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Consolidated Financial Statements and Independent Auditor's Report

MVI Ireland s.r.o.

31 December 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of

MVI Ireland s.r.o.

limited liability company with registered capital of CZK 12,000.00
Registered Address: Ovocný trh 572/11, Staré Město, 110 00 Praha 1
Company Identification Number (IČ): 092 15 077

Auditor's Opinion

We have audited the accompanying consolidated financial statements of MVI Ireland s.r.o. (hereinafter also the "Company") prepared in accordance with International Financial Reporting Standards adopted by the European Union, showing a total assets of 4 074 ths. EUR and a loss of 155 ths. EUR. These consolidated financial statements comprise statement of financial position as at 31 December 2021, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Company's Managing Directors (hereinafter also "Company's statutory body") and Supervisory Board for the Financial Statements

Company's statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Prague on 21 April 2022

Grant Thornton Audit s.r.o.
oprávnění č. 603

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Audit Firm
Pujmanové 1753/10a, Praha 4
Licence No. 603

Ing. Jan Vácha
Auditor, Licence No. 2379

Consolidated statement of financial position

In thousand Euros	Note	As of 31 December 2021	As of 31 December 2020
Assets			
Non-current assets			
Property and equipment		1	-
Mining license	3.3	3 265	2 984
Investment		-	-
		3 266	2 984
Current assets			
Inventories		-	-
Trade and other receivables	4	759	1
Other current assets		44	-
Cash and bank balances		5	-
		808	1
Non-current assets classified as held for sale		-	674
		0	674
Total assets		4 074	3 659

Consolidated Statement of financial position (continued)

In thousand Euros	Note	As of 31 December 2021	As of 31 December 2020
Equity and liabilities			
Capital and reserves	*6*		
Share capital		1	1
Other capital funds		2 970	1 763
Accumulated profit /- loss		-447	-1 393
Foreign currency translation reserve		535	18
		3 059	389
Non-current liabilities			
Loans and borrowings	13.2	-	408
Asset retirement obligation		21	18
Deferred tax liability		472	536
		493	962
Current liabilities			
Loans and borrowings		17	-
Trade and other payables	7	505	9
		522	9
Liabilities included in disposal group classified as held for sale	5	-	2 299
		0	2 299
Total equity and liabilities		4 074	3 659

The financial statements were approved on 20 April 2022 by:

Radka Krčmářová

Managing Director

MVI IRELAND s.r.o.
Ovocný trh 572/11
110 00 - Praha 1
IČO: 09215077

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 18.

Consolidated Statement of profit or loss and other comprehensive income

In thousand Euros	Note	Twelve months to 31 December 2021
Revenue	8	982
Cost of sales	9	-1 597
Gross loss		-615
Administrative expenses		-209
Other expenses		-11
Impairment loss of financial asset		
Results from operating activities		-835
Other income		
Finance income/ (expenses)		-6
Profit/ (loss) before income tax		-841
Foreign exchange gain/ (loss)		15
Income tax (expense)/ recovery		154
Loss for the year from continuing operations		-672
Discontinued operations		
Loss for the period from discontinued operations		0
Profit/ (loss) for the year		-672
Translation reserve		517
Deferred tax liability		0
Total comprehensive income for the year		-155

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 18.

Consolidated Statement of changes in equity

In thousand Euros	Share (Charter) capital	Other capital funds	Accumulated profit/(loss)	Translation reserve	Total
as of January 1, 2021	1	1 763	-1 393	18	389
Shareholder contribution		1 207			1 207
Transfer of loss as a result of reorganization			1 618		1 618
Profit/(loss) for the year			-672		-672
Other comprehensive income				517	517
Total comprehensive income for the year	0	0	-672	517	-155
as of December 31, 2021	1	2 970	-447	535	3 059

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 18.

