ANGLO ASIAN MINING PLC

Delivering returns to shareholders

Anglo Asian Mining PLC
Annual report and accounts 2019

Anglo Asian Mining PLC is building a long-term and sustainable mining business in Azerbaijan which is both profitable and cash generative.

Gold, copper and silver are produced at Gedabek in north western Azerbaijan. Ore is mined from open pit and underground mines and processed by both leaching and flotation. The Company reported production of 81,399 gold equivalent ounces in 2019. The Company will pay a total of US 8 cents per share dividend in respect of 2019.

The Company has two other operating concessions in Azerbaijan, which together with Gedabek, cover 1,062 square kilometres. These concessions are all located on the Tethyan Tectonic Belt, one of the world's most significant gold and copper-bearing trends. A three-year programme of geological exploration is currently underway to exploit their extensive potential.

The Company's properties are held under a Production Sharing Agreement with the Government of Azerbaijan and the Company has been listed on AIM since 2005.

Discover more online

For the latest news and investor information, visit the Company's website at **www.angloasianmining.com**

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Highlights

year ended 31 December 2019

Operational highlights

- Total production for 2019 was 81,399 gold equivalent ounces ("GEOs") compared to 83,736 GEOs in 2018
- Gold production for 2019 of 70,098 ounces, a four per cent. decrease compared to 72,798 ounces produced in 2018
- Gold bullion sales in 2019 of 53,992 ounces (2018: 59,481 ounces) completed at an average of $1,410 per ounce (2018: $1,265 per ounce)
- Gold produced in 2019 at an all-in sustaining cost* net of by-product credits of $591 per ounce (2018: $541 per ounce). Higher all-in sustaining cost due to independent operation of the flotation plant throughout 2019 and increased mining from the Gedabek open pit
- Copper production for 2019 was 2,210 tonnes compared to 1,645 tonnes produced in 2018 due to a full year's independent operation of the flotation plant
- Silver production for 2019 totalled 159,356 ounces compared to 2018 production of 210,184 ounces
- Total production target of between 75,000 and 80,000 GEOs for 2020

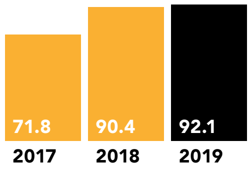
* Non-IFRS indicators; see definition in financial review on pages 28 to 30.

† Including cash in transit.

Financial highlights

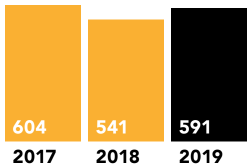
Revenue ($m)

$92.1m



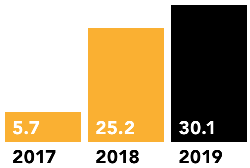
All-in sustaining cost ("AISC")*
($ per ounce)

$591per oz



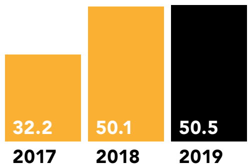
Profit before taxation ($m)

$30.1m



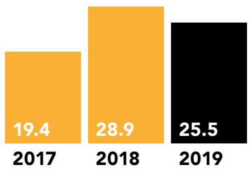
Operating cash flow before movements in working capital ($m)

$50.5m



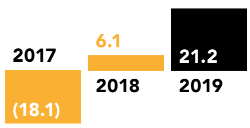
Free cash flow ($m)*†

$25.5m



Net bank (debt)/cash ($m)*†

$21.2m



Dividend per share for 2019

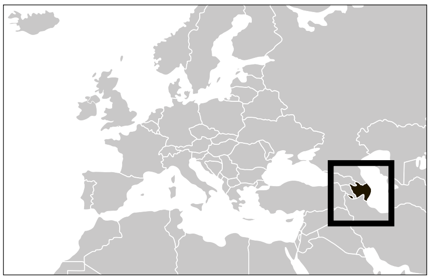
- Interim dividend of 2.8355 pence (US$ 3.5 cents) paid on 31 October 2019
- Final dividend of US$ 4.5* cents will be paid on 30 July 2020
  - Shareholders' record date of 3 July 2020 and shares will go ex-dividend on 2 July 2020
  - Payable in sterling at the average US dollar to pounds sterling rate on the 5 days from 6 to 10 July 2020

US$ cents	2019	2018
Interim paid	3.5	3.0
Final proposed/paid	4.5*	4.0
Total for the year	**8.0**	**7.0**

* Subject to approval at the annual general meeting.

Anglo Asian Mining

Anglo Asian Mining has a portfolio of gold, copper and silver production and exploration assets in Azerbaijan. It combines both mature assets and a pipeline of highly prospective new mining targets. An extensive programme of geological exploration is currently underway.



Azerbaijan

Azerbaijan is situated in south-western Asia, bordering the Caspian Sea between Iran and Russia, with a small European portion north of the Caucasus range.

Azerbaijan borders Armenia, Georgia, Iran, Russia and Turkey and is split into two parts by Armenia; the smaller part is called the Autonomous Republic of Nakhchivan.

The country has an established democratic government, which is fully supportive of international investment initiatives. Infrastructure is reasonably extensive. Low cost labour is also available.

Gedabek, Gosha and Ordubad

Gedabek contract area

300 square
kilometre contract area

Location of the Group's main mine, the Gedabek open pit, the Ugur open pit mine and the Gadir underground mine.

Combined life of three mines based on current JORC reserves until at least 2024.

All processing facilities are located at Gedabek and comprise an agitation leaching plant, a flotation plant and SART processing. Heap leaching is also carried out.

Mining and exploration rights until March 2022 which can be extended by ten years.

Extensive exploration programme currently underway – positive exploration results in the vicinity of existing mines, good potential to extend mine life.

Two new mineral occurrences discovered in 2019 – Avshancli and Gilar.

Gosha contract area

300 square
kilometre contract area

Currently the location of a small, high grade, underground mine.

Ore mined at Gosha is transported by road to Gedabek for processing.

Contract area is regarded as under explored and exploration has been ramped up in the previous two years.

Mineralisation at depth has been discovered beneath an existing adit of the Gosha mine.

New polymetallic copper discovery made at the Asrichay target in 2018.

Ordubad contract area

462 square
kilometre contract area

Exploration area in Nakhchivan, south-west Azerbaijan which contains numerous targets.

Geology suggests that the area is favourable for porphyry formation.

Targets include Shakadara (gold), Dirnis (copper and silver prospect), Keleki (gold prospect), Destabashi (copper prospect) and Aylis.

WorldView-3 satellite image collection took place in 2019.

Geologists from the Natural History Museum, London visited in 2019.

Gedabek open pit.

Chairman's statement

Khosrow Zamani

"I am very pleased to report on another year of excellent performance for Anglo Asian. We continue to enjoy higher precious metal prices and the Company increased both its turnover and profits in 2019 with production broadly similar to 2018."

I am very pleased to report on another year of excellent performance for Anglo Asian. We continue to enjoy higher precious metal prices and the Company increased both its turnover and profits in 2019 with production broadly similar to 2018. The Company is now debt free having repaid the last instalment of its bank debt in February 2020 and has a robust balance sheet. We continue to reward shareholders from our reliable cash flow and I am delighted to declare a final dividend for the year ended 31 December 2019 of US 4.5 cents per share, payable on 30 July 2020, giving a total dividend of US 8 cents for 2019.

Our geological exploration programme made very good progress in the year. We announced two new significant copper and gold discoveries at Avshancli and Gilar. The mineral reserves and life of our existing mines are being extended and several promising new mineral occurrences are under investigation. We are proceeding at pace to classify our exploration targets and new discoveries as mineral resources and reserves with the aim of starting their commercial exploitation as soon as possible.

The COVID-19 health emergency has necessarily raised concerns about our current trading. The Government of Azerbaijan acted swiftly and imposed many restrictions to prevent the spread of the coronavirus. However, whilst the safety of our employees is paramount, we have been able to maintain production and continue to sell our gold doré and copper concentrate. Our production forecast for 2020 is currently unchanged. Although the future evolution of the COVID-19 health emergency and its final effects are unknown at this time, the Company is well placed to weather the situation and continue to provide returns to its shareholders.

Operational review

A total of 81,399 gold equivalent ounces was produced in 2019, a three per cent. decrease compared to 2018. Copper production increased to 2,210 tonnes compared to 1,645 tonnes in 2018. Gold production was 70,098 ounces compared to 72,798 ounces in 2018 which was a four per cent. decrease. Silver production in 2019 was 159,356 ounces, a decrease of 24 per cent. compared to 2018.

Gold production was lower by 2,700 ounces due to lower production of gold within gold doré of 1,465 ounces and lower gold within copper concentrate of 1,235 ounces. The lower gold production was due to the lower gold grade of ore processed by both the agitation leaching and flotation plants. Copper production increased due to a full year of independent operation of the flotation plant.

The Company has done much to improve the efficiency and safety of the Gedabek site during the previous few years. This has included major enhancements such as the construction of an electrical sub-station and connection of the site to the national power grid and the construction of a water treatment plant. The site is now well developed but the Company continues to make improvements wherever possible. New equipment including a reverse circulation drill rig and four excavators were deployed during 2019 and an on-site vehicle repair facility constructed. The gold room was also refurbished and new equipment installed.

Our tailings dam was inspected in June 2019 by Knight Piésold, a leading environmental engineering company. Knight Piésold reported that the dam had been properly constructed and showed no signs of instability or seepage. Various recommendations were made by Knight Piésold, which have now been implemented. The dam wall is being raised this year by six metres to increase the capacity of the dam by 1.4 million cubic metres. This will provide enough storage capacity for the next two years and will be the final raise of the wall. The Company is looking at alternative sites to build another dam and alternative treatment options for its tailings.

Financial results and dividend

Our financial performance in 2019 was again exceptional with revenues increasing by $1.7 million to $92.1 million and profit after tax by $3.0 million to $19.3 million. Increased gold prices more than offset the marginally lower production. Gold bullion was sold at an average price of $1,410 per ounce in 2019 compared to $1,265 in 2018. Revenues continued to be subject to an effective royalty of 12.75 per cent. in 2019. We anticipate this effective royalty rate will continue until at least 2023 and further details are in the financial review on pages 29 and 30. The all-in sustaining cost ("AISC") per ounce of gold produced increased in the year to $591 from $541 in 2018. This was due to a full year's operation of the flotation plant and increased mining from the Gedabek open pit. The Company's AISC remains amongst the lowest quartile in the industry.

The Group's financial position continued to strengthen in 2019. Cash from operations including cash in transit was $42.9 million and free cash flow was $25.5 million. The final instalment of its bank debt was repaid in February 2020. The Company had over $50 million of bank debt in 2015 and it was therefore a significant milestone to become debt free in early 2020. The Company has agreed terms for a $15 million standby credit facility as a precautionary measure in light of the uncertainty caused by the COVID-19 health emergency.

Creating sustainable value for our stakeholders

Profitable production

The Group has steadily increased its profitability for the last five years from a loss before taxation of $14.4m in 2014 to the profit before taxation of $30.1m in 2019.

Strong financials

The Group had net cash (including cash in transit) of $21.2m at the end of 2019 compared to net debt of over $50m in 2015. The Group is now making regular payments of dividends.

Growth strategy

The Company has over 1,000 square kilometres of land under concession and has embarked upon a 3-year geological exploration programme to exploit its full potential. Two new mineral discoveries were announced in 2019.

Financial results and dividend continued

The Company is committed to delivering returns to shareholders by dividends and has a target of distributing approximately 25 per cent. of free cash flow to its shareholders. I am therefore delighted to announce a final dividend for the year ended 31 December 2019 of 4.5 US cents per share giving a total dividend for 2019 of 8 US cents per share.

Mineral resources and geological exploration

Current mineral resource and ore reserves for the Company's three mines at Gedabek, together with recent near-mine exploration work, provide confidence of a combined mine life of Anglo Asian's existing mines to at least 2024. It is the Company's intention to produce new JORC resource and reserves statements for its existing mines during the course of 2020, which is likely to further extend the mine life. This work is ongoing with completion expected during quarter three 2020.

The Company's geological exploration programme continued throughout 2019 with considerable success. Work on investigating the targets identified in 2018 by the aerial ZTEM survey continued during the year. We were delighted to announce the discovery of two new mineral occurrences "Avshancli" and "Gilar" and positive exploration results were obtained in the vicinity of our existing mines. Mineralisation remains open both down dip and to the east of the Gedabek open pit and copper mineralisation was discovered in the vicinity of the Ugur open pit. We also had success at the Gosha contract area which has historically been under explored. Mineralisation at depth was discovered beneath an existing adit of the existing Gosha mine and several new polymetallic targets were identified. WorldView-3 satellite remote sensing image collection took place over Ordubad and the area was visited by geologists from the Natural History Museum of London. Their work suggests that the geology at Ordubad is favourable for porphyry formation. A revised geological map of the contract area is under preparation using all available geological data. A targeted drill programme will then be planned to produce data for resource estimation.

COVID-19 health emergency

The Government of Azerbaijan (the "Government") implemented various strict restrictions starting from early March 2020 to contain the spread of the coronavirus. All international land borders were closed to passengers (but not to freight) and all scheduled air flights in and out of the country together with domestic flights were suspended. Domestic travel around the country and the movement of people were also severely curtailed.

81,399

A total of 81,399 gold equivalent ounces was produced in 2019

$92.1m

Revenue for 2019

$19.3m

Profit after tax for 2019

$21.2m

Net cash including cash in transit at 31 December 2019

8 US cents

Total dividend for 2019

Chairman's statement continued

Geological field work at Avshancli.

COVID-19 health emergency continued

The Government suspended the operation of many of Azerbaijan's industries but metallurgical companies were not required to close. Gedabek continues to operate and our office in Baku remains open. Gedabek is fortuitously in a fairly isolated location and most of its operations do not require the close gathering of many people. No cases of COVID-19 have so far occurred in Gedebek. The health of our staff is paramount and many measures have been taken to ensure their safety including carrying out an extensive education programme and implementing many hygiene measures. Operating during the COVID-19 health emergency has not added significantly to our costs.

Gold doré is usually shipped to Switzerland by scheduled air flights which have been temporarily suspended. However, the Company continues to ship gold doré by chartered aircraft. The refineries in Switzerland were temporarily closed in March and early April but have since reopened with initially limited operations.

Annual General Meeting for 2020

Due to the UK Government's COVID-19 "Stay Alert" measures which prohibits amongst other things, public gatherings of more than two people, the annual general meeting for 2020 is being convened as a "closed meeting" with only the necessary quorum of two members. Other shareholders will not be allowed to attend the meeting on the grounds of safety.

The directors have very reluctantly taken this measure as previous annual general meetings have been a valuable forum for directors to meet with shareholders. To ensure shareholders can still ask directors questions about the Company, shareholders will be able to submit questions to the board prior to the annual general meeting via the Company's web site. The Company will publish all relevant questions together with the Company's response as soon as practical following the annual general meeting.

Shareholders are strongly encouraged to still vote by proxy. However, shareholders should ensure they appoint the Chairman of the meeting as their proxy as other individuals will not be allowed to attend the meeting. Further details of the annual general meeting and the notice can be found on pages 86 to 88 of this annual report.

Outlook

The Company achieved considerable success in 2019 but the COVID-19 health emergency has made the short-term outlook uncertain. However, Anglo Asian is now financially robust and well placed to weather the challenges of COVID-19. The Company's main priority during this period is to protect the health and safety of its staff whilst maintaining normal operations wherever possible.

The Company has over 1,000 square kilometers of land within its contract areas. As set out above and elsewhere in this annual report, the Company has a comprehensive exploration programme underway to extensively explore this land for new deposits. This programme is yielding results with the identification of several major targets at Gedabek and Gosha and the new mineral occurrences at Avshancli and Gilar. We are also extending the mineral reserves at our existing mines. We still regard Ordubad as an untapped value opportunity and work there has been promising. The Company will also consider any suitable opportunities outside Azerbaijan which it believes can be made commercially successful.

We have set a production target of 75,000 to 80,000 gold equivalent ounces for 2020, which is a small decrease from 2019. This includes up to 67,000 ounces of gold and between 2,200 and 2,400 tonnes of copper. We are currently still on track to achieve this production target and I look forward to updating shareholders with our progress in the coming months. At current metal prices achieving our production guidance is expected to result in a turnover in excess of $100 million.

I would like to conclude by saying that Anglo Asian accomplished much in 2019. We continue to look to the future, beyond the abatement of the COVID-19 health emergency, to build on our very solid foundations to develop your Company into a mid-tier gold, copper and silver producer. Despite the current unprecedented times, I continue to look forward to 2020 and beyond with optimism.

Appreciation

I would like to take this opportunity to thank the employees of Anglo Asian, our partners, the Government of Azerbaijan and our advisors for their continued support in these extraordinary times. I also wish to sincerely thank the shareholders for their continued investment and support in Anglo Asian.

I look forward to sharing the successes of 2020 with you.

Khosrow K. Zamani

Khosrow Zamani
Non-executive chairman
12 May 2020

Geological exploration*

The Group's geological exploration programme in 2019 was the second year of a rolling three-year exploration plan. The programme was designed to both determine the further mineralisation potential of the Group's existing mines and identify new areas of mineralisation which can be brought into the Group's resource and reserves pipeline.

Summary of exploration results

The Group's exploration programme yielded a number of very significant results during the year:

- It was demonstrated that mineralisation remains open both down dip and to the east at the Gedabek open pit
- Further mineable extensions both laterally and down dip were identified at the Gadir underground mine
- The existence of copper mineralisation in the vicinity of the Ugur mine was identified
- 31 targets were detected by the aerial ZTEM survey carried out in 2018 which are now being investigated including drilling at Duzyurd
- Two new mineral occurrences were discovered at Gedabek – "Avshancli" and "Gilar"
- Mineralisation at depth was confirmed in an area ("Zone 5") below an existing adit of the Gosha underground mine
- Several new polymetallic targets were identified at Gosha
- Drilling at a number of existing and new targets at Ordubad returned very good gold and copper grades
- Preliminary results from the Natural History Museum of London's whole rock analyses of samples from Ordubad suggest the presence of igneous rocks favourable for porphyry development

Gedabek contract area ("Gedabek")

Gedabek open pit and Duzyurd

14 diamond drill holes were completed at the Gedabek open pit area from surface for a total length of 2,425 metres. 49 reverse circulation drill holes with a total length of 2,772 metres were also completed. The drill holes were to provide confidence in the continuity of copper mineralisation and their locations were focused on the north-western and south-eastern margins of the open pit.

Duzyurd was identified as a possible porphyry target by the ZTEM survey. Its centre lies approximately 2.4 kilometres south-east of the Gedabek open pit. One drill hole was drilled at Duzyurd with a total length of 727 metres. Both the drill hole at Duzyurd and one Gedabek open pit surface drill hole were designed to explore the geology at depth.

Analysis of the drilling results confirms the two distinct types of mineralisation that were established during the 2018 resource estimation process, which are:

- gold mineralisation with variable copper content; and
- copper mineralisation with no gold content.

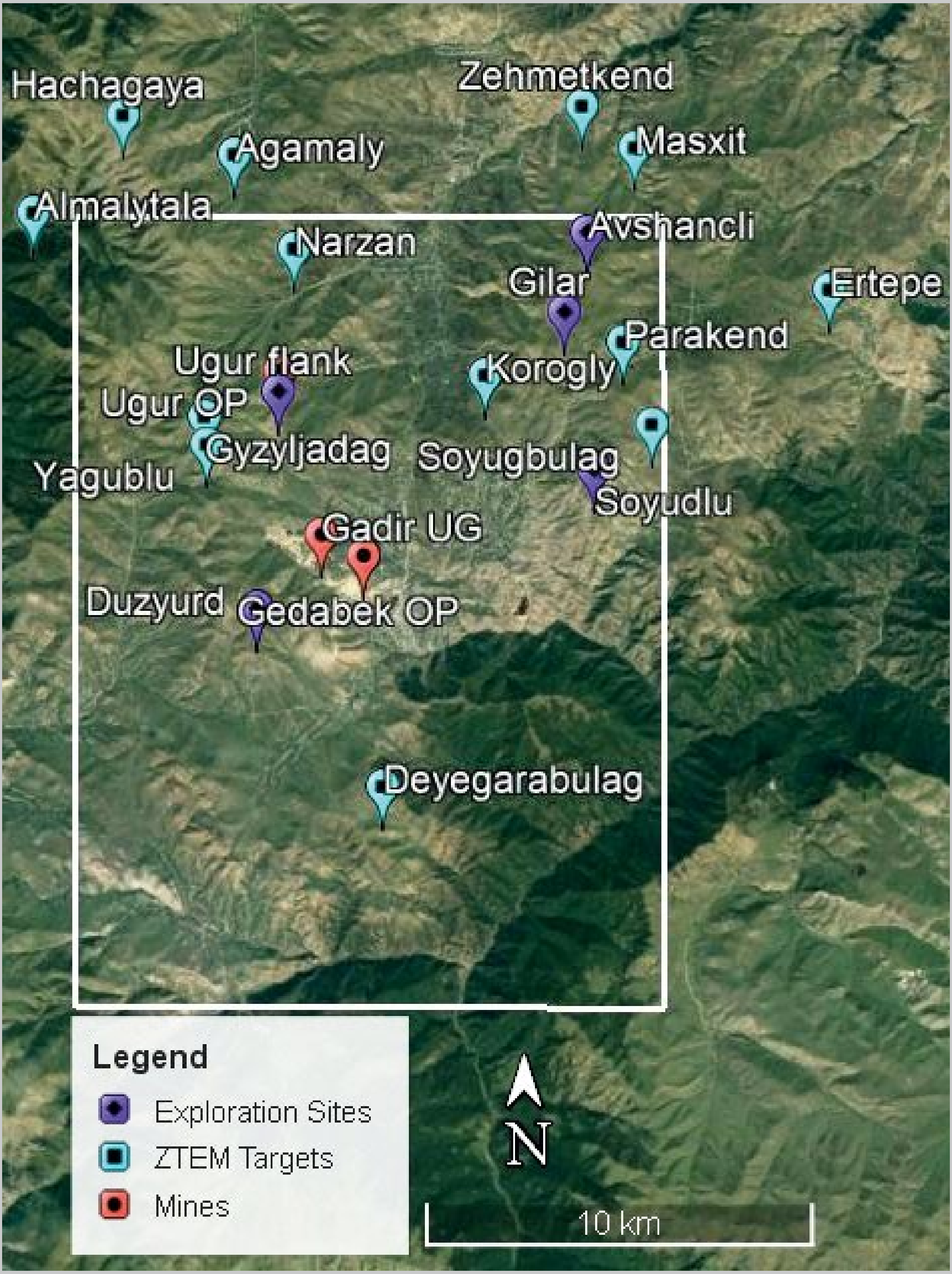
The drilling results demonstrate that both copper and gold mineralisation remains open, both down dip and to the east along strike. The results will be utilised in the next Gedabek open pit mineral resource update. Notable diamond drilling intersections include:

	Intersection			Weighted average grade			
Drill hole i.d.	Depth from (metres)	Depth to (metres)	Downhole length (metres)	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
19GBD04	85.00	86.00	1.00	1.17	22.00	2.07	0.10
	97.00	98.00	1.00	1.94	28.00	1.19	0.20
19GBD07	58.00	67.00	9.00	5.07	63.53	0.26	0.63
19GBD08	147.90	152.80	4.90	11.05	76.08	0.27	0.77
	154.50	155.50	1.00	2.29	51.88	2.25	4.51

An additional diamond drill hole and a reverse circulation drill hole were drilled from Pit 4 for geotechnical assessment for construction of the ventilation shaft to allow for continued tunnelling below the open pit and for exploration drilling to take place.

Tunnelling from the Gadir underground mine to the target mineralisation beneath the Gedabek open pit continued throughout the year. The ventilation shaft was constructed and 1,669 metres of tunnel were developed.

* This report on geological exploration forms part of the Group's Strategic Report and is incorporated by reference.



Gedabek contract area.

Gedabek contract area ("Gedabek") continued

Gadir underground mine

The following diamond drill holes were completed:

- 8 deep exploration drill holes from the surface with a total length of 3,809 metres targeting lateral extensions of the deposit;
- 80 underground exploration drill holes of either HQ (63.5 millimetre diameter) or NQ (47.6 millimetre diameter) with a total length of 12,447 metres which targeted previously untested areas; and
- 153 shorter underground drill holes producing BQ-sized (36.5 millimetre) core designed to increase confidence around sites for stoping.

Underground drilling in the Gadir mine.

Surface drill holes showing significant grades were as follows:

	Intersection			Weighted average grade			
Drill hole i.d.	Depth from (metres)	Depth to (metres)	Downhole length (metres)	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
19GDD02	363.00	364.00	1.00	5.86	12.00	0.09	0.02
19GDD08	427.10	428.10	1.00	10.05	5.00	0.02	0.02
	437.10	438.10	1.00	2.81	5.00	0.61	0.02
	447.10	449.10	2.00	10.78	8.50	0.05	0.02
19GDD09	438.50	439.50	1.00	2.02	2.88	0.39	0.10

The drilling has resulted in defining ore that extends the current Gadir mineralisation footprint both laterally and down dip. These positive results demonstrate the expansion potential of the Gadir mine. In-house geological wireframe modelling of the drill results commenced in the 2019 which will be utilised to update the geological model of Gadir.

A surface Induced Polarisation ("IP") geophysical survey over the Gadir deposit using an advanced wireless system was completed in the second half of the year. This technique involves transmitting an electrical current into the sub-surface which is then monitored by further electrodes. The results have been interpreted and are currently being analysed in conjunction with drill hole and other geological data. In-house preliminary interpretation of the IP data has established that the Gadir type geological system shows continuation in a south-westerly direction.

Ugur regional

11 surface drill holes were completed around the western, south-western and eastern flanks of the Ugur open pit, with a total length of 4,388 metres targeting down dip extensions. Two of the drill holes were for geotechnical purposes. Several drill holes in the eastern area (19UGDD03 and 19UGDD06) returned particularly positive results for copper, silver and zinc. Notable intersections, including 25 metres at 1.9 per cent. copper, were as follows:

	Intersection			Weighted average grade			
Drill hole i.d.	Depth from (metres)	Depth to (metres)	Downhole length (metres)	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
19UGDD01	79.00	80.00	1.00	0.10	28.00	1.14	0.00
	91.60	92.40	0.80	0.24	38.00	1.46	0.01
19UGDD03	356.30	357.00	0.70	0.03	48.00	0.01	0.03
19GED03	761.60	761.90	0.30	0.73	150.00	0.59	7.19
	762.80	764.50	1.70	1.38	99.00	0.59	6.70
19UGDD06	309.40	334.40	25.00	0.06	124.80	1.93	1.47
	310.40	315.40	5.00	0.04	68.60	2.78	3.87
	321.40	326.40	5.00	0.07	182.20	2.50	0.83

Geological exploration continued

Gedabek contract area ("Gedabek") continued

ZTEM aerial survey

The aerial ZTEM survey was carried out in the last quarter of 2018. The survey identified 31 favourable targets as follows:

- shallow: 20 targets at 300 metres or less depth;
- deep: 5 targets at between 201 to 500 metres; and
- porphyry: 6 targets at various depths.

The shallow targets are possible epithermal-porphyry mineralisation deposits. Several of the targets straddle or lie outside of the boundary of the Gedabek contact area. However, under the production sharing agreement, the Group has the right to explore and exploit mineral deposits outside its contract area provided they can be demonstrated to have geological continuity to within the contract area.

