

Other information

Management is responsible for other information. Other information consists of information contained in the Management Report and the Report on Payments to Governments in accordance with the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» (but other information does not represent the financial statements for 2021 and the auditor's report provided in respect of these financial statements).

Our opinion does not extend to other information and we do not draw any conclusions with any level of certainty about this other information.

In connection with our audit of the financial statements, it is our responsibility to review other information and to consider whether there is a material inconsistency between the other information and the financial statements or our knowledge obtained during the audit, and whether other information looks like it has a significant misstatement. If we conclude from results of our work that there is a material misstatement of these other information, we are required to report these facts.

Management Report. The Company is a micro entity, so it is not required to prepare a Management Report.

In this regard, we do not express any opinion on the consistency of the financial information in the Management Report and the financial statements of the Company for 2021.

Responsibility of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. Preparing the Financial Statements, management is responsible for assessing the Company`s ability to continue its operating activities on a going concern basis, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for supervising the Company `s financial reporting process.

Auditor's responsibility for the audit of the Financial Statements

Objectives of our audit 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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibility for the audit of the Financial Statements is set forth on page 6 of Appendix 1 to this INDEPENDENT AUDITOR'S REPORT, which is an integral part thereof.

Basic information about the audit firm

The audit was performed by an independent audit company GRANT THORNTON LEGIS Limited Liability Company

GRANT THORNTON LEGIS LLC is included in Section IV «Audit Entities that have the Right to Conduct Statutory Audits of Financial Statements of Public Interest Entities» of the Register of Auditors and Audit Entities of the Audit Chamber of Ukraine under No. 3915.

DIRECTOR
GRANT THORNTON LEGIS LLC **Claudia CHOSOVA**
Certified Auditor (№ 100006 in the Register of Members of the Audit Chamber of Ukraine)

AUDIT ENGAGEMENT PARTNER **Maksym SHUTIY**
Certified Auditor (№100230 in the Register of Members of the Audit Chamber of Ukraine)

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Kyiv, Ukraine

18 September 2023

Appendix 1. Further disclosure of the auditor's responsibility for the audit of financial statements

1. When performing an audit in accordance with the requirements of the ISA, we use professional judgment and professional skepticism throughout the audit engagement;
2. Auditor’s responsibility covers:
   - identification and assessment of risks of material misstatement of financial statements whether due to fraud or error; designing and performing audit procedures in response to those risks, and obtaining audit evidence that is sufficient and appropriate to use as a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than for a misstatement due to error because fraud may involve collusion, forgery, intentional omissions, misstatements or neglect of internal control measures;
   - obtaining an understanding of internal control measures relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, rather than expressing an opinion on the effectiveness of the internal control system;
   - assessment of the acceptability of applied accounting policies and the reasonableness of accounting estimates and relevant information disclosures made by management;
   - make a conclusion on the appropriateness of management's use of the going concern basis for preparation of financial statements and, based on the audit evidence obtained, whether a material uncertainty exists regarding events or conditions that would cast significant doubt on the company's ability to continue as a going concern. If we conclude that such a material uncertainty exists, we must draw attention in our auditor's report to the appropriate disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. The auditor's conclusions are based on the audit evidence obtained before the date of the auditor's report. However, future events or conditions may force the Company to cease its operations on a going concern basis;
   - evaluating the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves a fair presentation.

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

We also provide those charged with governance with assurances that we have met the appropriate ethical requirements for independence and disclose to them all relationships and other matters that could reasonably be considered to affect our independence, and where applicable, regarding appropriate safeguards.

From the list of all matters for which information was provided to those charged with governance, we identified those matters that were most significant during the audit of the financial statements of the current period, which are disclosed as key audit matters. We describe these matters in our auditor's report unless public disclosure of the matter is prohibited by law or regulation, or when, in very exceptional circumstances, we determine that the matter should not be disclosed in our report because the adverse effects of such disclosure could reasonably be expected to outweigh its usefulness to the public interest.

Translation from original in Ukrainian

POBUZHZHYA'S DEVELOPMENT LLC

Financial Statements and Notes to the Financial Statements in accordance with IFRS
for the year ended December 31, 2021

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BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2021

In thousands of Ukrainian hryvnias

ASSETS	Note	As at December 31, 2021	As at December 31, 2020
Non-current assets			
Intangible assets	5	7 707	8 147
initial cost		8 808	8 808
accumulated depreciation		(1 101)	(661)
Construction in-progress	6	57 540	27 945
Fixed assets	7	613	746
initial cost		879	843
depreciation		(266)	(97)
Other non-current assets	8	4 170	2 481
Total non-current assets		**70 030**	**39 319**
Current assets			
Inventories		23	11
Trade accounts receivable for products, goods, works and services		3	-
Prepayments made		29	12
Other current receivables		11	120
Cash and cash equivalents	9	3 071	338
cash in bank		3 071	338
Prepaid expenses		2	9
Total current assets		**3 139**	**490**
TOTAL ASSETS		**73 169**	**39 809**

Tanay V.P.,

Director of «Pobuzhzhya's Development» LLC

September 18, 2023

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2021 (CONTINUED)
In thousands of Ukrainian hryvnias

EQUITY AND LIABILITIES	Note	As at December 31, 2021	As at December 31, 2020
Equity			
Share capital		8 773	8 773
Additional capital		352	-
Retained earnings (accumulated losses)		(5 666)	(1 495)
Total equity		**3 400**	**7 278**
Current liabilities and provisions			
Current accounts payable for:			
goods, works, services и	*10*	1 173	118
settlements with the budget		2	2
payroll settlements		2	-
Current payables on advances received		64	-
Current provisions		21	2
Other current liabilities	*11*	68 447	32 409
Total current liabilities and provisions		**69 709**	**32 531**
TOTAL EQUITY AND LIABILITIES		**73 169**	**39 809**

Tanay V.P.

Director of «Pobuzhzhya's Development» LLC

September 18, 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021
In thousands of Ukrainian hryvnias

Line	Note	For the year ended December 31, 2021	For the year ended December 31, 2020
Other operating income		38	-
Administrative expenses	3	(1 212)	(573)
Foreign exchange gains (losses)		(57)	7
Other operating expenses	4	(2 939)	(566)
Financial result from operating activities:			
profit		-	-
loss		**(4 170)**	**(1 132)**
Financial result before tax:			
profit		-	-
loss		**(4 170)**	**(1 132)**
Net financial result:			
profit		-	-
loss		**(4 170)**	**(1 132)**

Tanay V.P.,
Director of «Pobuzhzhya's Development» LLC
September 18, 2023

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021
In thousands of Ukrainian hryvnias

Line	For the year ended December 31, 2021	For the year ended December 31, 2020
Cash flows from operating activity		
Proceeds from return of advances	-	2
Interest income on current account balances	10	-
Other proceeds	88	9
Expenditures for:		
Goods (works, services)	(276)	(112)
Works	(346)	(191)
Social security contributions	(96)	(74)
Obligations for taxes and fees	(246)	(297)
Expenditures for advances payment	(510)	(263)
Expenditures on participation in the development of the social sphere of licensed areas	(2 236)	(243)
Other expenditures	(96)	(65)
Net cash flows from operating activity	**(3 707)**	**(1 234)**
Cash flows from investment activity		
Other proceeds	-	30
Expenditures on acquisition of non-current assets	(29 884)	(28 132)
Net cash-flows from investment activity	**(29 884)**	**(28 102)**
Cash-flows from financial activity		
Proceeds from:		
Equity	-	-
Proceeds from borrowings	38 390	28 926
Repayment of borrowings	(2 000)	-
Other expenditures	-	-
Net cash-flows from financial activity	**36 390**	**28 926**
Net cash flows for the reporting period	**2 799**	**(410)**
Exchange rate differences	(66)	-
Open balance cash and cash equivalents	338	748
Close balance cash and cash equivalents	**3 071**	**338**

УКРАЇНА * ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ * М.КИЇВ "РОЗВИТОК ПОБУЖЖЯ" Ідентифікаційний код 42462035

Tanay V.P.,

Director of «Pobuzhzhya's Development» LLC

September 18, 2023

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021
In thousands of Ukrainian hryvnias

Стаття	Share capital	Additional capital	Retained earnings (accumulated losses)	Total
Balance as at December 31, 2019	**8 773**	**-**	**(363)**	**-**
Net profit (loss) for 2020	-	-	(1 132)	(1 132)
Balance as at December 31, 2020	**8 773**	**-**	**(1 495)**	**7 278**
Net profit (loss) for 2021	-	-	(4 170)	(4 170)
Other changes in equity	-	352	-	352
Balance as at December 31, 2021	**8 773**	**352**	**(5 665)**	**(3 460)**

Tanay V.P.

Director of «Pobuzhzhya's Development» LLC

September 18, 2023

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

1. Information about the Company

The Issue of Pobuzhzhya's Development LLC financial statements for the year ended December 31, 2021, was approved by the management on September 18, 2023.

Pobuzhzhya's Development LLC (hereinafter – the Company) is a limited liability Company operating in Ukraine and is incorporated by the Ukrainian legislation. The date of initial state registration is September 10, 2018.

Legal address and actual location of the Company: Ukraine, Kyiv, Panasa Myrnoho str, 6

As at December 31, 2021, the number of employees in the Company was 7 persons (as at December 31, 2020 – 6 persons).

The Company's core activity is the development of a graphite ore mine. As at December 31, 2021 and December 31, 2020, the Company's graphite ore exploration and production project was at the investment stage

Information on the Company's relations with the related parties is provided in Note 14 «Related party transactions».

The ownership structure of Pobuzhzhya's Development LLC is as follows:

Name of the owners	Share in the share capital (%)	
	December 31, 2021	December 31, 2020
BGV Group Limited	83,4	-
Oleksandr Nastenko	8,3	8,3
Vitalii Yakymenko	8,3	8,3
Vitalii Tkachev		83,4

2. Significant accounting policies

2.1. Basis of the financial statements preparation

The Company's financial statements was prepared in accordance with International Financial Reporting Standards («IFRS») as amended by the International Accounting Standards Board («IASB») and are general purpose financial statements.

The financial statements was prepared in accordance with the historical cost principle.

The financial statements is presented in Ukrainian hryvnias which is the Company's functional currency. All the financial information presented in Ukrainian hryvnias is rounded to the nearest thousand («thousand UAH»), unless stated otherwise.

The financial statements provide comparative information for the previous period.

2.2. Operating environment and assumptions about the Company's operations in the foreseeable future

The financial statements was prepared in accordance with IFRS based on the assumption that the Company will continue as a going concern for the foreseeable future, which includes the sale of assets and the settlement of liabilities in the ordinary course of business.

In 2021, the Ukrainian economy resumed growth despite the challenging conditions caused by the COVID-19 crisis. At year-end, real GDP growth was 3.4%, following a 4% decline in 2020.

