Successful exploration and delivering returns to shareholders

ANGLO ASIAN MINING PLC

Anglo Asian Mining PLC

Annual report and accounts 2020

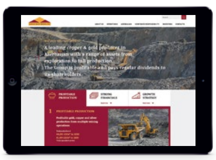
Anglo Asian Mining PLC is an established and sustainable mining business in Azerbaijan which is debt free and cash generative and pays regular dividends to its shareholders. It has a well-defined growth strategy and ample opportunities to both add production in the medium term and for longer-term development.

Gold, copper and silver are produced at Gedabek in north-west Azerbaijan. Ore is mined from open pit and underground mines and processed by leaching and flotation. The Company reported production of 67,249 gold equivalent ounces in 2020. The Company will pay a total of US 9.5 cents per share dividend in respect of 2020 including a US 1.5 cents per share special dividend. The Company has been listed on AIM since 2005.

The Company has five other concessions in Azerbaijan, which together with Gedabek, cover 1,962 square kilometres. Two of these concessions have been operational since the Production Sharing Agreement was signed with the Government of Azerbaijan in 1996. The other three concessions were restored to the Company in 2020 following the resolution of the conflict with Armenia. All six concessions are situated on the Tethyan Tectonic Belt, one of the world's most significant gold and copper-bearing trends.

The Company has various opportunities to grow both in the medium and long term. In the medium term, it can increase production from new discoveries at Gedabek and commence production from mines in the restored concession areas. It also has a very large amount of territory for exploration including Gosha and Ordubad and in the restored concession areas. The Company is also looking at suitable opportunities outside of Azerbaijan.

Contents



Discover more online

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

Cover photo: Zafer exploration site (foreground) with Gedabek processing facilities and open pit in the background

Highlights and dividend

year ended 31 December 2020

OPERATIONAL HIGHLIGHTS

- Total production for 2020 was 67,249 gold equivalent ounces ("GEOs") compared to 81,399 GEOs in 2019
- Gold production for 2020 of 56,864 ounces, compared to 70,098 ounces produced in 2019
- Gold bullion sales in 2020 of 48,650 ounces (2019: 53,992 ounces) completed at an average of $1,777 per ounce (2019: $1,410 per ounce)
- Gold produced in 2020 at an all-in sustaining cost* net of by-product credits of $702 per ounce (2019: $591 per ounce). Higher all-in sustaining cost due to lower production as many costs are fixed or semi-variable
- Copper production for 2020 was 2,591 tonnes compared to 2,210 tonnes produced in 2019
- Silver production for 2020 totalled 122,962 ounces compared to 2019 production of 159,356 ounces
- Total production target of between 64,000 and 72,000 GEOs for 2021

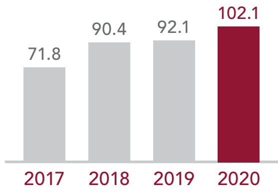
* Non-IFRS indicators; see definition in financial review on pages 25 to 28.

† Including cash in transit.

FINANCIAL HIGHLIGHTS

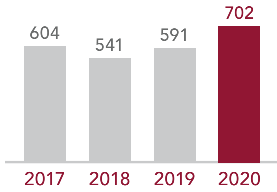
Revenue ($m)

$102.1m



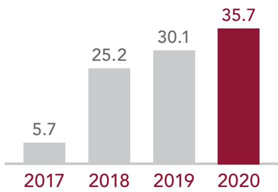
All-in sustaining cost ("AISC")* ($ per ounce)

$702 per oz



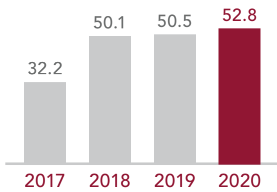
Profit before taxation ($m)

$35.7m



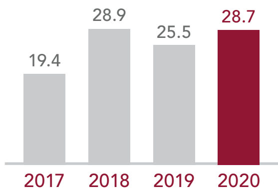
Operating cash flow before movements in working capital ($m)

$52.8m



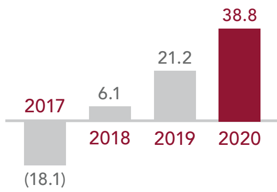
Free cash flow ($m)*†

$28.7m



Net bank (debt)/cash ($m)*†

$38.8m



DIVIDEND PER SHARE FOR 2020

- Interim dividend of 3.4651 pence (US 4.5 cents) paid on 5 November 2020
- Special dividend of 1.0767 pence (US 1.5 cents) paid on 11 March 2021
- Final dividend of US 3.5* cents will be paid on 29 July 2021
- Shareholders' record date of 2 July 2021 and shares will go ex-dividend on 1 July 2021
- Payable in sterling at the average US dollar to pounds sterling rate on the 5 days from 5 to 9 July 2021

US$ cents	2020	2019
Interim paid	4.5	3.5
Special paid	1.5	–
Final proposed/paid	3.5*	4.5
Total for the year	9.5	8.0

* Subject to approval at the annual general meeting.

Anglo Asian Mining

Anglo Asian Mining has six concessions in Azerbaijan including three which were restored in 2020. Its portfolio of assets encompass a large amount of very prospective exploration territory through to mature assets in production. It also has several discoveries under investigation which have the potential to become producing mines.

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, and the Gadir underground mine.

Combined life of mine based on current JORC reserves until at least 2028.

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

Mining and exploration rights until March 2027 which can be extended by five 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.

New mineral deposit discovered in 2020 - Zafer.

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 three years.

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

New polymetallic copper discovery made at the Asrichay target.

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

Kyzlbulag, Soutely and Vejnaly

Following the ceasefire agreement between Azerbaijan and Armenia in November 2020, three contract areas held under the Company's existing Production Sharing Agreement were restored to Anglo Asian Mining. These contain several existing mines and all have extensive exploration potential.

"Soyudlu" (formerly "Zod") gold and silver mine – Kalbajar district

Soutely

Soutely is located in the Kalbajar district in the west of Azerbaijan.

Soutely contains the Soyudlu (formerly "Zod") gold and silver mine which is the largest in the Caucasus region. The mine straddles the Armenian, Azeri border and 73 per cent. of the mine is located in Azerbaijan. It is a world class resource containing over eight million ounces of gold.

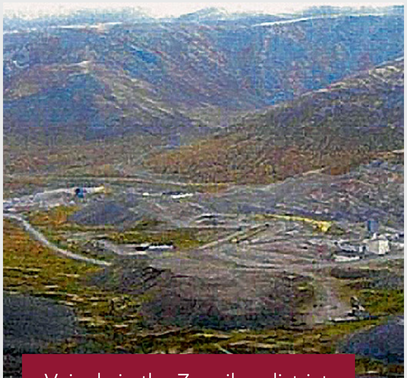
Soyudlu was reported to produce 120,000 ounces of gold per year prior to the conflict. No mining is currently being carried out in that part of the mine located in Azerbaijan.

Construction has started on a 194 kilometre road which will access the Kalbajar district commencing near Ganja and finishing in Lachin.

Kyzlbulag

The Kyzlbulag contract area is located in Karabakh and covers 300 square kilometres. The Kyzlbulag contract area contains existing mines and has high potential for exploration. Russian peacekeepers are present in the area.

Our access to the region will be coordinated by the Government of Azerbaijan in conjunction with the Russian peacekeepers.



Vejnaly in the Zangilan district

Vejnaly

Vejnaly is located in the Zangilan region of Azerbaijan. It contains the Vejnaly deposit which has been subject to prior mining.

Access to the area has been obtained from the Government of Azerbaijan and in March 2021, a visit to the area was made by Company employees.

Chairman's statement

Khosrow Zamani

> I am very pleased to report that the Company demonstrated its resilience by ending this exceptionally difficult year financially stronger and better positioned for growth than at the beginning.

The year under review has been without precedent for Anglo Asian. It commenced with the COVID-19 pandemic and ended with the conflict between Azerbaijan and Armenia. The Company's highest priority throughout the year continued to be the safety and welfare of our employees. Despite the many challenges, I am very pleased to report that the Company demonstrated its resilience by ending this exceptionally difficult year financially stronger and better positioned for growth than at the beginning.

The Group's cash generation during the year was excellent and the Company ended 2020 with cash of $39 million and no bank debt. To ensure the Company retains sufficient capital to pursue its exciting development opportunities in all six contract areas, the board has decided to maintain the dividend (excluding the special dividend for 2020) at the same level as 2019 of US 8.0 cents per share. Accordingly, I am very pleased to declare a final dividend in respect of 2020 of US 3.5 cents per share. This will give a total dividend for the year (including the special dividend for 2020) of US 9.5 cents per share.

I am also very pleased to report that in April 2021, the first of the two five-year permitted extensions of the production sharing agreement for Gedabek was granted. This extension demonstrates the Company's excellent relations with the Government of Azerbaijan.