New drill rig deployed in the vicinity of the Gedabek open pit.

Outcrop sampling was carried out in 2019 at those high priority targets selected for evaluation. The targets identified and the outcrop sampling results are as follows:

ZTEM Anomaly		Number of samples	Summary of results	Current Status
Mount Okuzdag	Zs2	36	One sample returned copper grade of 0.93 per cent.	Outcrop sampling to continue
Agamaly	Zs4	11	One sample returned significant gold grades	Outcrop sampling to continue
Yagublu	Zs9	12	No sample returned reportable grade	Panning stream sediment sampling planned
Almalytala Shallow		66	One sample returned significant gold grades	Complex integrated interpretation planned
Gyzyljadag East	Zs8	194	Two sample returned significant gold grades	Complex integrated interpretation planned
Parakend Bugor		409	47 samples returned significant gold assays	Trench sampling to be carried out
Korogly	Zs15	166	12 Samples returned grades over reportable limits	Complex integrated data interpretation planned
Soyugbulag		35	One sample returned grade above the reportable limits	Panning stream sediment sampling planned
Zehmetkend	Zs18	214	51 samples returned grades above the reportable limits with highest being 95.4 grammes per tonne of gold	Trench sampling to be carried out
Deyegarabulag	Zd5	4	No sample reported returnable grades	Panning stream sediment sampling planned
Narzan	Zs20	8	No sample returned reportable grade	Outcrop sampling to continue
Masxit	Zs19	541	110 Samples returned significant grades	Trench sampling to be carried out
Hachagaya	M1	12	Two adjacent samples returned grades above the reportable limits	Complex integrated data interpretation planned
Ertepe East		59	10 samples returned grades above the reportable limits	Trench sampling to be carried out

Drilling was also carried out at Duzyurd (M6) and the results of the investigation of the target is discussed above along with the Gedabek open pit.

Gedabek contract area ("Gedabek") continued

Avshancli district

Avshancli is a mineral district which is 10.5 kilometres north-east of the Gedabek open pit. Avshancli is a gold-copper occurrence comprising three defined areas; Avshancli 1,2 and 3. It was discovered in the second half of the year whilst fieldwork was being conducted over the area. It was not directly identified through the ZTEM survey. However, it lies immediately south of the Zehmetkend and Masxit ZTEM targets and was defined by structural mapping of trends linking ZTEM targets.

A significant amount of exploration work took place in the second half of the year following completion of preliminary field mapping:

- 466 outcrop samples were collected;
- 1,732 metres of trenching was carried out; and
- nine surface drill holes of 1,732 metres total length were completed.

Of the 466 outcrop samples, 156 returned reportable assay grades with gold grades as high as 4 to 6 grammes per tonne and copper grades as high as 1.5 per cent. These results are significant as they indicate the area could be a potential near-surface mineralised system.

Trenching was carried out over all three Avshancli areas. Two trenches were dug in Avshancli 1 and one each in Avshancli 2 and 3. Notable intersections were as follows:

	Intersection			Weighted average grade			
Trench i.d.	Metres	Metres	Metres	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
AV1TR1	4.00	5.00	1.00	5.27	28.00	0.30	0.02
	5.50	10.00	4.50	4.29	8.33	0.49	0.03
	13.00	14.00	1.00	0.05	5.00	0.44	0.05
	19.00	27.00	8.00	0.05	5.00	0.55	0.11

Nine surface drill holes with a total length of 1,732 metres were completed at the Avshancli district to commence the initial drill programme. There was one notable intersection as follows:

	Intersection			Weighted average grade			
Drill hole i.d.	Depth from (metres)	Depth to (metres)	Downhole length (metres)	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
19BFDD05	0.90	2.00	1.10	7.03	5.00	0.45	0.04

A ground based magnetic survey covering approximately 0.15 square kilometres was completed over the Avshancli 1 region in October 2019. This was to determine if there was any subsurface magnetic response to help target drilling. The survey utilised a GEM System Overhauser GSM-19 magnetometer. Three key magnetic anomalies were identified which are believed to be associated with alteration zones. This study will enable optimisation of the drilling programme by identifying geological favourable targets. Further use of this technique together with ground based IP geophysics is planned over both Avahancli-2 and -3 during 2020.

Portable ground-based magnetometer being used at Avshancli.

Geological exploration continued

Gedabek contract area ("Gedabek") continued

Gilar

Gilar is a new mineral occurrence located approximately two kilometres south of Avshancli-1. It was identified during geological fieldwork in the region. It is a quartz vein deposit. Following preliminary field mapping, outcrop sampling and a preliminary drilling programme were carried out.

A total of 72 outcrop sampling assays were taken over the entire area. 35 of these returned gold grades, with 14 samples having elevated gold grades in the range of 3 to 12 grammes per tonne. One sample returned a gold grade of 16.02 grammes per tonne.

Four drill holes with a total length of 692 metres were completed at Gilar in the fourth quarter of the year. Assay results have been returned from all of the drill holes with the following significant intersections.

Bespoke mobile auger used for soil sampling.

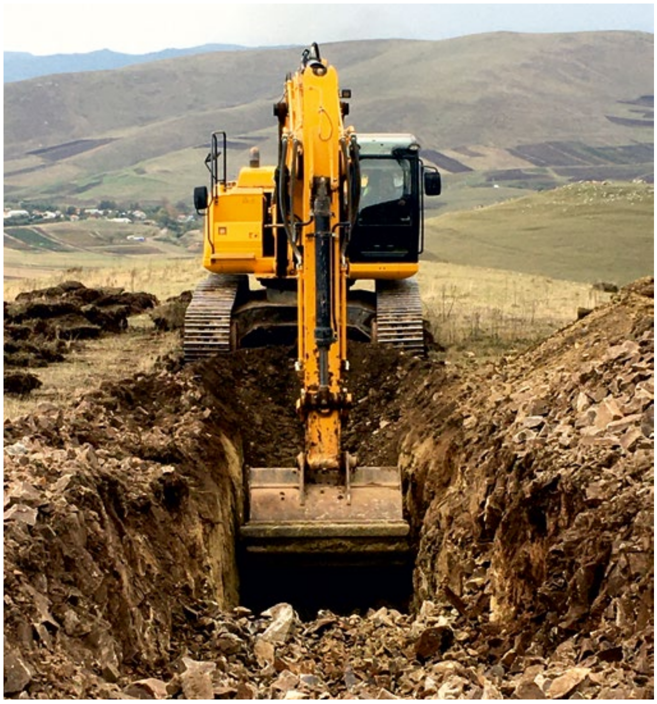
	Intersection			Weighted average grade			
Drill-hole i.d.	Depth from (metres)	Depth to (metres)	Downhole length (metres)	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
19GLDD01	13.00	14.00	1.00	0.03	5.00	0.35	0.21
	23.00	24.40	1.40	5.48	5.00	0.01	0.01
	28.20	29.40	1.20	0.03	20.00	0.01	0.01
19GLDD02	21.40	22.10	0.70	0.55	5.00	0.03	0.01
19GLDD03	16.00	17.00	1.00	0.41	5.00	0.01	0.01

WorldView-3 Remote Sensing Project ("WorldView-3")

WorldView-3 remote sensing took place over Gedabek in September 2019 with data and image processing conducted by Exploration Mapping Group Inc. This is the second WorldView satellite reconnaissance carried out by the Company, following the one carried out at Ordubad (see below). The area covered by the survey is in the north-west of Gedabek in the region of the Agamaly, Narzan and Hachagaya ZTEM anomalies. These areas are being targeted to test the satellite capabilities over heavily vegetated terrain, where access is difficult. Follow-up field validation is planned to test the initial interpretation that showed significant amounts of alteration, structural trends and potential areas of mineralisation.

Natural history Museum (London) ("NHM") site visit

Geologists from the NHM visited Gedabek in late November 2019 and worked with the Company's geology team to assess the porphyry potential at Gedabek. Correlation work with the WorldView-3 data also provided information relating to alteration and structural patterns that may relate to buried porphyry systems, above which is the surface expression of the epithermal style gold-copper mineralisation seen. Samples were collected by the visiting team for further analysis at the NHM research facilities in London. Discussions are ongoing with the NHM to assess the potential to further utilise their services to assist with mineral target definition, rock age dating and geochemical interpretation.



Trenching at Avshancli.

Gosha contract area ("Gosha")

The Gosha contract area is underexplored and during the year geological fieldwork was undertaken to increase our understanding of the area. Drilling, trenching and outcrop sampling were all carried out in the near-mine region of Gosha. The results confirm the dominance of gold mineralisation around the vicinity of the Gosha mine and that gold mineralisation exists at depth below an existing adit of the Gosha mine ("Zone 5").

Exploration also took place in the Gosha region at two prospects – "Asrikchay" and "Khatinca".

Near mine exploration and "Zone 5"

Seventeen core drill holes were completed in the year with a total length of 5,700 metres in the vicinity of the Gosha mine. The aim of this drilling was to test the Gosha vein system at depth below and adjacent to the current adit ("Zone 5"). Notable intersections of the drill holes are as follows:

	Intersection			Weighted average grade			
Drill hole i.d.	Depth from (metres)	Depth to (metres)	Downhole length (metres)	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
GSHDD02	269.15	273.00	3.85	1.05	5.00	0.04	0.00
	304.40	306.00	1.60	0.91	5.00	0.01	0.00
	312.40	313.00	0.60	0.90	5.00	0.02	0.00
	339.00	343.20	4.20	0.88	5.00	0.04	0.00
	364.00	368.00	4.00	0.81	5.00	0.04	0.01
GSHDD04	187.00	189.00	2.00	0.83	5.00	0.05	0.00
GSHDD06	259.80	260.00	0.20	0.77	5.00	0.01	0.07
	265.20	265.30	0.10	5.92	5.00	0.14	0.00
GSHDD10	125.00	126.00	1.00	1.97	5.00	0.01	0.01
	208.80	210.00	1.20	11.86	5.00	0.02	0.00
GSHDD11	142.40	142.60	0.20	1.05	5.00	0.06	0.01
	149.00	149.30	0.30	1.30	5.00	0.05	0.01
	155.30	155.70	0.40	1.24	5.00	0.13	0.01
	296.60	297.30	0.70	3.07	5.00	0.04	0.05
GSHDD15	52.00	52.20	0.20	1.11	5.00	0.01	0.01
	97.00	97.50	0.50	1.29	5.00	0.01	0.01
	108.60	108.80	0.20	1.06	5.00	0.02	0.00
	110.30	110.60	0.30	10.08	5.00	3.79	0.01
GSHDD16	59.60	60.20	0.60	1.44	5.00	0.01	0.01
	62.00	63.00	1.00	1.75	5.00	0.03	0.00
GSHDD17	68.20	68.50	0.30	10.10	5.00	1.08	0.28
GSHDD12	117.00	118.00	1.00	1.68	5.00	0.02	0.00

Geological exploration continued

Gosha contract area ("Gosha") continued

A total of 10 trenches were completed in the Gosha near mine region in 2019 of total length 88 metres. 104 samples were obtained taken at one metre intervals unless geological constraints warranted adjustments in sample length. Significant intersections were as follows:

	Intersection			Weighted average grades			
Trench i.d.	Metres	Metres	Metres	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
TR19-01	0.00	0.50	0.50	0.49	5.00	0.02	0.01
	0.50	1.00	0.50	1.30	5.00	0.04	0.05
	1.00	1.50	0.50	0.55	5.00	0.01	0.00
	1.50	2.00	0.50	0.31	5.00	0.01	0.00
	2.00	2.50	0.50	0.44	5.00	0.01	0.00
	2.50	3.00	0.50	0.37	5.00	0.01	0.01
	3.00	3.50	0.50	0.32	5.00	0.01	0.01
	3.50	4.00	0.50	0.36	5.00	0.01	0.01
	4.00	4.50	0.50	0.30	5.00	0.01	0.01
	4.50	5.00	0.50	0.36	5.00	0.01	0.01
TR19-02	0.00	0.50	0.50	0.32	5.00	0.01	0.00
	0.50	1.00	0.50	0.81	5.00	0.01	0.00
	1.00	1.50	0.50	0.34	5.00	0.01	0.01
	3.00	3.50	0.50	0.31	5.00	0.01	0.01
TR19-04	0.00	0.50	0.50	0.37	5.00	0.02	0.01
	0.50	1.00	0.50	0.41	5.00	0.03	0.00
	1.00	1.50	0.50	0.32	5.00	0.04	0.00
TR19-06	0.50	1.00	0.50	0.34	10.00	0.17	0.01
TR19-10	19.20	19.70	0.50	0.78	5.00	0.01	0.00

A total of 169 outcrop samples were collected with five samples returning positive grades for both gold and copper as follows:

	Weighted average grades			
Sample i.d.	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (per cent.)
GSHCHA2-05	0.35	5.00	0.06	0.01
GSHCHA2-06	0.34	5.00	0.07	0.01
GSHCHS-04	0.05	5.00	0.01	0.00
GSHCHS-110	0.53	5.00	0.01	0.03
GSHCHS-116	0.07	5.00	0.32	0.16

Drilling at Gosha targeting 'Zone 5'.

Gosha contract area ("Gosha") continued

Asrikchay

Asrikchay is a recent polymetallic mineralisation discovery within the Gosha contract area. It is approximately seven kilometres north of the existing Gosha underground mine within the Asrikchay valley. No drilling was conducted during the year at Asrikchay, however interpretation of the drilling in the previous year continued. An IP geophysical survey was completed but initial interpretation of the data did not correlate well with the drill results. Further refinement of the data processing algorithms is ongoing to define the locations of mineralisation from drilling and to then expand the target area.

Asrikchay has been divided into two adjacent areas – "QS" and "ASKL". 19 and 8 outcrop samples were obtained during the year from areas QS and ASKL, respectively. Some notable grades were obtained from the QS area as follows:

Sample number	Gold grade (grammes per tonne)	Silver grade (grammes per tonne)	Copper grade (per cent.)
QS02	2.77	33.50	9.75
QS03	0.82	19.00	0.19
QS04	4.13	30.72	10.32
QS14	0.08	31.97	0.38
QS16	7.46	99.34	9.26
QS17	2.52	22.27	0.98
QS18	4.38	38.77	0.10
QS19	1.82	35.36	0.54

A small stream sediment sampling programme was also carried out in the Asrikchay valley and surrounding water courses but none of the samples returned notable grades.

Khatinca

Exploration commenced in the year at Khatinca which is a target one kilometre from the village of Khatyndzhan and approximately four kilometres from the existing Gosha mine. Khatinca has been selected for its favourable geology, which is similar to the Gosha mine and its easy surface conditions for access. 22 outcrop samples were collected in 2019 but none returned notable grades.

Ordubad contract area ("Ordubad")

Shakardara and surrounding area (copper, gold and silver prospects)

Results were returned in the year for all 5,504 litho-geochemical samples obtained during 2018, collected over the Shakardara, Dirnis and Keleki targets. All samples passed QAQC checks and the data are currently being interpreted in-house. 48 element multi-element analysis and gold determination were completed on each sample and show positive results. Study of these results to define anomaly trends with integration of other geological data is ongoing. Based on preliminary interpretation of the geochemical data, two new areas of vein-style mineralisation were identified, namely Aylis and Unus.

Dirnis (copper and silver prospect)

The Dirnis prospect is located approximately 2.5 kilometres west of Dirnis village. It is a copper-silver occurrence and significant grades have previously been returned from malachite veining occurring in areas hosting both "White Rock" and "Green Rock" alteration.

A total of 18 diamond drill holes were completed during the year at Dirnis. Notable intersections of these drill holes are as follows:

	Intersection			Weighted average grades			
Hole I.d.	Depth from (metres)	Depth to (metres)	Downhole length (metres)	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (ppm)
DRDD06A	47.00	48.00	1.00	0.03	5.00	0.20	95
	85.00	87.00	2.00	203.89	5.00	0.09	552
DRDD09A	0.00	4.10	4.10	10.61	5.00	0.67	134
DRDD09B	0.00	3.5	3.5	8.76	18.91	2.69	46
	7.50	16.00	8.50	7.23	17.46	1.23	105
	46.00	48.00	2.00	0.03	11.55	0.28	159
DRDD13A	34.00	36.40	2.40	0.03	23.48	1.95	104
	41.40	41.80	0.40	0.03	62.79	4.51	71
	70.50	71.00	0.50	0.03	5.00	0.66	95
DRDD21	25.00	26.00	1.00	126.61	5.00	0.08	421

Geological exploration continued

Ordubad contract area ("Ordubad") continued

Dirnis (copper and silver prospect) continued

Due to the high gold grades of DRDD06A and DRDD21 and holes previously reported, a study is being carried out on the coarseness of the gold mineralisation and the assays are being verified. Sampling pulps for the check assays are planned to be sent with the next batch of QAQC samples to the external independent laboratory used by AIMC.

Keleki (gold prospect)

The Keleki mineral target is located approximately 500 metres north of the village of Keleki and 500 metres east of the village of Unus with easy site access. Geologically, Keleki is similar to the Shakardara deposit and host rocks are various volcanic facies of Lower Eocene age. A total of ten drill holes were completed in the year to assess the depth of the extensions of the gold bearing vein system and to better understand the orientation of the ore body. Due to the very high gold grades returned, further checks of the data are planned. Significant intersections were as follows:

	Intersection			Weighted average grades			
Hole I.d.	Depth from (metres)	Depth to (metres)	Downhole length (metres)	Gold (g/t)	Silver (g/t)	Copper (per cent.)	Zinc (ppm)
KLDD03	20.00	20.80	0.80	158.80	5.00	0.08	518
	86.50	87.50	1.00	86.06	5.00	0.04	255
	142.50	143.20	0.70	249.17	5.00	0.15	828
KLDD05	106.00	107.00	1.00	139.56	5.00	0.14	602

Destabashi

Destabashi is a copper prospect in the south-western corner of Ordubad. The Destabashi area hosts lower volcanic units capped by Cretaceous sedimentary rocks. A small-scale surface geochemical sampling campaign was completed during the year. The total area covered was 4.2 square kilometres, spread over two zones. In total, 244 samples were collected, and detailed geological mapping was completed of the sampling area. 82 samples were collected from 'Zone 1' (approximately two kilometres southeast of the village of Khanagha) and 162 samples were obtained from 'Zone 2' (adjacent to the village of Desta). Geochemical results have been received from ALS Minerals "OMAC" laboratory in Ireland and are being assessed for reporting.

Aylis

Aylis is a target recently identified through the Shakardara geochemical programme, which lies approximately 2.5 kilometres north-east of Dirnis and 2 kilometres east of Keleki. Geological mapping of total area four square kilometres was carried out in the year. Trench sampling also commenced at Aylis in late 2019. A total of 48 trenches were dug totalling 327 linear metres until the sampling was stopped due to unfavourable weather conditions. The work will recommence when weather conditions allow. The quartz veins range from 0.4 metres to 1.2 metres in thickness and contain polymetallic mineralisation. Exploration will continue of this epithermal system.

WorldView-3 satellite remote sensing

WorldView-3 satellite image collection took place over Ordubad in the second half of the year. Data were collected over an area of 244 square kilometres. Studies were completed in the final quarter of the year in collaboration with a member of the From Arc Magmas to Ores ('FAMOS') research team of the NHM to corroborate preliminary interpretations of the Worldview-3 imaging and data against field observations.

Natural History Museum of London ("NHM") whole rock analysis study

A field visit took place by geologists from the NHM in late 2018. The results of the study were published separately alongside the results of Q3 2019 exploration report for Ordubad. The potential indicators suggest that the geochemistry of the igneous sites is favourable for porphyry formations.

Drilling at Avshancli.

Detailed reports on Geological exploration

Detailed reports on all exploration activities in 2019 can be found on the Group's website at https://www.angloasianmining.com/operations/exploration-and-development/.

Strategic report

Reza Vaziri

"The total production target for the year to 31 December 2020 is 65,000 ounces to 67,000 ounces of gold and 2,200 tonnes to 2,400 tonnes of copper. This total production target expressed as gold equivalent ounces ("GEOs") is between 75,000 GEOs and 80,000 GEOs, compared to total production for the year to 31 December 2019 of 81,399 GEOs."

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

The principal activity of Anglo Asian Mining PLC (the "Company") is that of a holding company and a provider of support and management services to its main operating subsidiary R.V. Investment Group Services LLC. The Company, together with its subsidiaries (the "Group"), owns and operates gold, silver and copper producing properties in the Republic of Azerbaijan ("Azerbaijan"). It also explores for and develops other potential gold and copper deposits in Azerbaijan.

The Group has a 1,962 square kilometre portfolio of gold, silver and copper properties in western Azerbaijan, at various stages of the development cycle. The Group's primary operating site is Gedabek, which is the location of the Group's main gold, silver and copper open pit mine, the Ugur open pit mine and Gadir, an underground mine. The Group's processing facilities to produce gold doré and copper, silver and gold concentrates are also located at Gedabek. Gosha, the Group's second underground gold and silver mine, is located 50 kilometres away from Gedabek. Ordubad, the Group's early stage gold and copper exploration project is located in Nakhchivan, south-west Azerbaijan.

Overview of 2019 and 2020 production target

In 2019, the Company continued its strategy to increase shareholder value by progressing the development of Anglo Asian into a mid-tier gold, copper and silver miner. The key pillars of the strategy are as follows:

- formalise mineral resources and ore reserves for all existing mines;
- optimisation of gold and copper production at its Gedabek site from existing mines;
- identify further resources and reserves in proximity to its existing mines which can be brought into production quickly and efficiently in the short to medium term to increase the annual level of production;
- pursue a comprehensive geological exploration programme of all of the accessible land at its contract areas for new deposits with the potential to become new mines; and
- ramp-up exploration at Ordubad which is an untapped value opportunity.

In 2019, the publication of resource and reserve statements in accordance with the JORC Code (2012) were completed for all the Company's mines. The Company's three-year geological exploration programme, which commenced in 2018, is now starting to yield very positive results with many new targets and potential deposits identified. The exploration activities at Ordubad have also increased significantly, with approximately $1.2 million spent on exploration in 2019.

The Group has a production target for the year to 31 December 2020 of 65,000 ounces to 67,000 ounces of gold and 2,200 tonnes to 2,400 tonnes of copper. The total production target for the year to 31 December 2020 expressed as gold equivalent ounces ("GEOs") is between 75,000 GEOs and 80,000 GEOs, compared to total production for the year to 31 December 2019 of 81,399 GEOs. Silver and copper production were converted into GEOs using the following budget metal prices:

		Price of metal		Gold equivalent ounces of metal	
Metal	**Unit**	Actual 31 December 2019 $	Budget 2020 $	Actual 31 December 2019 Ounces	Budget 2020 Ounces
Gold	per ounce	**1,517.00**	1,400.00	**1.000**	1.000
Silver	per ounce	**17.85**	17.00	**0.012**	0.011
Copper	per tonne	**6,174.00**	5,800.00	**4.070**	3.851

Gedabek

Introduction

The Gedabek mining operation is located in a 300 square kilometre contract area in the Lesser Caucasus mountains in western Azerbaijan on the Tethyan Tectonic Belt, one of the world's most significant copper and gold-bearing geological structures. Gedabek is the location of the Group's Gedabek open pit mine, its Ugur open pit mine, its Gadir underground mine and the Company's processing facilities.

Gold was first poured from ore mined from the Gedabek open pit and processed by heap leaching in May 2009, with production commencing fully in September 2009. Copper and precious metal concentrate production began in 2010 when the Sulphidisation, Acidification, Recycling and Thickening (SART) plant was commissioned. The Group's agitation leaching plant commenced production in 2013 and its flotation plant in 2015.

Underground extraction of ore at Gedabek started in June 2015 when the Gadir mine was opened. During 2017, the Group brought Ugur, a newly-discovered gold deposit three kilometres north-west of its processing facilities, into production as an open pit mine. In July 2018, a second crusher line was added to the flotation plant to enable independent operation and processing by the agitation leaching plant and the flotation plant.

Mineral resources and ore reserves

Key to the future development of the Gedabek site is our knowledge of the mineral resources and ore reserves within the Company's contract areas. The Group's most recent mineral resources and ore reserves estimates for its Gedabek open pit were published as of 18 September 2018. Full JORC (2012) reporting with unchanged mineral resources and ore reserves estimates was subsequently released on 14 March 2019.

Gedabek continued

Mineral resources and ore reserves continued

The mineral resource estimate showed a total mineral resource (at a cut-off grade of 0.3 grammes per tonne of gold) of approximately 986 thousand ounces of gold, 63.4 thousand tonnes of copper and 8,172 thousand ounces of silver. The economically mineable ore reserves are over 343 thousand ounces of gold and more than 36 thousand tonnes of copper, which has extended the current life of the Gedabek open pit until 2024. Table 1 shows the Gedabek open pit mineral resources estimate at 14 March 2019 and Table 2 shows the Gedabek open pit ore reserves estimate at 14 March 2019.

Table 1 – Gedabek open pit mineral resources estimate at 14 March 2019

	Gold (and copper) mineral resources (cut-off grade ≥ 0.3g/t gold)				Contained metal		
Mineral resources	In situ (million of tonnes)	Gold grade (g/t)	Copper grade (per cent.)	Silver grade (g/t)	Gold (thousand of ounces)	Copper (thousand of tonnes)	Silver (thousand of ounces)
Measured	18.0	0.9	0.2	8.3	532	38.0	4,800
Indicated	11.1	0.7	0.1	5.6	264	15.7	2,011
Measured and indicated	**29.1**	**0.9**	**0.2**	**7.3**	**796**	**53.7**	**6,811**
Inferred	8.5	0.7	0.1	5.0	189	9.7	1,361
Total	**37.6**	**0.8**	**0.2**	**6.8**	**986**	**63.4**	**8,172**

Some of the totals in the above table do not sum due to rounding.

	Copper mineral resources (additional to gold mineral resource) (cut-off grade gold <0.3g/t and copper ≥ 0.3 per cent.)						
Mineral resources	In situ (million of tonnes)	Gold grade (g/t)	Copper grade (per cent.)	Silver grade (g/t)	Gold (thousand of ounces)	Copper (thousand of tonnes)	Silver (thousand of ounces)
Measured	5.3	0.1	0.5	2.1	21	26.3	356
Indicated	0.9	0.1	0.5	1.6	3	4.4	48
Measured and indicated	**6.2**	**0.1**	**0.5**	**2.0**	**24**	**30.7**	**404**
Inferred	0.5	0.1	0.4	1.5	1	1.9	23
Total	**6.7**	**0.1**	**0.5**	**2.0**	**25**	**32.6**	**426**

Some of the totals in the above table do not sum due to rounding.

Table 2 – Gedabek open pit ore reserves estimate at 14 March 2019

		In situ grades			Contained metal		
Ore reserves	Tonnage (thousand of tonnes)	Gold grade (g/t)	Copper grade (per cent.)	Silver grade (g/t)	Gold (thousand of ounces)	Copper (thousand of tonnes)	Silver (thousand of ounces)
Proved	10.9	0.89	0.29	8.83	311	31.9	3,084
Probable	1.2	0.82	0.34	9.52	32	4.1	373
Proved and probable	**12.1**	**0.88**	**0.30**	**8.90**	**343**	**36.0**	**3,457**

Some of the totals in the above table do not sum due to rounding.

The above proved and probable ore reserves estimate is based on that portion of the Measured and Indicated Mineral Resource of the deposit within the scheduled mine designs that may be economically extracted, considering all "Modifying Factors" in accordance with the JORC (2012) Code.