Consolidated Statement of cash flows

In thousand Euros	Twelve months to 31 December 2021
Cash flows from operating activities	
Profit for the year	(715)
Adjustments for:	-
Depreciation and amortization	238
Bad debt expense	-
Accured interest expense	-
Interest expense	-
Income tax expense/(recovery)	(111)
Cost of sales of inventories written off	-
Foreign exchange gain	(15)
Operating profit before working capital changes	(603)
Change in trade and other receivables	(242)
Changes in other assets	(44)
Change in inventories	-
Change in trade and other payables	502
Cash generated from operations	(387)
Interest paid	-
Income tax paid	-
Cash flows from operating activities – discontinued operations	-
Net cash from operating activities	(387)
Cash flows from investing activities	
Acquisition of PPE	-
Acquisition of Intangible assets	-
Change in other non-current assets	-
Proceeds from disposal of property and equipment	-
Cash flows from investing activities – discontinued operations	-
Net cash used in investing activities	-
Cash flows from financing activities	
Proceeds from loans and borrowings	444
Repayment of loans and borrowings	(25)
Cash flows from financing activities – discontinued operations	-
Net cash from/(used in) financing activities	419
Net increase/(decrease) in cash and bank balances	32
Foreign currency translation effect on cash	(27)
Cash and bank balances at the beginning of the year	-
Cash and bank balances at the end of the year	5

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 18.

Notes to the consolidated financial statements

1 Nature of operations and general information

MVI Ireland s.r.o. (further also as "MVII") is company founded in the Czech Republic in June 2020. The company is SPV company founded with purpose of purchase of 100% share in Assat LLC company. The share was purchased in November 2020.

ASSAT LLC (further also as "Assat") has been engaged in trading activities since its foundation back in 1999, and operates in the mining industry.

In 1999 the Assat received permission to operate the Onyx marble mine in the Masis region of the Republic of Armenia. In 2008 the Assat was forced to refuse from this permission due to mining difficulties. In 2003 the Assat purchased 85% of the A.D.H.G OJSC's shares. In 2003-2005, the Assat received permits to explore the gold mines of Voskedzor and Bardrzavan in the Syuniq region of the Republic of Armenia. In 2010 the Assat started to operate a gold recovery plant in the city of Masis, the operational process of which has been terminated later on.

In 2007 the Assat received a permit to explore the gold mine of Karaberd in the Lori region of Armenia. The mine site has been completed in 2012.

In June 2013 the Assat received an operating permit of the Karaberd mine, and commenced the mining works at the end of 2014. In three years, about 2,200 tons of ore have been mined. Subsequently, in 2017, due to the low prices of gold, the Assat has ceased the exploitation of the mine.

In 2021 the Assat has been reorganized by means of separation and the exploitation of the mine has resumed. In 2021 the Assat has extracted 33 447 tons of oxide ore.

Business environment

The changes in political and economic environment and the development of the legal, tax and legislative systems in Armenia have continuing nature. The stability and development of the Armenian economy largely depends on these changes. The government has brought a renewed commitment to good governance, including anticorruption efforts, transparency, and accountability.

In March 2020 the World Health Organization has classified the coronavirus (COVID-19), which has exploded in China in December 2019, as pandemic. The coronavirus has already had a significant impact on the global economy and major financial markets.

Continuous measures were introduced by the Government and the Central Bank of the Republic of Armenia to mitigate the impact of the coronavirus on the economy. These measures include, among others, subsidized lending to affected industries and individuals and payment holidays.

The situation in the Republic of Armenia has been intensified as a result of the war unleashed by the Republic of Azerbaijan. Despite the ceasefire agreement, the consequences of the war on Armenia's economy, both in the short and long term, are still uncertain.

Management of the Assat has already initiated the process signing of significant contracts, during the period has expanded its operations, has conducted additional exploration researches, based on which it plans to apply for the prolongation of the existing mining license and also to apply for getting a new mining license for a nearby site of the existing mine. In the light of the current events, management assesses that the overall adverse political and economic situation in the country do not give rise to any material uncertainties that may impact the Assat's future operations and ability to operate as a going concern.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Assat and MVII (further together also as "Companies") operate on a going concern basis.

The financial statements are for the twelve months ended 31 December 2021.

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost convention.

2.3 Functional and presentation currency

The national currency of The Czech Republic is the Czech koruna ("koruna"), which is the MVII's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the MVII.

The national currency of Armenia is the Armenian dram ("dram"), which is the Assats's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Assat.

These consolidated financial statements are presented in Euros (unless otherwise stated), since management believes that this currency is more useful for the users of these consolidated financial statements. All financial information presented in Euros has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 12 to the financial statements.

2.5 Adoption of new and revised standards

In the current year the Companies has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2021.

The nature and the effect of these changes are disclosed below.