COVID-19 pandemic and the conflict between Azerbaijan and Armenia

The COVID-19 pandemic, commencing from March 2020, severely restricted our operations in Azerbaijan. Restrictions included either curtailing or suspending domestic and international travel which affected our supply chain and movement of staff. The operations of many local businesses were suspended for much of the year. Our gold refiners in Switzerland also halted operations for a short period.

In September 2020, conflict broke out between Azerbaijan and Armenia, which thankfully ended in November with a ceasefire agreement. Martial law was imposed throughout Azerbaijan during the period of the conflict together with a night-time curfew. Many social media and other internet services were either restricted or blocked completely. Some company employees were also conscripted for military service.

The COVID-19 pandemic and the conflict with Armenia were extremely demanding for employees of the Company, many of whom faced new challenges, often daily. Extra health and safety measures had to be quickly put in place and many actions taken to secure our operations. It is a tribute to our employees' endeavours that the Company's operations were maintained throughout the year with only limited disruption.

The restrictions arising from COVID-19 have remained in various forms throughout the year. They have been slowly eased from February 2021 and most restrictions within Azerbaijan have been lifted by now. However, international travel to and from Azerbaijan is still limited, but shipping gold doré to Switzerland by scheduled flights was recommenced in autumn 2020.

Financial results and dividend

The Company's financial performance in the year was highly satisfactory, with revenues of $102 million, compared to $92 million in 2019. Revenues were boosted by increased metal prices, with gold sales averaging $1,777 per ounce over the year, compared to $1,410 per ounce in 2019. The all-in sustaining cost of gold produced increased to $702 per ounce compared to $591 per ounce in 2019 due to the lower production as many costs are either fixed or semi-fixed. The Company ended the year with a very strong balance sheet with cash of $39 million and no bank debt after having paid $10 million of dividends in the year.

The Company is committed to delivering returns to its shareholders and is proud to be one of the few mining companies listed on the London Alternative Investment Market which pays dividends. I am therefore delighted to announce a final dividend for the year ended 31 December 2020 of US 3.5 cents per share, giving a total dividend for 2020 of US 9.5 cents per share. This maintains the dividend at the same level as 2019, excluding the special dividend of US 1.5 cents per share paid in March 2021.

Gedabek site – operational review and production in 2020

In 2020, a total of 67,249 gold equivalent ounces were produced at Gedabek. Production was lower than 2019 because the Ugur open pit mine, which was providing higher grade ore, was mined out during the year. The COVID-19 pandemic and the conflict between Azerbaijan and Armenia also affected our production, due to difficulties in rotating site employees and disruptions to our supply chains. It is not feasible to quantify accurately the production lost but the directors believe it was not very significant.

Chairman's statement continued

Gedabek site – operational review and production in 2020 continued

The health and safety of all of our employees and contractors is of the highest importance to Anglo Asian Mining and testament to this was reaching in July the significant milestone of one million man hours worked without a lost time injury ("LTI"). We are extremely proud of this achievement and will continue to improve our safety procedures as we work towards the target of two million LTI-free man hours. COVID-19 testing is freely available in Azerbaijan and employees and contractors are regularly tested. Social distancing and other measures are in place in line with best practice to endeavour to keep all our employees safe. A new, purpose built, staff canteen was also opened in the year to improve the wellbeing of our employees at Gedabek.

During the year, a new portal was opened and a decline was developed into the ore body below the Gedabek main open pit. Underground mining of the richer ore below the open pit is now being carried out. The decline was also connected to the Gadir underground mine tunnelling to provide the required number of egresses for safe mining.

An application for the first of the two, contractually allowed, five-year extensions of the production sharing agreement for the Gedabek contract area was submitted during the year. The extension was granted by the Government of Azerbaijan in April 2021.

The Company increased the capacity of its tailings dam by 1.4 million cubic metres by raising the wall of the dam by six metres. It now has sufficient capacity until the end of 2022. This will be the last raise of the wall as the dam has reached its maximum design height. A potential site for a new tailings dam has been identified and geotechnical investigations are on-going.

Mineral resources and geological exploration

Sustainable production is an essential part of the Company's strategy, together with a comprehensive exploration programme to identify growth opportunities. We are now in the third year of our internally-funded, three-year exploration programme, which has been a notable success. In 2020, we reported updated JORC statements for our mines, and exploration resulted in the discovery of Zafer, an exciting copper-gold mineral occurrence within the Gedabek contract area.

The updated resources and reserves for the Gedabek open pit showed 284,000 ounces of gold and 26,000 tonnes of copper, of ore reserves remaining. The ore reserves of the Gadir underground mine are 49,000 ounces of gold and 191 tonnes of copper. Exploration is continuing across the Gedabek contract area to increase resources and reserves.

The Zafer copper-gold deposit, conveniently located only 1.5 kilometres from the Gedabek processing plant, is an exciting discovery. The thickness and style of its mineralisation is consistent with porphyry-type mineralisation and a preliminary estimate of the deposit size is about six million tonnes of mineralised rock. An intensive drilling programme is currently underway at Zafer to produce JORC resource and reserve estimates, with a maiden resource expected to be available in June 2021.

Exploration work at the Avshancli mineral district indicates a free-digging central zone with the possibility of mining from an open pit, beginning late this year or early 2022. At Gosha, drilling continued close to the existing underground mine and significant gold grades were encountered. It was not possible to drill at Ordubad in 2020 due to COVID-19 restrictions, although some trench sampling was carried out. It is planned to ramp up exploration in 2021 at Ordubad.

Newly restored contract areas

The restoration of the three contract areas in the formerly occupied territories and Karabakh opens up further opportunities for the Company. The contract areas cover a total of 900 square kilometers and contain existing mines and have exceptional exploration potential. Our production sharing agreement is in good standing and will be reset to "year zero" for each of these contract areas once access has been granted. The political situation is still developing and the Company is closely monitoring events. The Government of Azerbaijan has also commenced building infrastructure in the areas such as roads, railways and airports.

A limited site visit to the Vejnaly contract area has been undertaken. However, due to safety and security concerns, access to Vejnaly and the other restored areas by Company personnel remains somewhat restricted. The determination of their final status continues to be reviewed by the Government of Azerbaijan.

67,249
A total of 67,249 gold equivalent ounces was produced in 2020

$102.1m
Revenue for 2020

$23.2m
Profit after tax for 2020

$38.8m
Cash at 31 December 2020

US 9.5 cents
Total dividend for 2020

Production guidance for 2021

In 2021, the Company will only be mining from its existing mines and production is forecast to decrease, mainly due to the exhaustion of the Ugur open pit in 2020. We have therefore set a production target of 64,000 to 72,000 gold equivalent ounces for 2021. This includes up to 54,000 ounces of gold and between 2,500 and 2,800 tonnes of copper. We believe our continued exploration programme and other initiatives will result in increased production in future years.

This 2021 guidance does not include any production from the restored contract areas. Whilst the situation is currently unclear, the Company believes there may be potential for a small amount of production from ore stockpiled at Vejnaly.

Growth strategy

The Group is now vigorously pursuing various opportunities for future growth. We are planning to start production from our new discoveries, possibly commencing with a small open pit mine in the central area of Avshancli-1 which may commence late this year, or early next year. Slightly longer term, Zafer has the potential for a major new underground mine at Gedabek. We are also currently in discussions with the Government of Azerbaijan regarding acquisition of new concessions in the country and we hope to be able to update our shareholders about these in the near future.

Negotiations with Conroy Gold and Natural Resources plc for a joint venture were terminated in early 2021. It had become apparent during the negotiations that the Company had a very different vision for the joint venture to that of Conroy. We still have ambitions to develop mines outside of Azerbaijan and continue to look at other opportunities which will add value for our shareholders.

We believe the restored contract areas and any additional concessions in Azerbaijan offer potential for growth. In addition to resuming operation of the existing mines, significant exploration potential exists on known geological trends in the restored contract areas.

Board of director changes

Michael Sununu was appointed as a non-executive director in December 2020 following the departure from the board of Richard Round. I warmly welcome Michael to the board and would also like to thank Richard for his work and commitment to the Company over many years.

Annual General Meeting for 2021

The directors have very reluctantly taken the decision to again convene the annual general meeting for 2021 as a "closed meeting" with only the necessary quorum of two members. Whilst all United Kingdom COVID-19 restrictions are planned to end shortly before our annual general meeting, there is a possibility this policy could be postponed. Further, four out of five directors and the company secretary would need to travel to the United Kingdom for the meeting, which may still not be possible in late June.

The Company has given serious consideration to holding a virtual "hybrid" annual general meeting. However, these are prone to technical problems due to the variable reliability of the internet and they do not offer face to face interaction with shareholders. The directors have therefore decided such a meeting would not offer sufficient benefits to be worthwhile.

In accordance with the latest guidance and to ensure best practice, all voting will be by proxy and the chairman of the meeting should be appointed as the proxy. As last year, a facility will be established for shareholders to submit questions to the board prior to the annual general meeting via the Company's website. The Company will publish all relevant questions together with the Company's response, prior to the closing date for submission of proxy voting cards.