The latest JORC (2012) mineral resources and ore reserves statements for the Ugur deposit were completed in 2017. Table 3 shows the Ugur open pit mineral resources estimate at 1 August 2017 and Table 4 shows the Ugur open pit ore reserves estimate at 1 August 2017.

Gedabek continued

Table 3 – Ugur open pit mineral resources estimate at 1 August 2017

Mineral resources	In situ. (million of tonnes)	Gold grade (g/t)	Silver grade (g/t)	Gold (thousand of ounces)	Silver (thousand of ounces)
	Mineral resources (cut-off grade ≥ 0.2g/t gold)	In situ grades		Contained metal	
Measured	4.12	1.2	6.3	164	841
Indicated	0.34	0.8	3.9	8	44
Measured and indicated	**4.46**	**1.2**	**6.2**	**172**	**884**
Inferred	2.50	0.3	2.1	27	165
Total	**6.96**	**0.9**	**4.7**	**199**	**1,049**

Some of the totals in the above table do not sum due to rounding.

Table 4 – Ugur open pit ore reserves estimate at 1 August 2017

Ore reserves	In situ. (million of tonnes)	Gold grade (g/t)	Silver grade (g/t)	Gold (thousand of ounces)	Silver (thousand of ounces)
	Ore reserves	In situ grades		Contained metal	
Proved	3.37	1.3	7.2	142	779
Probable	0.22	0.8	4.1	5	29
Proved and probable	**3.59**	**1.3**	**7.0**	**147**	**808**

The above proved and probable ore reserves estimate is based on that portion of the Measured and Indicated Mineral Resource of the deposit within the scheduled mine designs that may be economically extracted, considering all "Modifying Factors" in accordance with the JORC (2012) Code.

In March 2019, the Group published the mineral resources statement and ore reserves estimate in accordance with the JORC (2012) Code for its Gadir underground mine. The mineral resources statement showed measured plus indicated mineral resources (at a cut-off grade of 0.5 grammes per tonne of gold) of 1,775,000 tonnes containing 145,200 ounces of gold, 736,100 ounces of silver, 3,295 tonnes of copper and 14,470 tonnes of zinc. Table 5 shows the Gadir underground mine mineral resources estimate as at 20 August 2018. Table 6 shows the Gadir underground mine ore reserves estimate as at 20 August 2018.

Table 5 – Gadir underground mine mineral resources estimate at 20 August 2018

Mineral resources	In situ (thousand of tonnes)	Gold (g/t)	Gold (thousand of ounces)	Silver (g/t)	Silver (thousand of ounces)	Copper (per cent.)	Copper (tonnes)	Zinc (per cent.)	Zinc (tonnes)
		Mineral resources (cut-off grade ≥ 0.5g/t gold)							
Measured	540	3.70	64	17.49	304	0.29	1,566	1.01	5,454
Indicated	1,235	2.04	81	10.89	432	0.14	1,729	0.73	9,016
Measured and indicated	**1,775**	**2.54**	**145**	**12.90**	**736**	**0.21**	**3,295**	**0.84**	**14,470**
Inferred	571	1.48	27	5.68	104	0.10	571	0.52	2,972
Total	**2,347**	**2.29**	**172**	**11.14**	**840**	**0.19**	**3,866**	**0.78**	**17,442**

Some of the totals in the above table do not sum due to rounding.

Gedabek continued

Table 6 – Gadir underground mine ore reserves estimate at 20 August 2018

One reserves	In situ (thousand of tonnes)	Ore reserves: Gold (g/t)	Gold (thousand of ounces)	Silver (g/t)	Silver (thousand of ounces)	Copper (per cent.)	Copper (tonnes)
Proved	222	2.81	25	14.13	101	0.24	535
Probable	575	2.41	45	10.99	203	0.15	852
Proved and probable	**797**	**2.73**	**70**	**11.86**	**304**	**0.17**	**1,387**

Some of the totals in the above table do not sum due to rounding.

The above proved and probable ore reserves estimate is based on that portion of the Measured and Indicated Mineral Resource of the deposit within the scheduled mine designs that may be economically extracted, considering all "Modifying Factors" in accordance with the JORC (2012) Code. Zinc was not estimated as part of this reserve as it is under study at resource level currently.

Mining operations

The principal mining operation at the Gedabek contract area is conventional open-cast mining using truck and shovel from the Gedabek open pit (which comprises several contiguous smaller open pits) and the Ugur open pit. Ore is first drilled and blasted and then transported either to a processing facility or to a stockpile for storage. The mining activities of blast-hole drilling, and haulage of ore and waste rock, are carried out by contractors. Blasting and other mining activities are carried out by the Company.

Production commenced from the Ugur open pit mine in September 2017. To enable production, a 4.6 kilometre road was constructed between the mine and the Company's processing facilities. All necessary surface infrastructure, including geology, medical and HSE offices, hygiene facilities, a mechanical workshop, lubricants and spares stores, a weighbridge and a diesel store was also constructed at the mine site.

Ore is also mined from the Gadir underground mine, the portal of which is situated approximately one kilometre from the Gedabek open pit. Table 7 shows the ore mined in the year ended 31 December 2019 from all the Company's mines at Gedabek and Gosha.

Table 7 – Ore mined at Gedabek from all mines (including Gosha) for the year ended 31 December 2019

Mine	Total ore mined (12 months to 31 December 2019): Ore mined (tonnes)	Average gold grade (g/t)
Gedabek open pit	1,475,278	0.73
Ugur – open pit	1,283,437	1.24
Gadir – underground	147,316	2.73
Gosha – underground	7,235	2.81
Total	**2,913,266**	**1.06**

Processing operations

Ore is processed at Gedabek to produce either gold doré (an alloy of gold and silver with small amounts of impurities, mainly copper) or a copper and precious metal concentrate.

Gold doré is produced by cyanide leaching. Initial processing is to leach (i.e. dissolve) the precious metal (and some copper) in a cyanide solution. This is done by various methods:

1. **Heap leaching of crushed ore.** Crushed ore is heaped into permeable "pads" onto which is sprayed a solution of cyanide. The solution dissolves the metals as it percolates through the ore by gravity and it is then collected by the impervious base under the pad.
2. **Heap leaching of run of mine ("ROM") ore.** The process is similar to heap leaching for crushed ore, except the ore is not crushed, instead it is heaped into pads as received from the mine (ROM) without further treatment or crushing. This process is used for very low grade ores.
3. **Agitation leaching.** Ore is crushed and then milled in a grinding circuit. The finely ground ore is placed in stirred (agitation) tanks containing cyanide solution and the contained metal is dissolved in the solution. Depending on the composition of the ore, an option is available to process the finely ground ore through the flotation plant prior to, or after treatment by the agitation leaching plant. However, since installation of the second crusher line for the flotation plant in 2018, the two plants have been operating independently. Any coarse, free gold is separated using a centrifugal-type Knelson concentrator.

Gedabek continued

Processing operations continued

Slurries produced by the above processes with dissolved metal in solution are then transferred to a resin-in-pulp ("RIP") plant. A synthetic ion exchange resin, in the form of small spherical plastic beads designed to absorb gold selectively over copper and silver, is mixed with the leach slurry or "pulp". After separation from the pulp, the gold-loaded resin is treated with a second solution, which "strips" (i.e. desorbs) the gold, plus the small amounts of absorbed copper and silver, transferring the metals from the resin back into solution. The gold and silver dissolved in this final solution are recovered by electrolysis and are then smelted to produce the doré metal, comprising an alloy of gold and silver.

Copper and precious metal concentrates are produced by two processes, SART processing and flotation.

1 **Sulphidisation, Acidification, Recycling and Thickening ("SART").** The cyanide solution after gold absorption by resin-in-pulp processing is transferred to the SART plant. The pH of the solution is then changed by the addition of reagents. This precipitates the copper from the solution in the form of a finely divided copper sulphide concentrate containing silver and minor amounts of gold. The process also recovers cyanide from the solution, which is recycled back to leaching.

2 **Flotation.** Flotation is carried out in a separate flotation plant. Feedstock, which can be either tailings from the agitation leaching plant or freshly crushed and milled ore, is mixed with water to produce a slurry called "pulp" and other reagents are then added. This pulp is processed in flotation cells (tanks). The flotation cells are agitated and air introduced as small bubbles. The sulphide mineral particles attach to the air bubbles and float to the surface where they form a froth which is collected. This froth is dewatered to form a mineral concentrate containing copper, gold and silver.

In the early years of the mine's life, gold doré was produced at Gedabek only by heap leaching crushed and agglomerated ore. Heap leaching is a low capital cost method of production commonly used by mines when they first move into production. Currently, heap leaching at Gedabek is being carried out with ore crushed to less than 25mm in size and the resultant gold recovery is approximately 60 per cent. to 70 per cent. of the contained gold over leaching cycles which extend typically beyond one year.

To increase gold recoveries and production, in 2013 the Group constructed an agitation leaching plant. Compared to heap leaching, agitation leaching can deliver higher recoveries of gold without long leaching cycles. Heap leach pads also require considerable space for their construction and due to the topography of the Gedabek site, this is a constraint. The capacity of the agitation leaching plant was increased in 2016 by the installation of a second semi-autogenous grinding ("SAG") mill.

The ore at Gedabek is polymetallic containing significant amounts of copper. Initially, the SART processing plant was constructed to recover some of the copper as a copper and precious metal chemical concentrate. However, to further exploit the high copper content of the Group's ore reserves, the Group constructed a flotation plant whose function is primarily to produce a copper-rich mineral concentrate, containing gold and silver as by-products. The flotation plant commenced production in November 2015. The flotation plant has the flexibility to be configured for various methods of operation.

In 2018, a second crusher line was installed for the flotation plant. This has a budgeted capacity of 95 tonnes per hour compared to the original crusher of up to 120 tonnes per hour. This removed a large bottleneck and enabled independent operation of the agitation leaching and flotation plants using separate sources of feedstock. The addition of this second crusher not only significantly increases the capacity of our processing plants, but also their flexibility.

Production and sales

For the year ended 31 December 2019, total gold production as doré bars and as a constituent of the copper and precious metal concentrate totalled 70,098 ounces, which was a decrease of 2,700 ounces in comparison to the production of 72,798 ounces for the year ended 31 December 2018.

Table 8 summarises the amount of ore and its gold grade processed by leaching at Gedabek for the year ended 31 December 2019.

Gedabek continued

Production and sales continued

Table 8 – Ore and its gold grade processed by leaching at Gedabek for the year ended 31 December 2019

	Ore processed (tonnes)			Gold grade of ore processed (g/t)		
Quarter ended	Heap leach pad (crushed ore)	Heap leach pad (ROM ore)	Agitation leaching plant	Heap leach pad (crushed ore)	Heap leach pad (ROM ore)	Agitation leaching plant
31 March 2019	127,990	133,194	171,211	0.80	0.51	2.50
30 June 2019	152,173	286,163	176,602	0.90	0.49	2.40
30 September 2019	148,269	261,414	192,097	0.93	0.46	2.25
31 December 2019	98,280	288,583	181,710	0.86	0.49	2.44
Total for the year	**526,712**	**969,354**	**721,620**	**0.88**	**0.49**	**2.40**

Table 9 summarises the amount of ore and its gold, silver and copper content processed by flotation for the year ended 31 December 2019.

Table 9 – Ore and its gold, silver and copper content processed by flotation for the year ended 31 December 2019

Quarter ended	Ore processed (tonnes)	Gold content (ounces)	Silver content (ounces)	Copper content (tonnes)
31 March 2019	127,204	3,498	44,810	633
30 June 2019	131,162	2,412	27,288	616
30 September 2019	127,761	2,887	28,586	703
31 December 2019	121,067	3,797	51,139	790
Total for the year	**507,194**	**12,594**	**151,823**	**2,742**

Table 10 summarises the gold and silver bullion produced from doré bars and sales of gold bullion for the year ended 31 December 2019.

Table 10 – Gold and silver bullion produced from doré bars and sales of gold bullion for the year ended 31 December 2019

Quarter ended	Gold produced* (ounces)	Silver produced* (ounces)	Gold sales** (ounces)	Gold sales price ($/ounce)
31 March 2019	15,547	6,634	13,122	1,306
30 June 2019	16,073	4,773	13,467	1,332
30 September 2019	16,619	4,420	14,894	1,513
31 December 2019	15,912	3,880	12,509	1,481
Total for the year	**64,151**	**19,707**	**53,992**	**1,410**

* Including Government of Azerbaijan's share.

** Excluding Government of Azerbaijan's share.

Table 11 summarises the total copper, gold and silver produced as concentrate by both SART and flotation processing for the year ended 31 December 2019.

Table 11 – Total copper, gold and silver produced as concentrate by both SART and flotation processing for the year ended 31 December 2019

	Copper (tonnes)			Gold (ounces)			Silver (ounces)		
Quarter ended	SART	Flotation	Total	SART	Flotation	Total	SART	Flotation	Total
31 March 2019	63	450	513	11	1,687	1,698	16,201	28,461	44,662
30 June 2019	65	383	448	8	1,068	1,076	12,794	15,491	28,285
30 September 2019	70	450	520	10	1,168	1,178	11,754	17,142	28,896
31 December 2019	113	616	729	16	1,979	1,995	11,159	26,647	37,806
Total for the year	**311**	**1,899**	**2,210**	**45**	**5,902**	**5,947**	**51,908**	**87,741**	**139,649**

Gedabek continued

Production and sales continued

Table 12 summarises the total copper concentrate (including gold and silver) production and sales from both SART and flotation processing for the year ended 31 December 2019.

Table 12 – Total copper concentrate (including gold and silver) production and sales from both SART and flotation processing for the year ended 31 December 2019

Quarter ended	Concentrate production* (dmt)	Copper content* (tonnes)	Gold content* (ounces)	Silver content* (ounces)	Concentrate sales** (dmt)	Concentrate sales** ($000)
31 March 2019	3,013	513	1,698	44,662	275	625
30 June 2019	2,395	448	1,076	28,285	4,030	6,069
30 September 2019	2,947	520	1,178	28,896	2,246	3,189
31 December 2019	3,593	729	1,995	37,806	3,730	6,770
Total for the year	**11,948**	**2,210**	**5,947**	**139,649**	**10,281**	**16,653**

* Including the Government of Azerbaijan's share.

** These are invoiced sales of the Group's share of production before any accounting adjustments in respect of IFRS 15. The total for the year does not therefore agree to the revenue disclosed in note 6 – "Revenue" to the Group financial statements.

Infrastructure

The Gedabek contract area is served by excellent infrastructure. The main site is located at the village of Gedabek which is connected by a good tarmacadam road to the regional capital of Ganja. Baku, the capital of Azerbaijan to the south and the country's border with Georgia to the north, are both approximately a four to five hour drive over excellent roads. The site is connected to the Azeri national power grid and there is a dedicated sub-station located at the main Gedabek processing facilities.

Water management

The Gedabek site has its own water treatment plant which was constructed in 2017 and which uses the latest reverse osmosis technology. In the last few years, Gedabek village has experienced water shortages in the summer and this plant reduces to the absolute minimum the consumption of fresh water required by the Company.

Wastewater evaporation equipment is also deployed in the tailings dam. This is mobile, skid mounted equipment into which water is pumped without treatment direct from the tailings dam. The equipment then evaporates the water by jetting it into the atmosphere as a fine spray. It can evaporate approximately 25 litres per second of water depending upon climatic conditions.

Tailings (waste) storage

The Company is very mindful of the importance of proper storage of tailings both for efficient operation of its processing plants and to fulfil its environmental responsibilities. The Company stores its tailings in a purpose built dam approximately seven kilometres from its processing facilities, topographically at a lower level than the processing plant, thus allowing gravity assistance of tailings flow in the slurry pipeline. Immediately downstream of the tailings dam is a reed bed biological treatment system to purify any seepage from the dam before discharge into the nearby Shamkir river.

The current capacity of the tailings dam is 4.3 million cubic metres. There are two pipelines from the Company's processing facilities to the tailings dam to increase capacity and provide redundancy.

The tailings dam was inspected in early June 2019 by Knight Piésold ("KP"), a leading environmental engineering company. KP reported that the dam had been properly constructed, showed no visible signs of instability and that there were no signs of seepage. Various minor recommendations, including moving the location of the tailings discharge pipes to better spread sediment within the dam, were made to ensure that the dam operates to best practice. These have now been implemented.

Health, safety and environmental

The health and safety of our employees and the protection of the environment in and around our mine properties are prime concerns for the Company's board and senior management team. The health, safety and environmental ("HSE") department at Gedabek has a qualified HSE manager, who is assisted by a team of HSE officers. Overall strategy for HSE matters in the Company is overseen by the HSE and technical committee, which is chaired by a board director, Professor John Monhemius. The HSE and technical committee meets twice a year at the Gedabek site.

During 2019, there were 21 reportable safety incidents (2018: 44), of which ten involved injuries to personnel. Three of these cases were minor injuries, but seven (2018: four) were lost time incidents (LTI), where the casualty had to take time off work. A comprehensive HSE training schedule is being implemented in 2020.

Gosha

The Gosha contract area is 300 square kilometres in size and is located in western Azerbaijan, 50 kilometres north-west of Gedabek. Gosha is currently the location of a small, high grade, underground gold mine. Ore mined at Gosha is transported by road to Gedabek for processing.

A total of 7,235 tonnes of ore of average gold grade 2.81 grammes per tonne were mined at Gosha in the year ended 31 December 2019.

The Company carried out considerable geological exploration work at Gosha in 2019, details of which are set out in the report on geological exploration.

Ordubad

The 462 square kilometre Ordubad contract area is located in Nakhchivan, south-west Azerbaijan and contains numerous targets. The Company carried out considerable geological exploration work at Ordubad in 2019, details of which are set out in the report on geological exploration.

Geological exploration

The Group's report on geological exploration during 2019 is on pages 7 to 16.

Sale of the Group's products

Important to the Group's success is the ability to transport its products to market and sell them without disruption.

Until late 2018, the Group shipped all its gold doré to MKS Finance SA in Switzerland for refining. In late 2018, the Group signed an additional contract with Argor-Heraeus SA, also in Switzerland, for the refining of gold doré. The Group contracted with a second refiner to ensure refining services are obtained on the best commercial terms. The Group now ships its gold doré to both refiners. The logistics of transport and sale are well established and gold doré shipped from Gedabek arrives in Switzerland within three to five days. The proceeds of the estimated 90 per cent. of the gold content of the doré can be settled within one to two days of receipt of the doré. The Group, at its discretion, can sell the resulting refined gold bullion to the refiner. The Group experienced very minor delays to its export of gold doré in 2019 due to delays in obtaining export permission following a reorganisation of the Ministry of Finance of the Government of Azerbaijan. The delays had no significant effect on the operations of the Group and the protocol for gold export was subsequently amended by the Government of Azerbaijan. Since the protocol was amended, no delay in the export of gold doré has been experienced other than delays due to the temporary suspension of scheduled air flights due to the COVID-19 pandemic.

The Gedabek mine site has good road transportation links and our copper and precious metal concentrate is collected by truck from the Gedabek site by the purchaser. In 2014, the Group commenced selling its copper concentrate produced by SART processing to Industrial Minerals SA, a Swiss-based integrated trading, mining and logistics group under an exclusive three year contract. This contract has been subsequently renewed and expanded to include copper concentrate produced by flotation, in addition to the SART concentrate. The latest renewal of the contract was signed in early 2020 for a period of one year, but the contract will automatically extend unless terminated by either party.

In June 2018, the Group signed a contract with Trafigura Pte. Limited ("Trafigura") for the sale of copper concentrates produced by flotation processing. The contract has no expiry date unless terminated by either party and the first shipment of concentrate was made under the contract in September 2018. In 2019, Trafigura purchased all concentrate produced by flotation and Industrial Minerals SA purchased all concentrate produced by SART processing. The Group experienced minor delays in the shipment of flotation concentrates in the first half of 2019 whilst Trafigura established its logistical procedures. These have now been settled and no delays have subsequently been experienced in the sale of concentrates.

Section 172(1) Statement

The Company's Section 172(1) Statement is on pages 26 and 27.

Principal risks and uncertainties

Country risk in Azerbaijan

The Group currently operates solely in Azerbaijan and is therefore naturally at risk of adverse changes to the regulatory or fiscal regime within the country. However, Azerbaijan is outward looking and desirous of attracting direct foreign investment and the Company believes the country will be sensitive to the adverse effect of any proposed changes in the future. In addition, Azerbaijan has historically had a stable operating environment and the Company maintains very close links with all relevant authorities.

Operational risk

The Company currently produces all its products for sale at Gedabek. Planned production may not be achieved as a result of unforeseen operational problems, machinery malfunction or other disruptions. Operating costs and profits for commercial production therefore remain subject to variation. The Group monitors production on a daily basis and has robust procedures in place to effectively manage these risks.

Commodity price risk

The Group's revenues are exposed to fluctuations in the price of gold, silver and copper and all fluctuations have a direct impact on the operating profit and cash flow of the Group. Whilst the Group has no control over the selling price of its commodities, it has very robust cost controls to minimise expenditure to ensure it can withstand any prolonged period of commodity price weakness.

The Group actively monitors all changes in commodity prices to understand the impact on the business. The Group has previously hedged against the future movement in the price of gold. The directors keep under review the potential benefit of hedging.

Foreign currency risk

The Group reports in United States Dollars and a large proportion of its costs are incurred in United States Dollars. It also conducts business in Australian Dollars, Azerbaijan Manats and United Kingdom Sterling. The Group does not currently hedge its exposure to other currencies, although it will review this periodically if the volume of non-United States Dollar transactions increases significantly. Information on the carrying value of monetary assets and liabilities denominated in foreign currency and the sensitivity analysis of foreign currency is disclosed in note 23 to the financial statements below.

Liquidity and interest rate risk

During 2019, the only material borrowing of the Group has been the Pasha Bank refinancing loan which had a fixed rate of interest. The Group has not therefore used any interest rate swaps or other instruments to manage its interest rate profile during 2019, but this recourse is reviewed on a periodic basis. The approval of the board of directors is required for all new borrowing facilities. The Group occasionally has minor borrowings in connection with providing letters of credit to suppliers.

The Group's surplus cash deposits have steadily increased since the beginning of 2019. The Group places these on deposit in United States dollars with a range of banks to both ensure it obtains the best return on these deposits and to minimise counterparty risk. The amount of interest received on these deposits is not material to the financial results of the Company and therefore any decrease in interest rates would not have any adverse effect.

Principal risks and uncertainties
continued

COVID-19 pandemic in 2020

The COVID-19 pandemic has resulted in restrictions being put in place on the ability of the Group to operate since early March 2020. International travel generally and domestic travel in Azerbaijan has been either temporarily suspended or curtailed. The operations of many businesses in Azerbaijan have also been temporarily suspended and the Group's gold refiners in Switzerland were closed for a period in March and April 2020 but have now reopened with initially limited operations.

The measures taken by the board of directors (the "Board") to manage the risk of the COVID-19 pandemic are set out in the Corporate Governance section on page 34. These include informally convening weekly Board meetings during the pandemic to ensure all possible actions are put in place to protect the health and safety of its staff and to maintain production.

Despite the restrictions, the Company has continued in operation and to sell its products. It has also put in place actions to safeguard the health of its employees at Gedabek. These include many hygiene measures such as the provision of hand disinfectants, deep cleaning of work areas and key employee homes and the provision of take away food to avoid the close gathering of people in canteens. An education progamme for employees was carried out and the Gosha accommodation camp has been redeployed as a quarantine facility. It has also chartered aircraft to ship its gold doré to Switzerland.

The main risk to the Group from the COVID-19 pandemic would be a lower level, or a complete cessation, of production. This could occur due to an outbreak of COVID-19 at Gedabek or further action by the Government of Azerbaijan to prevent the spread of the Coronavirus. The Group may also be required to operate at a lower level of production or cease production altogether due to its inability to obtain necessary supplies and services or to adequately staff or maintain its operations. There is also the risk that the Group can continue in production but will be unable to ship and sell its finished products. However, given that the future evolution and duration of the COVID-19 pandemic is currently unknown, it is not possible to quantify at this time its long-term effect on the Group.

Key performance indicators

The Group has adopted certain key performance indicators ("KPIs") which enable it to measure its financial performance. These KPIs are as follows:

1. **Profit before taxation.** This is the key performance indicator used by the Group. It gives insight into cost management, production growth and performance efficiency.
2. **Net cash provided by operating activities.** This is a complementary measure to profit before taxation and demonstrates conversion of underlying earnings into cash. It provides additional insight into how we are managing costs and increasing efficiency and productivity across the business in order to deliver increasing returns.
3. **Free cash flow ("FCF").** FCF is calculated as net cash flow from operating activities less capital expenditure. This is a measure of the amount of cash generated which can either be distributed to investors or used for expansion of the business.
4. **All-in sustaining cost ("AISC") per ounce.** AISC is a widely used, standardised industry metric and is a measure of how our operation compares to other producers in the industry. AISC is calculated in accordance with the World Gold Council's Guidance Note on Non-GAAP Metrics dated 27 June 2013. The AISC calculation includes a credit for the revenue generated from the sale of copper and silver, which are classified by the Group as by-products. There are no royalty costs included in the Company's AISC calculation as the Production Sharing Agreement with the Government of Azerbaijan is structured as a physical production sharing arrangement. Therefore, the Company's AISC is calculated using a cost of sales, which is the cost of producing 100 per cent. of the gold and such costs are allocated to total gold production including the Government of Azerbaijan's share.

Reza Vaziri
President and chief executive
12 May 2020

Aerial view of the Group's production facilities at Gedabek.

Section 172(1) statement and stakeholder engagement*

The new reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table below sets out the Company's section172(1) statement.

Introduction
The board of directors of Anglo Asian Mining PLC (the "Board") consider that they have adhered to the requirements of section 172 of the Companies Act 2006 (the "Act") and have, in good faith, acted in a way that they consider would be most likely to promote the success of the Company for the benefit of its shareholders as a whole. In acting this way, the Board have had regard to and recognise the importance of considering all stakeholders and other matters as set out in section 172(1) (a to f) of the Act in its decision-making.

The Board members are directors of Anglo Asian Mining PLC which is a holding company. The Group carries out its business of mining in Azerbaijan through its wholly owned subsidiaries. Given the nature and size of the Group, the Board consider it reasonable that executive decision making for the entire Group, including its subsidiaries in Azerbaijan, is the responsibility of the Board. The section 172(1) statement has accordingly been prepared for the entire Group.

The new reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table on page 27 sets out the Company's section 172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor in potential impacts on stakeholders in the decision-making process.

General
The Group promotes the highest standards of governance as set out in Corporate Governance on pages 32 to 34. The principles of Corporate Governance underpin how the Board conducts itself. The Board is very conscious of the impact that the Group's business and decisions has on its direct stakeholders as well as its societal impact. The Company operates to the highest ethical standards as discussed in Corporate Governance Section on pages 32 to 34.

Principal decisions and other key factors in maintaining shareholder value
For the year ended 31 December 2019, the Board consider that the following are examples of the principal decisions that it made in the year:

- consideration and agreement of the Group's budget together with the associated production guidance for the year ended 31 December 2019; and
- consideration of the final dividend payable for the year ended 31 December 2018 and the interim dividend payable for the year ending 31 December 2019.