In 2021, the National Bank of Ukraine (the «NBU») began to gradually unwind its anti-crisis measures. In 2021, the key policy rate was raised by 3 pp, from 6% in January to 9% in December. The NBU's decision was intended to improve inflation expectations and mitigate the impact of additional pro-inflationary risks caused by increased geopolitical tensions, which in turn negatively affected the value of Ukrainian assets and the foreign exchange market.

On February 24, 2022, russia launched a full-scale military invasion against Ukraine (Note 19 "Events after the end of the reporting period"). This resulted in significant changes in the operating environment after the reporting date compared to 2021, including:

- Martial law was introduced in Ukraine on February 24, 2022 and continues as of the date of approval of these financial statements.
- Hostilities have taken place or are taking place in Kyiv, Zhytomyr, Chernihiv, Sumy, Kharkiv, Luhansk, Donetsk, Zaporizhzhia, Kherson, and Mykolaiv regions. All other regions are subjected to missile attacks on civilian, infrastructure, and military targets.

- The NBU fixed the UAH/USD exchange rate at 29.25 for the period from February 24, 2022 to July 20, 2022 and at 36.57 for the period from July 21, 2022 to the date of approval of these financial statements. Other currencies are determined at the cross rate to the US dollar,
  In early March 2022, the NBU increased the key policy rate to 25%, subsequently reducing it to 22% in July 2023.

As a result of the uncertainty caused by russia's military aggression, the real GDP of the Ukrainian economy declined by 29.1% in 2022. According to the International Monetary Fund's forecasts, in 2023, the change in the real GDP of the Ukrainian economy will be between 1% and 3%. In 2023, domestic demand in Ukraine's economy is gradually recovering, inflation is slowing down, and foreign exchange reserves remain high amid a stable foreign exchange market. Macroeconomic and financial stability is generally maintained by prudent policies, continuous and timely external support.

Considering the unpredictable nature of the hostilities in Ukraine, there is significant uncertainty regarding the impact of these events on the Company's business and operating environment. The Company's management is taking the necessary measures to maintain a stable economic position and development of the Company, however, the above circumstances are beyond the Company's control.

These financial statements do not include any adjustments that may result from such uncertainty. Such adjustments will be reported when they become known and can be reasonably estimated.

2.3. Significant accounting policies

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

Classification of assets and liabilities into current/short-term and non-current/long-term

The Company represents assets and liabilities in the Statement of Financial Position with its breakdown into non-current/current and long-term/short-term (current). The asset is classified as current if:

- it will be sold, or held for sale, or assumed that it will be used within the usual operating activity;
- it is primarily intended for trading;
- it will be sold within twelve months after the end of the reporting period, or
- it is related to cash or cash equivalents unless it is prohibited from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

All other assets are classified as non-current.

Liabilities are classified as current if:

- it is assumed that they will be repaid within the usual operating activity period;
- they are held for sale purposes;
- they should be repaid after the twelve months after the end of the reporting period, or
- the Company has no unconditional right to postpone the repayment of liability for at least twelve months after the reporting period.

The Company classifies other liabilities as non-current ones. Deferred tax assets and liabilities are classified as non-current assets and long-term liabilities.

Fixed assets

The cost of fixed asset acquired is recognized as an asset and is capitalized in the Statement of Financial Position only if:

- it is probable that future economic benefits associated with the fixed assets item will flow to the entity, and
- the cost of the asset can be valued reliably.

The cost of fixed assets is estimated based on the actual costs incurred for the acquisition of the fixed assets, which include the purchase price, taxes not being reimbursed to the Company, and any costs directly associated with bringing the asset and place for its usage to working conditions. In addition, significant loan expenses directly associated with the acquisition, construction or production of a qualifying asset and are capitalized as part of the asset's cost.

The cost of a replacement part of a fixed asset is recognized at the book value at the time such expenses have incurred, providing the recognition criteria is met. The book value of replaced parts is no longer recognized.

If it is necessary to replace significant components of equipment at certain intervals, the Company separately depreciates them on the basis of appropriate individual useful lives. Similarly, in case of substantial technical inspection, expenses associated with it are recognized in the book value of fixed assets like fixed assets parts replacement, if the recognition criteria is met

After initial recognition, fixed assets are represented at cost less accumulated depreciation and allowance for impairment. The management of the Company regularly assesses whether there is any indication that an asset may be impaired. Assessment is conducted annually or more frequently if there are signs of asset's impairment. In case of significant deviations identification of fixed assets' revaluation is performed. Revaluation of fixed assets is performed with sufficient frequency to avoid a significant difference between the book value and the fair value of the fixed assets at the end of the reporting period.

An increase in the book value of the fixed assets is included in the revaluation surplus represented in the equity section of the Statement of Financial Position, except to the extent that it recovers the impairment loss from the revaluation of the same asset previously recognized in the Statement of Profit or Loss and other comprehensive income. The decrease in the book value of the fixed assets is included in the Statement of Profit or Loss and other comprehensive income, except if the decrease in value directly offsets the increase in the book value of the same asset recognized in the previous period and relates to a decrease in the revaluation reserve. The depreciation of fixed assets accumulated at the revaluation date is recalculated in proportion to the change in the book value of the asset using the gross valuation so that the book value of the asset after revaluation is equal to its revalued amount.

Revaluation surplus of fixed assets, the Company classifies as retained earnings when the asset is terminated.

Depreciation of an item begins when it becomes available for use, i.e. when it is delivered to the location and brought to a state in which it is suitable for operation in the manner intended by management. In practice, this means that depreciation begins with the start of the next period (month) after the asset is put into operation, which is confirmed by the registration of the asset's commissioning act.

Depreciation of the fixed assets is accrued using the straight-line method over the remaining useful life of the fixed assets item. In the month in which the asset is disposed of, depreciation is calculated based on the full month of disposal.

The useful life of fixed assets is determined by individual units, taking into account the nature of the asset and economic activities associated with it. The following factors are taken into account when determining the useful life of an asset:

- expected useful life of the asset,
- expected physical deterioration, which depends on operating factors such as the number of production shifts for which the asset is used, the repair and maintenance program, and the asset maintenance in the event of idle time,
- technical depletion resulting from changes or improvements in production or due to changes in market demand,
- legal or similar restrictions on the use of the asset, such as the lease term.

Estimated useful lives of fixed assets are as follows:

	Useful life (in years)
Buildings and constructions	10-30 years
Machines and equipment	5-20 years
Vehicles	5-10 years
Fixtures, fittings and other equipment	2-8 years

The residual value, useful lives and depreciation methods of assets are analyzed at the end of each financial year and adjusted if necessary.

Reconstruction and modernization costs are capitalized. Maintenance, repairs and minor restoration are recognized as expenses of the current period in the month of their occurrence. Minor restoration includes all costs that do not lead to improved technical characteristics of assets beyond their original capacity.

The fixed asset is ceased from recognition upon disposal or if no further economic benefits are expected from its further use. The disposal date is the date when control over the asset is lost. Gains or losses on disposals of an asset (calculated as the difference between the net disposal proceeds and the book value of the asset) are included in the Statement of Profit or Loss and other comprehensive income for the period in which the asset is ceased from recognition.

Construction in progress represents the cost of the property, machinery and equipment, construction or installation of which is not completed yet and is not suitable for use for its intended purposes. The cost of construction in progress also includes the amounts of advances made to suppliers for fixed assets, as well as the book value of inventories that will be used in the manufacture of fixed assets.

Impairment of assets

At each reporting date, the Company determines whether there is any indication that the asset may be impaired. If any such indication exists, the asset's recoverable value is calculated to determine the amount of the impairment losses.

The asset's recoverable value is the higher of two values: fair value less selling expenses and value in use. The amount of the expected recoverable value is determined for an individual asset, except for assets that do not generate cash inflows and are largely independent of the receipts generated by other assets or a group of assets. If the book value of an asset exceeds its expected recoverable value, the asset is deemed to be impaired and its book value is written off to its recoverable amount (by increasing the amount of accumulated depreciation). When estimating the value in the use of an asset, future cash flows are discounted at the pre-tax discount rate that reflects the current market money value in time and the risks associated with the asset. Impairment losses are recognized in the Statement of Profit or Loss and other comprehensive income for the period as part of the cost categories associated with the function of the asset which useful life has decreased. The materiality principle is applied in determining whether impairment losses should be recognized.

At each reporting date, the Company determines whether there is any indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the expected recoverable value is calculated. Previously recognized impairment losses are recovered only if there was a change in the assessment used to determine the amount of the expected recoverable value of the asset since the last impairment loss was recognized. In this case, the book value of the asset is increased to the expected recoverable value. The amount received may not exceed the book value (less depreciation) at which the asset would have been recognized if the impairment loss had not been recognized in prior periods. Reversals are recognized in the Statement of Profit or Loss and other comprehensive income for the period. After such changes in value, future depreciation charges are adjusted to depreciate the revised book value of the asset, less any residual value, on a systematic basis over its useful life.

Intangible assets

The intangible asset is recognized, if:

- it could be identified which means:

a) the asset may be separated, i.e. it can be separated from the Company and sold, transferred, licensed, leased or exchanged individually or together with a related contract, or identified asset or liability, regardless of whether the Company has intention to do so, or

b) the asset arises from contractual or other legal relationship, regardless of whether it can be transferred or separated from other rights and obligations:

- the Company controls the asset, i.e. has the authority to receive future economic benefits from the core resource, and limit the access of others to these benefits;
- future economic benefits are expected from its use.

Intangible assets that have been acquired separately are valued at their historical cost. The historical cost of an intangible asset acquired in a result of business combination is its fair value at the acquisition date. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and accumulated impairment losses.

Internally generated intangible assets, except for the capitalized development costs are not capitalized; the related costs are recognized in the Statement of Profit or Loss and other comprehensive income in the period in which these costs are incurred.

The useful lives of intangible assets are estimated as determined or indefinite.

Intangible assets with determined useful lives are amortized over the useful life term and tested for impairment if there are indications on which an intangible asset can be written off. The period and amortization method for intangible assets with a specified useful life is analyzed at the end of each reporting period. Changes in the expected useful lives or future economic benefits from the use of an asset that is appropriately considered as a change in the period or amortization method are also considered as a change in accounting estimates. Expenses for amortization of intangible assets with a determined useful life are represented in the Statement of Profit or Loss and other comprehensive income in that expense item in accordance with the functional purpose of the intangible asset.

Intangible assets with indefinite useful lives are not amortized although an annual assessment of impairment for each object or group of similar objects is performed. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether it is acceptable to continue to classify the asset as an asset with an indefinite useful life. If there are grounds for changing the useful life to a determined one, it is done on a forecast basis.

An intangible asset recognition is ceased upon its disposal or when no future economic benefits are expected from its use or disposal. Profit or losses arising from the ceasing of recognition of an intangible asset is measured as the difference between the net inflows from the disposal of an asset and the book value of the asset and is recorded in the Statement of Profit or Loss and other comprehensive income as at the date of asset's disposal.

Trademarks and licenses

Trademarks and licenses are represented at historical cost. Licenses have a determined useful life and are represented at cost less accumulated amortization. The amount of amortization is calculated by the straight-line method as the distribution of the value of trademarks and licenses throughout the estimated useful life.