Shareholders are strongly encouraged to 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.

Open pit at Vejnaly

Further details of the annual general meeting and the notice can be found on pages 85 to 87 of this annual report.

Outlook

The Company's performance in 2020 has been a considerable achievement. Our operational competence and financial discipline leaves the Company in an excellent situation. A strong balance sheet and available capital ensures the continued future development of Anglo Asian Mining.

Geological exploration is expected to yield further positive results with a focus on our five discoveries, particularly the exciting Zafer discovery. We have also begun to evaluate our restored contract areas with a site visit to Vejnaly. We are also in discussions to acquire new concessions in Azerbaijan.

As a part of our plan for sustained growth and longevity, we continue to assess expansion opportunities both in Azerbaijan and other countries that will complement our existing operations and deliver substantial shareholder value.

Anglo Asian Mining is a very well-established, low cost, debt free, dividend paying, gold, copper and silver producer in the junior mining sector. The past year has more than amply demonstrated the Company's resilience and financial performance whilst pursuing growth opportunities.

Appreciation

The COVID-19 pandemic and conflict with Armenia provided great challenges to all our staff in 2020. I would like to take this opportunity to thank the employees of Anglo Asian Mining, our partners, the Government of Azerbaijan and our advisors for their continued support. Our thoughts are also with the family of our employee who lost his life in the conflict. I would also like to sincerely thank the shareholders for their continued investment and support in the Company. I look forward to an exciting year and sharing our future successes with you all.

Khosrow K. Zamani

Khosrow Zamani

Non-executive chairman

19 May 2021

Zafer – new discovery at Gedabek

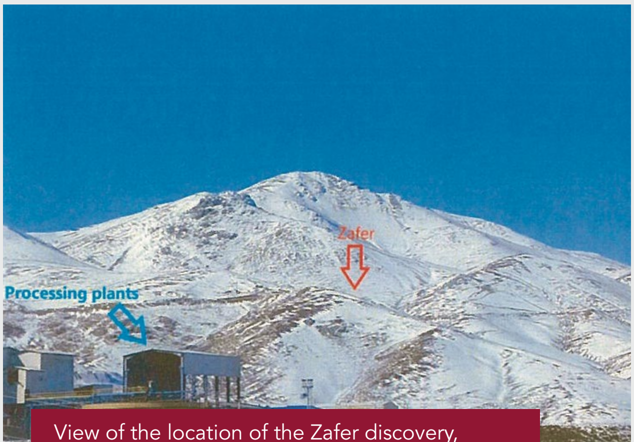
View of the Zafer exploration site with the Gedabek processing facilities and open pit mine in the background

Zafer is an exciting copper and gold mineral deposit discovery approximately 1.5 kilometres north-west of the Gedabek processing facilities.

An extensive exploration programme is underway to determine its mineral resources.

A preliminary estimate of the deposit size is about 6 million tonnes of mineralised rock grading 0.7 per cent. copper and 0.4 grammes per tonne of gold. There is also significant zinc.

Initial plan is for an underground mine accessed via a decline developed from a portal.



View of the location of the Zafer discovery, existing processing facilities are bottom left

Zafer – new discovery at Gedabek

View of the Zafer exploration site

The Zafer discovery was made through the follow-up of field mapping of 3 ZTEM targets.

A significant drill programme is currently underway with 4 core drill rigs operating.

Ground based geophysical investigation has also been carried out to focus the core drill programme.

Core drilling has provided significant mineralised intersections – for example, 113 metres at 0.5 per cent. copper and 0.7 grammes per tonne of gold.

Maximum grades within all drill holes to date of up to 14 per cent. copper, 12 grammes per tonne of gold, 1,700 grammes per tonne of silver and 24 per cent. zinc.

Mining Plus have been contracted to provide a maiden resource of the deposit with results expected in June 2021.

Three dimensional models are underway for structural geology, hydrological, density, rock engineering characteristics and metallurgical testwork for reserve estimation preparation.

Recent drill hole collar locations

Core drill rigs working at Zafer in May 2021

Strategic report

Strategic report

Reza Vaziri

> "The Group has a production target for the year to 31 December 2021 of 48,000 ounces to 54,000 ounces of gold and 2,500 tonnes to 2,800 tonnes of copper. The total production target for the year to 31 December 2021 expressed as gold equivalent ounces ("GEOs") is between 64,000 GEOs and 72,000 GEOs, compared to total production for the year to 31 December 2020 of 67,249 GEOs."

The directors present their strategic report for the year ended 31 December 2020.

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 1,962 square kilometres of land in western Azerbaijan including Karabakh under concession divided into six separate parcels of land called contract areas. This is approximately 2.5 per cent. of the territory of Azerbaijan. Three of the contract areas ("Active Contract Areas") have been exploited since inception of the business and are at various stages of development:

- **Gedabek contract area ("Gedabek").** This is the location of the Group's main gold, silver and copper open pit mine and the Gadir and Gedabek underground mines. The Group's processing facilities to produce gold doré and copper, silver and gold concentrates are also located at Gedabek.
- **Gosha contract area ("Gosha").** This is located approximately 50 kilometres from Gedabek and is the location of a small, narrow vein gold and silver mine.
- **Ordubad contract area ("Ordubad").** An early-stage gold and copper exploration project located in Nakhchivan, south-west Azerbaijan.

In addition to the Active Contract Areas, the Group has three contract areas ("Restored Contract Areas") which were restored to the Group following the cessation of the conflict between Azerbaijan and Armenia in 2020. The Group will commence exploiting these contract areas as soon as access is obtained and other conditions permit.

- **Soutely contract area ("Soutely").** Situated in the Kalbajar district of Azerbaijan and location of the Soyudlu (formerly "Zod") gold and silver mine.
- **Kyzlbulag contract area ("Kyzlbulag").** Situated in Karabakh.
- **Vejnaly contract area ("Vejnaly").** Situated in the Zangilan district of Azerbaijan and hosts the Vejnaly deposit

Overview of 2020 and 2021 production target

In 2020, 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:

Add production in the medium term

- Increase production from new discoveries at Gedabek with potential production scheduled to start in late 2021 or 2022.
- Commence production from mines in the Restored Contract Areas.

Longer-term development

- Develop the large amount of exploration territory under concession including Gosha, Ordubad and the Restored Contract Areas.
- Obtain new concessions in Azerbaijan.
- Pursue any opportunities outside of Azerbaijan which it believes can be made commercially successful.

Overview of 2020 and 2021 production target continued

In November 2020, the ore resource and reserve statements in accordance with the JORC Code (2012) were published for all Company mines. The Company's three-year geological exploration programme, which commenced in 2018, has yielded very positive results with many new targets and potential deposits identified. In early 2021, the Group announced the discovery of "Zafer" at Gedabek. This is a significant copper-gold mineral occurrence.

The Group has a production target for the year to 31 December 2021 of 48,000 ounces to 54,000 ounces of gold and 2,500 tonnes to 2,800 tonnes of copper. The total production target for the year to 31 December 2021 expressed as gold equivalent ounces ("GEOs") is between 64,000 GEOs and 72,000 GEOs, compared to total production for the year to 31 December 2020 of 67,249 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 2020 $**	Budget 2021 $	**Actual 31 December 2020 Ounces**	Budget 2021 Ounces
Gold	per ounce	**1,893.66**	1,650.00	**1.000**	1.000
Silver	per ounce	**26.30**	25.00	**0.014**	0.015
Copper	per tonne	**7,741.50**	8,700.00	**4.088**	5.273

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 Gadir and Gedabek underground mines and the Company's processing facilities. Ore was also mined in 2020 from the Ugur mine, which has now been exhausted.

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. In July 2018, a second crusher line was added to enable independent operation of the agitation leaching plant and the flotation plant. In 2020, a decline was developed into the ore body beneath the Gedabek open pit and underground mining was commenced (the "Gedabek underground mine").

Mineral resources and ore reserves

Key to the future development of the Company is our knowledge of the mineral resources within the Company's contract areas. The Group's most recent mineral resources and ore reserves estimates were published on 2 November 2020. A summary of these estimates is as follows (amounts are in-situ before recovery):

- Mineral resources for Gedabek open pit:
  - Total mineral resources of 735,000 ounces of gold and 41,200 tonnes of copper.
  - Mineral resources now include material contained in stockpiles.
  - Zinc mineral resources now also estimated to enable the technical implications of higher zinc grades at depth to be understood.
- Revised mineral resources for Gadir underground mine:
  - Total mineral resources of 267,000 ounces of gold and 2,183 tonnes of copper.
- Combined mineable ore reserves for the Gedabek open pit and Gadir underground mine:
  - Gedabek open pit of 284,000 ounces of gold and 26,000 tonnes of copper.
  - Gadir underground mine of 49,000 ounces of gold and 191 tonnes of copper.
- Mine life for the Gedabek open pit of eight years:
  - Mine life based on only surface mining from the Gedabek open pit.
  - Underground mining from beneath the Gedabek open pit will shorten mine life.
- A residual mineral study of the Ugur open pit showed that, as expected, the mine is nearing depletion.