The Group, like all companies operating in the extractive industries, is required to continually replace and increase its mineral reserves to maintain and improve the sustainability of its business. This concern is a high priority of the Board. To address this priority, a three-year geological exploration campaign of its existing mining concessions was started in 2018 which the Board monitor through regular reports and site visits by directors. The Company is also looking at other opportunities and the Board receive regular updates on progress in this area.

The Board and senior managers of the Company hold in total 44.6 per cent. of the shares of the Company with the remainder held by a wide range of individual and institutional shareholders. The Board are extremely mindful that all shareholders must be treated equally. This is reflected in the Board's behaviour to ensure all decisions do not disadvantage external shareholders compared to the interests of the directors and senior management and that external shareholders are fully and timely informed of all company developments.

Engagement with key stakeholders
The table on page 27 sets out the Board's key stakeholders and provides examples of how the Board engaged with them in the year as well as demonstrating stakeholder consideration in the decision-making process. However, the Board recognise that depending on the nature of an issue, the interests of each stakeholder group may differ. The Board seeks to understand the relative interests and priorities of each stakeholder and to have regard to these, as appropriate, in its decision making. However, the Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all stakeholders.

COVID-19
The Board are very focused on the COVID-19 Health emergency and the effect on its stakeholders. Further details are set out in Corporate Governance on page 34. The Board has ensured its shareholders are regularly updated by issuing press releases setting out in detail its effect on the Group's operations.

* This section 172(1) statement forms part of the Group's Strategic Report and is incorporated by reference.

Stakeholder	How the Board has approached their engagement	How the Board has taken their interests into account
Shareholders	The Board aims to provide clear and timely information to its shareholders which gives an honest and transparent view of the performance of the business.	The Board maintains a dialogue with external shareholders and keeps them informed in a variety of ways as set out in section 10 of Corporate Governance.
Customers	The Board aims to maintain a mutually beneficial relationship based on trust through a continuous dialogue with each of its customers.	Visits to its customers by senior staff are undertaken and visits are made by customers to the Company in Azerbaijan to show them the Group's production facilities. The Company maintains a continuous dialogue with its customers regarding the technical specifications of its products to ensure the most beneficial sales terms are obtained for both parties. The Company also assisted its customers in fulfilling their responsibilities under the LBMA Responsible Sourcing Programme.
Suppliers	The Board has ensured an appropriately qualified and professional procurement department is in place which maintains close contact with all suppliers. All procurement is carried out via a transparent tender process. For specialised goods and services, senior management will maintain a dialogue with the supplier and report their engagement to the Board.	All significant purchases are discussed with suppliers and prices and delivery terms agreed which are mutually beneficial to both parties. Technical staff work in close collaboration with suppliers of specialist services to ensure the supplier provides the highest quality service to the Company within the commercial terms of the contract.
Employees	The Board has mandated a mainly informal approach to engage with employees in light of their number and to ensure appropriate upward communication channels exist for employees. Directors and senior management regularly visit Gedabek where the majority of the employees are located. There are also two formal mechanisms for engaging with employees: • An employee survey is carried out once a year and the results are circulated to directors. • The health and safety committee meet twice a year at Gedabek and the meetings are attended by directors.	The results of the employee survey have been reviewed and action taken to implement suggestions where appropriate. The health and safety committee considered all reportable safety incidents during the year in consultation with employee representatives and all appropriate actions were taken to prevent further occurrences in the future.
Community	Board members regularly visit Gedabek and meet with the local administration and other community leaders to hear their views on community relations.	The Group has carried out significant community and social development in the region.
Government of Azerbaijan	The Board has set up a formal mechanism for engaging with the Government of Azerbaijan as set out in Corporate Governance on pages 32 to 34. Directors also meet with high level Government officials on a regular basis.	The Company has promptly complied with all requests from the Government for information about the Company's business. An open relationship based on trust has been formed with the Government. This enabled the Company to quickly obtain a new protocol from the Government regarding export of gold doré following a Government reorganisation.

Financial review

Reza Vaziri and William Morgan

"The Group recorded a profit before taxation in 2019 of $30.1m compared to $25.2m in 2018. This was due to higher revenues and lower cost of sales and finance costs."

The directors present their financial review for the year ended 31 December 2019. This financial review forms part of the strategic report on pages 17 to 25.

Group statement of income

The Group generated revenues in 2019 of $92.1m (2018: $90.4m) from the sales of gold and silver bullion and copper and precious metal concentrate.

The revenues in 2019 included $76.4m (2018: $75.5m) generated from the sales of gold and silver bullion from the Group's share of the production of doré bars. Bullion sales in 2019 were 53,992 ounces of gold and 16,471 ounces of silver (2018: 59,481 ounces of gold and 25,394 ounces of silver) at an average price of $1,410 per ounce and $16 per ounce respectively (2018: $1,265 per ounce and $16 per ounce respectively). In addition, the Group generated revenue in 2019 of $15.7m (2018: $14.9m) from the sale of 10,281 (2018: 7,675) dry metric tonnes of copper and precious metal concentrate. The Group's revenue benefited in the year from a higher average price of gold at $1,404 per ounce (2018: $1,269 per ounce) offset by a lower average price of copper at $6,015 per metric tonne (2018: $6,527 per metric tonne).

The Group did not hedge any metal sales during 2018 or 2019.

The Group incurred lower cost of sales in 2019 of $54.6m (2018: $56.5m) due to lower depreciation. Cash costs were higher at $48.0m (2018: $40.5m). Reagent costs were higher due to the independent operation of the flotation plant throughout 2019 and mining costs were higher due to increased mining from the open pit in 2019. Stripping costs were $1.4m (2018: credit of $4.7m). The higher cash and stripping costs were offset by lower depreciation of $3.8m and a credit of $9.2m (2018: cost of $1.4m) in respect of an increase of inventory.

Depreciation and amortisation in 2019 was lower at $19.2m compared to $22.9m in 2018. Accumulated mine development costs within producing mines are depreciated and amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight line method is applied. The depreciation and amortisation were lower in 2019 due to the lower amount of gold produced. Amortisation of $0.8m was incurred in 2019 (2018: $nil) in respect of depreciation on right of use assets due to the adoption in 2019 of IFRS 16 – "Leases".

The Group incurred administration expenses in 2019 of $5.2m (2018: $5.3m). The Group's administration expenses comprise the cost of the administrative staff and associated costs at the Gedabek mine site, the Baku office and maintaining the Group's listing on AIM. The majority of the administration costs are incurred in either Azerbaijan New Manats, the United States dollar or United Kingdom pounds sterling. United Kingdom pounds sterling weakened against the US dollar in 2019 compared to 2018 whilst the Azerbaijan New Manat was stable. Administration costs in 2019 were similar to 2018 as a marginally higher level of sterling denominated costs were offset by the weaker exchange rate. Finance costs in 2019 were $1.3m compared to $1.6m in 2018. The costs reduced in the year due to both a significant reduction in the average bank debt in 2019 and a reduction in the average interest rate on the bank debt. In the 2019, the finance costs included $0.4m (2018: $nil) interest expense on lease liabilities due to the adoption in 2019 of IFRS 16 – "Leases".

The Group recorded a profit before taxation in 2019 of $30.1m compared to $25.2m in 2018. This was due to higher revenues and lower cost of sales and finance costs.

The Group had a taxation charge in 2019 of $10.8m (2018: $8.9m). This comprised a current income tax charge of $7.2m (2018: $7.3m) and a deferred tax charge of $3.6m (2018: $1.6m). The current income tax charge of $7.2m was incurred by R.V. Investment Group Services ("RVIG") in Azerbaijan. RVIG generated taxable profits in 2019 of $22.6m which were taxed at 32 per cent. (the corporation tax rate stipulated in the Group's production sharing agreement). RVIG had no tax losses carried forward at 1 January 2019 or 31 December 2019.

The taxable profits of the operating company in Azerbaijan are taxed at 32 per cent. However, the Group's overall tax rate in 2019 was 36 per cent. (2018: 35 per cent.). The overall tax rate is higher than 32 per cent. because the UK administrative costs and depreciation of mining rights in Azerbaijan cannot be offset against the taxable profits arising in Azerbaijan. These costs in 2019 totalled $3.6m (2018: $3.3m).

All-in sustaining cost of gold production

The Group produced gold at an all-in sustaining cost ("AISC") per ounce of $591 in 2019 compared to $541 in 2018. The Group reports its cash cost as an AISC calculated in accordance with the World Gold Council's guidance which is a standardised metric in the industry. The reason for the increase in 2019 compared to 2018 was the independent operation of the flotation plant throughout 2019 and increased mining from the Gedabek open pit. Production also decreased which increases the AISC as many of the costs are fixed or semi-fixed.

Group statement of financial position

Non-current assets decreased from $98.6m at the end of 2018 to $93.4m at the end of 2019. The main reason for the decrease was property, plant and equipment being lower by $11.4m due to depreciation in the year. Non-current assets at 31 December 2019 included

Group statement of financial position
continued

$3.6m (2018: $nil) in respect of right of use assets due to the adoption in 2019 of IFRS 16 – "Leases". Intangible assets increased from $17.0m at the end of 2018 to $20.0m at the end of 2019 due to expenditure on geological exploration and evaluation of $4.5m offset by amortisation.

Net current assets were $55.5m at the end of 2019 compared to $33.5m at the end of 2018. The main reason for the increase in net current assets was an increase in cash and cash in transit of $8.3m and a decrease in the current portion of bank loans payable of $5.0m. The Group's cash balances at 31 December 2019 including cash in transit were $22.9m (2018: $14.5m). Surplus cash is maintained in US dollars and was placed on fixed deposit with several banks at tenors of between one to three months at interest rates of around 1.5 to 2.2 per cent.

Net assets of the Group at the end of 2019 were $109.0m (2018: $98.4m). The net assets were higher due to the increase in retained earnings. There were no shares issued in 2019.

The Group is financed by a mixture of equity and debt. The Group's bank borrowings continued to reduce during 2019 and at 31 December 2019 were $1.7m, a significant reduction from $8.4m at 31 December 2018. The Group refinanced $13.5m of its outstanding debt during 2018 with a 3-year refinancing loan which was the only outstanding bank borrowing at 31 December 2019. The interest rate on the refinancing loan was 7 per cent. (2018: 7 per cent.). Total Group debt at 31 December 2019 was $5.5m which also includes $3.8m (2018: $nil) of lease liabilities due to the adoption in 2019 of IFRS 16 – "Leases".

There were no movements of the Group's share capital or share premium account in 2019. The Group's holding company, Anglo Asian Mining PLC received in 2019 an intercompany dividend of $10m (2018: $nil) which gives it the capacity to pay dividends of $9.1m at 31 December 2019.

Group cash flow statement

Operating cash inflow before movements in working capital for 2019 was $50.5m (2018: $50.1m). The main source of operating cash flow was operating profit before the non-cash charges of depreciation and amortisation in 2019 of $49.4m (2018: $49.8m) after adding back finance cost net of finance income.

Working capital movements excluding cash in transit absorbed cash of $7.6m (2018: generated cash of $0.6m) largely due to an increase in inventories of $9.7m (2018: $0.4m). This was due to increased stockpiles of ore and increased heap leaching at the end of 2019.

Net cash from operating activities excluding cash in transit of $5.1m in 2019 was $34.8m compared to $47.1m in 2018 due to cash absorbed by working capital and higher tax payments.

The Company paid corporation tax in 2019 of $8.2m (2018: $3.6m) in Azerbaijan in accordance with local requirements. This was the final payment of its liability for 2018 and payments on account of its liability for the year ended 31 December 2019.

Expenditure on property, plant and equipment and mine development was $4.7m (2018: $15.3m). The main items of expenditure in 2019 were mine development of $2.2m and heap leach pad expansion of $0.5m.

Exploration and evaluation expenditure in 2019 of $4.5m (2018: $2.9m) was incurred and capitalised. This arose on exploration at the Gedabek, Gosha and Ordubad contract areas.

COVID-19 pandemic in 2020

The Group has operated since early 2020 under restrictions imposed by governments around the world to combat the spread of the coronavirus. The Group has managed to maintain production and ship and sell its products. It is estimated that the Group is incurring additional operating costs of approximately $0.1m per month during the restrictions. These include the cost of chartering aircraft to ship its gold doré to Switzerland, staff overtime due to reorganisation of staff shifts to prevent the spread of the coronavirus and additional logistical costs.

The evolution and duration of the emergency is not known but should the Group be required to temporarily suspend its operations it would incur costs of approximately $1.0m per month to place the operation on care and maintenance. It currently costs approximately $4.0m to $5.0m million a month to maintain full production.

The Group has agreed terms for a $15m standby credit facility as a precautionary measure. It is for 3 years at an interest rate of 4.5 per cent. The documentation for the loan is currently being processed.

Dividends

In respect of 2019, the Group paid an interim dividend of $0.035 per share and has proposed a final dividend of $0.045 per share giving a total for the year of $0.08 per share (2018: total for the year of $0.07 per share). Dividends are declared in United States dollars but paid in United Kingdom pounds sterling.
The total cost of the 2018 dividends was $8.0m (£6.3m) and the estimated total cost of the dividends for 2019 is $9.2m (£7.5m). The proposed final dividend for 2019 is subject to the approval of the shareholders and has not been accrued in the 2019 financial statements.

The directors have announced a policy to target a distribution to shareholders each year comprising approximately 25 per cent. of the Group's free cash flow. This distribution will be made in two approximately equal instalments comprising an interim and final dividend. The amounts and timing of payment of the interim and final dividends will be announced each year along with the Group's interim and final results respectively. The board will review this policy each year taking into account the financing needs of the business at that time. Free cash flow is defined as net cash flow from operating activities less capital expenditure and for 2019 was $25.5m (2018: $28.9m) including cash in transit of $5.1m (2018: $nil).

Production Sharing Agreement

Under the terms of the Production Sharing Agreement ("PSA") with the Government of Azerbaijan ("Government"), the Group and the Government share the commercial products of each mine. The Government's share is 51 per cent. of "Profit Production". Profit Production is defined as the value of production, less all capital and operating cash costs incurred during the period when the production took place. Profit Production for any period is subject to a minimum of 25 per cent. of the value of the production. This is to ensure the Government always receives a share of production. The minimum Profit Production is applied when the total capital and operating cash costs (including any unrecovered costs from previous periods) are greater than 75 per cent. of the value of production. All operating and capital cash costs in excess of 75 per cent. of the value of production can be carried forward indefinitely and set off against the value of future production.

Financial review continued

Production Sharing Agreement
continued

Profit Production for the Group has been subject to the minimum 25 per cent. for all years since commencement of production including 2019. The Government's share of production in 2019 (as in all previous years) was therefore 12.75 per cent. being 51 per cent. of 25 per cent. with the Group entitled to the remaining 87.25 per cent. The Group was therefore subject to an effective royalty on its revenues in 2019 of 12.75 per cent. (2018: 12.75 per cent.) of the value of its production.

The Group can recover the following costs in accordance with the PSA:

- all direct operating expenses of the Gedabek mine;
- all exploration expenses incurred on the Gedabek contract area;
- all capital expenditure incurred on the Gedabek mine;
- an allocation of corporate overheads – currently, overheads are apportioned to Gedabek according to the ratio of direct capital and operating expenditure at the Gedabek contract area compared with direct capital and operational expenditure at the Gosha and Ordubad contract areas; and
- an imputed interest rate of United States Dollar LIBOR + 4 per cent. per annum on any unrecovered costs.

Unrecovered costs are calculated separately for the three contract areas of Gedabek, Gosha and Ordubad and can only be recovered against production from their respective contract areas. The total unrecovered costs for the Gedabek and Gosha contract areas at 31 December 2019 were $59.0m and $25.5m respectively (2018: $76.9m and $23.3m respectively). The Group's current business plans indicate that these costs will not be fully recovered until at least 2023 and the effective royalty of 12.75 per cent. will therefore continue until then.

Going concern

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2021 and satisfying themselves that the Group will have sufficient funds on hand to meet its obligations as and when they fall due over the period of their assessment. Appropriate rigour and diligence has been applied by the directors who believe the assumptions are prepared on a realistic basis using the best available information.

The Group had cash balances of $26.0 million and no bank debt at 31 March 2020. The Group is able to fund its working capital requirements from cash generated from its operations at Gedabek provided production is maintained and finished products sold. The Group has access to local sources of both short and long term finance should this be required and has agreed terms for a $15 million standby credit facility with Pasha Bank as a contingency measure.

From early March 2020, the Government of Azerbaijan gradually implemented restrictions to prevent the spread of the coronavirus. These included closing the country's international borders to passengers, temporarily suspending all scheduled air traffic and restricting domestic travel. Despite these restrictions, the Company has continued production at Gedabek and to ship and sell gold doré and copper concentrate. The Company estimates the restrictions are increasing operating costs by approximately $0.1 million per month which is not significant. Given the uncertain effect of the COVID-19 pandemic, various scenarios are possible under which the business may in future be required to operate. However, the directors believe the most likely scenarios would be a period of continuing production but having to stockpile finished product for later sale or alternatively a period where production is either disrupted or shut down and the business placed on care and maintenance.

It is currently costing between $4.0 million to $5.0 million per month to continue in production and estimated it would cost approximately $1.0 million per month to place the business on care and maintenance. The directors will manage any disruption to, or cessation of, production or inability to sell the Company's products as circumstances dictate. The Group has the financial resources to continue as a going concern in the unlikely event of a very prolonged cessation of production of at least one year or more.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found within the chairman's statement and the strategic report on pages 4 to 27. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within this financial review. In addition, note 23 to the Group financial statements below includes the Group's financial management risk objectives and details of its financial instrument exposures to credit risk and liquidity risk.

After making due enquiry, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Reza Vaziri
President and chief executive
12 May 2020

W R Morgan

William Morgan
Chief financial officer
12 May 2020

Board of directors

Mr Khosrow Zamani*

Non-executive chairman, age 77

Khosrow Zamani was director of the southern Europe and central Asia department of the International Finance Corporation ("IFC"), the private sector lending arm of the World Bank, from March 2000 to July 2005. He was responsible for the IFC investment programme and strategy in 15 countries across the region. Whilst a director at IFC, Khosrow was instrumental in building the IFC investment portfolio in the region with several new initiatives, particularly in central Asia and Caucasia. He oversaw the IFC portfolio of more than $2 billion, diversified across the financial, oil and gas, mining and manufacturing sectors. Khosrow has over 30 years of experience in investment and project finance and banking in emerging markets. He holds an MSc in Engineering from the United States of America and a master of business operations and management from the United Kingdom. He was formerly a non-executive board member and chairman of the corporate governance committee of Sekerbank A.S., a publicly listed commercial bank in Turkey, and a non-executive board member and a member of the compensation committee of Komercijalna Bank, Serbia.

Mr Richard Round*

Non-executive director, age 62

Richard Round has held senior finance and leadership roles in a range of quoted and private companies. Richard now maintains a portfolio of non-executive director and board advisory positions in the energy, mining and technology development sectors. Most recently, Richard led the strategy and ultimate sale of hydro developer Green Highland Renewables prior to which he successfully secured around £70 million of funding for the development of the Oyster wave power technology for Aquamarine Power. Prior to joining Aquamarine Power, Richard was acting chief executive at the quoted group, Novera Energy plc where he led the sale of the landfill gas, wind and hydro group. Richard has also held a number of finance director roles in the renewable, oil and gas service, coal and mining sectors with companies including Mining Scotland, Consolidated Supply Management and Cambrian Mining plc. Richard was also finance director of Anglo Asian Mining PLC where he stepped down in July 2008 and was appointed a non-executive director.

Professor John Monhemius*

Non-executive director, age 77

Emeritus professor John Monhemius held the Roy Wright Chair in mineral and environmental engineering at the Royal School of Mines, Imperial College, London until 2004, when he retired from full-time academic work. From 2000 to 2004, he was dean of the Royal School of Mines. He has more than 40 years of experience of academic and industrial research and development in hydrometallurgy and environmental control in mining and metallurgical processes, particularly in the management of toxic wastes and effluents, and he has acted as a consultant to many large mining and chemical companies. John has published over 130 papers of scientific literature and he has supervised more than 30 PhD students. From 1986 to 1996, he was a co-founder and director of Consort Research Ltd, a consultancy specialising in gold and base metal ore processing, and he is a former director of Obtala Resources plc.

* Independent non-executive director.

Mr Reza Vaziri

President and chief executive, age 67

Reza Vaziri has been actively involved in business in the Republic of Azerbaijan since just after its independence. Since R.V. Investment Group Services LLC, now Anglo Asian's subsidiary, signed a Production Sharing Agreement with the Government of the Republic of Azerbaijan, Reza has been focused on developing Anglo Asian Mining PLC into a significant gold producer in the Caucasia and central Asia region. Prior to his business career, Reza held a number of high-ranking positions in the pre-revolutionary Iranian government. He was the head of the Foreign Relations Office at the Ministry of the Imperial Court of Iran. At the time of the revolution, he was chief of the office of political and international affairs. Reza holds a law degree from the national university of Iran. As founder and co-chairman for life of the board of directors of the US–Azerbaijan Chamber of Commerce with James A Baker IV, Reza dedicates much of his time furthering business relations between the two countries. Reza serves alongside such directors as James Baker III, Zbigniew Brzezinski, Governor John Sununu and Henry Kissinger. Reza resides in Baku, London and Washington, DC.

Governor John Sununu

Non-executive director, age 80

Governor John Sununu received a PhD from Massachusetts Institute of Technology and taught engineering at Tufts University for 16 years. He served three terms as the Governor of New Hampshire before President George H W Bush appointed him chief of staff in 1989, a position that he held until March 1992. After his tenure as chief of staff, he co-hosted CNN's Crossfire, ran an engineering firm and then, in 2004, served as the visiting Roy M and Barbara Goodman family professor of practice in public service at the Kennedy School of Government at Harvard University. John is a former partner in Trinity International Partners, a private financial firm, and currently serves as president of JHS Associates Ltd.

Corporate governance

Introduction

The board of directors (the "Board") applied throughout 2019 the principles of the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") to support the Company's corporate governance framework. The directors acknowledge the importance of the ten principles set out in the QCA Code. The QCA Code is a code of best practice for AIM companies.

Set out below are the ten principles of corporate governance in the QCA Code, the Company's compliance with each of the ten principles and the required annual report and accounts disclosure. A table of the ten principles is also available on the Company website (https://www.angloasianmining.com/wp-content/uploads/2019/09/CORPORATE_GOVERNANCE_12_September_update.pdf) which also sets out the Company's compliance, or an explanation for any non-compliance, with the QCA Code.

Compliance with the principles of the QCA code

1 Establish a strategy and business model which promote long-term value for shareholders

The Company has a portfolio of gold, copper and silver exploration and production assets in Azerbaijan. The Company has a clear strategy of growing a sustainable mining business in Azerbaijan which is fully set out in the chairman's statement, strategic report and other sections of this annual report. As with any other company in the extractive industries, a key challenge is to replace the mineral resources mined. This was addressed by the Company commencing in 2018 a three-year programme of geological exploration for new mineral resources. A further key challenge is the safe working of its operations and this annual report sets out measures adopted by the Company in 2019 to address this challenge.

2 Seek to understand and meet shareholders' needs and expectations

The Board maintains an extensive two-way dialogue with its shareholders. The Board meets shareholders at its annual general meeting each year. Directors and senior management regularly meet shareholders at investor events and other forums. Individual meetings are held with larger shareholders who occasionally visit the Company's operations in Azerbaijan. The Company also regularly updates shareholders on its activities through press releases via the LSE RNS and RNS Reach systems. Podcasts and video interviews by senior management are also disseminated via well-known investor websites such as Proactive and Vox. The Company has an active and effective investor relations programme that includes institutional roadshows and presentations. The Company website is monitored and regularly updated to be a current and comprehensive source of information to stakeholders.

3 Take into account wider stakeholder and social responsibilities and their implications for long term success

The Company takes its wider responsibilities for corporate and social responsibilities very seriously and has contributed to the economic and social development of the local communities in which it operates. This includes refurbishing schools and building infrastructure in the region and assisting local agriculture. The Company regularly meets with community leaders in the areas in which it operates. In addition, the Company uses the annual report and financial statements, the interim statements and its website (www.angloasianmining.com) to provide further information to shareholders and wider stakeholders.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Company and its directors have identified and keep under consideration the risks facing the Company. It has an established framework of internal financial controls including an audit committee to address financial risks. The Company does not have a formal corporate risk management programme for non-financial risks although the Board regularly discuss and review exposure and management of all risks. The requirement for a formal risk management programme is kept under review and the Company may reassess the need to establish such a programme in the future.

The Group maintains appropriate insurance cover in respect of legal actions against the directors as well as against material loss or claims against the Group and the Group and the Board review the adequacy of the cover regularly.

The principal risks and uncertainties section of this annual report details a number of other risks which the Company is subject to and how these are addressed. In particular:

a. country risk;

b. operational risk;

c. commodity price risk;

d. foreign currency risk; and

e. liquidity and interest rate risk.

One of the main corporate risks is the safe operation of its mines and processing operations. To address this specific risk, the Company has a well-developed and adequately staffed Health, Safety and Environment ("HSE") department to ensure safe and clean working at its mines and processing sites. The Company also has a Health, Safety, Environment and Technology ("HSET") committee comprising John Monhemius and Reza Vaziri. The committee's primary function is to assist the Board in fulfilling its HSE oversight responsibilities. Its oversight responsibilities are set out in section 9 below.

The HSET committee, chaired by John Monhemius, convened twice during 2019 at the Company's main Gedabek operating site. The committee discussed all aspects of the safe operation of its mines and processing plants and any reportable safety incidents together with recommendations and follow-up actions from previous meetings.

5 Maintain the Board as a well-functioning, balanced team led by the chair

The Board is a well-balanced team including specialists of the major technical disciplines required in the mining industry. Their names and biographies are set out in this annual report on page 31. Three of the five directors, being Khosrow Zamani, Richard Round and Professor John Monhemius are independent. Anglo Asian's board composition complies with the QCA Code and each independent director has been assessed and is considered to be independent by the Board. The biographies of Board members of the Company are also available on the Company website at http://www.angloasianmining.com/about_us/board_of_directors/.

All directors are expected to devote the necessary time commitments required by their position and are expected to attend at least six board meetings each year.

Compliance with the principles of the QCA code continued

5 **Maintain the Board as a well-functioning, balanced team led by the chair** continued

The number of board meetings held during 2019 and the attendance of the directors are as follows:

	Number of board meetings each director attended				
Number of board meetings in 2019	John Monhemius	Richard Round	John Sununu	Reza Vaziri	Khosrow Zamani
9	9	9	9	9	9

The role and duties of the audit, nomination and remuneration committees are set out in the respective reports of the committees in section 10 below. The respective reports also set out the number of times the committees met in the year and the attendance of the directors.

The meetings of the health, safety, environmental and technological committee are set out in section 4 above.

6 **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

The directors are all highly experienced with a total over 200 years of experience in all areas of business, particularly the natural resource industries. All directors are able to seek outside advice wherever necessary. The Company's chief financial officer acted as Company Secretary throughout 2019. He was supported by an employee of the Company who is highly experienced in Company Secretarial and related legal matters. The Board has a nominations committee which reviews and considers the Board structure and composition. The nominations committee meets as required to consider and make recommendations on the appointment of directors to the Board and senior management as well as recommendations in relation to professional training and development. The biographies of the directors can be found on page 31 of this annual report and on the Company website at http://www.angloasianmining.com/about_us/board_of_directors.

There is no formal process to keep directors' skill sets up-to-date given their wealth of experience.