Software

Acquired licenses for computer software are capitalized in terms of costs incurred for the purchase and installation of specific software. These costs are amortized over the estimated useful life of the software if the Company acquires the right to distribute such software otherwise the acquisition costs are recognized as an expense in the period in which they are incurred.

The costs associated with the development or maintenance of computer programs are included in the costs gradually. Costs directly associated with the development of a single individual software product that will be controlled by the Company and that is likely to result in revenue in excess of cost over a period of more than one year are recognized as an intangible asset. The costs associated with software development include the salaries of software development professionals and the corresponding portion of the allocated overhead costs.

PC software development costs recognized as assets are amortized over their estimated useful lives.

Exploration and evaluation assets

The Company recognizes as exploration and evaluation assets expenditures incurred by the Company in connection with the exploration and evaluation of mineral resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable.

The Company considers the following types of expenditures to be included in the initial measurement of exploration and evaluation assets::

- acquisition of rights and permits for exploration and use of subsurface resources;
- acquisition of permits for the use of geological information;
- acquisition of mineral market research and other marketing information;
- acquisition of fixed assets for drilling and creation of field infrastructure;
- expenditures for topographic, geological, geochemical and geophysical studies;
- expenses for exploration drilling;
- expenditures for taking and evaluating samples and specimens;
- expenditures for the establishment of land easements for the purpose of mining;
- salaries and social security of employees of engineering and geological departments directly involved in exploration and evaluation of mineral resources;
- other expenses for activities in connection with the assessment of the technical feasibility and commercial viability of mineral extraction.

Exploration and evaluation assets are measured at cost. The subsequent measurement of exploration and evaluation assets is also based on a cost model. Capitalized exploration and evaluation expenditure is subject to technical and commercial review at least annually, in particular to determine whether there are any indicators of impairment. If any impairment indicators exist that indicate that the carrying amount of capitalized exploration and evaluation expenditure exceeds its recoverable amount, the Company measures, presents and discloses any impairment loss arising from the impairment.

In assessing whether there are indicators of impairment of exploration and evaluation assets, the Company considers the following facts and circumstances:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed,
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale,

  other events indicating impairment of exploration and evaluation assets..

Estimation of the fair value of capitalized exploration and evaluation expenditures allows the Company's management to ensure that future economic benefits are likely to flow from exploration and evaluation activities. When this condition no longer applies, these expenditures are written off through the Statement of Profit or Loss and Other Comprehensive Income.

Exploration and evaluation assets are not depreciated as the economic resources embodied in these assets are not consumed by the Company until the stage of production. At the same time, capitalized license costs for extraction of mineral resources are amortized, including at the exploration and evaluation stage.

Exploration and evaluation assets are no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource has been demonstrated and production has begun. Before reclassification, an assessment of impairment of exploration and evaluation assets and any recognized impairment loss is made.

Inventories

Inventories are valued at the lowest of the two indicators: cost or net realizable value.

The cost of inventories includes all acquisition costs, modernization costs, and other costs incurred due to putting the inventories into the proper condition and location.

- The cost of inventories acquisition consists of the purchase price, import duties and other taxes (other than those subsequently reimbursed to the entity by the tax authorities), as well as the costs of transportation, loading and unloading and other costs directly related to the purchase of finished goods, materials and services.
- Inventory processing costs include costs directly related to production units. They also include the systematic distribution of fixed and variable production overheads arising from the processing of materials into finished goods.

In the case of a sale, release in production or other disposal of inventories, the weighted average cost is used, taking into account the storage location, series and characteristics of inventories. When selling goods at retail, the valuation method of the selling price is used.

Net realizable price is determined as the estimated selling price in the ordinary course of business less the estimated costs of production completion and expenses required for sale.

Lease

Determining whether an agreement is a lease or whether it contains signs of a lease is based on an analysis of the content of the agreement at the date of commencement of the lease. An agreement is a lease or contains features of a lease if the performance of the agreement depends on the use of a particular asset (or assets) and the right to use the asset or assets as a result of the agreement passes from one party to another, even if that asset (or assets) is not specified in the agreement.

The Company as a lessor

Leases in which the Company retains substantially all risks and benefits related to ownership of an asset are classified as operating leases. Lease income that arises is recognized on a straight-line basis over the lease term and included in revenue from other operating activities in the Statement of Profit or Loss and other comprehensive income, depending on the operating nature. Initial direct costs incurred due to concluding an operating lease agreement are included in the book value of the leased asset and are recognized over the lease term on the same basis as the lease income. Contingent rent is recognized as revenue from other operating activities in the period in which it was received

The Company as a lessee

• *Assets in the form of rights of use*

The Company recognizes assets in the form of a right of use at the start date of the lease (i.e. the date on which the underlying asset becomes available for use). Assets in the form of the right of use are valued at historical cost less accumulated depreciation and accumulated impairment losses, adjusted for revaluation of lease obligations. The historical cost of an asset in the form of a right of use includes the number of recognized lease obligations, incurred initial direct costs and lease payments made on or before the lease start date less any incentive lease payments received. If the Company does not have sufficient assurance that it will acquire ownership of the leased asset at the end of the lease term, the recognized asset is depreciated using the straight line method over the shortest of the estimated useful life of the asset or the lease term. Assets in the form of the right of use are tested for impairment.

• *Lease liabilities*

At the start date of the lease, the Company recognizes a lease liability. Liabilities are measured at the present discounted value of the lease payments to be made during the lease term. Lease payments include fixed payments (including essentially fixed payments), less any incentive payments on a lease receivable, variable lease payments that depend on an index or rate, and the amount that is expected to be paid under liquidation cost guarantees. Rent payments also include the exercise price of the call option if there is reasonable assurance that the Company will exercise the option and will pay termination penalties if the lease term reflects the Company's potential exercise of the termination option. Variable rent payments that are independent of an index or rate are recognized as an expense in the period in which the event or condition that gives rise to such payments occurs.

To calculate the present value of rent payments, the Company uses the borrowing rate of additionally lent funds at the start date of the lease, if the interest rate specified in the lease agreement cannot be easily determined. After the commencement date of the lease, the amount of the lease liability increases to represent the accrual of interest and decreases to represent the lease payments made. In addition, in the event of a modification, changes in the lease term, a change in the substance of the fixed lease payments or a change in the valuation of the option for the purchase of the underlying asset, the Company revalues the book value of the lease obligation.

• *Short-term leases and low-value assets leases*

The Company applies the exemption from short-term lease recognition to its short-term leases (i.e. to contracts that have a lease term of no more than 12 months at the start date of the lease and that do not contain a call option). The Company also applies exemptions from the recognition of leases of low-value assets to leases agreements that are considered of low value (i.e. up to UAH 100 thousand). Rent payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the term of the lease.

• *Significant judgments in determining the lease term in contracts with an option for an extension*

The Company determines the lease term as such, where the lease period, together with the periods for which the option to renew the lease is provided, is not subject to early termination if there is sufficient certainty that it will be fulfilled or the periods for which the lease termination option is provided if there is sufficient certainty that it will not be fulfilled.

Under some leases, the Company may have an option to extend the lease of assets for an additional period. The Company applies judgments to determine whether it has sufficient certainty that it will exercise this option for extension. In doing so, it takes into account all relevant factors that give rise to an economic incentive to exercise the option to extend the lease. After the lease commencement date, the Company reassesses the lease term in the event of a significant event or change in circumstances that is under the Company's control and affects its ability to exercise (or not exercise) the lease extension option (e.g., change in business strategy, etc.).

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that leads to the occurrence of a financial asset of one entity and a financial liability or equity instrument of another entity.

The fair value of a financial instrument on initial recognition is generally the transaction price (i.e. the fair value of the compensations given or received). However, if part of the given or received compensations is not intended for a financial instrument, the fair value of the financial instrument is pre-measured using the appropriate valuation technique:

- the fair value of a long-term interest-free loan or receivable is pre-measured as the present value of all future cash flows discounted using the prevailing market interest rate for the instrument (similar in currency, term, interest rate type and other characteristics) with a similar credit rating;
- a loan to which a non-market rate is applied is recognized at its fair value with an increase in the discount reflected in profit or loss using the effective interest rate method.

When the Company becomes the counterparty of the agreement, it considers the existence of embedded derivatives. Embedded derivatives are separated from the host contract, which is not measured at fair value through profit or loss if the analysis shows that the economic characteristics and risks of embedded derivatives differ significantly from those of the host contract.

Financial assets

Initial recognition and assessment

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

The classification of financial assets on initial recognition depends on the cash flow characteristics of the contract, the financial asset and the business model used by the Company to manage those assets. Except for trade receivables, which do not contain a significant component of financing or for which the Company has applied a simplification of a practical nature, the Company initially measures financial assets at fair value, increased in the case of financial assets not measured at fair value through profit or loss, for the number of costs under the agreement. Trade receivables that do not contain a significant financing component or for which the Company has applied a simplification of a practical nature are measured at the transaction price determined in accordance with IFRS 15 «Revenue from Contracts with Customers».

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it is necessary that the contractual terms of this asset stipulate the receipt of cash flows that are «exclusively payments on the principal amount of the debt and interest» on the outstanding part of the principal amount of the debt. This assessment is called the SPPI test and is performed at the level of each instrument.

The business model used by the Company to manage financial assets describes the way in which the Company manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the receipt of contractual cash flows, the sale of financial assets, or both.

All transactions of purchase or sale of financial assets that require delivery of assets within the time limits established by law or in accordance with the rules adopted in a particular market (trading on standard terms) are recognized on the date of the transaction, i.e. the date the Company assumes an obligation to buy or sell an asset.

Further assessment

For further assessment purposes, financial assets are classified into four categories:

- financial assets that are measured at amortized cost (debt instruments);
- financial assets that are measured at fair value through other comprehensive income with subsequent revaluation reflected in profit or loss (debt instruments);
- financial assets classified by the organization as measured at fair value through other comprehensive income without further reclassification of accumulated profits and losses on derecognition (equity instruments);
- financial assets that are measured at fair value through profit or loss.

Financial assets that are measured at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- financial asset is held within the business model, the purpose of which is to hold financial assets to obtain the contractual cash flows; and
- contractual terms of the financial asset stipulate the receipt of cash flows on these dates, which are solely payments on account of the principal amount of debt and interest on the outstanding part of the principal amount of debt.

Financial assets that are measured at amortized cost are subsequently measured using the effective interest method and are subject to impairment requirements. Profits or losses are recognized in profit or loss if the asset is derecognized, modified or impaired.

The Company classifies trade receivables and long-term receivables into the category of financial assets measured at amortized cost

Financial assets that are measured at fair value through other comprehensive income with subsequent revaluation reflected in profit or loss (debt instruments)

The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- financial asset is held within the business model, the purpose of which is both to obtain contractual cash flows and the sale of financial assets, and
- contractual terms of the financial asset stipulate the receipt of cash flows on these dates, which are solely payments on account of the principal amount of debt and interest on the outstanding part of the principal amount of debt.