Strategic report continued

Gedabek continued

Mineral resources and ore reserves continued

Table 1 shows the Gedabek open pit mineral resources estimate at 30 June 2020 and table 2 shows the Gedabek open pit ore reserves estimate at 30 June 2020. Table 3 shows the Gadir underground mine mineral resources estimate at 30 September 2020 and table 4 shows the Gadir underground mine ore reserves estimate at 30 September 2020. Table 5 shows the amount of remaining mineable material for the Ugur open pit at 30 June 2020.

Table 1 – Gedabek open pit mineral resources estimate at 30 June 2020

MINERAL RESOURCES (cut-off grade of 0.2 g/t gold)

		In-situ grades				Contained metal			
Mineral Resources	Tonnage (Mt)	Gold grade (g/t)	Copper grade (%)	Silver grade (g/t)	Zinc grade (%)	Gold (koz)	Copper (kt)	Silver (koz)	Zinc (kt)
Measured	15.8	0.66	0.12	2.58	0.24	335	19.0	1,311	37.9
Indicated	12.0	0.56	0.12	2.31	0.16	216	14.4	891	19.2
Measured and Indicated	**27.8**	**0.62**	**0.12**	**2.46**	**0.21**	**551**	**33.4**	**2,202**	**57.1**
Inferred	13.0	0.44	0.06	0.61	0.15	184	7.8	255	19.5
TOTAL	**40.8**	**0.56**	**0.10**	**1.87**	**0.19**	**735**	**41.2**	**2,457**	**76.6**

Some of the totals above may not add due to rounding.

ADDITIONAL MINERAL RESOURCES (additional to gold mineral resource)
(gold cut-off < 0.2 g/t and copper > 0.3 %)

	Gold		Copper		Silver		Zinc		Contained metal			
	Tonnage (Mt)	Gold grade (g/t)	Tonnage (Mt)	Copper grade (%)	Tonnage (Mt)	Silver grade (g/t)	Tonnage (Mt)	Zinc grade (%)	Gold (koz)	Copper (kt)	Silver (koz)	Zinc (kt)
Measured	—	—	2.15	0.43	0.08	16.4	1.86	0.53	—	9.2	42	9.9
Indicated	—	—	2.13	0.34	0.28	13.9	2.03	0.51	—	7.2	125	10.4
Measured and Indicated	**—**	**—**	**4.28**	**0.39**	**0.36**	**14.5**	**3.89**	**0.52**	**—**	**16.5**	**167**	**20.2**
Inferred	—	—	2.85	0.40	0.15	19.4	7.04	0.54	—	11.4	94	38.0
TOTAL	**—**	**—**	**7.10**	**0.39**	**0.51**	**15.9**	**10.9**	**0.50**	**—**	**27.9**	**261**	**58.2**

Some of the totals above may not add due to rounding.

Mineral resource classifications are based on the gold estimation confidence. Copper, silver, and zinc are reported within these classifications.

Stockpiles included in Measured Resources and Ore Reserves

		Stockpile grades			Contained metal		
Measured Mineral Resources	Tonnage (Mt)	Gold grade (g/t)	Copper grade (%)	Silver grade (g/t)	Gold (koz)	Copper (kt)	Silver (koz)
Agitation leach	0.02	1.87	0.24	17.79	1	0	10
Flotation	0.14	0.90	0.53	11.71	4	0.7	53
Heap leach (crushed)	0.06	0.81	0.11	7.71	2	0.1	16
Heap leach (ROM)	0.61	0.73	0.21	10.23	14	4.3	201
Stockpile mineral resources	**0.83**	**0.79**	**0.26**	**10.44**	**21**	**2.2**	**279**

Some of the totals above may not add due to rounding.

Gedabek continued

Mineral resources and ore reserves continued

Table 2 – Gedabek open pit ore reserves estimate at 30 June 2020.

		In-situ grades			Contained metal		
	Tonnage (Mt)	Gold grade (g/t)	Copper grade (%)	Silver grade (g/t)	Gold (koz)	Copper (kt)	Silver (koz)
Proven	8.07	0.72	0.19	3.48	187	15.3	902
Probable	3.65	0.64	0.23	4.87	75	8.5	572
In-situ ore reserves	**11.72**	**0.70**	**0.20**	**3.91**	**263**	**24**	**1,474**
			Stockpile grades				
Agitation leach	0.02	1.87	0.24	17.79	1	0	10
Flotation	0.14	0.90	0.53	11.71	4	0.7	53
Heap leach (crushed)	0.06	0.81	0.11	7.71	2	0.1	16
Heap leach (ROM)	0.61	0.73	0.21	10.23	14	4.3	201
Stockpile ore reserves	**0.83**	**0.79**	**0.26**	**10.44**	**21**	**2.2**	**279**
TOTAL ORE RESERVES	**12.55**	**0.70**	**0.21**	**4.34**	**284**	**26.0**	**1,754**

Some of the totals above may not add due to rounding.

Proved and probable ore reserves estimate is based on that portion of the measured and indicated mineral resources of the deposit within the scheduled mine designs that may be economically extracted, considering all "Modifying Factors" in accordance with the JORC (2012) Code.

Table 3 – Gadir underground mine mineral resources estimate at 30 September 2020

		MINERAL RESOURCES (cut-off grade of 0.5 g/t gold)							
		In-situ grades				Contained metal			
Mineral Resources	Tonnage (kt)	Gold grade (g/t)	Copper grade (%)	Silver grade (g/t)	Zinc grade (%)	Gold (koz)	Copper (kt)	Silver (koz)	Zinc (kt)
Measured	2,035	2.47	0.09	4.69	0.61	162	1,831	307	12,407
Indicated	966	1.59	0.02	0.63	0.33	49	193	20	3,188
Measured and Indicated	**3,001**	**2.19**	**0.07**	**3.40**	**0.52**	**211**	**2,024**	**326**	**15,595**
Inferred	1,594	1.10	0.01	0.03	0.10	56	159	2	1,594
TOTAL	**4,595**	**1.81**	**0.05**	**2.22**	**0.37**	**267**	**2,183**	**328**	**17,189**

Some of the totals above may not add due to rounding.

Table 4 – Gadir underground mine ore reserves estimate at 30 September 2020

		In-situ grades			Contained metal		
	Tonnage (Mt)	Gold grade (g/t)	Copper grade (%)	Silver grade (g/t)	Gold (koz)	Copper (kt)	Silver (koz)
Proven	0.47	2.32	0.04	3.38	35	173	51
Probable	0.19	2.20	0.01	0.74	14	18	5
TOTAL ORE RESERVES	**0.66**	**2.28**	**0.03**	**2.60**	**49**	**191**	**56**

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

Gedabek continued

Mineral resources and ore reserves continued

Table 4 – Gadir underground mine ore reserves estimate at 30 September 2020 continued

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.

Table 5 – Remaining mineable material of the Ugur open pit at 30 June 2020

		MINEABLE MATERIAL (gold cut-off grade of > = 0.3 g/t)			
		In-situ grades		Contained metal	
	Tonnage (Mt)	Gold grade (g/t)	Silver grade (g/t)	Gold (koz)	Silver (koz)
Mineable Material	0.28	0.8	3.59	7.15	32.3
		MINEABLE MATERIAL (gold cut-off grade of > = 0.2 g/t)			
Mineable Material	0.38	0.65	3.33	7.94	40.7

Some of the totals above may not add due to rounding.

Previously heap leached ore

Initial gold production at Gedabek from 2009 to 2013 was only by heap leaching crushed ore as the agitation leaching of ore only commenced following completion of the agitation leaching plant in 2013. The heaps remain in-situ and given the high grade of ore processed prior to the commencement of agitation leaching, and the lower recovery rates, much of the previously heap leached material contains significant amounts of gold. The Company estimates it has about 1.7 million tonnes of previously heap leached material with an estimated average grade of 1.35 grammes of gold per tonne at the end of 2020.

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). 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.

Ore is also mined from the Gadir and Gedabek underground mines. Table 6 shows the ore mined in the year ended 31 December 2020 from all the Company's mines at Gedabek and Gosha.

Table 6 – Ore mined at Gedabek from all mines (including Gosha) for the year ended 31 December 2020

	Total ore mined 12 months to 31 December 2020	
Mine	Ore mined (tonnes)	Average gold grade (g/t)
Gedabek open pit	1,303,956	0.94
Ugur – open pit	505,426	0.95
Gadir – underground	125,001	2.53
Gosha – underground	6,024	2.58
Gedabek – underground	16,376	2.37
Total	**1,956,783**	**1.06**

Gedabek continued

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.

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. The stripped resin is recycled back to the RIP plant, to be reloaded with gold.