The Board obtained tax advice from Ernst & Young LLP on the financial aspects of the Company paying dividends in 2019. The Company's broker and NOMAD (S P Angel Corporate Finance LLP) also advised the Board on various regulatory and commercial matters during 2019.

7 **Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

The Board believes its clear objective is the financial performance of the business whilst closely ensuring the interests of all other stakeholders are properly upheld. The financial performance of the business is closely monitored. The Company reviews board, committee and individual director performance on an on-going basis in the context of their contribution to the Company's financial performance. The chairperson will normally take leadership of the performance assessment process and allows for feedback from other board members about their performance.

8 **Promote a corporate culture that is based on ethical values and behaviours**

The Company operates to the highest ethical standards. The Board is very mindful that it operates in the extractive industries in an emerging market economy. Accordingly, the Board takes every opportunity, including the induction process of senior management, to reinforce its high ethical standards. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviour is crucial to the ability of the Company to successfully achieve its corporate objectives. The Company is also aware that the safe operation of its mines and processing plants is determined in large part by a culture which is highly "safety conscious". The Board has taken actions during the year to promote this culture of safe working such as strengthening its HSE department and regular safety reviews.

There is no formal mechanism to monitor the Company's corporate culture which the Board believes is appropriate given the size of the business. However, the Board investigates very thoroughly any instance of serious malpractice etc. which is brought to its attention. There were no instances during 2019 of any failing of the Company due to poor culture brought to the attention of the Board.

The effectiveness of the "safety conscious" culture can be monitored directly by the HSET committee and indirectly through the number of reported safety incidents etc. These showed that the safe working of its operations had improved during the year.

The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with AIM Rule 21 of the requirements of the Market Abuse Regulation which came into effect in 2016.

9 **Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The Company's governance structures are appropriate for a company of its size and all necessary committees such as audit and remuneration regularly meet. The Board also meets regularly and the directors continuously maintain an informal dialogue between themselves.

The Board has audit, nomination and remuneration committees. The role and duties of the audit, nomination and remuneration committees are set out in the respective reports of the committees in section 10 below.

The Board has a health, safety, environment and technology committee which comprises John Monhemius and Reza Vaziri and meets as required. The committee's primary function is to assist the Board in fulfilling its oversight responsibilities in the following areas:

- health, safety, environmental and technological issues relating to the Company;
- the Company's compliance with corporate policies that provide processes, procedures and standards to follow in accomplishing the Company's goals and objectives relating to health, safety and environmental issues, to ensure that the Company's operations and work practices comply as far as is practicable with the best international standards; and
- the management of risk related to health, safety, environmental and technological issues.

10 **Communicate how the Company is governed by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company maintains an adequate dialogue with its shareholders as set out in section 2 above. Anglo Asian is committed to providing full and transparent disclosure of its activities, via the RNS and RNS Reach systems of the London Stock Exchange. Furthermore the historical annual reports and interim accounts are available on the Company website at http://www.angloasianmining.com.

Details of all shareholder communications are provided on the Company website. The Board holds meetings with larger shareholders and regards the annual general meeting as a good opportunity to communicate directly with all shareholders, including presentations on current business that are subsequently made available on the website.

The outcome of each vote in the annual general meeting is always reported to shareholders and released as an RNS on the market announcements platform. It can also be obtained on the Company website.

There is a formal process of maintaining the relationship between the Company and the Government of Azerbaijan led by the Company's Vice President for Government affairs who regularly meets Government officials.

10.1 Report of the audit committee

Members of the audit committee

The audit committee comprises Richard Round and John Sununu. The non-executive chairman and the chief financial officer are invited to all meetings.

Meetings of the audit committee held in 2019

The audit committee met twice in 2019, to approve the financial statements for the year ended 31 December 2018 and to approve the financial statements for the six months ended 30 June 2019. Richard Round, John Sununu, Khosrow Zamani and William Morgan attended both meetings. The external auditor attended the meeting approving the financial statements for the year ended 31 December 2018.

Role of the audit committee

The main duties of the audit committee are as follows:

- provide formal and transparent arrangements for considering the application of all applicable financial reporting standards;
- ensure the interim and full year financial statements are properly prepared in accordance with all applicable accounting standards, legal and all other requirements and reflect best practice;
- review the findings of any management letter or other communication from the external auditor regarding internal controls;
- ensure the full year financial statements are audited by the external auditor in accordance with all applicable audit standards, legal and other requirements;
- assessment of the need for an internal audit function; and
- ensure the independence and objectivity of the external auditor and approve all non-audit work by the external auditor.

Non-audit work

The external auditor performed certain tax compliance work and gave tax advice as set out in section 6 above and note 8 to the Group financial statements. This work was approved by the audit committee as it did not affect the independence or objectivity of the external auditor.

Internal audit

The Group does not currently have an internal audit function due to the small size of the Group and limited resources available. The requirement for an internal audit function is kept under review.

Whistleblowing

The Group does not currently have a formal whistleblowing policy due to the small size of the Group. The Group maintains a very open dialogue with all its employees which gives every opportunity for employees to raise concerns about possible improprieties in financial reporting or other matters.

10.2 Report of the remuneration committee

The remuneration committee comprises Khosrow Zamani and John Sununu and meets as required. It is the remuneration committee's role to establish a formal and transparent policy on executive remuneration and to set remuneration packages for individual directors.

There were no changes in senior management or directors in 2019. The committee met once in 2019 to review the remuneration of the directors. The remuneration paid to the directors is disclosed in the report on directors remunerations on page 38.

10.3 Report of the nomination committee

The nomination committee comprises Khosrow Zamani and John Sununu and meets as required. It is the role of the nomination committee to review and consider the Board structure and composition and to consider and make recommendations on the appointment of directors to the Board.

There were no changes to directors in 2019 and therefore the committee did not meet in the year.

11 **COVID-19 health emergency**

Mining is highly international with the Company's operations in Azerbaijan, where several of the senior management reside, whilst the directors reside in the United Kingdom and the United States of America. The Board and senior managers habitually convene meetings electronically using telephonic and video conferencing. The COVID-19 pandemic has therefore had no effect on the ability of the Board and senior management to communicate.

The Board have been very focused on the potential impact of the COVID-19 pandemic on the Group's operations since the start of the health emergency. Given the fast-evolving nature of the health emergency, since early March 2020, the Board have been convening informal weekly meetings which are also attended by senior management. At each meeting, full reports on current operations at Gedabek and Baku are given to the Board by staff located at those locations. All recent developments of the COVID-19 health emergency on the Group's operations are discussed and all necessary actions taken.

Directors' report

year ended 31 December 2019

Annual report and financial statements
The directors present their annual report together with the audited Group financial statements on pages 47 to 79.

Principal activities
The Group's principal activity during the year was the production of gold and silver doré and copper and precious metal concentrate from the Gedabek and Gosha contract areas in western Azerbaijan.

Business review and future prospects
A review of the activities of the business throughout the year and up to 12 May 2020 is set out in the chairman's statement on pages 4 to 6 and the strategic report on pages 17 to 25 which includes information on the Group's risks, uncertainties and key performance indicators. These sections are incorporated in this directors' report by reference.

Dividends
Full details of the Company's dividend policy and dividend payments paid and proposed for the year ended 31 December 2019 are set out in the chairman's statement on pages 4 to 6, the financial review on pages 28 to 30 and note 27 to the Group financial statements.

Capital structure
Details of the Company's authorised and issued share capital, together with the movements for the years ended 31 December 2018 and 2019 are disclosed in note 24 – 'Equity' to the Group financial statements. The Company has one class of ordinary share and they carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. All issued ordinary shares are fully paid.

There are no specific restrictions on the size of a holding or on the transfer of the ordinary shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's ordinary shares that may result in restrictions on the transfer of securities or on voting rights.

Each director owns ordinary shares in the Company and certain parties own 3 per cent. or more of the ordinary shares in the Company. These holdings are set out in the 'Directors' interests' and 'Substantial shareholders' sections of this directors' report. No person has any special rights of control over the Company's share capital.

There is no scheme in place for employees to acquire ordinary shares in the Company. The Company has a scheme to grant directors and employees options to acquire ordinary shares. There were no options outstanding for the year ended 31 December 2019 and details of the scheme are disclosed in note 25 – 'Share-based payment' to the Group financial statements.

With regard to the appointment and replacement of directors, the Company is governed by its articles of association, the Companies Act 2006 and related legislation. It also complies with the Quoted Companies Alliance Corporate Governance Code. The articles of association themselves may be amended by special resolution of the shareholders. The powers of the directors are described in the corporate governance report on pages 32 to 34.

Under its articles of association, the Company has authority to issue 600 million ordinary shares.

There are no agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are also no agreements to which the Company is a party which provide for compensation for loss of office or employment that occurs because of a takeover bid.

Directors
The directors who served throughout the year and up to 12 May 2020 are set out on page 31.

John Monhemius retires by rotation at the next annual general meeting and, being eligible, offers himself for re-election.

Company secretary
William Morgan
7 Devonshire Square
Cutlers Gardens
London EC2M 4YH
United Kingdom

Registered office
7 Devonshire Square
Cutlers Gardens
London EC2M 4YH
United Kingdom

Registration of the Company
The Company is registered in England and Wales.
Its registered number is 5227012.

Directors' report continued

year ended 31 December 2019

Directors' interests

The beneficial interests of the directors who held office at 31 December 2019 and their connected parties in the share capital of the Company at 31 December were as follows:

	2019 Number of ordinary shares	2018 Number of ordinary shares
John Monhemius	**341,890**	341,890
Richard Round	**361,680**	361,680
John Sununu	**10,734,540**	10,734,540
Reza Vaziri	**32,796,830**	32,796,830
Khosrow Zamani	**1,418,352**	1,418,352

All directors' interests are beneficially held.

Directors' insurance

The Company has made qualifying third-party provision for the benefit of its directors during the year which remains in force at the date of this report.

Substantial shareholders

The Company has been notified of the following interests of 3 per cent. or more in its issued share capital as at 12 May 2020:

	Number of ordinary shares	Per cent.
Reza Vaziri	32,796,830	28.7
John Sununu	10,734,540	9.4
Limelight Industrial Developments	4,038,600	3.5

Going concern

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2021 and satisfying themselves that the Group will have sufficient funds on hand to meet its obligations as and when they fall due over the period of their assessment. Appropriate rigour and diligence has been applied by the directors who believe the assumptions are prepared on a realistic basis using the best available information.

The Group had cash balances of $26.0 million and no bank debt at 31 March 2020. The Group is able to fund its working capital requirements from cash generated from its operations at Gedabek provided production is maintained and finished products sold. The Group has access to local sources of both short and long term finance should this be required and has agreed terms for a $15 million standby credit facility with Pasha Bank as a contingency measure.

From early March 2020, the Government of Azerbaijan gradually implemented restrictions to prevent the spread of the coronavirus. These included closing the country's international borders to passengers, temporarily suspending all scheduled air traffic and restricting domestic travel. Despite these restrictions, the Company has continued production at Gedabek and to ship and sell gold doré and copper concentrate. The Company estimates the restrictions are increasing operating costs by approximately $0.1 million per month which is not significant. Given the uncertain effect of the COVID-19 pandemic, various scenarios are possible under which the business may in future be required to operate. However, the directors believe the most likely scenarios would be a period of continuing production but having to stockpile finished product for later sale or alternatively a period where production is either disrupted or shut down and the business placed on care and maintenance. It is currently costing between $4.0 million to $5.0 million per month to continue in production and estimated it would cost approximately $1.0 million per month to place the business on care and maintenance. The directors will manage any disruption to, or cessation of, production or inability to sell the Company's products as circumstances dictate. The Group has the financial resources to continue as a going concern in the unlikely event of a very prolonged cessation of production of at least one year or more.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found within the chairman's statement and the strategic report on pages 4 to 27. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within this financial review. In addition, note 23 to the Group financial statements below includes the Group's financial management risk objectives and details of its financial instrument exposures to credit risk and liquidity risk.

After making due enquiry, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Auditors
Each of the persons who is a director at the date of approval of this report confirms that:

1 so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

2 the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Corporate governance
A report on corporate governance is set out on pages 32 to 34.

Annual general meeting
The Company will hold its annual general meeting for 2020 on 23 June 2020. Notification of the meeting has been included in this annual report.

Listing
The Company's ordinary shares have been traded on London's AIM since 29 July 2005. SP Angel Corporate Finance LLP is the Company's nominated adviser and broker. The closing mid-market share price at 31 December 2019 was 152.00 pence (2018: 90.18 pence).

Relations with shareholders
Communications with shareholders are considered important by the directors. The directors regularly speak to investors and analysts during the year. Press releases have been issued throughout the year and since the balance sheet date in relation to the progress of the Group. The Company website, www.angloasianmining.com, was relaunched in 2019 and is regularly updated and contains a wide range of information about the Group.

Employee consultation
The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the relevant matters affecting the performance of the Group. This is mainly achieved through informal meetings which the directors believe is the most appropriate method given the current number of Group employees.

Internal controls
The board of directors acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and for reviewing its effectiveness. The procedures which include, inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The directors do not believe an internal audit function is practicable in a company of this size.

Donations
The Group has made charitable donations during the year of $nil (2018: $nil). Political donations of $nil (2018: $nil) were made.

Research and development
There was no expenditure on research and development during the year (2018: $nil).

Related party transactions
Related party transactions are disclosed in note 30 – 'Related party transactions' to the Group financial statements.

Financial risk management
The Group's operations expose it to financial risks that include liquidity risk, credit risk, foreign exchange risk and interest rate risk. The Group does not enter into any derivative transactions, and it is the Group's policy that no trading in such financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, foreign exchange risk and interest rate risk. Further details are disclosed in note 23 – 'Financial instruments' to the Group financial statements.

By order of the board of directors

W R Morgan

William Morgan
Company secretary
12 May 2020

Report on directors' remuneration

year ended 31 December 2019

Policy on the executive director's remuneration

The Company operates within a competitive environment and its performance depends on the individual contributions of the directors and employees.

The executive director's remuneration package may include:

i) basic annual salary; and

ii) health insurance for the executive and his family.

The Group does not make any contribution to any pension plan of any of the directors.

The executive director's remuneration is reviewed once per year. In deciding upon appropriate levels of remuneration the remuneration committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance.

Directors' contracts

The executive director currently has an employment contract which may be terminated by the Company with up to 12 months' notice. No other payments are made for compensation for loss of office.

The remuneration of the non-executive directors is determined by the board of directors within the limits set out in the articles of association. Non-executive directors currently have employment contracts which may be terminated by the director or the Company with three months' notice. No other payments are made for compensation for loss of office.

Directors' emoluments

Amounts paid by the Group in respect of directors' services are as follows:

Year ended 31 December 2019	Consultancy $	Fees $	Benefits $	Total $
John Monhemius	**8,452**	**51,134**	—	**59,586**
Richard Round	—	**51,134**	—	**51,134**
John Sununu	**19,344**	**75,129**	—	**94,473**
Reza Vaziri	**578,962**	**51,134**	**32,891**	**662,987**
Khosrow Zamani	—	**125,726**	—	**125,726**
	606,758	**354,257**	**32,891**	**993,906**

Year ended 31 December 2018	Consultancy $	Fees $	Benefits $	Total $
John Monhemius	10,329	53,183	—	63,512
Richard Round	—	53,183	—	53,183
John Sununu	—	78,224	—	78,224
Reza Vaziri	576,913	53,183	33,095	663,191
Khosrow Zamani	—	130,906	—	130,906
	587,242	368,679	33,095	989,016

Directors' fees and consultancy fees for 2018 and 2019 were paid in cash.

Share option scheme

The Group has initiated a share option scheme for its employees. This was set up in order to reward employees for the performance of the Company on a long-term basis and to enable the Company to continue to attract a high calibre of management and operational personnel. Details of share options issued under the scheme are disclosed in note 25 – 'Share-based payment' to the Group financial statements.

No director held or exercised any share options during the year ended 31 December 2019.

The Company's share price has ranged from 90.18 pence at 28 December 2018 to a high of 176.50 pence and a low of 66.50 pence during the year ended 31 December 2019 with a closing price of 152.00 pence at 31 December 2019.

By order of the board of directors

W R Morgan

William Morgan
Company secretary
12 May 2020

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the rules of AIM of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The directors have also elected to prepare the financial statements of the parent company (the "Company") in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. The directors are also responsible for preparing the directors' report in accordance with the Companies Act 2006 and applicable regulations.

In the case of the Group's IFRS financial statements, the directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing the Group financial statements the directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state whether they have been prepared in accordance with IFRS;
- prepare the accounts on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so; and
- make judgements and estimates that are reasonable and prudent.

In the case of the Company's UK GAAP financial statements, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting frameworks, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report and the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board of directors

Khosrow K. Zamani

Khosrow Zamani
Non-executive chairman
12 May 2020

Independent auditor's report

to the members of Anglo Asian Mining PLC

Our opinion on the financial statements

In our opinion:

- Anglo Asian Mining PLC's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Anglo Asian Mining PLC which comprise:

Group	Parent company
Group statement of financial position as at 31 December 2019	Company statement of financial position as at 31 December 2019
Group income statement for the year then ended	Company statement of changes in equity for the year then ended
Group statement of comprehensive income for the year then ended	Related notes 1 to 15 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Overview of our audit approach

Key audit matters	• Improper revenue recognition. • Impairment of mining assets – management override risk. • Going concern basis used in the preparation of the annual report and accounts.
Audit scope	• We performed an audit of the complete financial information of two components. • The components where we performed full or specific audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.
Materiality	• Overall group materiality of $1.5m which represents 5% of Profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Improper revenue recognition **Refer to accounting policies (page 53 and 54); and note 6 of the consolidated financial statements (page 67)** For the year ended 31 December 2019 the Group recognised revenue from operations of US$92.1m (2018: US$90.4m). In accordance with ISAs (UK) there is a presumed fraud risk relating to revenue recognition and management override. We consider the fraud risk to relate to: • Sales cut-off; and • Accounting for the government's portion of production The risk relating to revenue recognition has remained stable in comparison to the prior year as no significant changes were noted in sales agreements.	Our approach focused on the following procedures: • Obtained an understanding of the key controls over revenue recognition and assessed their design effectiveness in supporting the prevention and detection of material errors in the financial statements; • Performed revenue cut off testing by focusing on sales recorded either side of 31 December 2019 and validating the transactions to relevant supporting documents to ensure revenue is recognised in the correct period; • For 100% of the sales transactions taking place during the year, we agreed the amounts recorded in the financial statements to supporting evidence, such as bill of lading, invoices and cash receipts; • Reconciled the Group's accounting records with the amounts of revenue recalculated based on approved gold alloys shipment documentation, lab results of gold content in those alloys and respective market prices for each date of sale; • Obtained confirmation of outstanding receivables with the counterparty, which includes the portion related to the government's gold; and • Read the disclosures in the financial statements to ensure that all disclosure requirements in respect of revenue have been met. The audit procedures over this risk area were performed by the component team in one full scope audit component, covering 100% of the reported revenues.	As a result of the procedures performed, we reported to the Audit Committee that the Group's revenue transactions have been properly recognised and the government's portion of production has been appropriately accounted for.

Independent auditor's report continued

to the members of Anglo Asian Mining PLC

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of mining assets – management override risk **Refer to accounting policies (page 58 and 65); and notes 13 and 14 of the consolidated financial statements (page 70)** At 31 December 2019 the carrying value of the Group's mining assets were: • Property, plant and equipment: US$69.7m (2018: US$81.2m); • Intangible assets: US$20.0m (2018: US$17.0m). IFRS requires impairment testing to be undertaken when there are indicators that an impairment may exist. There is a risk that management will not identify impairment indicators when they exist, and/or use assumptions, as part of their impairment assessment, that are not appropriate. Consistent with the prior year, the Group's CGUs are: • Operating mines (property, plant and equipment): one CGU that combines Gedabek, Gadir, Gosha and Ugur; and • Exploration asset (intangible asset): Ordubad This risk has not changed as compared to the prior year as there have been no adverse operational or other relevant factors impacting the Group's mining assets.	Our approach focused on the following procedures: • Obtained an understanding of management's process and controls related to the impairment evaluation for mining assets; • Verified, through discussions with management and review of supporting evidence, the appropriateness of management's determination of CGUs; • Searched for any indicators of impairment during 2019 for operating mines and the exploration asset, with reference to the requirements of IAS 36 and IFRS 6 respectively. Our work included the following procedures: • We examined macro-economic factors including market interest rates and both spot and future gold, silver and copper prices; • For the operating mines, we evaluated the performance of the CGU during 2019 by comparing against management's budget and prior year actuals. We evaluated the existence of any significant changes to the expected future performance of the CGU through studying the updated mine plans and assessing the key assumptions reflected therein; and • For Ordubad we gained an understanding of the results from the exploration activities that occurred in 2019 and obtained relevant supporting evidence for management's further plans to evaluate and develop the asset in future periods. The audit procedures over this risk area were performed by the primary and component teams, covering 100% of the risk amounts.	As a result of the audit procedures performed, we are satisfied with management's conclusion that there are no impairment indicators in relation to the Group's mining assets as of 31 December 2019 and for the year then ended.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Going concern basis used in the preparation of the Annual Report and Accounts Refer to note 2 and 31 of the consolidated financial statements (page 51 and 79). The Directors of the group are required to perform an assessment of whether the Group will remain a going concern for a period of at least twelve months from the date of approval of the financial statements and to assess whether there are any material uncertainties in relation to the going concern basis of preparation. At 31 December 2019, the Group reported cash and cash equivalents of $17.8 million plus cash in transit of $5.1 million (2018: cash of $14.5m) and net funds of $21.2 million (2018: $6.1m). The last instalment of its loan from Pasha Bank was repaid in February 2020. To support the Board's going concern assessment, management prepared a cash flow forecast and have undertaken sensitivity analysis to reflect certain downside scenarios by changing key assumptions that drive the forecasts. The Board's assessment has also included consideration of the potential impacts of the COVID-19 pandemic on the Group's operations and future cash flows.	Our year end work on the Board's going concern assessment included specific consideration by senior members of the audit team of the impact of the COVID-19 pandemic on the group's operations and cash flow forecasts. Our response to the going concern risk focused on the following procedures: • We evaluated the key assumptions used in the model, including gold and copper prices and exchange rates, comparing these to available market data, which enabled us to conclude on the reasonableness of management's assumptions. • We evaluated the stress tests performed by management and performed our own sensitivity analysis on the forecasts to assess the extent of deterioration in prices or production and sales that would materially impact the group's liquidity position. After considering controllable mitigations we have concluded the risk of any liquidity constraint was sufficiently low; • We agreed the sources of liquidity to supporting documents, including unused committed loan facilities that can be drawn down in the event they are needed; • We evaluated management's assessment of the potential adverse impacts of the coronavirus on the Group's operations, including the risk of production interruption or shutdown. We verified the availability of controllable mitigating actions, including cost reductions from placing the mining properties on 'care and maintenance', which would ensure the group can operate within its liquidity constraints in the event of a prolonged shutdown of its mine sites. • We discussed local media and public announcements made by the government of Azerbaijan with our component team to assess the severity of the COVID-19 pandemic in the country and the government's ability and intentions to support the local economy; • We tested the integrity and arithmetical accuracy of the cash flow forecasts prepared by management; • We also assessed the adequacy of the going concern and COVID-19 disclosures included in notes 2 and 31 to the consolidated financial statements and consider these to appropriately reflect the assessments that management has performed. The audit procedures over this risk area were performed by the primary team.	Based on the audit procedures performed we concur with the conclusion reached by management that there is no material uncertainty in relation to the going concern basis of preparation of the consolidated financial statements. We are satisfied with the disclosures in the consolidated financial statements related to going concern and the impacts of COVID-19 on the Group's business and operations.

As part of our audit, we also addressed the risk of management override of internal controls over other accounting estimates, including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud.

This year we have included a new key audit matter 'Going concern basis used in the preparation of the Annual Report and Accounts'. Following the impacts of COVID-19 pandemic worldwide, the uncertainty surrounding the Group's near term cash flows has increased. Given the level of judgement used in future cash flow projections, together with the focus on the going concern assessment from senior members of the primary team, this has been included as a key audit matter in the year.

Independent auditor's report continued

to the members of Anglo Asian Mining PLC

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and any other relevant factors when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 6 reporting components of the Group, we selected 2 components covering entities within the United Kingdom and Azerbaijan, which represent the principal business units within the Group.

We performed an audit of the complete financial information of those 2 components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100% (2018: 100%) of the Group's Profit before tax, 100% (2018: 100%) of the Group's Revenue and 100% (2018: 100%) of the Group's Total assets.

The remaining 4 components together and individually represent less than 1% of the Group's Profit before tax. For these components, we performed other procedures, including analytical reviews, testing of consolidation journals and intercompany eliminations and inquiries of management about unusual transactions in these components, to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

The scoping is consistent with the prior year audit.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the two full scope components, audit procedures were performed on one of these directly by the primary audit team.

The primary audit team had intended on a visit to Baku, Azerbaijan as part of the year end audit process that had been designed to ensure that the Senior Statutory Auditor visits the client's Baku headquarters site once a year. However, given the restrictions placed on travel following the COVID-19 pandemic, this has not been possible in the current year. To ensure the same oversight and involvement occurred in the audit work of the Azerbaijan component team as had been planned, we performed alternative oversight procedures including regular video calls with the component team; this involved discussing the audit approach with the senior component team members and the issues arising from their work and reviewing key audit working papers on the identified risk areas in the same way we would have done had we been on site in Baku. The primary audit team also interacted frequently with Azeri-based management throughout the audit process. The primary team were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $1.5m (2018: $1.3m), which is 5% of Profit before tax (2018: 5%). We believe that Profit before tax provides us with a reliable measure that is significant to users since it is one of the main key performance indicators for operating entities. Materiality has increased in 2019 following the improved operating results of the Group.

We determined materiality for the Parent Company to be $134k (2018: $110k), which is 0.88% (2018: 1%) of Total assets (2018: Equity). We have changed the basis on which materiality is calculated as we believe total assets represents a more accurate basis with which the users of the financial statements base their decisions upon.

During the course of our audit, we reassessed initial materiality and no changes were required to our initial assessment.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2018: 50%) of our planning materiality, namely $740k (2018: $630k). We have set performance materiality at this percentage based on our assessment of the likelihood of misstatements based on our review of prior year audit adjustments.

Performance materiality continued
Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $222k to $740k (2018: $245k to $630k).