In the case of debt instruments measured at fair value through other comprehensive income, interest income, exchange rate revaluation and impairment losses or reversals of such losses are recognized in the Income Statement and calculated in the same way as in the case of financial assets that are measured at fair value. Other changes in fair value are recognized in other comprehensive income. Upon derecognition, the cumulative amount of changes in fair value recognized in other comprehensive income is reclassified to net profit or loss.

The Company has no financial assets that are measured at fair value through other comprehensive income as of December 31, 2021.

Financial assets classified by the Company as those that are measured at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Company may, in its sole discretion, decide, without the right to cancel, to classify investments in debt instruments as those that are measured at fair value through other comprehensive income if they meet the definition of equity in accordance with IAS 32 «Financial Instruments: Presentation» and are not intended for trade. The decision on such classification is made on each instrument separately.

Profits and losses on such financial assets are not reclassified to net profit or loss. Dividends are recognized as other income in the Income Statement when the right to receive the dividend is established, except when the Company benefits from such income as part of the cost of the financial asset. In this case, such income is reflected in other comprehensive income. Equity instruments classified by the Company as those that are measured at fair value through other comprehensive income are not measured for impairment.

As of December 31, 2021, the Company has no financial assets that are classified as those that are being measured at fair value through other comprehensive income (equity instruments).

Financial assets that are measured at fair value through profit or loss

The category of financial assets that are measured at fair value through profit or loss includes financial assets held for sale, financial assets classified by the Company on initial recognition as those that are being measured at fair value through profit or loss, or financial assets that require to be measured at fair value.

Financial assets are classified as held for sale if they are acquired for sale in the near future. Derivative instruments, including separate embedded derivative instruments, are also classified as held for sale unless they are determined by the Company as an effective hedging instrument.

Financial assets for which cash flows are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model used. Although the criteria for classifying debt instruments measured at fair value or fair value through other comprehensive income as described above, the Company at initial recognition may choose to classify debt instruments as measured at fair value through profit or loss if such classification eliminates or significantly reduces the accounting mismatch.

Financial assets measured at fair value through profit or loss are recognized in the Statement of Financial Position at fair value, and changes in their fair value are recognized in the Income Statement.

Impairment of financial assets

At each reporting date, the Company recognizes provisions for expected credit losses (ECL) in respect to all debt instruments that are not measured at fair value through profit or loss. ECL are calculated based on the difference between the cash flows attributable to the contract and all cash flows that the Company expects to receive, discounted using the historical effective interest rate or its approximate value. Expected cash flows include cash flows from the sale of provision or from other credit quality enhancement mechanisms that are an integral part of the contractual terms.

ECL are recognized in two stages. If the financial risk of financial instruments has not increased significantly since their initial recognition, an estimated provision is made for credit losses that may arise due to defaults possible over the next 12 months (12-month expected credit losses). For financial instruments for which credit risk has increased significantly since initial recognition, an estimated provision is made for credit losses that are expected over the maturity of the financial instrument, regardless of the timing of the default (expected credit losses for the entire term).

With respect to trade receivables and contractual assets, the Company applies a simplified approach when calculating ECL. Therefore, the Company does not monitor changes in credit risk but instead recognizes a loss provision at each reporting date in an amount equal to the expected credit loss for the entire period.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized if:

the rights to receive cash flows from the asset have expired;

or

the Company has transferred its rights to receive cash flows from the asset or has undertaken to pay the third party the cash flows received in full and without significant delay under the «transit» agreement; and or

(a) the Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has not only not transferred and not retained almost all risks and rewards of the asset but also transferred control over the asset.

If the Company has transferred its rights to receive cash flows from an asset or entered into a transit agreement, it assesses whether it has retained the risks and rewards of ownership and, if so, to what extent. If the Company has not transferred and has not retained substantially all the risks and rewards of the asset, and has not transferred control of the asset, the Company continues to recognize the transferred asset to the extent that it continues to participate in it. In this case, the Company also recognizes the relevant obligation. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations retained by the Company.

Subsequent participation, which takes the form of a guarantee for the transferred asset, is valued at the lowest of the following values: the initial book value of the asset or the maximum amount of compensation that may be required of the Company.

Financial liabilities

Initial recognition and assessment

Financial liabilities are classified on initial recognition as financial liabilities that are measured at fair value through profit or loss.

All financial liabilities are initially recognized at fair value, less costs directly attributable to the transaction (in the case of loans, borrowings and accounts payable).

The Company's financial liabilities include trade and other payables, loans and other borrowings, including bank overdrafts.

Further assessment

Further assessment of financial liabilities depends on their classification.

Financial liabilities that are measured at fair value through profit or loss

This category includes financial liabilities held for trading and financial liabilities classified at the Company's discretion on initial recognition as being measured at fair value through profit or loss.

Financial liabilities are classified as held for sale if they are incurred to repurchase in the near future. This category also includes derivative financial instruments in which the Company is a party to the contract, not designated at the Company's discretion as hedging instruments within the hedging relationship as defined in IFRS 9 «Financial Instruments». Dedicated embedded derivatives are also classified as held for sale unless they are classified at the Company's discretion as an effective hedging instrument.

Profits or losses on liabilities held for sale are recognized in the Income Statement.

Financial liabilities classified at the Company's initial recognition as those being measured at fair value through profit or loss fall into this category at the date of initial recognition and only in accordance with the criteria of IFRS 9.

The Company has no financial liabilities classified in its discretion as those being measured at fair value through profit or loss.

Accounts payable for operating activities and other accounts payable

Accounts payable for operating activities and other accounts payable are recognized when the counterparty has settled its obligations under the agreement and are carried at amortized cost using the effective interest method

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are measured at amortized cost using the effective interest rate. Profits and losses on such financial liabilities are recognized in profit or loss on derecognition, as well as on the basis of amortization using the effective interest rate.

Amortized cost is calculated taking into account discounts or premiums on the acquisition, as well as commissions or expenses, which are an integral part of the effective interest rate. Amortization of the effective interest rate is included in financing expenses in the Income Statement.

This category mainly includes interest bearing loans and borrowings As of December 31, 2021, the Company has no interest-bearing loans and borrowings.

Derivatives and hedge accounting, initial recognition and subsequent measurement

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and then further reassessed at fair value. Derivatives are classified as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

The Company does not use derivatives, such as forward currency contracts, interest rate swaps and forward commodity contracts.

Offsetting financial instruments

Financial assets and financial liabilities are offset when there is a legally protected right to offset recognized amounts and when there is an intention to settle on a net basis, sell the assets and at the same time repay the liabilities.

Derecognition

A financial liability is derecognized when the liability is repaid, cancelled or expired. If an existing financial liability is replaced by another liability to the same creditor on significantly different terms or if the terms of the existing liability are significantly changed, such replacement or change is accounted for as derecognition of the initial obligation and commencement of recognition of the new obligation, while the difference in their book value is recognized in the Income Statement.

Prepayments

Prepayments are classified as long-term if prepaid goods or services are received more than one year later, or if the prepayments relate to an asset that, on initial recognition is classified as a non-current asset.

Advances issued for the purpose of asset acquisition are included in its book value after the Company has acquired control under such asset, and if it is probable that the future economic benefits associated with the asset will flow to the Company. Prepayments are written off against profit or loss after receipt of the goods or services for which they were made. If there is evidence that prepaid assets, goods or services will not be received, the book value of the prepayment is reduced accordingly and the related impairment loss is recognized in profit or loss for the year.

Equity

The Company's equity consists of authorized capital and retained earnings. The authorized capital of the Company is formed from the contributions of the participants made in the payment of the acquired shares.

Value Added Tax (VAT)

VAT is levied at two rates:

- 20% is charged for the supply of goods or services on the territory of Ukraine, including supplies without a clearly defined amount of remuneration, and the import of goods into Ukraine (except for cases clearly stipulated by the law);
- 14% – rate for some agricultural products;
- 7% is applied to operations on supply in the customs territory of Ukraine and import into the customs territory of Ukraine of certain medicines, medical devices and / or medical equipment;
- 0% is applied to the export of goods and related services.

The accumulated VAT credit, which arose as a result of construction in progress in the previous and reporting periods, is classified as other non-current assets since the implementation of this loan will become possible after the start of mining activities.

2.4. Significant accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgments and estimates that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of those items and contingent liabilities. Uncertainty in these assumptions and estimates may result in significant adjustments in the future to the assets or liabilities carrying amount for which such assumptions and estimates are made.

The main assumptions and other major sources for uncertainty in estimates, which may cause material adjustments to assets and liabilities carrying amounts, are listed below. The Company's assumptions and estimates are based on the data which it had at the moment of the preparation of the financial statements. However, current circumstances and future assumptions may change due to the market changes or circumstances beyond the Company's control. Such changes are represented in assumptions as far as they occur

The most material areas that require the use of management estimates and assumptions are as following:

- useful life of fixed assets;
- impairment;
- development costs.

Useful life of fixed assets

The Company evaluates the useful life of fixed assets by professional judgment based on the similar fixed assets objects experience. The Company gains future economic benefits from their current use while services are rendered and production is manufactured. However, factors such as technical and economic depreciation and obsolescence lead often to the reduction of economic benefits from assets. Management estimates the remaining useful lives according to the assets' current technical condition and the expected period of the benefits from used to be obtained in.

The following factors are considered:

(a) supposed use of assets;
(b) projective depreciation depending on performance parameters and maintenance regulation; and
(c) technical and economic depreciation based on the market conditions.

The effect of fixed assets useful life revision is represented in the period of such a revision took place or in future periods, if applicable. Accordingly, it may affect the amount of future depreciation and the fixed assets carrying amount. Management increases the amount of depreciation if useful lives had become shorter than previously estimated.

Impairment

At each reporting date, the Company tests the asset for impairment indicators. If any such indicator exists, the Company assesses the recoverable amount of the asset.

During the impairment test, the Company analyzes both external and internal sources of information. The considered external sources of information include changes in the market, economic and legal environment in which the Company operates and which are beyond its control and affect the recoverable amount of assets.

The Company's internal sources of information include the ways of the current or expected use of fixed assets, as well as the performance of the assets. Estimating the fixed assets recoverable amount, the Company's management estimates the discounted future cash flows after tax that are expected to be generated by the Company's assets, the items selling costs and corresponding discount rates.

Projected prices decrease, projected future operating costs increase, projected future capital expenditures increase, production and reserves decrease and/or a negative current economic situation may reduce the carrying amount of the Company's assets.

Determining the impairment of assets that do not generate independent cash flows they are matched to generating cash flows unit. Management applies subjective judgment in assigning assets that do not generate independent cash flows to relevant cash generating units, as well as in estimating the timing and amount of relevant cash flows in value in use calculations. Subsequent changes in attribution of assets to generating units or cash flows timing may affect the carrying amount of the related assets.