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). Where the pulp is stirred 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 2020, total gold production as doré bars and as a constituent of the copper and precious metal concentrates totalled 56,864 ounces, which was a decrease of 13,234 ounces in comparison to the production of 70,098 ounces for the year ended 31 December 2019.

Table 7 summarises the amount of ore and its gold grade processed by leaching at Gedabek for the year ended 31 December 2020.

Gedabek continued

Production and sales continued

Table 7 – Ore and its gold grade processed by leaching at Gedabek for the year ended 31 December 2020

	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 2020	132,731	258,121	163,379	0.84	0.49	2.53
30 June 2020	139,752	134,675	161,079	0.79	0.44	1.95
30 September 2020	168,945	149,031	181,200	0.87	0.50	2.09
31 December 2020	107,852	172,206	177,487	0.89	0.59	1.81
Total for the year	**549,280**	**714,033**	**683,145**	**0.85**	**0.51**	**2.17**

Table 8 summarises the amount of ore and its gold, silver and copper content processed by flotation for the year ended 31 December 2020.

Table 8 – Ore and its gold, silver and copper content processed by flotation for the year ended 31 December 2020

Quarter ended	Ore processed (tonnes)	Gold content (ounces)	Silver content (ounces)	Copper content (tonnes)
31 March 2020	126,354	1,860	28,831	622
30 June 2020	132,848	1,459	18,354	762
30 September 2020	123,440	1,565	15,530	741
31 December 2020	110,772	859	8,660	693
Total for the year	**493,414**	**5,743**	**71,375**	**2,818**

Table 9 summarises the gold and silver bullion produced as doré bars and sales of gold bullion for the year ended 31 December 2020.

Table 9 – Gold and silver bullion produced as doré bars and sales of gold bullion for the year ended 31 December 2020

Quarter ended	Gold produced* ounces	Silver produced* ounces	Gold sales** ounces	Gold sales price $/ounce
31 March 2020	15,034	3,852	11,236	1,577
30 June 2020	11,455	3,562	12,743	1,713
30 September 2020	14,945	5,487	6,599	1,947
31 December 2020	13,276	4,614	18,072	1,884
Total for the year	**54,710**	**17,515**	**48,650**	**1,777**

* Including Government of Azerbaijan's share.

** Excluding Government of Azerbaijan's share.

Table 10 summarises the total copper, gold and silver produced as concentrate by both SART and flotation processing for the year ended 31 December 2020.

Table 10 – Total copper, gold and silver produced as concentrate by both SART and flotation processing for the year ended 31 December 2020

	Copper (tonnes)			Gold (ounces)			Silver (ounces)		
Quarter ended	SART	Flotation	Total	SART	Flotation	Total	SART	Flotation	Total
31 March 2020	114	445	559	8	825	833	12,895	17,895	30,790
30 June 2020	151	497	648	7	573	580	10,857	9,542	20,399
30 September 2020	165	523	688	7	476	483	17,148	8,416	25,564
31 December 2020	196	500	696	15	243	258	21,279	7,086	28,365
Total for the year	**626**	**1,965**	**2,591**	**37**	**2,117**	**2,154**	**62,179**	**42,939**	**105,118**

Table 11 summarises the total copper concentrate (including gold and silver) production and sales from both SART and flotation processing for the year ended 31 December 2020.

Gedabek continued

Production and sales continued

Table 11 – Total copper concentrate (including gold and silver) production and sales from both SART and flotation processing for the year ended 31 December 2020

Quarter ended	Concentrate production* (dmt)	Copper content* (tonnes)	Gold content* (ounces)	Silver content* (ounces)	Concentrate sales (dmt)	Concentrate sales** ($000)
31 March 2020	2,994	559	833	30,790	2,018	2,863
30 June 2020	3,171	648	580	20,499	3,526	4,707
30 September 2020	3,266	688	483	25,745	2,084	3,377
31 December 2020	3,350	696	258	28,413	4,211	6,763
Total for the year	**12,781**	**2,591**	**2,154**	**105,447**	**11,839**	**17,710**

* 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 town 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 each 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 town 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. This is a stand-by facility, which is used to remove excess water from the dam after periods of excessive rainfall.

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 wall of the tailings dam was raised by seven metres in 2020 increasing the capacity of the tailings dam to 6.0 million cubic metres. This is the final raise of the tailings dam wall and the dam now has sufficient capacity for tailings to approximately the end of 2022. There are two pipelines from the Company's processing facilities to the tailings dam to increase capacity and provide redundancy.

A site for the construction of a new tailings dam has been identified. Planning is at a preliminary stage with geotechnical assessment being carried out.

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 ("HSET"), which is chaired by a board director, Professor John Monhemius. The HSET committee meets twice a year usually at the Gedabek site, but in 2020, both meetings were held by videoconferencing due to the COVID-19 pandemic.

During 2020, there were 13 reportable safety incidents (2019: 21) but no major accidents occurred. Two (2019: seven) were lost time incidents (LTI), where the casualty had to take time off work. The Company was also very pleased to report that on 24 July 2020, one million man-hours working without any lost time injury was achieved during the previous 170 days.

Strategic report continued

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 6,024 tonnes of ore of average gold grade 2.58 grammes per tonne were mined at Gosha in the year ended 31 December 2020.

The Company carried out considerable geological exploration work at Gosha in 2020, details of which are set out in the report on geological exploration below.

Ordubad

The 462 square kilometre Ordubad contract area is located in Nakhchivan, south-west Azerbaijan and contains numerous targets. The Company carried out only very limited geological exploration work at Ordubad in 2020 due to the COVID-19 pandemic, details of which are set out in the report on geological exploration below.

Restored Contract Areas

Karabakh is a mountainous enclave wholly within the borders of Azerbaijan. It is bordered by seven districts of Azerbaijan which were occupied by Armenia in 1994 (the "Occupied Territories").

With the cessation of the hostilities over Karabakh and the Occupied Territories in November 2020, the seven districts which surround Karabakh, which have always been recognised by international bodies as being part of Azerbaijan, have been returned to Azeri administration. These districts of Azerbaijan had been occupied by Armenia since the end of the first Karabakh war in 1994 and were the subject of four United Nations Security Council Resolutions (822, 853, 874 and 884), each calling for the withdrawal of Armenian forces.

In 1997, Anglo Asian obtained six mineral resource contract areas under a Production Sharing Agreement ("PSA") with the Government of Azerbaijan. Two of the contract areas (Soutely and Vejnaly) are located in the formerly Occupied Territories. The Soutely contract area is in the mountainous Kalbajar district and the Vejnaly contract area in the Zangilan district in the south-west of Azerbaijan. The third contract area Kyzlbulag, is located in Karabakh.

The Restored Contract Areas in the formerly Occupied Territories and Karabakh were part of Anglo Asian's original Production Sharing Agreement, along with the Active Contract Areas. All contract areas were reaffirmed to the Company by the Azerbaijan Government in 2006 and continue in good standing.

The Restored Contract Areas have continued to be held under the Company's existing PSA. However, the PSA will only commence in respect of each of these contract areas upon notification by the Government of Azerbaijan to the Company of the cessation of all hostilities and that it is safe to access the district. This notification will therefore "reset" the PSA to year zero for that contract area. Accordingly, the Company then has the right to explore the contract area for up to five years and then develop and produce for 15 years, with two five-year extensions allowed.

The Company has always stated its intention to develop its contract areas in the formerly Occupied Territories and Karabakh upon settlement of the conflict over Karabakh and surrounding regions. The Company therefore plans to pursue its legal rights under the PSA to develop these mineral resources. Development will commence when the Company receives notice in accordance with its PSA that the Organisation on Security and Cooperation in Europe ("OSCE") (or comparable international organisation) has acknowledged a liberation of the previously occupied territories and the Company is satisfied the districts are secure.

Gedabek Processing facilities and open pit

Restored Contract Areas continued

An initial limited visit has been made to the Vejnaly deposit which is located in the Zangilan district of south-western Azerbaijan. There has been some mining and small scale processing was carried out at the deposit during the Armenian occupation but this has now stopped. The potential for exploration and further production is currently unknown. The region has been secured by the Government of Azerbaijan and Anglo Asian is waiting for permission to permanently access the area to further evaluate its resources and infrastructure as with the Souteley and Kyzilbulag contract areas.

Geological exploration

Summary

Gedabek

- New mineral discovery "Zafer" at Gedabek.
- Initial models of gold and copper mineralisation completed and substantial drilling undertaken in the Avshancli mineral district.
- Initial drill programme commenced and surface Induction Polarisation ("IP") survey conducted at Gilar.
- Substantial drilling completed at the Gadir and Gedabek underground mines.
- Core drilling undertake at Ugur Deeps, targeting the high-grade copper and silver mineralisation.