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $75k (2018: $63k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report set out on pages 1 to 39, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
IIn the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued

to the members of Anglo Asian Mining PLC

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Andrew Smyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 May 2020

Group statement of income

year ended 31 December 2019

Continuing operations	Notes	2019 $000	2018 $000
Revenue	6	**92,052**	90,354
Cost of sales	8	**(54,576)**	(56,530)
Gross profit		**37,476**	33,824
Other income	7	**1**	68
Administrative expenses		**(5,208)**	(5,291)
Other operating expenses	7	**(943)**	(1,777)
Operating profit	8	**31,326**	26,824
Finance costs	10	**(1,269)**	(1,642)
Finance income		**73**	64
Profit before tax		**30,130**	25,246
Income tax expense	11	**(10,787)**	(8,911)
Profit attributable to the equity holders of the parent		**19,343**	16,335
Profit per share attributable to the equity holders of the parent			
Basic (US cents per share)	12	**16.91**	14.32
Diluted (US cents per share)	12	**16.91**	14.32

Group statement of comprehensive income

year ended 31 December 2019

	2019 $000	2018 $000
Profit for the year	**19,343**	16,335
Total comprehensive profit	**19,343**	16,335
Attributable to the equity holders of the parent	**19,343**	16,335

Group statement of financial position

31 December 2019

	Notes	2019 $000	2018 $000
Non-current assets			
Intangible assets	13	**19,965**	17,031
Property, plant and equipment	14	**69,728**	81,150
Leased assets	15	**3,622**	—
Other receivables	16	**67**	436
		93,382	98,617
Current assets			
Inventory	17	**43,881**	34,159
Trade and other receivables	16	**26,783**	8,496
Cash and cash equivalents	18	**17,801**	14,540
		88,465	57,195
Total assets		**181,847**	155,812
Current liabilities			
Trade and other payables	19	**(27,510)**	(13,224)
Income tax payable		**(2,760)**	(3,700)
Interest-bearing loans and borrowings	20	**(1,688)**	(6,750)
Lease liabilities	15	**(1,015)**	—
		(32,973)	(23,674)
Net current assets		**55,492**	33,521
Non-current liabilities			
Provision for rehabilitation	22	**(10,485)**	(9,028)
Interest-bearing loans and borrowings	20	**—**	(1,688)
Lease liabilities	15	**(2,741)**	—
Deferred tax liability	11	**(26,596)**	(23,017)
		(39,822)	(33,733)
Total liabilities		**(72,795)**	(57,407)
Net assets		**109,052**	98,405
Equity			
Share capital	24	**2,016**	2,016
Share premium account	26	**33**	33
Merger reserve	24	**46,206**	46,206
Retained earnings		**60,797**	50,150
Total equity		**109,052**	98,405

The Group financial statements were approved by the board of directors and authorised for issue on 12 May 2020. They were signed on its behalf by:

Reza Vaziri
President and chief executive

Group statement of cash flows

year ended 31 December 2019

	Notes	2019 $000	2018 $000
Cash flows from operating activities			
Profit before tax		**30,130**	25,246
Adjustments to reconcile profit before tax to net cash flows:			
Finance costs	10	**1,269**	1,642
Finance income		**(73)**	(64)
Depreciation of owned assets	14	**16,767**	20,957
Depreciation of leased assets	15	**795**	—
Amortisation of mining rights and other intangible assets	13	**1,600**	1,990
Disposal of obsolete equipment	7	**—**	209
Write down of unrecoverable inventory		**—**	136
Operating cash flow before movements in working capital		**50,488**	50,116
Increase in trade and other receivables		**(2,502)**	(1,767)
Increase in inventories		**(9,722)**	(314)
(Decrease)/increase in trade and other payables		**(462)**	2,670
Cash from operations		**37,802**	50,705
Income taxes paid		**(8,148)**	(3,588)
Net cash flow from operating activities		**29,654**	47,117
Cash flows from investing activities			
Expenditure on property, plant and equipment and mine development		**(4,703)**	(15,324)
Investment in exploration and evaluation assets including other intangible assets		**(4,499)**	(2,875)
Interest received		**73**	64
Net cash used in investing activities		**(9,129)**	(18,135)
Cash flows from financing activities			
Proceeds from issue of shares	24	**—**	149
Dividends paid	27	**(8,696)**	(3,432)
Proceeds from borrowings	21	**537**	13,995
Repayments of borrowings	21	**(7,287)**	(26,208)
Interest paid – borrowings		**(804)**	(1,480)
Interest paid – lease liabilities	15	**(353)**	—
Repayment of lease liabilities	15	**(661)**	—
Net cash used in financing activities		**(17,264)**	(16,976)
Net increase in cash and cash equivalents		**3,261**	12,006
Cash and cash equivalents at the beginning of the year	18	**14,540**	2,534
Cash and cash equivalents at the end of the year	18	**17,801**	14,540

Group statement of changes in equity

year ended 31 December 2019

	Notes	Share capital $000	Share premium $000	Share-based payment reserve $000	Merger reserve $000	Retained earnings $000	Total equity $000
1 January 2018		2,008	32,484	74	46,206	4,581	85,353
Profit for the year		—	—	—	—	16,335	16,335
Shares issued	24 & 26	8	141	—	—	—	149
Share options exercised	25	—	—	(74)	—	74	—
Share premium reduction	26	—	(32,592)	—	—	32,592	—
Cash dividends paid	27	—	—	—	—	(3,432)	(3,432)
31 December 2018		2,016	33	—	46,206	50,150	98,405
Profit for the year		—	—	—	—	19,343	19,343
Cash dividends paid	27	—	—	—	—	(8,696)	(8,696)
31 December 2019		**2,016**	**33**	**—**	**46,206**	**60,797**	**109,052**

Notes to the Group financial statements

year ended 31 December 2019

1 General information

Anglo Asian Mining PLC (the "Company") is a company incorporated and limited by shares in England and Wales under the Companies Act 2006. The address of its registered office is set out in Company information on page 89 of this annual report. The Company's ordinary shares are traded on the AIM exchange of the London Stock Exchange. The Company is a holding company. The principal activities and place of business of the Company and its subsidiaries (the "Group") are set out in note 28, the chairman's statement on pages 4 to 6 and the strategic report on pages 17 to 25 of this annual report.

2 Basis of preparation

The Group's annual report is for the year ended 31 December 2019 and includes the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group financial statements have been prepared using accounting policies set out in note 4 which are consistent with all applicable IFRSs and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. For these purposes, IFRSs comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that have been endorsed by the European Union.

The Group financial statements have been prepared under the historical cost convention except for the treatment of share-based payments and trade receivables at fair value. The Group financial statements are presented in United States Dollars ("$") and all values are rounded to the nearest thousand except where otherwise stated. In the Group financial statements "£" and "pence" are references to the United Kingdom pound sterling.

As set out in the directors' report on page 36, the board of directors assessed the ability of the Group to continue as a going concern and these financial statements have been prepared on a going concern basis.

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2021 and satisfying themselves that the Group will have sufficient funds on hand to meet its obligations as and when they fall due over the period of their assessment. Appropriate rigour and diligence has been applied by the directors who believe the assumptions are prepared on a realistic basis using the best available information.

The Group had cash balances of $26.0 million and no bank debt at 31 March 2020. The Group is able to fund its working capital requirements from cash generated from its operations at Gedabek provided production is maintained and finished products sold. The Group has access to local sources of both short and long term finance should this be required and has agreed terms for a $15 million standby credit facility with Pasha Bank as a contingency measure.

From early March 2020, the Government of Azerbaijan gradually implemented restrictions to prevent the spread of the coronavirus. These included closing the country's international borders to passengers, temporarily suspending all scheduled air traffic and restricting domestic travel. Despite these restrictions, the Company has continued production at Gedabek and to ship and sell gold doré and copper concentrate. The Company estimates the restrictions are increasing operating costs by approximately $0.1 million per month which is not significant. Given the uncertain effect of the COVID-19 pandemic, various scenarios are possible under which the business may in future be required to operate. However, the directors believe the most likely scenarios would be a period of continuing production but having to stockpile finished product for later sale or alternatively a period where production is either disrupted or shut down and the business placed on care and maintenance. It is currently costing between $4.0 million to $5.0 million per month to continue in production and estimated it would cost approximately $1.0 million per month to place the business on care and maintenance. The directors will manage any disruption to, or cessation of, production or inability to sell the Company's products as circumstances dictate. The Group has the financial resources to continue as a going concern in the unlikely event of a very prolonged cessation of production of at least one year or more.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found within the chairman's statement and the strategic report on pages 4 to 27. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within this financial review. In addition, note 23 to the Group financial statements below includes the Group's financial management risk objectives and details of its financial instrument exposures to credit risk and liquidity risk.

After making due enquiry, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

3 Adoption of new and revised standards

3.1 New and amended standards and interpretations – IFRS 16 "Leases"

Overview

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17 other than the requirements applying to subleases. Lessors will continue to classify all leases as either operating leases or finance leases using similar principles as in IAS 17. IFRS 16 does not have any impact for leases where the Group is the lessor.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

3 Adoption of new and revised standards continued

3.1 New and amended standards and interpretations – IFRS 16 "Leases" continued

Adoption of IFRS 16

The Group's operations are entirely within Azerbaijan which is a developing country with a limited and immature marketplace for the lease financing of assets. The Group has lease contracts for mining equipment, motor vehicles, warehouses, office accommodation and miscellaneous assets. Lease contracts in Azerbaijan are typically short term (one year or less) and there is usually the right for either party to terminate the lease contract at short notice (typically one to six months) without penalty. The Group has leased its office space in Baku on a three year lease. It has also leased various vehicles and mining equipment on short term leases which are routinely renewed or leases which are of greater duration than 12 months. For these leases, right of use assets and corresponding lease liabilities have been recognised in accordance with IFRS 16. For short term leases which are routinely renewed, the length of the lease has been determined by reference to the broader economics of the lease.

The Group has no leases under which the payments are variable, it does not generate income from sub-leasing right of use assets and it does not undertake any sale and leaseback transactions. It does not have any leases which it regards as onerous. There are no restrictions or covenants imposed by any of its leases.

The Group adopted IFRS 16 using the modified retrospective transition method, with the date of initial application of 1 January 2019. The standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at the date of initial application and prior year comparatives have not been adjusted. The Group has applied the IFRS 16 definition of a lease to all contracts still effective at the date of initial application.

Upon adoption of IFRS 16, The Group applied a single recognition and measurement approach for all leases except short term leases.

The Group elected to apply the recognition exemptions for short-term leases. It also elected to apply the transition practical expedient that permits the Company not to reassess if a contract is, or contains, a lease at the date of initial application. The entity also elected to apply the practical expedient for short term leases to leases for which the lease term ends within 12 months of the date of initial application.

Effect on the Group financial statements of adopting IFRS 16

Prior to the implementation of IFRS 16 the Group accounted for all leases as operating leases and did not recognise any right of use asset or lease liability in respect of any lease. All lease payments were expensed as incurred on a straight-line basis.

The transition method used consisted of recognising each right of use asset at 1 January 2019 at the discounted value of the estimated remaining future lease payments at 1 January 2019. The remaining future lease payments were discounted at rates between 7.9 and 8.1 per cent. which equates to the Group's estimated incremental cost of borrowing at that date. The contractual lease payments corresponding to short term leases (less than 12 months) are recognised as an expense.

The Group used the following practical expedients when applying IFRS 16 retrospectively to leases previously classified as operating leases:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- used hindsight to determine lease term in relation to options to extend or terminate.

The Group has elected to present right of use assets and lease liabilities separately in the statement of financial position. Depreciation of right to use assets and finance expense relating to lease liabilities are presented separately in the income statement. The cash outflows related to the principle portion of the lease liability and the related interest are also presented separately within financing activities in the Group statement of cash flows.

The implementation of IFRS 16 at 1 January 2019 on the Group accounts was to include the following additional assets and liabilities in its statement of financial position at 1 January 2019:

	$000
Assets	
Right of use assets	4,417
Liabilities	
Lease liabilities – current	1,014
Lease liabilities – non-current	3,403
Total liabilities	**4,417**

The operating lease commitments at 31 December 2018 can be reconciled to the lease liabilities at 1 January 2019 as follows:

	$000
Operating lease commitments at 31 December 2018 (undiscounted)	—
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	4,417
Discounted recognised lease liabilities at 1 January 2019	**4,417**

3 Adoption of new and revised standards continued

3.2 New and amended standards and interpretations – other

The amendments and interpretations listed below also apply for the first time from 1 January 2019. None of the standards have an impact on the Group financial statements or interim Group condensed financial statements.

- IFRIC Interpretation 23 – "Uncertainty over Income Tax Treatments"
- Amendments to IFRS 9 – "Prepayment Features with Negative Compensation"
- Amendments to IAS 28 – "Long-term Interests in Associates and Joint Ventures"
- Amendments to IAS 19 – "Plan Amendment, Curtailment or Settlement"
- Annual IFRS Improvement Process
  - IFRS 3 Business Combinations – "Previously held Interests in a joint operation"
  - IFRS 11 Joint Arrangements – "Previously held Interests in a joint operation"
  - IAS 12 Income Taxes – "Income tax consequences of payments on financial instruments classified as equity"
  - IAS 23 Borrowing Costs – "Borrowing costs eligible for capitalisation"

3.3 Standards issued but not yet effective

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

- IFRS 17 – "Insurance Contracts"
- Amendments to IFRS 3 – "Definition of a Business"
- Amendments to IAS 1 and IAS 8 – "Definition of Material"

IFRS 17 – "Insurance Contracts" is not applicable to the Group as it does not issue insurance contracts.

Since the amendments to the definition of a business in Amendments to IFRS 3 – "Definition of a Business" apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

In October 2018, the IASB issued amendments to IAS 1 – "Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group financial statements.

4 Significant accounting policies

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

4 Significant accounting policies continued

4.1 Basis of consolidation continued

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

4.2 Revenue

The Group is principally engaged in the business of producing gold and silver bullion and gold and copper concentrate. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

i) Contract balances

a) Contract assets

A contract asset is the right to consideration in exchange for goods transferred to the customer. If the Group performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

b) Trade receivables

A trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policy 4.12 for the accounting policies for financial assets and accounting policy 4.13 for the accounting policy for trade receivables.

c) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

ii) Gold and silver sales to the refiner

For gold sales, these are sold under spot sales contracts with the Company's gold refiners. The Group initially sends its unrefined doré to the refiner. The refiner is contracted by the Company to perform two separate and distinct functions, to process the doré into gold and silver bullion and to purchase gold and silver. The gold contained in the doré may be purchased at two different times at the discretion of the Company and instruction is given to the refiner as to the method of sale on a shipment-by-shipment basis:

- Upon receipt of the doré. In this circumstance, the refiner will purchase 90 per cent. of the estimated gold content of the doré. The balance of the gold will be sold to the refiner as gold bullion following refining and agreement of final gold content of the doré with the refiner.
- Following production of gold bullion by the refining process. During the refining process ownership (i.e., control of the gold) does not pass to the refiner, it is simply providing refining services to the Group.

There is no formal sales agreement for each sale of gold. Instead, there is a deal confirmation, which sets out the terms of the sale including the applicable spot price and this is considered to be the enforceable contract. The only performance obligation is the sale of gold within the doré or as bullion.

Silver is only sold to the refiner as silver bullion following the refining process. The process of sale of the silver bullion is the same as for gold bullion.

Revenue is recognised at a point in time when control passes to the refiner. As the gold and silver is at this time already on the premises of the refiner, physical delivery has already taken place when the sales are made.

With these arrangements, there are no advance payments received from the refiner, no conditional rights to consideration, i.e., no contract assets are recognised. A trade receivable is recognised at the date of sale and there are only several days between recognition of revenue and payment. The contract is entered into and the transaction price is determined at outturn by virtue of the deal confirmation and there are no further adjustments to this price. Also, given each spot sale represents the enforceable contract and all performance obligations are satisfied at that time, there are no remaining performance obligations (unsatisfied or partially unsatisfied) requiring disclosure. Refer to note 16 – 'Trade and other receivables' for details of payment terms.

iii) Gold and copper in concentrate (metal in concentrate) sales

For gold and copper in concentrate (metal in concentrate) sales, the enforceable contract is each purchase order, which is an individual, short-term contract. The performance obligation is the delivery of the concentrate to the customer.

The Group's sales of metal in concentrate allow for price adjustments based on the market price at the end of the relevant quotational period ("QP") stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date (or average of future spot prices over a defined period, usually a week) after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and four months.

4 Significant accounting policies continued

4.2 Revenue continued

iii) Gold and copper in concentrate (metal in concentrate) sales continued

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically delivered to the customer at the mine site. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognised.

For these provisional pricing arrangements, any future change that occur over the QP is an embedded derivative within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. The Group does not separately account for the embedded derivative in each transaction as the short transaction cycle of one to four months would result in any changes to the Group's financial statements being immaterial. Any difference between the provisional and final price is adjusted through revenue from contracts with customers. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments. See accounting policy 4.10 for further discussion on fair value. Refer to note 16 for details of payments terms for trade receivables.

As noted above, as the enforceable contract for most arrangements is the purchase order, the transaction price is determined at the date of each sale (i.e., for each separate contract) and, therefore, there is no future variability within scope of IFRS 15 and no further remaining performance obligations under those contracts.

iv) Interest revenue

Interest revenue is recognised as it accrues, using the effective interest rate method.

4.3 Leases

Accounting policy applicable prior to 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use an asset.

Operating lease payments are recognised as an expense in the Group income statement on a straight-line basis over the lease term.

The Group had no finance leases during 2018 and 2017.

Accounting policy applicable from 1 January 2019

The Group assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is not a lessor in any transactions, it is only a lessee.

i) Group as a lessee

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

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and equipment – six years
- Motor vehicles – four years
- Land and buildings – eight years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right of use assets are also subject to impairment. Refer to the accounting policies in note 4.9 – "Impairment of tangible and intangible assets".

4 Significant accounting policies continued

4.3 Leases continued

i) Group as a lessee continued

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Group's lease liabilities are separately disclosed in the Group statement of financial position.

c) Short-term leases

The Group applies the short term lease recognition exemption to its short term leases of equipment and other assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short term leases are recognised as an expense on a straight line basis over the lease term.

4.4 Taxation

i) Current and deferred income taxes

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Group financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised in the Group income statement is charged or credited in the Group income statement. Deferred tax relating to items recognised outside the Group income statement is recognised outside the Group income statement and items are recognised in correlation to the underlying transaction either in the Group statement of comprehensive income or directly in equity.

Deferred tax assets are not recognised in respect of temporary differences relating to tax losses where there is insufficient evidence that the asset will be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Group income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

The tax expense represents the sum of the tax currently payable and deferred tax.

ii) Value-added taxes ("VAT")

The Group pays VAT on purchases made in both the Republic of Azerbaijan and the United Kingdom. Under both jurisdictions, VAT paid is refundable. Azerbaijani jurisdiction permits offset of an Azerbaijani VAT credit against other taxes payable to the state budget.

4.5 Transactions with related parties

For the purposes of these Group financial statements, the following parties are considered to be related:

- where one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions;
- entities under common control; and
- key management personnel.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

It is the nature of transactions with related parties that they cannot be presumed to be carried out on an arm's length basis.

4 Significant accounting policies continued

4.6 Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are considered substantially ready for their intended use, i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the Group income statement in the period in which they are incurred.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the 'probable economic benefits' test. Any related borrowing costs are therefore generally recognised in the Group income statement in the period they are incurred.

4.7 Intangible assets

i) Exploration and evaluation assets

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as intangible assets as part of exploration and evaluation assets.

Exploration and evaluation assets are carried forward during the exploration and evaluation stage and are assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 – 'Exploration for and Evaluation of Mineral Resources'.

In circumstances where a property is abandoned, the cumulative capitalised costs relating to the property are written off in the period. No amortisation is charged prior to the commencement of production.

Once commercially viable reserves are established and development is sanctioned, exploration and evaluation assets are transferred to assets under construction.

Upon transfer of exploration and evaluation costs into assets under construction, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within assets under construction.

When commercial production commences, exploration, evaluation and development costs previously capitalised are amortised over the commercial reserves of the mining property on a units-of-production basis.

Exploration and evaluation costs incurred after commercial production start date in relation to evaluation of potential mineral reserves and resources that are expected to result in increase of reserves are capitalised as evaluation and exploration assets within intangible assets. Once there is evidence that reserves are increased, such costs are tested for impairment and transferred to producing mines.

ii) Mining rights

Mining rights are carried at cost to the Group less any provisions for impairments which result from evaluations and assessments of potential mineral recoveries and accumulated depletion. Mining rights are depleted on the units-of-production basis over the total reserves of the relevant area.

iii) Other intangible assets

Other intangible assets are mainly the costs of agricultural compensation paid to landowners for the use of land ancillary to the Group's mining operations. These costs are depreciated over the respective terms of right to use the land.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Group income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Group income statement when the asset is derecognised.

4 Significant accounting policies continued

4.8 Property, plant and equipment and mine properties

Development expenditure is net of proceeds from all but the incidental sale of ore extracted during the development phase.

Upon completion of mine construction, the assets initially charged to 'Assets under construction' are transferred into 'Plant and equipment and motor vehicles' or 'Producing mines'. Items of 'Plant and equipment and motor vehicles' and 'Producing mines' are stated at cost, less accumulated depreciation and accumulated impairment losses.

During the production period expenditures directly attributable to the construction of each individual asset are capitalised as 'Assets under construction' up to the period when the asset is ready to be put into operation. When an asset is put into operation it is transferred to 'Plant and equipment and motor vehicles, or 'Producing mines'. Additional capital costs incurred subsequent to the date of commencement of operation of the asset are charged directly to 'Plant and equipment and motor vehicles' or 'Producing mines', i.e. where the asset itself was transferred.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

i) Depreciation and amortisation

Accumulated mine development costs within producing mines are depreciated and amortised on a units-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight line method is applied. The unit of account for run of mine ("ROM") costs and for post-ROM costs is recoverable ounces of gold. The units-of-production rate for the depreciation and amortisation of mine development costs takes into account expenditures incurred to date plus future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine on a units-of-production basis.

Other plant and equipment such as mobile mine equipment is generally depreciated on a straight line basis over their estimated useful lives as follows:

- Temporary buildings – eight years (2018: eight years)
- Plant and equipment – eight years (2018: eight years)
- Motor vehicles – four years (2018: four years)
- Office equipment – four years (2018: four years)
- Leasehold improvements – eight years (2018: eight years)

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

The assets' residual values, useful lives and methods of depreciation and amortisation are reviewed at each reporting date and adjusted prospectively if appropriate.

ii) Major maintenance and repairs

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

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

4.9 Impairment of tangible and intangible assets

The Group conducts annual internal assessments of the carrying values of tangible and intangible assets. The carrying values of capitalised exploration and evaluation expenditure, mine properties and property, plant and equipment are assessed for impairment when indicators of such impairment exist or at least annually. In such cases an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into cash-generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Group evaluating its non-financial assets on a geographical or licence basis.

4 Significant accounting policies continued

4.9 Impairment of tangible and intangible assets continued

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the Group income statement so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less cost to sell and value in use).

Impairment losses related to continuing operations are recognised in the Group income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding the intangibles referred to above, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Group statement of comprehensive income. Impairment losses recognised in relation to indefinite life intangibles are not reversed for subsequent increases in its recoverable amount.

4.10 Fair value measurement

The Group measures financial instruments such as bank borrowings at fair value at each balance sheet date. Fair value disclosures for financial instruments measured at fair value, or where fair value is disclosed, are summarised in the following notes:

- Note 16 – 'Trade and other receivables';
- Note 18 – 'Cash and cash equivalents';
- Note 19 – 'Trade and other payables'; and
- Note 20 – 'Interest-bearing loans and borrowings'.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal marketplace for the asset or the liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a reoccurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

4.11 Provisions

i) General

Provisions are recognised when (a) the Group has a present obligation (legal or constructive) as a result of a past event and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a risk-free rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4 Significant accounting policies continued

4.11 Provisions continued

ii) Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

The obligation generally arises when the asset is installed or the ground or environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in the Group income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the Group income statement.

If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the Group is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36. If, for mature mines, the revised mine assets net of rehabilitation provisions exceed the recoverable value, that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognised immediately in the Group income statement. Rehabilitation obligations that arise as a result of the standard production activities of a mine are expensed as incurred.

4.12 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

i) Initial recognition and measurement

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

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15. Refer to the accounting policy 4.2 – 'Revenue from contracts with customers'.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- financial assets at fair value through profit or loss.

4 Significant accounting policies continued

4.12 Financial instruments – initial recognition and subsequent measurement continued

a) Financial assets continued

iii) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the 'effective interest rate' ("EIR") method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables. Refer below to 'Financial assets at fair value through profit or loss' for a discussion of trade receivables (subject to provisional pricing).

iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss account.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As IFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements where material being recognised in 'fair value gains/losses on provisionally priced trade receivables' in the statement of profit or loss and other comprehensive income.

The Group does not currently account separately for embedded derivatives in its trade receivables subject to provisional pricing. The short one to four month transaction cycle would result in any change to the Group's financial statements being immaterial. Any adjustment to the trade receivable subsequent to initial recording is adjusted through revenue.

v) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4 Significant accounting policies continued

4.12 Financial instruments – initial recognition and subsequent measurement continued

a) Financial assets continued

v) Derecognition of financial assets continued

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

vi) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosure of significant assumptions: accounting policy 4.20
- Trade and other receivables: accounting policy 4.13 and note 16

The Group recognises an allowance for expected credit loss ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit- impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

b) Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

4 Significant accounting policies continued

4.12 Financial instruments – initial recognition and subsequent measurement continued

b) Financial liabilities continued

ii) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables.

iii) Derecognition of financial liabilities

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

c) Offsetting of financial instruments

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

d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Group and therefore is not considered highly liquid, for example, cash set aside to cover rehabilitation obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

4.13 Trade and other receivables

The Group presents trade and other receivables in the statement of financial position based on a current or non-current classification. A trade and other receivable is classified as current as follows:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading; and
- expected to be realised within 12 months after the date of the statement of financial position.

Gold bullion held on behalf of the Government of Azerbaijan is classified as a current asset and valued at the current market price of gold at the statement of financial position date. A current liability of equal amount representing the liability of the gold bullion to the Government of Azerbaijan is also established.

Advances made to suppliers for fixed asset purchases are recognised as non-current prepayments until the fixed asset is delivered when they are capitalised as part of the cost of the fixed asset.

4 Significant accounting policies continued

4.14 Inventories

Metal in circuit consists of in-circuit material at properties with milling or processing operations and doré awaiting refinement, all valued at the lower of average cost and net realisable value. In-process inventory costs consist of direct production costs (including mining, crushing and processing and site administration costs) and allocated indirect costs (including depreciation, depletion and amortisation of producing mines and mining interests).

Ore stockpiles consist of stockpiled ore, ore on surface and crushed ore, all valued at the lower of average cost and net realisable value. Ore stockpile costs consist of direct production costs (including mining, crushing and site administration costs) and allocated indirect costs (including depreciation, depletion and amortisation of producing mines and mining interests).

Inventory costs are charged to operations on the basis of ounces of gold sold. The Group regularly evaluates and refines estimates used in determining the costs charged to operations and costs absorbed into inventory carrying values based upon actual gold recoveries and operating plans.

Finished goods consist of doré bars that have been refined and assayed and are in a form that allows them to be sold on international bullion markets and metal in concentrate. Finished goods are valued at the lower of average cost and net realisable value. Finished goods costs consist of direct production costs (including mining, crushing and processing; site administration costs; and allocated indirect costs, including depreciation, depletion and amortisation of producing mines and mining interests).

Spare parts and consumables consist of consumables used in operations, such as fuel, chemicals, reagents and spare parts, valued at the lower of average cost and replacement cost and, where appropriate, less a provision for obsolescence.

4.15 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, or value of services received net of any issue costs.

4.16 Deferred stripping costs

The removal of overburden and other mine waste materials is often necessary during the initial development of a mine site, in order to access the mineral ore deposit. The directly attributable cost of this activity is capitalised in full within mining properties and leases, until the point at which the mine is considered to be capable of commercial production. This is classified as expansionary capital expenditure, within investing cash flows.

The removal of waste material after the point at which a mine is capable of commercial production is referred to as production stripping.

When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are accounted for as part of the cost of producing those inventories.