Development costs

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

The Company capitalizes on the development costs of non-ferrous metal deposits. The initial capitalization of costs is based on the judgment that the technological and economic feasibility is confirmed, as a rule, when the development project reaches a certain stage in accordance with the established model of project implementation. To determine the amounts that can be capitalized, management makes assumptions about the expected future cash flows from the project, the discount rates to be applied, and the expected timing of the benefits.

3. Administrative expenses

	For the year ended December 31, 2021	For the year ended December 31, 2020
Lease	166	156
Depreciation and amortization	170	97
Wages and Social insurance	363	95
Fuel costs	204	80
Expenses for cash and settlement services provided by the bank	94	64
Third parties' services	212	46
Other	3	35
Total	**1 212**	**573**

4. Other operating expenses

	For the year ended December 31, 2021	For the year ended December 31, 2020
Depreciation and amortization	440	440
Participation in the development of the social sphere in the licensed areas	2 355	123
Other	144	3
Total	**2 939**	**566**

5. Intangible assets

The Company's intangible assets as at December 31, 2021 and December 31, 2020 are mineral exploration and evaluation assets.

Movements of intangible assets in 2021 were as follows:

	Special permits for subsoil use	Permits for the use of geological information	Total
COST:			
as at 31.12.2020	**5 252**	**3 556**	**8 808**
for 2021 p.			
Additions	-	-	-
Disposal	-	-	-
as at 31.12.2021	**5 252**	**3 556**	**8 808**
ACCUMULATED DEPRECIATION:			
as at 31.12.2020	**(394)**	**(267)**	**(661)**
for 2021			
Additions	(262)	(178)	(440)
Disposal	-	-	-
as at 31.12.2021	**(656)**	**(445)**	**(1 101)**
NET BOOK VALUE:			

as at 31.12.2020	4 858	3 289	8 147
as at 31.12.2021	4 596	3 111	7 707

Movements of intangible assets in 2020 were as follows:

	Special permits for subsoil use	Permits for the use of geological information	Total
COST:			
as at 31.12.2019	**5 252**	**3 556**	**8 808**
for 2020			
Additions		-	-
Disposal	-	-	-
as at 31.12.2020	**5 252**	**3 556**	**8 808**
ACCUMULATED DEPRECIATION:			
as at 31.12.2019	**(131)**	**(89)**	**(220)**
for 2020			
Additions	(263)	(178)	**(441)**
Disposal	-	-	-
as at 31.12.2020	**(394)**	**(267)**	**(661)**
NET BOOK VALUE:			
as at 31.12.2019	**5 121**	**3 467**	**8 588**
as at 31.12.2020	**4 858**	**3 289**	**8 147**

As at 31.12.2021 and 31.12.2020, the Company had no completely amortized intangible assets.

6. Construction in progress

Construction in progress includes exploration and evaluation assets valued by cost, non-current assets being prepared for use, the amount of advances (excluding VAT) transferred to suppliers for fixed assets, as well as inventories which will be used in the manufacture of fixed assets.

As at December 31, 2021, exploration and evaluation assets included in construction in progress amounted to UAH 57 349 thousand (as at December 31, 2020 – UAH 27 942 thousand)

Movements in construction in progress for 2021 and 2020 were as follows:

	Capital investments	Advances for the acquisition of capital investments	Total
COST as at 31.12.2019	2 528	-	2 528
for 2020			-
Additions	16 256	-	16 256
Commissioned	(843)	-	(843)
Movement in advances for the acquisition of capital investments	-	10 004	10 004
COST as at 31.12.2020	**17 941**	**10 004**	**27 945**
Additions	20 747	-	20 747
Commissioned	(38)	-	(38)
Movement in advances for the acquisition of capital investments		8 886	8 886
COST as at 31.12.2021	**38 650**	**18 890**	**57 540**

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

7 Fixed assets

Movements in fixed assets for 2021 were as follows:

	Vehicles	Machinery and equipment	Fixtures, fittings and other equipment	Other fixed assets	Total
COST					
as at 31.12.2020	**823**	**15**	**5**	**-**	**843**
for 2021					
Additions		1		35	36
Disposals					
as at 31.12.2021	**823**	**16**	**5**	**35**	**879**
ACCUMULATED DEPRECIATION					
as at 31.12.2020	**(95)**	**(1)**	**(1)**		**(97)**
for 2021					
Accrued	(165)	(2)	(1)	(1)	(169)
Disposed					
as at 31.12.2021	**(260)**	**(3)**	**(2)**	**(1)**	**(266)**
NET BOOK VALUE:					
as at 31.12.2021	**563**	**13**	**3**	**34**	**613**

Movements in fixed assets for 2020 were as follows:

	Vehicles	Machinery and equipment	Fixtures, fittings and other equipment	Other fixed assets	Total
COST					
as at 31.12.2019	**-**	**-**	**-**	-	**-**
for 2020					
Additions	823	15	5	-	**843**
Disposals	-	-	-	-	-
as at 31.12.2020	**823**	**15**	**5**	-	**843**
ACCUMULATED DEPRECIATION					
as at 31.12.2019	**-**	**-**	**-**	-	**-**
for 2020					
Accrued	(95)	(1)	(1)	-	**(97)**
Disposed	-	-	-	-	-
as at 31.12.2020	**(95)**	**(1)**	**(1)**	**-**	**(97)**
NET BOOK VALUE:					
as at 31.12.2020	**728**	**14**	**4**	**-**	**746**

As at December 31, 2021 and December 31, 2020, the Company had no completely depreciated fixed assets.

8. Other non-current assets

Other non-current assets of the Company as at December 31, 2021 and December 31, 2020 are represented by VAT tax credit arising from capital construction in progress in the reporting and previous periods. The Company expects to realize this asset after the commencement of production activities.

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

9. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2021 and December 31, 2020 were represented by cash on bank accounts in the national currency. The Company's cash is held in Raiffeisen Bank JSC.

10. Current accounts payable for goods, works and services

As at December 31, 2021 current accounts payable for goods, works, services are represented by amounts payable to ELKO-BUD LLC in the amount of UAH 971 thousand for well drilling, to Research and Production Enterprise KAI LLC for the development of project documentation for field evaluation in the amount of UAH 121 thousand, to SE Dolyna Forestry for the established easement in the amount of UAH 61 thousand, and to DGE DNIPROGEOFIZYKA of SGE UKRGEOFIZYKA for geophysical surveys in the amount of UAH 21 thousand.

As at December 31, 2020, current payables for goods, works and services are represented by payables to Geology LLC for geological works and supply of inventory in the amount of UAH 108 thousand, and to Tectorial LLC for the development of land management documentation in the amount of UAH 10 thousand.

All accounts payable are denominated in Ukrainian hryvnia. The carrying amounts of trade and other payables approximate their fair values.

11. Other current liabilities

Other current liabilities as at December 31, 2021 and December 31, 2020 are represented by amounts of financial assistance received from related parties (Note 14 «Related party transactions»). All financial assistance received is repayable on a demand basis, is returnable and interest-free.

12. Capital management

The Company's policy is to maintain a stable level of capital to ensure the confidence of investors, creditors and other market participants, as well as to ensure further sustainable development of the Company's business. This is achieved through effective cash management, continuous monitoring of the Company's income, investment and financial plans. Through these measures, the Company aims to implement a mining project in Ukraine.

There were no changes in the approach to capital management during the reporting period.

The Company is not subject to any external capital requirements.

13. Income tax

The Company pays taxes in Ukraine. In 2021 and 2020, Ukrainian corporate income tax was charged on taxable profit, net of tax-exempt expenses, at the rate of 18%.

The negative value of the previous periods' taxation object as at December 31, 2021 amounted to UAH 5 660 thousand (December 31, 2020: UAH 26 560 thousand). Accordingly, the Company's unrecognized deferred tax assets amounted to UAH 1 018 thousand as at December 31, 2021 (December 31, 2020: UAH 268 thousand). The Company's management decided not to recognize the respective deferred tax assets in the Company's financial statements based on the principle of prudence.

A reconciliation of the expected and actual tax charge is as follows:

	For the year ended December 31, 2021	**For the year ended December 31, 2020**
Accounting profit (loss) before taxation	(4 170)	(1 132)
Income tax/(tax benefit) at a nominal rate of 18%	(751)	(204)
Tax effect of items that are not deductible for tax purposes:		
Change in unrecognized deferred tax assets	751	204

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Income tax expenses	-	-

14. Related party transactions

In accordance with IAS 24 «Related Party Disclosures», parties are considered to be related ones 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, not merely the legal form.

The following legal entities and individuals are considered to be the Company's related parties for the year ended December 31, 2021:

Related party type	Name	Nature of the relationship
Ultimate beneficial owner	G. Butkevych	relationship of control or significant influence
Participants, shareholders with a share in the share capital of more than 10%	BGV Group Limited	relationship of control or significant influence
Director	V. Tanay	key management personnel
Entities related through common owners	City Estate Management LLC, TAG LLC, Mining Company of Perha LLC, Ukrainian Supply Group LLC, B. V. Eternity Holdings Limited, BGV Investments	common controlling owners

The following legal entities and individuals are considered to be the Company's related parties for the year ended December 31, 2020:

Related party type	Name	Nature of the relationship
Ultimate beneficial owner	G. Butkevych	relationship of control or significant influence
Participants, shareholders with a share in the share capital of more than 10%	BGV Group Limited	relationship of control or significant influence
Director	V. Tanay	key management personnel
Entities related through common owners	City Estate Management LLC, TAG LLC, Mining Company of Perha LLC, Ukrainian Supply Group LLC, B. V. Eternity Holdings Limited	common controlling owners

As at December 31, 2021 and December 31, 2020, and for the years then ended, the Company had the following transactions and balances related to interest-free financial assistance received from related parties:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest-free financial borrowings outstanding at the beginning of the year	**32 057**	**3 131**
Interest-free financial borrowings received during the year	38 390	28 926
Interest-free financial borrowings repaid during the year	(2 000)	-
Interest-free financial borrowings outstanding at the end of the year	**68 447**	**32 057**

As at December 31, 2021 and December 31, 2020, and for the years then ended, the Company had the following transactions with related parties in respect of other operating income:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Other operating income from services to related parties	8	-

As at December 31, 2021 and December 31, 2020, and for the years then ended, the Company had the following transactions for the purchase of inventories from related parties:

	For the year ended December 31, 2021	For the year ended December 31, 2020

Purchase of inventories from related parties	723	-

In 2021 and 2020, there were real estate sublease agreements with a related party in which the Company acted as a sublessee. Expenses under the respective sublease agreements in 2021 amounted to UAH 109 thousand (2020: UAH 109 thousand).

As at December 31, 2021 and December 31, 2020, the Company's key management personnel consisted of one person. Transactions with key management personnel are disclosed below:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Accrued salary of key management personnel	77	65
Social contribution expenses related to key management personnel	17	14
Total	**94**	**79**

15. Risk management

The main risks to the Company's operations are those arising from the military aggression of russia against Ukraine (Note 18 «Events after the end of the reporting period»), risks arising from the impact of the coronavirus (COVID-19) and related restrictions, the risk of the Ukrainian tax system, credit risk and liquidity risk. The Company reviews and agrees policies to manage each of these risks as described below. This note provides information about each of the risks to which the Company is exposed and the objectives, policies, measurement and management of those risks. Further quantitative disclosures are included in the related notes to the financial statements.