Gosha

- Infrastructure to support sustained geological exploration was completed in 2020 including a geological camp.
- Drilling undertaken close to the Gosha underground mine targeting areas of extension to "Zone 5" and in the "New Zone" (the area between "Zone 5" and "Zone 13").

Ordubad

- Due to the access restrictions as a result of COVID-19, no drilling was carried out in 2020.
- A limited trenching programme continued at the Uchurdag and Unus targets.

Gedabek

Gedabek open pit and Duzyurd

Exploration in and around the operating Gedabek open pit and Duzyurd was limited in the year due to production priorities. Only two core drill holes and three reverse circulation drill holes were completed, both types designed to explore the geology at depth and test for sub-pit and adjacent mineralisation. The results from Gedabek yielded gold intersections, while the Duzyurd drill hole was not successful in intersecting mineralisation, but did identify alteration. Some reverse circulation drilling was also carried out for grade control and mine planning purposes.

Gadir and Gedabek underground mines

A considerable amount of exploration activity was completed at Gadir during 2020, comprising underground drilling and mapping. Interpretation was completed for the ground-based induced polarisation ("IP") geophysical survey. This work has resulted in defining ore zones that extend the current Gadir mineralisation footprint both laterally and down-dip. Additionally, the drilling continues to help constrain ore body models around production stoping fronts, so that tonnages and grade can be more accurately determined. In 2020, 106 core drill holes (77 in BQ diameter and 29 in HQ/NQ diameter) were completed for a total of 4,831 metres. Gold grades of up to 33 g/t of gold were reported. These positive results demonstrate the expansion potential of the underground mine at Gadir.

Considerable exploration activity was completed at Gedabek underground during the second half of 2020. Various platforms were utilised to complete 23 core drill holes (16 in BQ diameter and 7 HQ/NQ diameter) for a total of 1,371 metres. Gold grades of up to 6.2 g/t of gold were reported.

Ugur Deeps

Exploration in 2020 was focused on and around the Ugur open pit to assess the potential extensions to the Ugur deposit. Thirteen core drill holes were completed to the south-east of, and around, the Ugur open pit. These holes targeted deeper extents of high-grade copper-silver mineralisation. Intersections assaying more than two per cent copper were encountered at depths of around 300 metres. Drilling is continuing in 2021.

Zafer

Zafer is a new discovery which was announced 19 January 2021. Zafer was found by Anglo Asian's in-house exploration group and is a new mineral occurrence approximately 1.5 kilometres north-west of the Company's Gedabek processing facilities. The mineralisation was identified by geological exploration follow-up of field mapping between ZTEM targets. Geological, structural and alteration mapping was used to target the initial drilling, which commenced in August 2020. A series of drill holes demonstrated that the geology progressively moved from altered rock into weakly mineralised rocks and finally into the zone of significant mineralisation.

Once the scale of the mineralisation was understood, ground-based IP and resistivity electrical geophysics was employed to define the potential extent of the mineralisation. In total, 10 profile lines covering an overall length of nearly 25 kilometres were completed. The 2-D and 3-D interpretations resulted in the identification of a number of "hot spot" anomalies that are being followed up with further drilling.

The geology of the area is structurally complex, comprising mainly of Upper Bajocian-aged volcanics. The mineralisation seems to be associated with a main northwest-southeast trending structure, which is interpreted as post-dating smaller northeast-southwest structures. In the south-west area, outcrops with tourmaline have been mapped, which can be indicative of the potential for porphyry-style mineral formation. The exploration area is located along the regional Gedabek-Shekarbek fault system, with Shekarbek being another target area known to host copper mineralisation, situated in the north-west of the zone.

In 2020, 12 drill holes were completed totalling 7,675 metres. The deposit is currently being drilled with four core drill machines and further geophysical work will be carried out if required. A mineralogical study is also underway to assess the textural relations between the metallic minerals and gangue mineralogy. This will establish the associations between the copper and gold mineralisation (grain size and liberation characteristics), which will be used to determine the grind sizes and processing options.

Based on the work in 2020, a preliminary estimate of the size of the Zafer deposit is about six million tonnes of mineralised rock.

Strategic report continued

Geological exploration continued

Avshancli district

Avshancli is a significant 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. In 2020, detailed mapping continued over the region. Both core and reverse circulation drilling, as well as outcrop and trench sampling, were carried out. Twenty seven core drill holes totalling 6,629 metres and seventy nine reverse circulation drill holes totalling 5,349 metres were completed. Significant intercepts of up to 16.7 g/t of gold were reported. Outcrop and trench sampling reported notable surface grades of up to 19.9 g/t of gold.

Initial models of gold (at > 0.3 g/t gold) and copper (at > 0.2 per cent.) mineralisation have been prepared for Avshancli 1. The mineral concentrations exhibit a central zone about 200 by 300 metres surrounded by satellite concentrations that are currently disconnected from the main central zone. The central area contains gold mineralisation near surface in a substrate that is free digging. The thickness of the zone seems restricted and work is continuing to assess geological controls on the continuity both laterally and at depth. Exploration continues in 2021 with further work planned to test the continuity from the central area to the satellite zones.

Gilar

Gilar is a new mineral occurrence located approximately two kilometres south of Avshancli 1. A considerable amount of exploration was completed during 2020 comprising core drilling and outcrop mapping. A ground-based Induction IP survey was also carried out in the year.

To commence the initial drill programme, 26 core drill holes were completed at Gilar during 2020 totalling 7,994 metres. Significant intercepts were reported of up to 14.1 g/t of gold. An additional three core drill holes were drilled in the flank of Gilar for the evaluation of ZTEM shallow targets ZS14 and ZS15. Interpretation of the ZTEM drill holes will be reported in 2021.

BLASTO LLC were contracted to conduct an IP survey over the Gilar mineralisation area, which was carried out between 19 August to 1 September 2020. The target depth of exploration was 400 metres. Six profile lines (including one test profile) were run. Interpretation of the IP data is currently being undertaken by both an external consultant and the Company.

The preliminary interpretation shows the main anomalies are located in the south-east and north-east part of the mineralisation area.

Gosha

Preliminary infrastructure was constructed in 2020 at Gosha to support exploration efforts. In 2020, twenty core drill holes were completed for a total of 4,616 metres. These were drilled around "Zone 5" and the "New Zone" between "Zone 5" and "Zone 13", which is approximately 500 metres from "Zone 5". The aim of this drill programme continues to be to test the Gosha vein system at depth, below the current "Zone 5" and to further assess the "New Zone". Significant gold grades of up to 15 g/t of gold were encountered. These assay results confirm that gold mineralisation exists at depth below "Zone 5" and "New Zone".

Surface exploration was also carried out at the Gocdere and Khatinca regions of Gosha. In the second half of 2020, 145 outcrop samples were collected and 14 trenches completed totalling 301 metres were from which 190 samples were taken.

A new geological map of Gosha has been compiled from all previous data. This was the first stage of a desktop study to consolidate historical and new geological data and to better understand the regional geology. From this map, 15 porphyry and 13 gold/lead/zinc mineralisation targets have been identified.

Ordubad

Due to COVID-19 restrictions, drill access was restricted during 2020 and therefore no drilling was able to be undertaken in the year. Trench work was carried out during the second half of 2020 on the Unus and Uchurdag gold vein systems. A total of 149 trenches were dug amounting to 561 linear metres. 560 samples were obtained at one metre intervals unless geological constraints warranted adjustment in sample length. Assay results for these samples have not yet been received and will be reported in the first half of 2021.

The Company is still awaiting results from the samples collected by the geological team from the Natural History Museum London as part of their ongoing "From Arc Magmas to Ores" ("FAMOS") international research project. This study is being carried out to determine whether there are any indications of a porphyry system within Ordubad. The results of this investigation should have been available by now, but unfortunately they have been delayed by the COVID-19 pandemic.

Detailed reports on geological exploration

Detailed reports on all exploration activities in 2020 can be found on the Group's website at:

https://www.angloasianmining.com/operations/exploration-and-development/

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.

In 2020, the Group shipped all its gold doré for refining to either MKS Finance SA or Argor-Heraeus SA. Both refiners are situated in Switzerland. The Group continually reviews which refiner offers the best commercial terms, and based on these, decides to which refiner to ship each consignment. 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 usually ships its gold doré to Switzerland by scheduled airflights, which were temporarily suspended in mid-2020. The Group made three shipments by chartered aircraft during this period which resulted in minor delays to the export of gold doré. In March 2020, the refiners suspended their operations due to the COVID-19 pandemic as the Swiss authorities closed all non-essential industry. However, the refiners restarted operations in April. Neither the temporary closure of the refiners nor the requirement to ship by chartered aircraft, had any material effect on the Group's operations.

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. The Group sells its copper concentrate to three metal traders as detailed in note 6 to the Group financial statements on page 65. The contracts with each metal trader are periodically renewed and each new contract requires the approval of the Government of Azerbaijan. Some minor delays in selling concentrate have been experienced whilst waiting for Government approval of new contracts.