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2021

New standards and amendments described below and applied for the first time in 2021 did not have a material impact on the annual financial statements of the Companies:

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 16, IFRS 4, IFRS 7)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Companies.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning on or after the effective date of the pronouncement.

Management does not anticipate a material impact on the financial statements from these Standards and Amendments, they are presented below:

- *Insurance contracts (IFRS 17 and amendments to it)*
- *Proceeds before intended use (Amendments to IAS 16)*
- *References to the conceptual framework (Amendments to IFRS 3)*
- *Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)*
- *COVID-19-Related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)*
- *Annual improvements to IFRS Standards 2018-2020 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)*
- *Classification of liabilities as current or non-current (Amendments to IAS 1)*
- *Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)*

3 Significant accounting policies

3.1 General conditions and first time adoption of IFRSs

These financial statements are the first the Companies have prepared in accordance with International Financial Reporting Standards ("IFRSs"). Accordingly, the Companies have prepared financial statements that comply with IFRSs applicable as of 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the summary of significant policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as of 1 January 2020, the Company's date of transition to IFRS. The concepts of accounting policy were applied to each period presented in the financial statements.

Refer to note 15 for the effect of the transfer to IFRSs on the financial statements and note 2.5 for standards and interpretations that were issued, but were not yet effective and were not early adopted by the Companies.

3.2 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Banks of the Czech Republic (at MVII) and Armenia (at Assat) prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Banks of the Czech Republic and of Armenia prevailing on the reporting date, which is 24.86 Czech koruna resp. 542.61 Armenian drams for 1 Euro as of 31 December 2021 and 26.245 Czech koruna resp. 641.11 Armenian drams for 1 Euro as of 31 December 2020.

Translation of financial statements

The assets and liabilities of the Companies are translated from Czech koruna and Armenian dram into Euro at the exchange rate at the end of the reporting period. Revenues and expenses are translated into Euro using average rate for the period, whereas equity accounts are translated using historic rates, ruling at the dates of the transactions. The resulting exchange difference is recorded in other comprehensive income and credited to equity in the foreign currency translation reserve.

3.3 Mining license

On 6 June 2013 the Assat received a mineral extraction permit № SHAT-29/366 from the Ministry of Energy and Natural Resources of the Republic of Armenia for a period of 11 years for the exploitation of the gold mine located in Darakert village of the Ararat region of Armenia (state registration certificate number 03A 075209 dated 23 March 2012).

The Assat expensed all costs related to the development and exploitation of the mine project in previous years. In November 2021 the Assat hired an independent professional valuation body and estimated the fair value of the mining license. The mining license is presented in the financial statements in value stated by the professional valuation body as of 1 January 2020 in the amount of 1,925,000,000 Armenian dram.

The value of mining license is depreciated on the linear basis over the 163 months from December 2020 to June 2034, when the mining license is expected to expire.

For fair valuation of the mining license, considering that it is fundamental to the business and has a scarce nature, the Greenfield method with discounted cash flows has been selected, which then has been complimented by the Market approach based on Enterprise Value/Ore indicated and inferred resources multiple derived from peer companies. The Greenfield method constructs a start-up scenario, which assumes, that the license to be valued is the only asset the Assat owns as of the date of analysis and that the Assat has to develop an operation comparable to the one already in place. Cash flows related to the license have been forecasted and discounted to the present value. An interest rate corresponding to the risks associated with the license is used for the purpose of discounting. Resulting present value of future cash flows is adjusted by non-current fixed assets and net working capital, in order to calculate the value of the license.

3.4 Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. The difference between fair value and nominal value is recognized in profit or loss, except when the borrowing was received from the owners. In this instance the borrowing was received from owners. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

3.5 Asset retirement obligation

Asset retirement obligations represent management's best estimate of the present value of the future expenditures required to settle the obligation, which reflects estimates of future costs, inflation rates, changes in foreign exchange rates and assumptions of risks associated with the future expenditures, using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Changes in the above factors can result in a change to the provision being recognized. An asset retirement obligation to incur decommissioning and reclamation costs generally occurs when an environmental disturbance is caused by exploration, evaluation or development. Costs are estimated on the basis of a closure plan and are subject to periodic review. Decommissioning and site reclamation costs are discounted to present value when the obligation to incur such costs arises.

3.6 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost.