The main types of the Company's financial instruments as at December 31, 2021 and December 31, 2020 are as follows:

	Note	As at December 31, 2021	As at December 31, 2020
Cash and cash equivalents	9	3 071	338
Trade accounts receivable for products, goods, works and services		3	-
Other current receivables		11	120
Total financial assets		**3 085**	**458**
Current accounts payable for goods, works and services	10	1 173	118
Other current liabilities	11	68 447	32 409
Total financial liabilities		**69 620**	**32 527**

The Company's principal financial liabilities include financial assistance received, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and construction in progress.

The Company's principal financial assets include other current receivables and cash and cash equivalents..

Foreign currency risk

The Company is not exposed to currency risk as it does not have any financial instruments denominated in foreign currency.

Interest rate risk

The Company is not exposed to interest rate fluctuations as it has no interest-bearing financial instruments.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its obligations under a contract. To manage credit risk, the Company uses operational control procedures for receivables.

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Risk related to Ukraine's tax system

In the Ukrainian tax system, the Tax Code of Ukraine is the central law governing the taxation by central and local authorities. Such taxes include income tax, value added tax, personal income tax and other taxes. Certain provisions of the Ukrainian tax legislation are not always clearly defined and are subject to varying interpretations by different parties. At the same time, the Ukrainian tax legislation is subject to amendments and changes, the consequences of which may have both a favourable impact on the Company's development and cause additional difficulties in its operations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay its liabilities as they become due. The Company controls the risk of cash shortage by using a current liquidity planning tool.

The Company has analyzed the concentration of risk related to refinancing of its debt and concluded that it is low The Company has access to sufficient funding sources, and the maturity of debt due within 12 months can be extended to later dates by agreement with current creditors.

The amounts disclosed in the maturity analysis table as at December 31, 2021 are the undiscounted contractual cash flows of the most significant liabilities.

	Up to 1 year	More than 1 year	Total
Liabilities			
Current accounts payable for goods, works and services	1 173	-	**1 173**
Other current liabilities (Note 11)[1]	68 447	-	**68 447**
Total financial liabilities	**69 620**		**69 620**

Risks caused by russia's military aggression against Ukraine

On February 24 , 2022, Russian troops began significant military actions against Ukraine (Note 19 «Events after the end of the reporting period»), which as at the date of approval of these financial statements are in an active phase, which significantly affects the operations of most entities, including the Company. As at the date of approval of these financial statements, according to the available information, the Company's assets were not significantly damaged.

Risks caused by the impact of the coronavirus (COVID-19) and related restrictions

In 2020, the coronavirus (COVID-19) was spreading. In March 2020, the World Health Organization announced the start of the pandemic. This resulted in a number of restrictions on economic activity, also in 2021.

16. Provisions and contingent liabilities

As at December 31, 2021 and December 31, 2020, the Company did not recognize any obligations for dismantling of property, plant and equipment or restoration of natural resources.

In accordance with the terms of the subsoil use agreement, the Company is obliged to finance the liquidation works. As at December 31, 2021 and December 31, 2020, the Company's management considers the respective requirement as a contingent liability of the Company, as the mining project is at the stage of exploration and evaluation of mineral resources as at the indicated dates, which makes it impossible to estimate the amount of the liability for liquidation works sufficiently reliably.

17. Standards and interpretations not yet adopted

IAS 8.30 requires entities to disclose in their financial statements information about standards that are in issue but not yet effective and known or reasonably practicable information that enables users to evaluate the likely effect of the application of those standards on the entity's financial statements..

The new standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, amendments and interpretations, if applicable, when they become effective.

[1] Financial assistance from a related party, City Estate Management LLC, was provided under the terms of repayment on demand, therefore, it is included in current liabilities.

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Standards / interpretations	Effective for annual accounting periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2021
Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures, IFRS 16 Leases: Interest Rate Benchmark Reform	
Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Onerous Contracts - Cost of Fulfillment of Contract	
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	
Amendments to IAS 1 Presentation of Financial Statements – Classification of liabilities as current and non-current	1 January 2021
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an Investor and its associate or joint venture	1 January 2023
The amendment to IFRS 17 Insurance Contracts and IFRS 4 Insurance Contracts includes clarifications to facilitate the adoption of IFRS 17 and to simplify certain requirements of the standard and transitional provisions	
IAS 8 "Accounting policies, changes in accounting estimates and errors" - Amendments to the definition of accounting estimates	1 January 2021
IAS 1 Presentation of Financial Statements: The amendments require entities to disclose significant information about accounting policies, rather than major provisions of accounting policies. Amendments to IAS 1 Financial Statement Filing – Amendments to Classification of Liabilities	1 January 2022
IAS 12 Income Taxes deals with accounting for deferred tax on transactions such as leases and decommissioning obligations.	Effective date to be determined

The specified amended IFRS and interpretations, which came into force and were accepted for application on January 01, 2021, did not affect the performance and financial condition of the Company.

Management believes that adoption of the above Standards and Interpretations in future periods will not have a significant impact on the Company's financial statements. The Company did not undertake an early transition to the new and amended Standards in preparing these financial statements.

18. Events after the end of the reporting period

On February 24, 2022, russia's military aggression against Ukraine began, and as of the date of approval of these financial statements, it is in its active phase, which has a significant negative impact on the operations of the Company and most entities in Ukraine. In connection with the military aggression against Ukraine, by the Decree of the President of Ukraine dated February 24, 2022 No. 64/2022, martial law was introduced in Ukraine, which as of the date of signing these financial statements was extended until November 16, 2023 by the Decree of the President of Ukraine dated July 26, 2023 No. 451/2023 "On Extension of the Martial Law in Ukraine". The Company is unable to predict the further development or outcome of the military aggression of russia against Ukraine, which began on February 24, 2022, as the military actions are beyond the Company's control. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

19. FINANCIAL STATEMENTS IN THE FORMAT FOR REPORTING TO THE STATE STATISTICS SERVICE OF UKRAINE

The Balance sheet (Statement of financial position) as at December 31, 2021

Asset	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	8 147	**7 707**
Historical cost	1001	*8 808*	***8 808***
Accumulated amortization	1002	*(661)*	***(1 101)***
Constructions in progress	1005	27 945	**57 540**
Property, plant, and equipment	1010	746	**613**
Historical cost	1011	*843*	***879***
Accumulated depreciation	1012	*(97)*	***(267)***
Investment property	1015		-
Cost of investment property	1016	-	-
Depreciation of investment property	1017	-	-
Long-term biological assets	1020	-	-
Cost of long-term biological assets	1021	-	-
Accumulated amortisation of long-lived biological assets	1022	-	-
Long-term financial investments: accounted for under the equity method of accounting	1030	-	-
Other financial investments	1035	-	-
Long-term receivables	1040	-	-
Deferred tax assets	1045	-	-
Goodwill	1050	-	-
Deferred acquisition costs	1060	-	-
Balance in centralised insurance reserve funds	1065	-	-
Other non-current assets	1090	2 481	**4 170**
Total by section I	**1095**	39 319	**70 030**
Inventories	1100	11	**23**
Production inventories	1101	-	-
Work in progress	1102	-	-
Finished goods	1103	-	-
Goods	1104	-	-
Current biological assets	1110	-	-
Reinsurance deposits	1115	-	-
Promissory notes received	1120	-	-
Receivables for products, goods, works and services	1125	-	**3**
Receivables from settlements:	1130	12	**29**
on advances issued	1135	-	-
with the budget *including income tax*	1136	-	-

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Asset	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
Receivables from settlements of accrued income	1140	-	-
Receivables from internal settlements	1145	-	-
Other current receivables	1155	120	**11**
Current financial investments	1160	-	-
Cash and cash equivalents	1165	338	**3 071**
Cash	1166	-	-
Bank accounts	1167	*338*	***3 071***
Prepaid expenses	1170	9	**2**
Reinsurer's share of insurance reserves *including in:*	1180		
reserves for long-term liabilities	1181	-	-
loss or claims reserves	1182	-	-
reserves for unearned premiums	1183	-	-
other insurance reserves	1184	-	-
Other current assets	1190	-	-
Total by section II	**1195**	490	**3 139**
III. Non-current assets held for sale and disposal groups	**1200**	-	-
Balance	**1300**	39 809	**73 169**

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Equity and Liabilities	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Equity Registered (share) capital	1400	8 773	**8 773**
Contributions to unregistered share capital	1401	-	-
Revaluation surplus	1405	-	-
Additional capital	1410	-	**352**
Share premium	1411		
Accumulated exchange differences	1412	-	-
Reserve capital	1415	-	-
Retained earnings (accumulated losses)	1420	(1 495)	**(5 666)**
Unpaid capital	1425	-	-
Retired capital	1430	-	-
Other reserves	1435	-	-
Total by section I	**1495**	**7 278**	**3 460**
II. Long-term liabilities and provisions Deferred tax liabilities	1500	-	-
Retirement benefit obligations	1505	-	-
Long-term loans from banks	1510	-	-
Other non-current liabilities	1515	-	-
Long-term provisions	1520	-	-
Long-term provisions for personnel expenses	1521	-	-
Targeted financing	1525	-	-
Charitable assistance	1526	-	-
Insurance reserves	1530	-	-
including: *provision for non-current liabilities*	1531	-	-
provision for losses or provision for claims	1532	-	-
unearned premium provision	1533	-	-
other insurance provisions	1534	-	-
Investment contracts	1535	-	-
Prize fund	1540	-	-
Provision for jackpot payments	1545	-	-
Total by section II	**1595**	**-**	**-**
III. Current liabilities and provisions Short-term loans from banks	1600	-	-
Promissory notes issued	1605		

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Equity and Liabilities	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
Current accounts payable for: long-term liabilities	1610	-	-
goods, works, services	1615	118	1 173
settlements with the budget	1620	2	2
including income tax	*1621*	-	-
insurance settlements	1625	-	-
payroll settlements	1630	-	2
Current payables on advances received	1635		64
Current payables from settlements with participants	1640	-	-
Current payables from internal settlements	1645	-	-
Current payables from insurance activities	1650	-	-
Current provisions	1660	2	21
Deferred income	1665	-	-
Deferred commission income from reinsurers	1670	-	-
Other current liabilities	1690	32 409	68 447
Total by section III	**1695**	**32 531**	**69 709**
IV. Liabilities related to non-current assets held for sale and disposal groups	**1700**	-	-
V. Net value of non-state pension fund assets	**1800**		
Balance	**1900**	**39 809**	**73 169**

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Income Statement (Statement of comprehensive income) for 2021