Where production stripping activity both produces inventory and improves access to ore in future periods the associated costs of waste removal are allocated between the two elements. The portion which benefits future ore extraction is capitalised as deferred stripping capital expenditure within producing mines. If the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the ore body. Components are specific volumes of a mine's ore body that are determined by reference to the life of mine plan.

In certain instances significant levels of waste removal may occur during the production phase with little or no associated production.

All amounts capitalised in respect of waste removal are depreciated using the unit-of-production method based on the ore reserves of the component of the ore body to which they relate.

The effects of changes to the life of mine plan on the expected cost of waste removal or remaining reserves for a component are accounted for prospectively as a change in estimate.

4.17 Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and accrued but unused annual leave, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

4.18 Retirement benefit costs

The Group does not operate a pension scheme for the benefit of its employees but instead makes contributions to their personal pension policies. The contributions due for the period are charged to the Group income statement.

4.19 Share-based payments

The Group has applied the requirements of IFRS 2 – 'Share-based Payment'. IFRS 2 has been applied to all grants of equity instruments.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been calculated using management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The vesting condition assumptions are reviewed during each reporting period to ensure they reflect current expectations.

4 Significant accounting policies continued

4.20 Significant accounting judgements

The preparation of the Group financial statements in conformity with IFRS requires management to make judgements that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Group financial statements and reported amounts of revenues and expenses during the reporting period.

i) Recovery of deferred tax assets (note 11)

Judgement is required in determining whether deferred tax assets are recognised within the Group statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

ii) Exploration and evaluation expenditure (note 13)

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely from future exploitation. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the consolidated statement of profit or loss in the period when the new information becomes available.

iii) Impairment of intangible and tangible assets (notes 13, 14 and 15)

The assessment of tangible and intangible assets for any internal and external indications of impairment involves judgement. Each reporting period, the Group assesses whether there are indicators of impairment, if indicated then a formal estimate of the recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less cost to dispose ("FVLCD") and value in use. Determining whether the projects are impaired requires an estimation of the recoverable value of the individual areas to which value has been ascribed. The FVLCD calculation requires the entity to estimate the future cash flows expected to arise from the projects and a suitable discount rate in order to calculate present value.

iv) Production start date (note 14)

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from Assets under construction to Producing mines and Property, plant and equipment. Some of the criteria will include, but are not limited to, the following:

- the level of capital expenditure compared to the construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form (within specifications); and
- ability to sustain ongoing production of metal.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. This is also the point at which the depreciation/amortisation recognition commences.

v) Leases (note 15)

The implementation of IFRS 16 requires the Group to make judgments as to whether any contract entered into by the Group contains a lease. In making this judgement, the Group looks at a number of factors including the broader economics of each contract. Once a contract has been determined to contain a lease, the Group is required to make judgements and estimates that affect the measurement of right to use assets and lease liabilities. In determining the lease term, the Group considers all facts and circumstances that determine the likely total length of time the asset will be leased. Estimates are required to determine the appropriate discount rates used to measure lease liabilities.

vi) Renewal of Production Sharing Agreement ("PSA") (note 29)

The Group operates its mines and processing facilities on contract areas licenced under a PSA with the Government of Azerbaijan. The majority of the Group's fixed assets, including its processing facilities and its main producing mines, are located on the Gedabek contract area which has a mining licence expiring in March 2022. The Group depreciates each tangible fixed asset over its estimated useful life regardless of whether or not the end of its useful life is later than March 2022. There is an option to extend the Gedabek licence for a further ten years conditional upon satisfaction of certain requirements stipulated in the PSA. The directors have judged that the requirements to renew the licence for a further 10 years will be satisfied and therefore it is valid to depreciate assets over useful lives which end later than the end date of the current Gedabek licence.

4 Significant accounting policies continued

4.21 Significant accounting estimates

The preparation of the Group financial statements in conformity with IFRS requires management to make estimates that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Group financial statements and reported amounts of revenues and expenses during the reporting period. Estimates are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the Group financial statements is described below.

i) Impairment of intangible and tangible assets (notes 13,14 and 15)

Once an intangible or tangible asset has been judged as impaired, an estimate is made of its recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. Determining whether the projects are impaired requires an estimation of the recoverable value of the individual areas to which value has been ascribed. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the projects and a suitable discount rate in order to calculate present value.

ii) Ore reserves and resources (notes 13 and 14)

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources, based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation and depreciation and amortisation charges.

iii) Inventory (note 17)

Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys. The ounces of gold sold are compared to the remaining reserves of gold for the purpose of charging inventory costs to operations.

iv) Mine rehabilitation provision (note 22)

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the Group statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 'Property, Plant and Equipment'. Expenditure on mine rehabilitation is expected to take place between 2023 and 2025.

5 Segment information

The Group determines operating segments based on the information that is internally provided to the Group's chief operating decision maker. The chief operating decision maker has been identified as the board of directors. The board of directors currently considers consolidated financial information for the entire Group and reviews the business based on the Group income statement and Group statement of financial position on this basis. Accordingly, the Group has only one operating segment, mining operations. The mining operations comprise the Group's major producing asset, the Gedabek mine, which accounts for all the Group's revenues and the majority of its cost of sales, depreciation and amortisation. The Group's mining operations are all located within Azerbaijan and therefore all within one geographic segment.

6 Revenue

The Group's revenue consists of sales to third parties of:

- gold contained within doré and gold and silver bullion to the Group's refiners; and
- gold and copper concentrate.

	2019 $000	2018 $000
Gold within doré and gold bullion	**76,123**	75,078
Silver bullion	**264**	403
Gold and copper concentrate	**15,665**	14,873
	92,052	90,354

All revenue from sales of gold within doré and gold and silver bullion and gold and copper concentrate is recognised at the time when control passes to the customer.

Sales of gold within doré and gold and silver bullion were made to two customers, the Group's gold refiners, MKS Finance SA and Argor-Heraeus SA, both based in Switzerland.

The gold and copper concentrate was sold in 2019 and 2018 to Industrial Minerals SA and Trafigura PTE Ltd.

7 Other income and operating expenses

	2019 $000	2018 $000
Other income		
Interest receivable	**1**	5
Provisions no longer required	**—**	63
	1	68
Other operating expenses		
Transportation and refining costs	**399**	647
Foreign exchange loss	**139**	704
Advances and inventory written off	**405**	217
Disposal of obsolete equipment	**—**	209
	943	1,777

8 Operating profit

	Notes	2019 $000	2018 $000
Operating profit is stated after charging:			
Depreciation on property, plant and equipment – owned	14	**16,767**	20,957
Depreciation on property, plant and equipment – right of use assets	15	**795**	—
Amortisation of mining rights and other intangible assets	13	**1,600**	1,990
Employee benefits and expenses	9	**8,026**	8,708
Foreign currency exchange net loss		**139**	704
Inventory expensed during the year		**24,470**	19,270
Operating lease expenses		**—**	1,058
Fees payable to the Company's auditor for:			
The audit of the Group's annual accounts		**155**	135
The audit of the Group's subsidiaries pursuant to legislation		**119**	119
Audit related assurance services – half year review		**2**	2
Total audit services		**276**	256
Amounts paid to auditor for other services:			
Tax compliance services		**13**	13
Tax advice regarding dividend and share premium reduction		**48**	39
Total non-audit services		**61**	52
Total		**337**	308

The audit fees for the parent company were $107,000 (2018: $107,000).

Notes to the Group financial statements continued

year ended 31 December 2019

9 Staff numbers and costs

The average number of staff employed by the Group (including directors) during the year, analysed by category, was as follows:

	2019	2018
Management and administration	**44**	47
Exploration	**29**	42
Mine operations	**705**	656
	778	745

The aggregate payroll costs of these persons were as follows:

	2019 $000	2018 $000
Wages and salaries	**6,750**	7,559
Social security costs	**1,701**	1,580
Costs capitalised as exploration	**(425)**	(431)
	8,026	8,708

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate:

	2019 $	2018 $
Short-term employee benefits	**1,674,133**	1,943,329

The key management personnel of the Group comprise the chief executive officer, the vice president of government affairs, the vice president of technical services, the director of geology and the chief financial officer. The disclosure of the remuneration of the directors as required by the Companies Act 2006 is given in the report on directors' remuneration on page 38.

10 Finance costs

	2019 $000	2018 $000
Interest charged on interest-bearing loans and borrowings	**466**	1,150
Finance charges on letters of credit	**12**	3
Interest expense on lease liabilities	**353**	—
Unwinding of discount on provisions	**438**	489
	1,269	1,642

Interest on interest-bearing loans and borrowings represents charges incurred on those credit facilities as set out in note 20 – "Interest-bearing loans and borrowings".

Where a portion of the loans has been used to finance the construction and purchase of assets of the Group ('qualifying assets'), the interest on that portion of the loans has been capitalised up until the time the assets were substantially ready for use. For the year ended 31 December 2019, $nil (2018: $nil) interest was capitalised.

11 Taxation

Corporation tax is calculated at 32 per cent. (as stipulated in the production sharing agreement for R.V. Investment Group Services LLC ("RVIG")) in the Republic of Azerbaijan, the entity that contributes the most significant portion of profit before tax in the Group financial statements) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Deferred income taxes arising in RVIG are recognised and fully disclosed in these Group financial statements. RVIG's unutilised tax losses at 31 December 2019 were $nil (2018: $nil).

The major components of the income tax charge for the year ended 31 December are:

	2019 $000	2018 $000
Current income tax		
Current income tax charge	**7,208**	7,288
Deferred tax		
Charge relating to origination and reversal of temporary differences	**3,579**	1,623
Income tax charge for the year	**10,787**	8,911

11 Taxation continued

Deferred income tax at 31 December relates to the following:

	Statement of financial position		Income statement	
	2019 $000	2018 $000	2019 $000	2018 $000
Deferred income tax liability				
Property, plant and equipment – accelerated depreciation	**(18,072)**	(18,165)	**93**	(331)
Right of use assets – accelerated deprecation	**(1,159)**	—	**(1,159)**	—
Non-current prepayments	**(21)**	(139)	**118**	141
Trade and other receivables	**(2,062)**	(1,280)	**(782)**	(484)
Inventories	**(12,604)**	(9,493)	**(3,111)**	(58)
Deferred income tax liability	**(33,918)**	(29,077)		
Deferred income tax asset				
Trade and other payables and provisions*	**2,765**	3,171	**(406)**	804
Lease liabilities	**1,202**	—	**1,202**	—
Asset retirement obligation*	**3,355**	2,889	**466**	(192)
Carry forward losses**	**—**	—	**—**	(1,503)
Deferred income tax asset	**7,322**	6,060		
Deferred income tax charge			**(3,579)**	(1,623)
Net deferred income tax liability	**(26,596)**	(23,017)		

* Deferred income tax assets have been recognised for the trade and other payables and provisions, asset retirement obligation and interest-bearing loans and borrowings based on local tax basis differences expected to be utilised against future taxable profits.

** Deferred income tax assets have been recognised for the carry forward of unused tax losses to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses can be utilised. The probability that taxable profits will be available in the future is based on forward looking budgets and business plans of the Group.

A reconciliation between the accounting profit and the total taxation charge for the years ended 31 December is as follows:

	2019 $000	2018 $000
Profit before tax	**30,130**	25,246
Theoretical tax charge at statutory rate of 32 per cent. for RVIG*	**9,642**	8,079
Effects of different tax rates for certain Group entities (20 per cent.)	**198**	161
Tax effect of items which are not deductible or assessable for taxation purposes:		
– non-deductible expenses	**947**	732
– non-taxable income	**—**	(61)
Income tax charge for the year	**10,787**	8,911

* This is the tax rate stipulated in RVIG's production sharing agreement.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets and liabilities have been offset for deferred taxes recognised for RVIG since there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority. The Group intends to settle its current tax assets and liabilities on a net basis in the Republic of Azerbaijan.

At 31 December 2019, the Group had unused tax losses available for offset against future profits of $20,181,000 (2018: $18,648,000). Unused tax losses in the Republic of Azerbaijan at 31 December 2019 were $nil (2018: $nil). No deferred tax assets have been recognised in respect of jurisdictions other than the Republic of Azerbaijan due to the uncertainty of future profit streams.

12 Profit per share

The calculation of basic and diluted profit per share is based upon the retained profit for the financial year of $19,343,000 (2018: $16,335,000).

The weighted average number of ordinary shares for calculating the basic profit and diluted profit per share after adjusting for the effects of all dilutive ordinary shares relating to share options are as follows:

	2019	2018
Basic	**114,392,024**	114,047,503
Diluted	**114,392,024**	114,047,503

At 31 December 2019 there were no unexercised share options that could potentially dilute basic earnings per share (2018: nil).

Notes to the Group financial statements continued

year ended 31 December 2019

13 Intangible assets

	Exploration and evaluation Gedabek $000	Exploration and evaluation Gosha $000	Exploration and evaluation Ordubad $000	Mining rights $000	Other intangible assets $000	Total $000
Cost						
1 January 2018	1,110	—	4,153	41,925	529	47,717
Additions	2,326	350	192	—	8	2,876
31 December 2018	3,436	350	4,345	41,925	537	50,593
Additions	2,838	480	1,191	—	25	4,534
31 December 2019	**6,274**	**830**	**5,536**	**41,925**	**562**	**55,127**
Amortisation and impairment*						
1 January 2018	—	—	—	31,207	365	31,572
Charge for the year	—	—	—	1,948	42	1,990
31 December 2018	—	—	—	33,155	407	33,562
Charge for the year	—	—	—	1,578	22	1,600
31 December 2019	**—**	**—**	**—**	**34,733**	**429**	**35,162**
Net book value						
31 December 2018	3,436	350	4,345	8,770	130	17,031
31 December 2019	**6,274**	**830**	**5,536**	**7,192**	**133**	**19,965**

* 355,000 ounces of gold at 1 January 2019 were used to determine amortisation of producing mines, mining rights and other intangible assets (2018: 367,000 ounces). A 5 per cent. increase or decrease in the ounces of gold used to compute the amortisation of intangible assets would result in a decrease in amortisation of $76,000 and an increase in amortisation of $84,000 respectively.

14 Property, plant and equipment

	Plant and equipment and motor vehicles $000	Producing mines $000	Assets under construction $000	Total $000
Cost				
1 January 2018	21,899	188,972	4,381	215,252
Additions	2,205	10,091	3,722	16,018
Transfer to producing mines	—	7,581	(7,581)	—
Disposal	—	—	(209)	(209)
Decrease in provision for rehabilitation	—	(1,089)	—	(1,089)
31 December 2018	24,104	205,555	313	229,972
Additions	484	3,835	8	4,327
Transfer to producing mines	—	241	(241)	—
Increase in provision for rehabilitation	—	1,018	—	1,018
31 December 2019	**24,588**	**210,649**	**80**	**235,317**
Depreciation and impairment*				
1 January 2018	16,421	111,444	—	127,865
Charge for the year	1,751	19,206	—	20,957
31 December 2018	18,172	130,650	—	148,822
Charge for the year	1,851	14,916	—	16,767
31 December 2019	**20,023**	**145,566**	**—**	**165,589**
Net book value				
31 December 2018	5,932	74,905	313	81,150
31 December 2019	**4,565**	**65,083**	**80**	**69,728**

* 355,000 ounces of gold at 1 January 2019 were used to determine depreciation of producing mines, mining rights and other intangible assets (2018: 367,000 ounces). A 5 per cent. increase or decrease in the ounces of gold used to compute the depreciation of property plant and equipment would result in a decrease in depreciation of $512,000 and an increase in depreciation of $556,000 respectively.

No impairment losses were recognised by the Group at 31 December 2019 or 31 December 2018.

14 Property, plant and equipment continued

The Group assesses at each balance sheet date whether any indicators exist of impairment of its fixed assets. Should any indicators exist, the Group will perform an impairment analysis at that balance sheet date to ascertain that the carrying value of the Group's property, plant and equipment is in excess of its fair value less cost to dispose ("FVLCD"). The determination of FVLCD is most sensitive to the following key assumptions:

- production volumes;
- commodity prices;
- discount rates;
- foreign exchange rates; and
- capital and operating costs.

The management assessed that there were no indicators of impairment at 31 December 2018 and 31 December 2019. Accordingly, no impairment analysis was performed for the balance sheet at 31 December 2018 and 31 December 2019.

The capital commitments by the Group have been disclosed in note 29.

15 Leases

Right of use assets

	Plant and equipment and motor vehicles $000	Land and building $000	Total $000
Cost			
1 January and 31 December 2019	3,934	483	4,417
Depreciation			
1 January 2019	—	—	—
Charge for the year	657	138	795
31 December 2019	**657**	**138**	**795**
Net book value			
31 December 2018	—	—	—
31 December 2019	**3,277**	**345**	**3,622**

Lease liabilities

	Total $000
1 January 2019	4,417
Interest expense	353
Repayment	(1,014)
31 December 2019	**3,756**
Current liabilities	1,015
Non-current liabilities	2,741
	3,756

Amount recognised in the profit and loss account

	2019 $000	2018 $000
Depreciation expense of right of use assets	**795**	—
Interest expense	**353**	—
Expenses relating to short term leases	**200**	—
Operating leases	**—**	1,058
	1,348	1,058

The amount of future lease commitments for short-term leases at 31 December 2018 and 2019 are similar to the amounts expensed in 2018 and 2019 respectively as the level of leasing activity has not changed. As these amounts are not dissimilar to the expense for the respective years, the amount of the lease commitments have not been disclosed.

16 Trade and other receivables

Non-current assets	2019 $000	2018 $000	1 January 2018 $000
Advances for fixed asset purchases	**67**	436	860
Loans	**—**	—	15
	67	436	875

Current assets			
Gold held due to the Government of Azerbaijan	**18,684**	2,898	7,445
VAT refund due	**735**	312	206
Other tax receivable	**207**	1,016	891
Trade receivables – amortised cost*	**—**	250	440
Trade receivables – fair value**	**—**	1,988	—
Prepayments and advances	**2,012**	1,927	2,187
Loans	**60**	105	107
Cash in transit***	**5,085**	—	—
	26,783	8,496	11,276

* Trade receivables not subject to provisional pricing.

** Trade receivables subject to provisional pricing.

*** This was a payment from a customer prior to the year-end which was not received until early January 2020 due to a delay by the bank.

Trade receivables (not subject to provisional pricing) are for sales of gold and silver to the refiner and are non interest-bearing and payment is usually received one to two days after the date of sale.

Trade receivables (subject to provisional pricing) are for sales of gold and copper concentrate and are non interest-bearing, but as discussed in accounting policy 4.2, are exposed to future commodity price movements over the 'quotational period' ("QP") and, hence, fail the 'solely payments of principal and interest' test and are measured at fair value up until the date of settlement. These trade receivables are initially measured at the amount which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP. Approximately 90 per cent. of the provisional invoice (based on the provisional price) is received in cash within one to two weeks from when the concentrate is collected from site, which reduces the initial receivable recognised under IFRS 15. The QPs can range between one and four months post shipment and final payment is due between 30-90 days from the end of the QP. Refer to accounting policy 4.10 for details of fair value measurement.

The Group does not consider any trade or other receivable as past due or impaired. All receivables at amortised cost have been received shortly after the balance sheet date and therefore the Group does not consider that there is any credit risk exposure. No provision for any expected credit loss has therefore been established in 2018 or 2019.

The VAT refund due at 31 December 2019, 2018 and 2017 relates to VAT paid on purchases.

Gold bullion held and transferable to the Government is bullion held by the Group due to the Government of Azerbaijan. The Group holds the Government's share of the product from its mining activities and from time to time transfers that product to the Government. A corresponding liability to the Government is included in trade and other payables as disclosed in note 19.

17 Inventory

Current assets	2019 $000	2018 $000
Cost		
Finished goods – bullion	**1,973**	319
Finished goods – metal in concentrate	**863**	458
Metal in circuit	**17,041**	14,105
Ore stockpiles	**10,615**	6,371
Spare parts and consumables	**13,389**	12,906
Total current inventories	**43,881**	34,159
Total inventories at the lower of cost and net realisable value	**43,881**	34,159

The Group has capitalised mining costs related to high grade sulphide ore stockpiled during the year. Such stockpiles are expected to be utilised as part of flotation processing. Inventory is recognised at the lower of cost or net realisable value.

18 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and held by the Group within financial institutions that are available immediately. The carrying amount of these assets approximates their fair value.

The Group's cash on hand and cash held within financial institutions at 31 December 2019 (including short-term cash deposits) comprised $8,000 and $17,793,000 respectively (2018: $39,000 and $14,501,000).

The Group's cash and cash equivalents are mostly held in United States Dollars.

19 Trade and other payables

	2019 $000	2018 $000
Accruals and other payables	**4,950**	5,581
Trade creditors	**2,544**	3,065
Gold held due to the Government of Azerbaijan	**18,684**	2,898
Payable to the Government of Azerbaijan from copper concentrate joint sale	**1,332**	1,680
	27,510	13,224

Trade creditors primarily comprise amounts outstanding for trade purchases and ongoing costs. Trade creditors are non-interest bearing and the creditor days were 16 (2018:18). Accruals and other payables mainly consist of accruals made for accrued but not paid salaries, bonuses, related payroll taxes and social contributions, accrued interest on borrowings and services provided but not billed to the Group by the end of the reporting period. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

The amount payable to the Government of Azerbaijan from copper concentrate joint sale represents the portion of cash received from the customer for the Government's portion from the joint sale of copper concentrate.

20 Interest-bearing loans and borrowings

	2019 $000	2018 $000
Pasha Bank – refinancing loan	**1,688**	8,438
Loans repayable in less than one year	**1,688**	6,750
Loans repayable in more than one year	**—**	1,688
	1,688	8,438

The directors consider that the carrying amount of interest-bearing loans and borrowings approximates to their fair value.

Pasha Bank – refinancing loan

In 2018, the Group entered into a refinancing agreement with Pasha Bank OJSC, as arranger, for a syndicated loan facility for up to $15 million to refinance the majority of the Group's existing loans. The facility is for two years with a fixed interest rate of 7 per cent. and early repayment is permitted. Loan principal is repayable in 8 equal, quarterly instalments. The loan facility is unsecured and there are no financial covenants.

A total of $13.5 million of the facility was drawn-down in February 2018 and used to repay the following loans:

- $2.2 million to Yapi Credit Bank;
- $3.7 million to Amsterdam Trade Bank N. V.;
- $3.7 million to Gazprombank (Switzerland) Ltd; and
- $3.9 million to the Chief Executive.

The loan refinancing was completed by the end of March 2018.

Unused credit facilities

The Group had a $2.0 million credit facility from Yapi Credit Bank at 31 December 2019 which was not utilised (2018: $2.0 million).

21 Changes in liabilities arising from financing activities

	2019			
	1 January $000	Cash flows $000	Other $000	31 December $000
Current interest-bearing loans and borrowings	**6,750**	**(5,062)**	**—**	**1,688**
Non-current interest-bearing loans and borrowings	**1,688**	**(1,688)**	**—**	**—**
Lease liabilities	**—**	**(1,014)**	**4,770**	**3,756**
Total liabilities from financing activities	**8,438**	**(7,764)**	**4,770**	**5,444**

	2018			
	1 January $000	Cash flows $000	Other $000	31 December $000
Current interest-bearing loans and borrowings	20,051	(13,301)	—	6,750
Non-current interest-bearing loans and borrowings	600	1,088	—	1,688
Total liabilities from financing activities	20,651	(12,213)	—	8,438

Other in 2019 results from the implementation of IFRS 16 – "Leases" (note 15).

22 Provision for rehabilitation

	2019 $000	2018 $000
1 January	**9,028**	9,629
Additions	**292**	654
Accretion expense	**438**	489
Effect of passage of time and change in discount rate	**727**	(1,744)
31 December	**10,485**	9,028

The Group has a liability for restoration, rehabilitation and environmental costs arising from its mining operations. Estimates of the cost of this work including reclamation costs, close down and pollution control are made on an ongoing basis, based on the estimated life of the mine. The provision represents the net present value of the best estimate of the expenditure required to settle the obligation to rehabilitate any environmental disturbances caused by mining operations. The undiscounted liability for rehabilitation at 31 December 2019 was $12,211,000 (2018: $12,100,000). The undiscounted liability was discounted using a risk-free rate of 2.94 per cent. (2018: 4.83 per cent.). Expenditures on restoration and rehabilitation works are expected between 2023 and 2025 (2018: between 2023 and 2025).

23 Financial instruments

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, loans and letters of credit. The main purpose of these financial instruments is to finance the Group operations. The Group has other financial instruments, such as trade and other receivables and trade and other payables, which arise directly from its operations. Surplus cash within the Group is put on deposit, the objective being to maximise returns on such funds whilst ensuring that the short-term cash flow requirements of the Group are met.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are capital risk, market risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. Financial instruments affected by market risk include bank loans and overdrafts, accounts receivable, accounts payable and accrued liabilities.

The sensitivity has been prepared for the years ended 31 December 2019 and 2018 using the amounts of debt and other financial assets and liabilities held as at those reporting dates.

23 Financial instruments continued

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 20, lease liabilities, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Group has sufficient capital to fund ongoing production and exploration activities, with capital requirements reviewed by the board on a regular basis. Capital has been sourced through share issues on AIM, part of the London Stock Exchange, and loans from banks in Azerbaijan and elsewhere. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risk and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs.

The Group is not subject to externally imposed capital requirements and monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 70 per cent.

Interest rate risk

The Group's cash deposits, letters of credit, borrowings and interest-bearing loans subsequent to the loan refinancing by Pasha Bank in 2018 are at a fixed rate of interest.

The Group manages the risk by maintaining fixed rate instruments, with approval from the directors required for all new borrowing facilities.

The Group has not used any interest rate swaps or other instruments to manage its interest rate profile during 2019 and 2018.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial liabilities. Included in note 20 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2019

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	Total $000
Interest-bearing loans and borrowings	**—**	**1,688**	**—**	**—**	**1,688**
Lease liabilities	**—**	**170**	**846**	**2,740**	**3,756**
Trade and other payables	**—**	**27,510**	**—**	**—**	**27,510**
	—	**29,368**	**846**	**2,740**	**32,954**

Year ended 31 December 2018

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	Total $000
Interest-bearing loans and borrowings	—	1,688	5,062	1,688	8,438
Trade and other payables	—	13,224	—	—	13,224
	—	14,912	5,062	1,688	21,662

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the consolidated statement of financial position date.

The Group has adopted a policy of only dealing with creditworthy banks and has cash deposits held with reputable financial institutions. These usually have a lower to upper medium grade credit rating. Trade receivables consist of amounts due to the Group from sales of gold and silver bullion and copper and precious metal concentrates. Sales of gold and silver bullion are made to MKS Finance SA and Argor Heraeus SA, Switzerland-based gold refineries, and copper concentrate is sold to Industrial Minerals SA and Trafigura PTE Ltd. Due to the nature of the customers, the board of directors does not consider that a significant credit risk exists for receipt of revenues. The board of directors continually reviews the possibilities of selling gold to alternative customers and also the requirement for additional measures to mitigate any potential credit risk.

Notes to the Group financial statements continued

year ended 31 December 2019

23 Financial instruments continued

Foreign currency risk

The presentational currency of the Group is United States Dollars. The Group is exposed to currency risk due to movements in foreign currencies relative to the United States Dollar affecting foreign currency transactions and balances.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December are as follows:

	Liabilities		Assets	
	2019 $000	2018 $000	**2019 $000**	2018 $000
UK Sterling	**—**	1	**130**	334
Azerbaijan Manats	**5,226**	3,228	**1,044**	1,784
Other	**139**	297	**—**	3

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the United Kingdom (UK Sterling), the currency of the European Union (Euro) and the currency of the Republic of Azerbaijan (Azerbaijan Manat).