3.7 Non-current assets classified as held for sale

If the company intends to sell non-current assets or groups of assets, and if the sale is highly probable to be carried out within 12 months, the asset or group of assets is classified as held for sale and presented as such in the statement of financial position.

Assets classified as held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale and their fair value less costs to sell. They are not subject to depreciation or amortization. Held for sale assets, however, such as financial assets or deferred tax assets, are measured as usual.

Any profit or loss arising from the sale or revaluation of held for sale assets is included in "other income" or "other expense", respectively, in the statement of profit or loss and other comprehensive income. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the accumulated profit.

3.8 Equity

Equity instruments issued by the Company are recorded at the proceeds received.

Share capital represents the nominal value of shares that have been issued by MVII.

Foreign currency translation reserve comprises foreign currency translation differences arising from the translation of the financial statements of the Companies into the presentation currency.

Accumulated profit/(loss) include all current and prior period retained profits or losses.

All transactions with owners are recorded separately within equity.

3.9 Income tax

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

3.10 Revenue

Revenue arises mainly from the sale of mineral oxide ore by Assat. MVII had no revenues in the period for which the Consolidated Statement of profit or loss and other comprehensive income is prepared.

The Assat enters into transactions involving sale of the Assat's mineral oxide ore products. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized at a point in time, when (or as) the Assat satisfies performance obligations by transferring the promised goods to its customers.

Contract price for extracted gold is defined based on the prices prevailing in the London Metal Exchange on the previous day of the sales invoice and discounts applied based on the proportion of gold in oxide ore per gram in a ton.

4 Trade and other receivables

In thousand Euros	As of 31 December 2021	As of 31 December 2020
Financial assets		
Trade receivables	186	1
Shareholder receivables	518	-
Allowances for credit losses	(16)	-
	688	1
Non-financial assets		
Advances and prepayments	15	-
Receivables from the State budget	56	-
	71	-
Trade and other receivables	759	1

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. No interest is charged on the trade receivables. Majority of shareholder receivables is related to capital contribution – for details please see Note 13.4.

5 Non-current assets and liabilities classified as held for sale and discontinued operations

In December 2020 upon change in ownership of Assat, the new owner MVII acquired the Assat as an entity holding only a mining license and some minor residual non-core assets. To effect the transaction, the Assat undertook to dispose of its net liabilities, excluding the mining license and non-core assets to newly created company Assat M LLC, which has been officially registered on 3 June 2021. These assets and liabilities are disclosed as the disposal group held for sale with a net liability value of 1,625 Euros. No consideration was transferred between Assat M LLC and the Assat. The MVII paid consideration to the former sole vendor of the Assat for his 100% shareholding in the Assat. As the transaction was undertaken at the behest of the equity participants, no 'gain' has been recognized in the Statement of comprehensive income of the Assat and the transaction has been accounted for as an equity transaction.

The disposal group as of 31 December 2020 consists of the following assets and liabilities;

In thousand Euros	As of 31 December 2020
Assets held for sale	
Property and equipment	21
Investment in subsidiary	29
Borrowings provided	135
Inventory	164
Trade and other receivables	324
Cash and cash equivalents	1
	674
Liabilities held for sale	
Debts and borrowings	2,268
Trade and other payables	31
	2,299
Net liabilities	(1,625)

6 Capital and reserves

6.1 Share capital

The Company has one class of ordinary shares, which carry no right to fixed income.

7 Trade and other payables

In thousand Euros	As of 31 December 2021	As of 31 December 2020
Trade payables	353	7
Employee compensation	11	-
Taxes and duties payable	140	2
	504	9

No interest is charged on the trade payables. The Companies has financial risk management policies to ensure that all payables are paid within the credit timeframe.

8 Revenue

On 2 March 2021 the Assat has signed a purchase and sale agreement with "Geopromining Gold" LLC for the sale of oxide ore of Karaberd gold mine and the revenue for the period from 1 January 2021 to 31 December 2021 and 97.5% of the total revenue for the reporting period refers to this contract. The remaining 2.5% of the total revenue refers to the contract signed with Assat-M LLC on 9 August 2021.