I Financial results

Line	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revenue from sales of products (goods, works, services)	2000	-	-
Cost of products (goods, works, services) sold	2050	-	-
Gross: profit (loss)	2090	-	-
Gain (loss) from changes in provisions for long-term liabilities	2105		-
Gain (loss) from changes in other insurance reserves	2110	-	-
Other operating income	2120	**38**	-
Administrative expenses	2130	**(1 212)**	(573)
Selling and distribution expenses	2150	-	-
Other operating expenses	2180	**(2 996)**	(566)
Financial result from operating activities:			
Profit	2190	-	-
Loss	2195	**(4 170)**	(1 132)
Income from equity participation	2200	-	-
Other financial income	2220	-	-
Other income	2240	-	-
Financial expenses	2250	-	-
Losses from participation in equity	2255	-	-
Other expenses	2270	-	-
Gain (loss) from effects of inflation on monetary items	2275	-	-
Financial result before tax::			
Profit	2290	-	-
Loss	2295	**(4 170)**	(1 132)
Income tax expense (income)	2300	-	-
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:			
Profit	2350	-	-
Loss	2355	**(4 170)**	(1 132)

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

II. Comprehensive income

Line	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (impairment) of non-current assets	2400	-	-
Revaluation (impairment) of financial instruments	2405	-	-
Accumulated foreign exchange differences	2410	-	-
Share of other comprehensive income of associates and joint arrangements	2415	-	-
Other comprehensive income	2445		-
Other comprehensive income before taxation	**2450**		-
Income tax related to other comprehensive income	2455	-	-
Other comprehensive income after taxation	**2460**	-	-
Comprehensive income (sum of lines 2350, 2355 and 2460)	**2465**	**(4 170)**	**(1 132)**

III. Elements of operating expenses

Line	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material costs	2500	204	80
Labour costs and expenses	2505	301	78
Social security contributions	2510	62	17
Depreciation and amortisation	2515	610	537
Other operating expenses	2520	2 974	427
Total	**2550**	**4 151**	**1 139**

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Statement of cash flows (direct method) for 2021

Line	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
I. Cash flows from operating activities			
Earnings from:			
Sales of products (goods, works, services)	3000	-	-
Refunds of taxes and duties	3005	-	-
Including value added tax	3006	-	-
Targeted financing	3010	-	-
Receipts from subsidies and grants	3011		
Receipt of advances from customers and clients	3015	-	-
Receipts from advances refunded	3020	-	2
Income from interest on current account balances	3025	**10**	-
Receipts from debtors of forfeit (fines, penalties)	3035	-	-
Proceeds from operating leases	3040	-	-
Receipts from royalties and author's fees	3045	-	-
Receipts from insurance premiums	3050	-	-
Receipts from financial institutions from loan repayment	3055	-	-
Other receipts	3095	**88**	9
Expenditures for payment:			
Goods (works, services)	3100	**(276)**	(112)
Labour	3105	**(346)**	(191)
Contributions to social activities	3110	**(96)**	(74)
Obligations for taxes and duties	3115	**(246)**	(297)
Expenditures to pay income tax liabilities	3116	-	-
Expenditures for payment of liabilities for value added tax	3117	-	-
Expenditures for payment of liabilities for other taxes and duties	3118	-	-
Expenditures on prepayments	3135	**(510)**	(263)
Expenditures on repayment of advances	3140	-	-
Expenditures for payments of special-purpose contributions	3145	-	-
Expenditures on insurance contractual obligations	3150	-	-
Expenditure by financial institutions on loans	3155	-	-
Other expenditures	3190	**(2 331)**	(308)

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Net cash flows from operating activities	**3195**	**(3 707)**	**(1 234)**
II. Cash flows from investing activities		**440**	
Proceeds from the sale of financial investments	3200	-	-
non-current assets	3205	-	
Earnings from the received: Interest	3215		-
Dividends	3220	-	-
Proceeds from derivatives	3225	-	-
Proceeds from repayment of borrowings	3230	-	-
Proceeds from disposal of subsidiary and other business unit	3235		-
Other receipts	3250	-	30
Expenditure on acquisitions of: financial investments	3255	-	-
non-current assets	3260	**(29 884)**	(28 132)
Payments on derivatives	3270	-	-
Borrowing costs	3275	-	-
Cost of acquisition of subsidiary and other business unit	3280	-	-
Other payments	3290	-	-
Net cash flows from investing activities	440	**(29 884)**	**(28 102)**
III. Cash flows from financial activities		**2 355**	
Proceeds from: Equity	3300	-	-
Obtaining loans	3305	**38 390**	28 926
Proceeds from sale of share in subsidiary	3310	-	-
Other receipts	3340	-	-
Expenditure on: Repurchase of own shares	3345	-	-
Repayment of loans	3350	**(2 000)**	-
Payment of dividends	3355	-	-
Interest expense	3360	-	-
Expenditure on finance lease payments	3365	-	-
Expenditure on acquisition of interest in a subsidiary	3370	-	-
Distributions to non-controlling interests in subsidiaries	3375	-	-
Other payments	3390	-	-
Net cash flows from financial activities	**3395**	**36 390**	**28 926**

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Net cash flows for the reporting period	**3400**	**2 799**	**(410)**
Balance at the beginning of the year	3405	338	748
Effect of changes in foreign exchange rates on cash balance	3410	(66)	-
Balance at the end of the year	3415	3 071	338

In thousands of Ukrainian hryvnias — Translation from original in Ukrainian

Statement of equity for 2021

Line	Line code	Share capital	Revaluation surplus	Additional capital	Reserve capital	Retained earnings (accumulated losses)	Unpaid capital	Capital withdrawals	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	**4000**	8 773	-	-	-	(1 495)	-	-	7 278
Adjustments: Change in accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted opening balance	4095	8 773	-	-	-	(1 495)	-	-	7 278
Net profit (loss) for the reporting period	**4100**	-	-	-	-	(4 170)			
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	-
Distribution of profit: Distributions to owners (dividends)	4200	-	-	-	-	-	-	-	-
Allocation of profit to registered capital	4205	-	-	-	-	-	-	-	-
Contributions to reserve capital	4210	-	-	-	-	-	-	-	-
Contributions of participants: Contributions to capital	4240	-	-	-	-	-	-	-	-

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Line	Line code	Share capital	Revaluation surplus	Additional capital	Reserve capital	Retained earnings (accumulated losses)	Unpaid capital	Capital withdrawals	Total
1	2	3	4	5	6	7	8	9	10
Repayment of capital debt	4245	-	-	-	-	-	-	-	-
Withdrawal of capital: Repurchase of shares	4260	-	-	-	-	-	-	-	-
Resale of repurchased shares (stakes)	4265	-	-	-	-	-	-	-	-
Annulment of repurchased shares (participatory interests)	4270	-	-	-	-	-	-	-	-
Disposal of equity interest	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	352	-	-	-	-	-
Total changes in equity	**4295**	-	-	352	-	(4 170)	-	-	(3 818)
Balance at the end of the year	**4300**	8 773	-	352	-	(5 665)	-	-	3 460

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Statement of equity for 2020

Line	Line code	Share capital	Revaluation surplus	Additional capital	Reserve capital	Retained earnings (accumulated losses)	Unpaid capital	Capital withdrawals	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	**4000**	8 773	-	-	-	(363)	-	-	8 410
Adjustments: Change in accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted opening balance	4095	8 773	-	-	-	(363)	-	-	8 410
Net profit (loss) for the reporting period	**4100**	-	-	-	-	(1 132)	-	-	(1 132)
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	-
Distribution of profit: Distributions to owners (dividends)	4200	-	-	-	-	-	-	-	-
Allocation of profit to registered capital	4205	-	-	-	-	-	-	-	-
Contributions to reserve capital	4210	-	-	-	-	-	-	-	-
Contributions of participants: Contributions to capital	4240	-	-	-	-	-	-	-	-

In thousands of Ukrainian hryvnias Translation from original in Ukrainian

Line	Line code	Share capital	Revaluation surplus	Additional capital	Reserve capital	Retained earnings (accumulated losses)	Unpaid capital	Capital withdrawals	Total
1	2	3	4	5	6	7	8	9	10
Repayment of capital debt	4245	-	-	-	-	-	-	-	-
Withdrawal of capital: Repurchase of shares	4260	-	-	-	-	-	-	-	-
Resale of repurchased shares (stakes)	4265	-	-	-	-	-	-	-	-
Annulment of repurchased shares (participatory interests)	4270	-	-	-	-	-	-	-	-
Disposal of equity interest	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	-	-	-	-
Total changes in equity	**4295**	-	-	-	-	(1 132)	-	-	(1 132)
Balance at the end of the year	**4300**	8 773	-	-	-	(1 495)	-	-	7 278

Tanay V. P.,

Director of Pobuzhzhya's Development LLC

September 18, 2023

УКРАЇНА м. КИЇВ ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «РОЗВИТОК ПОБУЖЖЯ» Ідентифікаційний код 42462035

Translation from original in Ukrainian
Appendix 1
to the resolution of the Cabinet of Ministers of Ukraine
as of September 23, 2020 № 858

REPORT
on payments to Governments

I. General data	
1. Reporting period (year)	2021

2. Registration data of the respondent – a business entity that operates in the extractive industries:

name	Pobuzhzhya's Development LLC
Identification code of a legal entity according to USREOU or registration number of a taxpayer account card for an individual – entrepreneur	42462035
location (legal address or place of registration)	Ukraine, 01011, Kyiv, Panasa Myrnoho str. 6, office 401
position of the person authorized to sign this report	director
name of the person authorized to sign this report	Viktor Petrovych Tanay

3. Contanct details of the respondent – business entity operating in the extractive industries:

mailing address	Ukraine. 01011, Kyiv, Panasa Myrnoho str., 6, office 401
e-mail	42462035rp@ukr.net
contanct phone number	0509476974
4. Name of the auditor, date of preparation and number of sheets of sheets of the audit report for the reporting period, provided as a separate appendix to this report	LIMITED LIABILITY COMPANY "GRANT THORNTON LEGIS", LLC "GRANT THORNTON LEGIS" is included in Section IV "Audit Entities entitled to conduct statutory audit of financial statements of enterprises of public interest" of the Register of Auditors and Audit Entities of the Audit Chamber of Ukraine under the number 3915. 11-A Tereshchenkivska St., Kyiv, 01004, Ukraine tel./fax 044 484 3364 The auditor for the audit engagement resulting in this independent

	auditor's report is Maksym Mykolayovych Shutiy, No. 100230 in the Register of Members of the Audit Chamber of Ukraine Date of preparation of the audit report 18.09.2023 Number of sheets of the audit report: 8 (eight)

5. The average number of employees who worked during the reporting year:

total	6
including women	1
including female senior executives	0
including female middle managers	0
including men	5
including male senior executives	1
including male middle managers	1

6. Information on the ultimate beneficial owners (controllers) in the reporting period:

Serial number	Last name, first name, patronymic (if available)	Country of citizenship	Currency of contribution to the authorized capital	Contribution to the authorized capital
1	2	3	4	5
1	Gennadiy Vladyslavovych Butkevych*	Ukraine	UAH	7 316 515,20