Section 172(1) statement

The Company's Section 172(1) statement is on pages 23 and 24.

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 24 to the Group financial statements.

Liquidity and interest rate risk

During 2020, the only material borrowing of the Group was the Pasha Bank refinancing loan which had a fixed rate of interest. This loan was fully repaid in early 2020 and the Group became debt free. The Group has therefore not used any interest rate swaps or other instruments to manage its interest rate profile during 2020. 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 2020. 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.

COVID-19 pandemic

The COVID-19 pandemic resulted in restrictions being put in place on the ability of the Group to operate starting in early March 2020. Domestic travel in Azerbaijan and international travel generally was either suspended or curtailed. The operations of many businesses in Azerbaijan were suspended and the Group's gold refiners in Switzerland were closed for a period in March and April 2020.

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 of the Group's annual report. These included informally convening weekly Board meetings at the start of the pandemic to ensure all possible actions were put in place to protect the health and safety of its staff and to maintain production.

Despite the COVID-19 restrictions, the Company continued in operation and to sell its products throughout 2020. It also put in place actions to safeguard the health of its employees at Gedabek. 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 programme for employees was carried out and the Gosha accommodation camp was redeployed as a quarantine facility. The Group also chartered aircraft in mid-2020 to ship its gold doré to Switzerland whilst scheduled flights were suspended.

The Government of Azerbaijan maintained restrictions throughout most of 2020 and into early 2001. However, starting from February 2021 these restrictions were gradually lifted.

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 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 Group was able to operate throughout 2020 and that the COVID-19 pandemic is easing in 2021, the Group considers that these risks are minimal.

Conflict between Azerbaijan and Armenia in 2020

In late September 2020, an armed conflict started between Azerbaijan and Armenia over the occupied territories and Karabakh. The conflict ended in early November with the signing of a ceasefire agreement. During the conflict, martial law was imposed in Azerbaijan which included a night-time curfew, blocking of many social media and other internet applications and additional travel restrictions. Various staff members of the Group were required to perform military service. However, the majority have now returned to work. The conflict did not have a significant effect on the ability of the Group to continue in operation.

Strategic report continued

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
19 May 2021

New portal to the Gedabek underground mine

Core drill sample from the Zafer deposit

Section 172(1) statement and stakeholder engagement*

The commentary and table below sets out the Company's section 172(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 commentary and table on page 24 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 30 to 33. 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 30 to 33.

Principal decisions and other key factors in maintaining shareholder value
For the year ended 31 December 2020, 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 2020;
- consideration of the final dividend payable for the year ended 31 December 2019 and the interim dividend payable for the year ended 31 December 2020;
- agreeing the actions required in response to the COVID-19 health emergency. The Board considered all aspects of the health emergency with its principal focus to ensure the health and safety of its employees. The Board also addressed measures required to ensure continuity of production and selling of its production. Given it was unknown how the health emergency would develop, contingency plans were made for various possible outcomes of the pandemic;
- agreeing to a potential investment in Ireland by way of a joint venture with Conroy Gold and Natural Resources PLC ("Conroy") which resulted in the signing of the Heads of Terms with Conroy. The Board considered all aspects of the investment and, in particular, to ensure that any downside risk to the investment was limited. The joint venture ultimately did not proceed; and
- agreeing the actions required in response to the conflict between Azerbaijan and Armenia. The focus of the Board was on ensuring the health and safety of its employees.

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, whenever possible. 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 approximately 42 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 24 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.

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

Section 172(1) statement and stakeholder engagement* continued

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 and the meetings are attended by directors. The meetings are usually held at Gedabek but in 2020 were held by video conference due to COVID-19.	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 30 to 33. 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 start agreeing access to the restored contract areas following the resolution of the conflict with Armenia.

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

Financial review

Reza Vaziri and William Morgan

> **The Group recorded a profit before taxation in 2020 of $35.7m compared to $30.1m in 2019. This was due to higher revenues as a result of a higher average gold price in the year.**

The directors present their financial review for the year ended 31 December 2020. This financial review forms part of the strategic report on pages 10 to 22.

Group statement of income

The Group generated revenues in 2020 of $102.1m (2019: $92.1m) from the sales of gold and silver bullion and copper and precious metal concentrate.

The revenues in 2020 included $86.8m (2019: $76.4m) generated from the sales of gold and silver bullion from the Group's share of the production of doré bars. Bullion sales in 2020 were 48,650 ounces of gold and 15,759 ounces of silver (2019: 53,992 ounces of gold and 16,471 ounces of silver) at an average price of $1,777 per ounce and $21 per ounce respectively (2019: $1,410 per ounce and $16 per ounce respectively). In addition, the Group generated revenue in 2020 of $15.3m (2019: $15.7m) from the sale of 11,839 (2019: 10,281) 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 $1,772 per ounce (2019: $1,404 per ounce) and a higher average price of copper at $6,190 per metric tonne (2019: $6,015 per metric tonne).

The Group did not hedge any metal sales during 2019 or 2020.

The Group incurred cost of sales in 2020 of $60.3m (2019: $54.6m) as follows:

	2020 $m	2019 $m	B/W $m
Cash cost of sales	**48.0**	48.0	—
Depreciation	**16.2**	18.4	2.2
Cash costs and depreciation	**64.2**	66.4	2.2
Capitalised costs	**(5.8)**	(2.7)	3.1
Cost of sales before inventory movement	**58.4**	63.7	5.3
Inventory movement	**1.9**	(9.1)	(11.0)
Total cost of sales	**60.3**	54.6	(5.7)

The lower depreciation in 2020 was due to the lower amount of gold produced. The inventory credit in 2019 of $9.1m arose due to an increase of inventory in that year, mainly an increase in stockpiled ore of 267k tonnes and gold in leach pads of 4,509 ounces.

Depreciation and amortisation in 2020 were lower at $16.8m compared to $19.2m in 2019. 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 2020 due to the lower amount of gold produced.

The Group incurred administration expenses in 2020 of $5.0m (2019: $5.2m). 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. Both the United Kingdom pounds sterling and the Azerbaijan New Manat were stable against the US dollar in 2020 compared to 2019. Administration costs in 2020 were lower than 2019 due to lower travel costs resulting from the COVID-19 pandemic.

Finance costs in 2020 were $0.6m compared to $1.3m in 2019. Finance costs were lower in 2020 compared to 2019 due to lower interest charged on bank loans, lower interest expense on finance leases and lower interest on the unwinding of provisions. The final instalment of the refinancing loan was settled in February 2020 resulting in lower bank interest payable. The interest expense on lease liabilities was $0.2m (2019: $0.4m) and the interest expense on the unwinding of the discount of provisions was $0.3m (2019: $0.4m). Other income in 2020 of $0.1m (2019: $nil) was the unrealised profit on the revaluation of the shares in Conroy Gold and Natural Resources PLC acquired in 2020 to their market price at 31 December 2020.

The Group recorded a profit before taxation in 2020 of $35.7m compared to $30.1m in 2019. This was due to higher revenues partially offset by higher cost of sales and other operating expenses with lower administration and finance costs. Other operating expenses in 2020 were higher at $1.3m (2019: $0.9m) due the cost in 2020 of chartering aircraft to fly gold doré to Switzerland as a result of the COVID-19 pandemic.

The Group had a taxation charge in 2020 of $12.5m (2019: $10.8m). This comprised a current income tax charge of $14.2m (2019: $7.2m) offset by a deferred tax credit of $1.7m (2019: charge of $3.6m). The current income tax charge of $14.2m was incurred by R.V. Investment Group Services ("RVIG") in Azerbaijan. RVIG generated taxable profits in 2020 of $44.3m (2019: $22.6m) which were taxed at 32 per cent. (the corporation tax rate stipulated in the Group's production sharing agreement). The taxable profits in 2020 were higher due to higher taxable profits being earned in 2020.

The taxable profits of the operating company in Azerbaijan are taxed at 32 per cent. However, the Group's overall tax rate in 2020 was 35 per cent. (2019: 36 per cent.).

Financial review continued

Group statement of income continued

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 2020 totalled $2.8m (2019: $3.6m).

All-in sustaining cost of gold production

The Group produced gold at an all-in sustaining cost ("AISC") per ounce of $702 in 2020 compared to $591 in 2019. 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 2020 compared to 2019 was the lower production as many of the Group's costs are fixed or semi-fixed.

Group statement of financial position

Non-current assets decreased from $93.4m at the end of 2019 to $92.5m at the end of 2020. Property, plant and equipment were lower by $3.0m due to depreciation of $15.0m offset by additions of $12.0m and leased assets were $1.8m lower due to lease modifications of $1.3m.