9 Cost of sales

In thousand Euros	Twelve months to 31 December 2021
Mining technical service fee	1 108
Employee compensation	54
Rental expenses	189
Other	8
Depreciation	238
	1 597

10 Subsequent events

The MVII's ultimate parent plans to sell its investment in the MVII to IMC Exploration Group plc, which is an Irish incorporated company with a standard listing on the London Stock Exchange. The transaction will be a reverse acquisition for listing purposes, that is planned to take place in 2022.

11 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

11.1 Critical accounting estimates

The Companies make estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Asset retirement obligation

The Assat's calculation of asset retirement obligations relies on estimates of costs required to rehabilitate and restore land to appropriate post-operation condition according to Annex 2 of the Mining Contract N P-366 dated 6 June 2013. Key assumptions are reviewed regularly and adjusted to reflect current assumptions used to calculate these estimates. Significant judgment is required in determining the asset retirement obligation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development and operating activity, changes in technology, price, and inflation rate, and interest rate changes.

Asset retirement obligation has been first recognized on 1 January 2020 upon the first-time adoption of IFRSs and has been calculated on the initial contractual value of 12,709 thousand Armenian drams, which is the estimated cost that the Assat will incur to close the mine site. Average inflation rate has been estimated to be 2.5% annually and the spot rate on yield curves defined by the Central Bank of Armenia effective on each reporting date has been taken as a discount rate (3-year yield as of 30 June 2021: 8.36% and 2-year yield ad of 31 December 2021: 9.45%). During the reporting period a significant change in the inflation rate occurred, and as of 31 December 2021 the average inflation rate taken into consideration for calculations was defined at 5.35%. For each reporting date the fair values are being recalculated with corresponding changes recognized in profit or loss. In the reporting period an expense of 2 thousand Euros has been recognized under the other expenses.

12 Contingencies

12.1 Taxes

The deferred tax liability is recognized as at 31 December 2020 as well as 31 December 2021 originating from FV revaluation within recognition of mining license. Tax rate of 18% valid in Armenia in 2020 was used to calculate the deferred tax liability. Deferred tax liability will be depreciated along with mining license.

13 Related parties

The related parties include its parent and entities under common control, key management and others as described below.

13.1 Control relationships

The Assat is controlled by MVI Ireland s.r.o, incorporated in Czech Republic and located at Ovocný trh 572/11, Old Town, 110 00 Prague, which owns 100% of the Assat's shares and is the parent of the Assat.

The MVII is controlled by Mineral Ventures Invest spol. s r.o. incorporated in the Czech Republic and located at Ovocný trh 572/11, Old Town, 110 00 Prague, which owns 100% of the MVII's shares and is the parent of the MVII.

13.2 Transactions with related parties

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand Euros Transactions	Twelve months to 31 December 2021
Entities under common control	
Acquisition of services	80
Provision of borrowings	404
Repayment of borrowings	22

In thousand Euros Outstanding balances	As of 31 December 2021	As of 31 December 2020
Entities under common control		
Borrowings provided	-	408
Services acquired	10	-

13.3 Transactions with management and close family members

Directors of the Companies and their close family members as of 31 December 2021 and 31 December 2020 had no significant shares in the Companies.

Key management of Assat received remuneration at the amount of 4,253 Euros during the period from 1 January 2021 to 31 December 2021, which is included in administrative expense. The outstanding balance for the employee compensation as of 31 December 2021 is 509 Euros.

During the period from 1 January 2021 to 31 December 2021 the Assat's key management provided a short-term borrowing to the Company at the amount of 1,843 Euros included in the balance of the current borrowings as of 31 December 2021.

13.4 Post balance sheet date transactions – additional capital

On 18 November 2021 Mineral Ventures Invest s.r.o. and MVI Ireland s.r.o. signed a contract No. 1 on capitalization of debt in the form of provision of a cash supplement by a shareholder outside the registered capital of MVI Ireland and set-off of receivables, based on which the actual voluntary cash supplement as of 31 December 2021 provided during the reporting period have been classified into additional capital (Capital funds) and recognized in the statement of changes in equity.

On 18 November 2021 Mineral Ventures Invest s.r.o. and MVI Ireland s.r.o. signed a contract No. 2 on capitalization of debt in the form of provision of a cash supplement by a shareholder outside the registered capital of MVI Ireland in the amount of 500,000 Euros and set-off of receivables. The additional supplement have been provided during 1Q/2022. Therefore, MVI Ireland reports receivable towards Mineral Ventures Invest as of 31 December 2021.