***Gennadiy Vladyslavovych Butkevych owns 100% of the share capital of BGV Group Limited, which is the founder of the Company, with a contribution to the share capital of 7 316 515,20**

7. Description of the type of activity in the extractive industry in connection with which the payments were made:

Activity	Mark ("yes" or "no")
Geological study of mineral deposits of national importance	no
Pilot industrial development of mineral deposits of national importance	no
Extraction of minerals of national importance	yes
Execution of works (carrying out of activity), provided by the agreement on distribution of production concerning minerals of national value	no
Sales of products extracted on the basis of a subsoil use agreement, in particular:	
special subsoil use permit	no
product sharing agreements	no
agreement on joint activities	no
another agreement that establishes obligations to the state in connection with the use of subsoil	no
Activities for transportation of hydrocarbons by pipelines, including for the purpose of transit, which is carried out in accordance with the contract	no

8. Participation in social projects and programs:

Serial number	Name of the social project, program	Description of the social project, program	Basis for the implementation of the social project, program	Location of production facilities (for social projects and programs implemented in the locations of production facilities)	Organization, institution or association in favor of which the social project, program is implemented	Currency of payments	Total payments
1	2	3	4	5	6	7	8
1	Social partnership agreement dated 11.04.2019	Procurement of personal protective equipment for employees of the Petrivske Central Hospital due to the spread of COVID-19	Letter №01-27/2994/1 dated 11.10.2021 from Petrivka village council	Kirovograd region, Petrivskyi district, Balakhivka urban-type settlement	Petrivka village council	UAH	300 000
2	Social partnership agreement dated	Improvement of the territory of Novyi Starodub and	Letter №8 dated 01.07.2021 from Petrivka village council	Kirovograd region, Petrivskyi district. Balakhivka urban-type	Petrivka village council	UAH	990 000

Serial number	Name of the social project, program	Description of the social project, program	Basis for the implementation of the social project, program	Location of production facilities (for social projects and programs implemented in the locations of production facilities)	Organization, institution or association in favor of which the social project, program is implemented	Currency of payments	Total payments
1	2	3	4	5	6	7	8
	11.04.2019	Oleksandrivka villages		settlement			
3	Social partnership agreement dated 11.04.2019	Improvement of the territory of Novyi Starodub and Oleksandrivka villages	Letter №9 dated 01.07.2021 from Petrivka village council	Kirovograd region, Petrivskyi district, Balakhivka urban-type settlement	Petrivka village council	UAH	210 000
4	Social partnership agreement dated 11.04.2019	For the transport of sand for the construction of a place for outdoor exercise equipment for residents of Balakhovka	Letter №01-23/137 dated 13.07.2020 from Balakhivka village council	Kirovograd region, Petrivskyi district, Balakhivka urban-type settlement	Balakhivka village council	UAH	11 500

9. Amounts of state aid received from authorities, local governments, other state aid providers:

Serial number	Identification code of a legal entity according to USREOU or registration number of a taxpayer account card for an individual - entrepreneur	Name of authority, local government or other state aid provider	Type of state aid	Basis for receiving state aid	Date of receipt of state aid	Currency of state aid	Total amount of state aid
1	2	3	4	5	6	7	8
1	-	-	-	-	-	-	-

10. List of acts of reconciliation of payments for taxes, fees and the single contribution to the obligatory state social insurance between the business entity operating in the extractive industries and the recipient of payments provided by separate annexes to the report (if such exists):

Serial number	Payee	Type of payments for which the reconciliation report was prepared	Registration number of the reconciliation report	Date of the reconciliation state	Payment currency	Total payments	Number of sheets in the appendix
1	2	3	4	5	6	7	8
1	-	-	-	-	-	-	-

II. List of separate types of project activity:

Serial number	Special subsoil use permit / License for transportation of oil, oil products or natural gas			Subsoil use agreement				Type of project activity	Name of subsoil area	Location of the subsoil area (region, district, settlement)	Mineral deposit
	registration number	date of issue	validity period	counterparty under the agreement	registration number	agreement date	validity period				
1	2	3	4	5	6	7	8	9	10	11	12
1	6345	13.06. 2019	13.06. 2039	State Service of Geology and Subsoil of Ukraine	6345	13.06. 2019	13.06. 2039	Extraction	Balakhiv deposit, Pivdenna area	Kirovograd region, Petrivskiy district, 1.0 km northeast of Balakhivka village, 10.0 km south from Korc ivka station	Graphite

III. Volumes of production in the reporting period by type of relevant project activity:

Serial number	Special subsoil use permit		Subsoil use agreement		Extracted mineral	Unit of measurement of production	Volume of production in the reporting period (including losses and production and technological costs)	Amount of losses and production and technological costs during extraction
	registration number	date of issue	registration number	agreement date				
1	2	3	4	5	6	7	8	9
1	6345	13.06. 2019	6345	13.06. 2019	Graphite	ths t.	-	-

IV. Main characteristics of certain types of project activities:

1. Reserves and resources of minerals for all objects on the territory of Uktaine as of January 1 of the year following the reporting period:

Serial number	Special subsoil use permit		Name of the field (subsoil area)	Type of mineral	Unit of measurement of stocks	Volume of reserves and resources of minerals by industrial value			
	registration number	date of issue				Balance (mining) reserves	Conditionally balance sheet and off-balance sheet reserves	Mineral resources of uncertain industrial significance: explored reserves and pre-explored reserves	Mineral resources of uncertain industrial value: promising resources and forecast resources
1	2	3	4	5	6	7	8	9	10
1	6345	13.06. 2019	Balakhivka deposit, Pivdenna area	Ore/graphite	ths t.	B+C_1-23936/1302 C_2-18469/820	-	-	-

2. Total volumes and revenue from sales of own products in the reporting period:

Serial number	Full name of the sold products of own production	Unit of measurement of the physical indicator of sales volume	Sales volume in physical indicator	Implemented on the territory of Ukraine, total revenue		Exported, total revenue	
				amount without value added tax, thousand hryvnias	value added tax, thousand hryvnias	amount without value added tax, thousand hryvnias	value added tax, thousand hryvnias
1	2	3	4	5	6	7	8
-	-	-	-	-	-	-	-

3. Costs of transportation of hydrocarbons during the reporting period:

Serial number	Name of transported products	Identification code of the legal entity according to the USREOU	Name of the business entity that transports the extracted products	Transportation route of extracted products	Unit of measurement of the physical gross volume of transportation of extracted products	Physical gross volume of transportation of extracted products	Total costs for transportation of extracted products (excluding value added tax) thousand hryvnias	Unit of measurement of the tariff rate for transportation of products	Tariff rate for transportation of products at which the calculation was made
1	2	3	4	5	6	7	8	9	10
1	-	-	-	-	-	-	-	-	-

4. Payments for storage services (loading, selection) and other payments to transport system operators during the reporting period:

Serial number	Name of the stored product	Identification code of the legal entity according to the USREOU	Name of the business entity that transports the extracted products	Purpose of payment	Payment currency	Payment amount	Unit of measurement of the tariff rate for storage (loading, selection) of products	Tariff rate for storage (loading, selection) of products for which the calculation was made
1	2	3	4	5	6	7	8	9
1	-	-	-	-	-	-	-	-

5. Revenue of the transport system operator for transportation of hydrocarbons during the reporting period:

Serial number	Name of transported products	Identification code of the legal entity according to the USREOU	Name of the business entity that transports the extracted products	Transportation route of extracted products	Unit of measurement of the physical gross volume of transportation of extracted products	Physical gross volume of transportation of extracted products	Total revenue for transportation of extracted products (excluding value added tax), thousand hryvnias	Unit of measurement of the tariff rate for transportation of products	Tariff rate for transportation of products at which the calculation was made
1	2	3	4	5	6	7	8	9	10

Serial number	Name of transported products	Identification code of the legal entity according to the USREOU	Name of the business entity that transports the extracted products	Transportation route of extracted products	Unit of measurement of the physical gross volume of transportation of extracted products	Physical gross volume of transportation of extracted products	Total revenue for transportation of extracted products (excluding value added tax), thousand hryvnias	Unit of measurement of the tariff rate for transportation of products	Tariff rate for transportation of products at which the calculation was made
1	-	-	-	-	-	-	-	-	-

6. Payments for storage services (loading, selection) and other payments received by the transport system operator:

Serial number	Name of the stored product	Identification code of the legal entity according to the USREOU	Name of the entity that provided the products for storage	Purpose of payment	Payment currency	Payment amount	Unit of measurement of the tariff rate for storage (loading, selection) of products	Tariff rate for storage (loading, selection) of products for which the calculation was made
1	2	3	4	5	6	7	8	9
1	-	-	-	-	-	-	-	-

7. List of tariffs of the transport system operator for transportation, storage (loading, selection) of hydrocarbons:

Serial number	Name o the transported/stored product	Tariff name	Tariff application parameters	Tariff start date	Tariff expiration date	Unit of measurement of the tariff rate for storage (loading, selection) of products	Tariff rate	Normative document that sets the tariff rate / determines the calculation of the tariff rate
1	2	3	4	5	6	7	8	9
1	-	-	-	-	-	-	-	-

V. Payments to government in the reporting period:

1. Payments to government in the reporting period – total amounts by type of payment:

Serial number	Budget revenue classification code	Type of payment	Payment currency	To be paid	Paid
1	2	3	4	5	6
1	11011000	Military tax	UAH	27 623,40	27 623,40
2	71010000	Unified social tax, accrued by the employer on employees' salaries	UAH	95 076,77	96 359,76
3	24140500	Fee on transactions of purchase and sale of real estate	UAH	9 500,00	9 500,00
4	11010100	Personal income tax paid by tax agents on taxpayer's income in the form of salary	UAH	77 730,43	77 730,43
5	11010400	Personal income tax paid by tax agents on taxpayer's income other than salary	UAH	78 705,65	78 705,65

2. Payments from the rent for the use of subsoil for the extraction of minerals, payment for land and the environmental tax for each individual project activity

Serial number	Special subsoil use permit		Subsoil use agreement			Extracted mineral	Budget revenue classification code	Type of payment	Payment currency	To be paid	Paid
	registration date	date of issue	counterparty under the agreement	registration number	agreement date						
1	2	3	4	5	6	7	8	9	10	11	12
1	6345	13.06.2019	State Service of Geology and Subsoil of Ukraine	6345	13.06.2019	Graphite	18010500	Land tax on legal entities	UAH	19 928,54	19 883,31
2	6345	13.06.2019	State Service of Geology and Subsoil of	6345	13.06.2019	Graphite	21110000	Receipts from compensation for losses in agricultural and forestry production	UAH	41 658,00	41 658,00

			Ukraine							

VI. Separate appendices to the report on payments to government

A copy for the audit report for the reporting period

Director of Pobuzhzhya`s Development LLC

September 18, 2023

УКРАЇНА * ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ * М.КИЇВ
"РОЗВИТОК ПОБУЖЖЯ"
Ідентифікаційний код 42462035

Tanay V.P.