The following table details the Group's sensitivity to a 9 per cent., 8 per cent. and 10 per cent. (2018: 8 per cent., 7 per cent. and 12 per cent.) increase in a 9 per cent, 8 per cent and 3 per cent. (2018: 11 per cent., 11 per cent. and 3 per cent.) decrease in the United States Dollar against United Kingdom Sterling, Euro and Azerbaijan Manat, respectively. These are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for respective change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the United States Dollar strengthens by the mentioned rates against the relevant currency. Weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be reversed.

	UK Sterling impact		Azerbaijan Manat impact		Euro impact	
	2019 $000	2018 $000	**2019 $000**	2018 $000	**2019 $000**	2018 $000
Increase – effect on profit before tax	**(12)**	(27)	**418**	173	**11**	21
Decrease – effect on profit before tax	**12**	37	**(125)**	(43)	**(11)**	(32)

Market risk

The Group's activities are exposed to the financial risk of changes in the price of gold, silver and copper. These changes have a direct impact on the Group's revenues. The management and board of directors continuously monitor the spot price of these commodities. The forward prices for these commodities are also regularly monitored. The majority of the Group's production is sold by reference to the spot price of the commodity on the date of sale. However, the board of directors will enter into forward and option contracts for the purchase and sale of commodities when it is commercially advantageous.

A 10 per cent. decrease in gold price in the year ended 31 December 2019 would result in a reduction in revenue of $8.5 million and a 10 per cent. increase in gold price would have the equal and opposite effect. A 10 per cent. decrease in silver price would result in a reduction in revenue of $0.3 million and a 10 per cent. increase in silver price would have an equal and opposite effect. A 10 per cent. decrease in copper price would result in a reduction in revenue of $1.2 million and a 10 per cent. increase in copper price would have an equal and opposite effect.

24 Equity

	2019		2018	
	Number	**£**	Number	£
Authorised				
Ordinary shares of 1 pence each	**600,000,000**	**6,000,000**	600,000,000	6,000,000
	Shares	**$000**	Shares	$000
Ordinary shares issued and fully paid				
1 January and 31 December	**114,392,024**	**2,016**	114,392,024	2,016

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

24 Equity continued

Share options

The Group has a share option scheme under which options to subscribe for the Company's shares are granted to certain executives and senior employees. There were no share options outstanding at 31 December 2018 and 2019 (note 25).

Merger reserve

The merger reserve was created in accordance with the merger relief provisions under Section 612 of the Companies Act 2006 (as amended) relating to accounting for Group reconstructions involving the issue of shares at a premium. In preparing Group consolidated financial statements, the amount by which the base value of the consideration for the shares allotted exceeded the aggregate nominal value of those shares was recorded within a merger reserve on consolidation, rather than in the share premium account.

25 Share-based payment

The Group operates a share option scheme for directors and senior employees of the Group. The vesting periods are up to three years. Options are exercisable at a price equal to the closing quoted market price of the Group's shares on the date the board of directors give approval to grant options. Options are forfeited if the employee leaves the Group and the options are not exercised within three months from leaving date.

The number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year were as follows:

	2019		2018	
	Number	**WAEP pence**	Number	WAEP pence
1 January	**—**	**—**	631,000	17
Exercised during the year	**—**	**—**	(631,000)	17
31 December	**—**	**—**	—	—

There were no share options issued in 2018 or 2019.

26 Share premium account

	2019 $000	2018 $000
1 January	**33**	32,484
Issue of shares	**—**	141
Court approved reduction	**—**	(32,592)
31 December	**33**	33

On 13 July 2018, the Company issued a circular to its shareholders proposing a resolution to reduce its share premium account to $nil. This resolution was passed by its shareholders at a meeting of its shareholders on 30 July 2018.

The reduction in the share premium account to $nil was approved by the court on 28 August 2018. The share premium account of $33,000 at 31 December 2018 and 2019 is the share premium on shares issued subsequent to the court approved reduction.

27 Distributions made and proposed

	2019 $000	2018 $000
Cash dividends on ordinary shares declared and paid:		
Interim dividend for 2018: 3.0 US cents per share	**—**	3,432
Final dividend for 2018: 4.0 US cents per share	**4,592**	—
Interim dividend for 2019: 3.5 US cents per share	**4,104**	—
	8,696	3,432
Proposed dividends on ordinary shares:		
Final dividend for 2019: 4.5 US cents per share*	**5,148**	—

Cash dividends are declared in US dollars but paid in pounds Sterling. Dividends are converted into pounds Sterling using a five day average of the sterling closing mid-price published by the Bank of England at 4pm each day for a specified week prior to payment of the dividend.

Notes to the Group financial statements continued

year ended 31 December 2019

27 Distributions made and proposed continued

The rates used to convert the dividends from US dollars into pounds Sterling for the dividends above which have been paid and the corresponding sterling amount of dividend are as follows:

	Conversion rate	Dividend pence
Interim dividend for 2018: 3.0 US cents per share	1.3121	2.2864
Final dividend for 2018: 4.0 US cents per share	1.2580	3.1797
Interim dividend for 2019: 3.5 US cents per share	1.2344	2.8533

* The proposed final dividend for the year ending 31 December 2019 is subject to approval by shareholders at the annual general meeting for 2020 at a rate to be announced. It has not been recognised as a liability in the Group statement of financial position at 31 December 2019.

28 Subsidiary undertakings

Anglo Asian Mining PLC is the parent and ultimate parent of the Group.

The Company's subsidiaries included in the Group financial statements at 31 December 2019 are as follows:

Name	Registered address*	Primary place of business	Percentage of holding per cent.
Anglo Asian Operations Limited	England and Wales	United Kingdom	100
Holance Holdings Limited	British Virgin Islands	Azerbaijan	100
Anglo Asian Cayman Limited	Cayman Islands	Azerbaijan	100
R.V. Investment Group Services LLC	Delaware, USA	Azerbaijan	100
Azerbaijan International Mining Company Limited	Cayman Islands	Azerbaijan	100

There has been no change in subsidiary undertakings since 1 January 2019.

* See note 5 – "Subsidiaries" of notes to the Company financial statements.

29 Contingencies and commitments

The Group undertakes its mining operations in the Republic of Azerbaijan pursuant to the provisions of the Agreement on the Exploration, Development and Production Sharing for the Prospective Gold Mining Areas: Gedabek, Gosha, Ordubad Group (Piyazbashi, Agyurt, Shakardara, Kiliyaki), Soutely, Kyzilbulag and Vejnali Deposits dated year ended 20 August 1997 (the "PSA"). The PSA contains various provisions relating to the obligations of R.V. Investment Group Services LLC ("RVIG"), a wholly owned subsidiary of the Company. The principal provisions are regarding the exploration and development programme, preparation and timely submission of reports to the Government, compliance with environmental and ecological requirements. The Directors believe that RVIG is in compliance with the requirements of the PSA. The Group has announced a discovery on Gosha Mining Property in February 2011 and submitted the development programme to the Government according to the PSA requirements, which was approved in 2012. In April 2012 the Group announced a discovery on the Ordubad Group of Mining Properties and submitted the development programme to the Government for review and approval according to the PSA requirements. The Group and the Government are still discussing the formal approval of the development programme.

The mining licence on Gedabek expires in March 2022, with the option to extend the licence by ten years conditional upon satisfaction of certain requirements stipulated in the PSA.

RVIG is also required to comply with the clauses contained in the PSA relating to environmental damage. The Directors believe RVIG is in compliance with the environmental clauses contained in the PSA.

30 Related party transactions

Trading transactions

During the years ended 31 December 2018 and 2019, there were no trading transactions between Group companies.

Other related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

a Remuneration paid to the directors is disclosed in the report on directors' remuneration on page 38.

b During the year ended 31 December 2019, total payments of $887,000 (2018: $2,563,000) were made for processing equipment and supplies purchased from Proses Muhendislik Danismanlik Inshaat ve Tasarim Anonim Shirket, an entity in which the chief technical officer of Azerbaijan International Mining Company has a direct ownership interest.

At 31 December 2019 there is a payable in relation to the above related party transaction of $nil (2018: $51,000).

c During the year ended 31 December 2019, total payments of $1,865,000 (2018: $nil) were made for processing equipment and supplies purchased from F&H Group LLC ("F&H"), an entity in which the chief technical officer of Azerbaijan International Mining Company has a direct ownership interest.

At 31 December 2019 there is a payable in relation to the above related party transaction of $134,000 (2018: $nil).

30 Related party transactions continued

Other related party transactions continued

d On 20 May 2015, the chief executive of the Company made a $4 million loan facility available to the Group. The principal amount of the loan was fully repaid during the year ended 31 December 2018. The interest accrued and unpaid at 31 December 2018 was $325,000 (2017: $655,000). The Group made a payment of $333,000 in April 2019 to the chief executive to settle the interest outstanding at 31 December 2018 together with the additional interest accrued in 2019.

All of the above transactions were made on arm's length terms.

31 Subsequent event

Between September and December 2019, an outbreak of a respiratory illness caused by the COVID-19 coronavirus started in Wuhan, Hubei Province, China. To contain the spread of the virus in Azerbaijan, the Government of Azerbaijan (the "Government") implemented various restrictions starting from early March 2020. These included the closure of all land borders to passengers (but not to freight) and the temporary suspension of all scheduled domestic and international flights on 3 April 2020. Domestic travel around the country and the movement of people was also severely curtailed.

The Company produces gold doré and copper concentrate at its Gedabek facility. In response to the COVID-19 outbreak, the Company implemented strict health measures to prevent an occurrence of the Coronavirus at its Gedabek production facilities. These included many hygiene measures such as the provision of hand disinfectants, deep cleaning of work areas and key employee homes and the provision of take away food to avoid the close gathering of people in canteens. An education progamme for employees was carried out and the Gosha accommodation camp redeployed as a quarantine facility. The Company has been able to continue in operation without serious disruption and maintain production of gold doré and copper concentrate. The Company also agreed terms for a $15 million standby credit facility with Pasha Bank as a contingency measure.

The majority of the Group's revenue is generated from the sale of gold bullion produced by refining gold doré at refiners located in Switzerland. In March 2020, the refiners announced suspension of their operations after the Swiss authorities announced the closure of all non-essential industry. The Company consigns its gold doré to Switzerland by scheduled air flights which was no longer possible from March 2020. The Company shipped one consignment of gold doré in early April 2020 by air-charter and the refiners announced that from mid-April 2020 they have resumed limited operation. The Company continues to ship copper concentrate by road.

The Company has implemented many measures to mitigate the effects of COVID-19 as set out above. However, the duration and intensity of this global health emergency and related disruption is uncertain, including the effect it will have on the ability of the Company to continue its operations and sell its products. No adjustments were made to the Group's statement of income or cash flows for the year ended 31 December 2019 or its statement of financial position at 31 December 2019. The COVID-19 pandemic has not affected the ability of the Company to continue as a going concern as set out in note 2 on page 51 and the Company does not expect any resultant impairment to assets in the financial statements for the year ending 31 December 2020. Given the dynamic nature of these circumstances, the final impact on the Group's statement of income, financial position and cash flows cannot be reasonably estimated at the time of signing these financial statements.

Company statement of financial position

31 December 2019

	Notes	2019 $000	2018 $000
Non-current assets			
Property, plant and equipment	3	**142**	168
Investments	4	**1,325**	1,325
		1,467	1,493
Current assets			
Other receivables	6	**161**	270
Cash and cash equivalents	7	**13,722**	13,428
		13,883	13,698
Total assets		**15,350**	15,191
Current liabilities			
Trade and other payables	8	**(4,209)**	(3,821)
Net current assets		**11,141**	9,877
Total liabilities		**(4,209)**	(3,821)
Net assets		**11,141**	11,370
Equity			
Share capital	10	**2,016**	2,016
Share premium account	12	**33**	33
Retained profit		**9,092**	9,321
Total equity		**11,141**	11,370

The profit dealt with in the financial statements of the Company is $8,467,000 (2018: loss of $1,339,000).

These Company financial statements were approved by the board of directors and authorised for issue on 12 May 2020. They were signed on its behalf by:

Reza Vaziri
President and chief executive

Company statement of changes in equity

year ended 31 December 2019

	Notes	Share capital $000	Share premium $000	Accumulated profit/(loss) $000	Total equity $000
1 January 2018		2,008	32,484	(18,500)	15,992
Loss for the year		—	—	(1,339)	(1,339)
Shares issued	10	8	141	—	149
Share premium reduction	12	—	(32,592)	32,592	—
Cash dividends paid	13	—	—	(3,432)	(3,432)
31 December 2018		2,016	33	9,321	11,370
Profit for the year		—	—	8,467	8,467
Cash dividends paid	13	—	—	(8,696)	(8,696)
31 December 2019		**2,016**	**33**	**9,092**	**11,141**

Notes to the Company financial statements

year ended 31 December 2019

1 Basis of preparation

The parent company financial statements of Anglo Asian Mining PLC are presented as required by the Companies Act 2006 and were approved for issue on 12 May 2020.

The parent company financial statements have been prepared using the accounting policies set out in note 2 which are consistent with all applicable International Financial Reporting Standards ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework', ("FRS 101"). FRS 101 enables the financial statements of the parent company to be prepared in accordance with EU-adopted IFRS but with certain disclosure exemptions. The main areas of reduced disclosure are in respect of equity settled share-based payments, financial instruments, the cash flow statement and related party transactions with Group companies.

The parent company financial statements have been prepared under the historical cost convention except for the treatment of share based payments. The parent company financial statements are presented in United States Dollars ("$") and all values are rounded to the nearest thousand except where otherwise stated. In the parent company financial statements "£" and "pence" are references to the United Kingdom pound sterling. As permitted by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of the parent company financial statements.

2 Significant accounting policies

2.1 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on cost in annual instalments over the estimated useful lives of assets which are reviewed annually. Property, plant and equipment is mainly office and computer equipment which are depreciated on a straight line basis over four years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.2 Investments

Investments in subsidiaries are stated at cost, and where appropriate, less any provision for impairment. Impairment is tested annually by comparing the recoverable amount of the underlying subsidiary to the carrying value of the investment, with any shortfall provided for during the period.

2.3 Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate method. The losses arising from impairment are recognised in the profit and loss account.

2.4 Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are not recognised in respect of temporary differences where there is insufficient evidence that the asset will be recovered.

2.5 Share-based payments

The Company has applied the requirements of IFRS 2 'Share-based Payment'. IFRS 2 has been applied to all grants of equity instruments.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The vesting condition assumptions are reviewed during each reporting period to ensure they reflect current expectations.

3 Property, plant and equipment

	Office equipment $000
Cost	
31 December 2018 and 2019	352
Depreciation	
1 January 2018	159
Charge for the year	25
31 December 2018	184
Charge for the year	26
31 December 2019	**210**
Net book value	
31 December 2018	168
31 December 2019	**142**

4 Investments

	2019 $000	2018 $000
Shares in subsidiary undertakings		
Anglo Asian Operations Limited	**1,325**	1,325

5 Subsidiaries

Anglo Asian Mining PLC is the parent and ultimate parent of the Group.

The Company's subsidiaries at 31 December 2019 are set out in the table below. All subsidiaries are 100 per cent. owned and their financial statements are included in the consolidated group financial statements:

Name	Registered office address	Primary activity
Anglo Asian Operations Limited	7 Devonshire Square Cutlers Gardens London EC2 4YH United Kingdom	Holding company
Holance Holdings Limited	P.O. Box 3136 Akara Building Main Street Road Town British Virgin Islands	Holding company
Anglo Asian Cayman Limited	Zephyr House P.O. Box 709 122 Mary Street Grand Cayman KY1 1107 Cayman Islands	Holding company
R.V. Investment Group Services LLC	15 East North Street Dover Kent Delaware United States of America	Mineral development
Azerbaijan International Mining Company Limited	Zephyr House P.O. Box 709 122 Mary Street Grand Cayman KY1 1107 Cayman Islands	Mining

There has been no change in subsidiary undertakings since 1 January 2019.

Notes to the Company financial statements continued

year ended 31 December 2019

6 Other receivables

	2019 $000	2018 $000
Current assets		
Prepayments	**40**	23
Loans	**60**	105
Advances	**61**	142
	161	270

7 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

There are no restrictions over the access to, and use of, the Company's bank and cash balances, other than those that customarily relate to periodic short-term deposits.

8 Trade and other payables

	2019 $000	2018 $000
Trade creditors	**121**	97
Accruals	**232**	335
HMRC	**30**	30
Amounts owed to subsidiary undertakings	**3,826**	3,359
	4,209	3,821

9 Deferred taxation

	2019 $000	2018 $000
The elements of unrecognised deferred taxation are as follows:		
Tax losses	**20,181**	18,648
Unrecognised deferred tax asset	**4,036**	3,730

A deferred tax asset has not been recognised in respect of temporary differences relating to tax losses as there is insufficient evidence that the asset will be recovered. None of the assets are recognised. The asset would be recovered if suitable taxable profits were generated in future periods.

10 Share capital

	2019		2018	
	Number	£	Number	£
Authorised				
Ordinary shares of 1 pence each	**600,000,000**	**6,000,000**	600,000,000	6,000,000
	Shares	$000	Shares	$000
Ordinary shares issued and fully paid				
1 January	**114,392,024**	**2,016**	114,392,024	2,016

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

11 Share-based payments

Equity-settled share option scheme

Details of the Company's equity-settled share option scheme are given in note 25 to the Group financial statements.

12 Share premium account

	2019 $000	2018 $000
1 January	**33**	32,484
Issue of shares	**—**	141
Court approved reduction	**—**	(32,592)
31 December	**33**	33

On 13 July 2018, the Company issued a circular to its shareholders proposing a resolution to reduce its share premium account to $nil. This resolution was passed by its shareholders at a meeting of its shareholders on 30 July 2018.

The reduction in the share premium account to $nil was approved by the court on 28 August 2018. The share premium account of $33,000 at 31 December 2018 and 2019 is the share premium on shares issued subsequent to the court approved reduction.

13 Distributions made and proposed

	2019 $000	2018 $000
Cash dividends on ordinary shares declared and paid:		
Interim dividend for 2018: 3.0 US cents per share	**—**	3,432
Final dividend for 2018: 4.0 US cents per share	**4,592**	—
Interim dividend for 2019: 3.5 US cents per share	**4,104**	—
	8,696	3,432
Proposed dividends on ordinary shares:		
Final dividend for 2019: 4.5 US cents per share*	**5,148**	—

Cash dividends are declared in US dollars but paid in pounds Sterling. Dividends are converted into pounds Sterling using a five day average of the sterling closing mid-price published by the Bank of England at 4pm each day for a specified week prior to payment of the dividend.

The rates used to convert the dividends from US dollars into pounds Sterling for the dividends above which have been paid and the corresponding sterling amount of dividend are as follows:

	Conversion rate	Dividend pence
Interim dividend for 2018: 3.0 US cents per share	1.3121	2.2864
Final dividend for 2018: 4.0 US cents per share	1.2580	3.1797
Interim dividend for 2019: 3.5 US cents per share	1.2344	2.8533

* The proposed final dividend for the year ending 31 December 2019 is subject to approval by shareholders at the annual general meeting for 2020 at a rate to be announced. It has not been recognised as a liability in the Group statement of financial position at 31 December 2019.

14 Subsequent events

No significant events took place for Anglo Asian Mining PLC after the balance sheet date. Note 31 of the Group financial Statements details the subsequent event of the COVID-19 coronavirus health emergency.

15 Auditor's remuneration

The Company paid $107,000 (2018: $107,000) to its auditor in respect of the audit of the financial statements of the Company. Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of Anglo Asian Mining PLC because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

Letter to shareholders from the Chairman

Anglo Asian Mining PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5227012)

Registered office
7 Devonshire Square, Cutlers Gardens, London EC2M 4YH, United Kingdom

1 June 2020

To the holders of ordinary shares of Anglo Asian Mining PLC (the "Company").

Dear shareholder
Accompanying this letter you will find the Company's annual report and accounts for the year to 31 December 2019 together with the attached notice of the annual general meeting to be held on 23 June 2020 (the "Meeting") and a form of proxy. This letter is to explain procedure for the annual general meeting and give the background to some of the resolutions to be put to shareholders at the Meeting.

Annual General Meeting ("AGM") for 2020
In order to comply with the UK Government's COVID-19 "Stay Alert" measures which prohibits, amongst other things, public gatherings of more than two people, the AGM is being convened as a "Closed Meeting". The meeting will be convened with the necessary quorum of two shareholders in accordance with the Company's Article's of Association. Other Shareholders will not be allowed to attend on the grounds of safety and any present at the venue will be refused entry to the AGM.

Shareholders are strongly encouraged to exercise their right to vote by appointing the Chairman of the meeting as their proxy. A shareholder nominating any other person as their proxy will not have their votes counted as that person will not be allowed to attend the meeting. A reply-paid form of proxy is included with this Annual Report with its instructions. Shareholders should complete the form in accordance with its instructions and return it to the address given on the form of proxy.

The directors always welcome the opportunity afforded by the AGM to answer questions from shareholders. To ensure that shareholders still have the ability to submit questions about the business, a form has been set up on the Company's web-site (https://www.angloasianmining.com/) where shareholders can submit questions. Shareholders will need to submit their name, email address and the number of shares held to ask a question. Responses relevant to the business will be published on the Company's web-site in due course after the AGM.

The situation with regard to COVID-19 is fast moving and should any change be required to the arrangements of the AGM, the Company will release an RNS and publish the change on its web-site.

Background to resolutions

Resolution 3 – Re-election of the Director retiring by rotation
Under the Company's articles of association, one third of the directors of the board of directors (or, if the number of directors is not three or a multiple of three, the number nearest to and not exceeding one third) must retire at each annual general meeting and may offer themselves for re-election to the board of directors. This year John Monhemius is retiring in accordance with the Company's articles of association and is seeking re-election at the Meeting.

Resolution 4 – Declaration of a Dividend
This is an ordinary resolution to declare a dividend as recommended by the directors. The dividend is payable out of distributable profits available for the purpose and set aside by the Company for the payment of a dividend. The directors have a responsibility to examine the accounts of the Company to ensure that a distribution can be made to the shareholders without placing the Company into any difficulties.

Resolution 5 – Authority to allot shares
This ordinary resolution deals with the renewal of the directors' authority to allot new ordinary shares during the course of the year in order to facilitate the business of the Company and renews the equivalent authority granted at last year's annual general meeting which expires at the end of the Meeting.

The current Investment Association guidelines state that Investment Association members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of the Company's issued share capital, but on the basis that any authority to allot shares exceeding one-third of the Company's issued share capital can only be used to allot shares pursuant to a fully pre-emptive rights issue.

In accordance with these guidelines, resolution 5 proposes that directors be granted authority to allot shares in the capital of the Company up to a maximum amount representing the guideline limit of two-thirds of the Company's issued ordinary share capital as at 12 May 2020 (the latest practicable date prior to publication of this letter). Of this amount, half can only be allotted pursuant to a rights issue.

The authority will expire on the earlier of: (i) the conclusion of the next annual general meeting; or (ii) 30 June 2021 (being six months after the Company's accounting reference date).

Resolution 6 – Disapplication of statutory pre-emption rights

This resolution is a special resolution that renews the authority given at last year's Annual General Meeting and which seeks to give the directors the authority to allot securities for cash on a pre-emptive basis within the limits of the authority set out in resolution 5 and on a non pre-emptive basis up to a maximum of 10 per cent. of the issued ordinary share capital of the Company. The directors believe that it is in the best interests of the shareholders that the directors should have the right to allot relevant securities for cash on a pre-emptive basis and a limited authority to allot relevant securities for cash on a non-pre-emptive basis.

Recommendation

The directors consider all the resolutions to be put to the Meeting to be in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. Accordingly the directors unanimously recommend that you vote in favour of the proposed resolutions, as they intend to do in respect of their own beneficial shareholdings.

Yours faithfully

Khosrow K. Zamani

Khosrow Zamani
Non-executive chairman

Notice of annual general meeting of shareholders

NOTICE IS HEREBY GIVEN that the annual general meeting ("AGM") of the shareholders of Anglo Asian Mining PLC (the "Company") will be held on 23 June 2020 at 10.30am at The London Marriott Hotel Twickenham, 198 Whitton Road, Twickenham TW2 7BA for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 5 (inclusive) will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution:

Ordinary resolutions

1 THAT the consolidated financial statements and the reports of the board of directors and of the auditors for the year ended 31 December 2019 be received.

2 THAT Ernst & Young LLP be re-appointed as the auditors of the Company and that the board of directors be authorised to fix their remuneration.

3 THAT John Monhemius be re-elected as a director, having retired by rotation in accordance with the Company's articles of association.

4. THAT a dividend shall be declared of 4.5 US cents per issued share to the ordinary shareholders on the registrar of members on the 3 July 2020.

5 THAT the directors be hereby authorised generally and unconditionally pursuant to Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act):
   (a) up to an aggregate nominal amount of £381,307*; and
   (b) up to an aggregate nominal amount of £762,613** (including within such limit any equity securities issued under paragraph (a) above) in connection with an offer by way of a rights issue:
      (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
      (ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any matter.

   The authority granted by this resolution shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 June 2020, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this authority had not expired.

Special resolution

6 THAT subject to the passing of resolution 5 above the directors be hereby empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (as defined by Section 560 of the Act) wholly for cash and/or to sell or transfer shares held by the Company in treasury ("Treasury Shares") as the directors deem appropriate (in the case of allotments, pursuant to the authority conferred by resolution 5 above) as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment (or, in the case of Treasury Shares, the sale or transfer) of equity securities:
   (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange or otherwise; and
   (b) otherwise than pursuant to sub-paragraph (a) of this resolution up to an aggregate nominal amount of £114,392†,

   and provided that this authority shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the Company's next annual general meeting or, if earlier, 30 June 2021 save that the Company may, at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted (or in the case of Treasury Shares, sold or transferred) after such expiry and the directors may allot (or in the case of Treasury Shares, sell or transfer) equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

By order of the board of directors

W R Morgan

William Morgan
7 Devonshire Square
Culters Gardens
London EC2M 4YH
United Kingdom
1 June 2020

* Calculated as one third of the nominal value of the total issued ordinary share capital (i.e. 114,392,024 shares of nominal value £1,143,920.24).
** Calculated as two thirds of the nominal value of the total issued ordinary share capital (£1,143,920.24).
† 10 per cent. of the ordinary issued share capital of the Company (£1,143,920.24).

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise any of their rights to attend, speak and vote on their behalf at the AGM. A proxy need not be a member of the Company. Where more than one proxy is appointed, each proxy must be appointed for different shares. A proxy form is enclosed. Completion and return of a proxy form will not preclude a member from attending and voting at the AGM should he subsequently decide to do so. To be effective, the proxy form and any power of attorney or other such instrument (if any) under which it is signed or a notarially certified copy of such power of attorney must be deposited at the offices Link Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU not later than 10.30am on 21 June 2020.

2 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company at close of business on 21 June 2020 shall be entitled to vote in respect of shares registered in their name at that time. Changes to the register of members after close of business on 21 June 2020 shall be disregarded in determining the rights of any person to attend or vote at the AGM.

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Website
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Registered in England and Wales

VAT registration number
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