The lease modifications arose from the variation in the terms of 2 drilling contracts which reduced their IFRS 16 carrying amount. Intangible assets increased from $20.0m at the end of 2019 to $24.0m at the end of 2020 due to expenditure on geological exploration and evaluation of $5.3m offset by amortisation of $1.3m in the year. The main item of expenditure was $4.2m of exploration and evaluation expenditure at Gedabek. The Group's lower JORC ore reserve estimates, which were published in 2020, were considered an indication of fixed asset impairment. Accordingly, the value in use was calculated of its mines and associated processing facilities at Gedabek ("Mining Operations). The calculated value in use amount was higher than the carrying value of Mining Operations and therefore no impairment charge was made.

Net current assets were $67.8m at the end of 2020 compared to $55.5m at the end of 2019. The main reasons for the increase in net current assets were an increase in cash during 2020 compared to net cash (cash and cash in transit less bank borrowings) at 31 December of 2019 of $17.6m; inventory lower by $2.4m and income tax payable higher by $3.5m. Other current assets also included $0.2m (2019: $nil) being 325,000 shares acquired in Conroy Gold and Natural Resources PLC at 16 pence per share revalued to their market value at 31 December 2020. These were classified as a current asset as the Group sold the shares in early 2021. The Group's cash balances at 31 December 2020 were $38.8m (2019: $22.9m including cash in transit). 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 0.5 per cent.

Net assets of the Group at the end of 2020 were $122.0m (2019: $109.0m). The net assets were higher due to the increase in retained earnings. There were no shares issued in 2020.

At 1 January 2020, the Group was financed by a mixture of equity and debt with outstanding bank debt of $1.7m. The bank debt was the final instalment of the $13.5m, 3-year refinancing loan entered into during 2018 with an interest rate of 7 per cent. This final instalment was settled in February 2020 and the Group had no bank debt for the remainder of 2020. Group debt at 31 December 2020 was $1.9m (2019: $3.8m) in respect 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 2020. The Group's holding company, Anglo Asian Mining PLC received an intercompany dividend in 2020 of $10.0m (2019: $10.0) which gives it the capacity to pay dividends of $7.4m at 31 December 2020.

Group cash flow statement

Operating cash inflow before movements in working capital for 2020 was $52.8m (2019: $50.5m). The main source of operating cash was operating profit before the non-cash charges of depreciation and amortisation in 2020 of $52.8m (2019: $50.5m).

Working capital movements generated cash of $7.4m (2019: absorbed cash of $7.6m) largely due to a cash generation from trade and other receivables of $4.9m (2019: usage of $2.5m). Inventories were also lower by $2.4m (2019: increase of $9.7m). This was due to reduced inventory of finished goods, ore stockpiles and spare parts and consumables at the end of 2020.

Cash flow from operations in 2020 was $60.2m compared to $37.8m in 2019 due to the higher operating cash flow and funds generated by the movements in working capital.

The Company paid corporation tax in 2020 of $10.7m (2019: $8.2m) in Azerbaijan in accordance with local requirements. This payment was the final payment of its liability for 2019 and payments on account of its liability for the year ended 31 December 2020.

Expenditure on property, plant and equipment and mine development was $10.5m (2019: $4.7m). The main items of expenditure in 2020 were capitalised stripping costs of $3.8m; a raise of the wall of the tailings dam of $2.6m; mine development costs of $2.0m and an ore sorting machine of $1.2m.

Exploration and evaluation expenditure in 2020 of $5.3m (2019: $4.5m) was incurred and capitalised. This arose on exploration and evaluation at the Gedabek, Gosha and Ordubad contract areas with costs of $4.3m, $0.8m and $0.2m respectively.

COVID-19 pandemic and the conflict between Armenia and Azerbaijan in 2020

The Group has operated since early 2020 under restrictions imposed by governments around the world to combat the spread of the coronavirus. Azerbaijan was also subject to martial law between late September to early November 2020 due to the conflict with Armenia. The restrictions were slowly eased in Azerbaijan starting in February 2021.

The Group managed to maintain production and ship and sell its products throughout 2020. It was estimated that the Group incurred additional direct operating costs of approximately $0.1m per month at the peak of the restrictions in the summer 2020. These included 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. In addition to the direct costs of the pandemic, there were indirect costs such inefficient operation of the Gedabek production facilities due to the inability to rotate staff and other working restrictions due to the cornovirus. It is not considered feasible to calculate the total financial effect on the results of the Company for 2020 due to lost production and increased 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 a month to maintain full production.

The Group has entered into a $15m standby credit facility with a bank in

COVID-19 pandemic and the conflict between Armenia and Azerbaijan in 2020 continued

Azerbaijan as a precautionary measure. It is for 3 years at an interest rate of 4.5 per cent. It has not been utilised.

As a result of the ceasefire agreement in 2020 following the conflict between Azerbaijan and Armenia, three contract areas were restored to the Group. The Group incurred no expenditure in respect of these three restored contract areas in 2020.

Dividends

In respect of 2020, the Group paid an interim dividend of $0.045 per share, a special dividend of $0.015 per share and has proposed a final dividend of $0.035 per share giving a total for the year of $0.095 per share (2019: total for the year of $0.08 per share). Dividends are declared in United States dollars but paid in United Kingdom pounds sterling. The total cost of the 2019 dividends was $9.2m (£7.4m) and the estimated total cost of the dividends for 2020 is $10.9m (£8.1m). The proposed final dividend for 2020 is subject to the approval of the shareholders and has not been accrued in the 2020 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 board will also declare special dividends if the circumstances dictate. 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 2020 was $28.7m (2019: $25.5m). Both the free cash flow for 2019 and 2020 have been adjusted for cash in transit of $5.1m at 31 December 2019.

To ensure the Company retains sufficient capital to pursue excellent development opportunities across all contract areas, the board has decided to maintain the dividend (excluding the special dividend for 2020) at the same level as 2019 of $0.08 per share.

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.

Profit Production for the Group has been subject to the minimum 25 per cent. for all years since commencement of production including 2020. The Government's share of production in 2020 (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 2020 of 12.75 per cent. (2019: 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 2020 were $36.9m and $27.3m respectively (2019: $60.8m and $25.5m 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 2022 (the 'going concern review period') 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 $22.9 million (31 December 2020: $38.8 million) and no bank debt at 31 March 2021. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and gold prices of $1,650 and $1,700 for 2021 and $1,750 for 2022. The gold prices are lower than that used for the impairment testing to add further conservatism to the forecast. The base case cash flow forecast shows 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 a $15 million standby credit facility with Pasha Bank as a contingency measure which is available until April 2023 with no conditions on drawdown.

Despite the restrictions imposed by the COVID-19 pandemic and martial law in September to November 2020 due to the conflict between Azerbaijan and Armenia, the Company continued production throughout 2020 at Gedabek and to ship and sell gold doré and copper concentrate.

From February 2021, the Government of Azerbaijan started lifting many of the restrictions imposed to restrict the spread of the coronavirus. In the second quarter of 2021, the remaining restrictions were not having any material effect on the ability of the business to operate.

Financial review continued

Going concern continued

The directors believe that the ability of the Company to operate throughout 2020 demonstrates the resilience of the business should further restrictions be imposed due to any future intensification of the COVID-19 pandemic.

In the current period the directors reviewed various severe downside scenarios under which the business may in future be required to operate. These downside scenarios are six months of continuing production but having to stockpile finished product for later sale and secondly the full going concern period where production is either disrupted or shut down and the business placed on care and maintenance. No revenue is assumed in both downside scenarios. It is currently costing approximately $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. Under the downside scenarios the Group's forecasts to have the financial resources to continue as a going concern, utilising the standby credit facility where necessary. The directors believe the likelihood of both downside scenarios to be remote given the resilience demonstrated in 2020.

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 5 to 22. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within this financial review. In addition, note 24 to the Group financial statements 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.

Remote training of geologists in Olympus XRD (X-ray diffraction) sampling and analysis at Gedabek

New purpose-built canteen facilities at Gedabek

Reza Vaziri
President and chief executive
19 May 2021

William Morgan
Chief financial officer
19 May 2021

Board of directors

as at 19 May 2021

Mr Khosrow Zamani*

Non-executive chairman, age 78

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 Michael Sununu

Non-executive director, age 53

Michael Sununu has a BSc from the Massachusetts Institute of Technology and an MBA from The Kellogg School at Northwestern University majoring in finance and accounting. He brings a wealth of financial and directorial experience to the team. Michael has worked for JP Morgan's oil and mining group and his experience there included debt restructuring and the Initial Public Offering for Consol Energy. He has managed trust funds throughout his successful career, including Hudson Seven LLC, where he was a founder. His work has included developing supply, demand and pricing models for several weather influenced commodities.

Currently, Michael is a founder and manager of Sununu Enterprises LLC and Sununu Holdings LLC, which specialise in planning and project development for major corporations and medium-sized firms, as well as providing strategic advisory services. Michael also presently serves as a Board Member for Purpose Energy Inc. and as a member of the Investment Committee for the New Hampshire Historical Society.

Michael Sununu is the son of Governor John Sununu.

Professor John Monhemius*

Non-executive director, age 78

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 68

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 and Washington, DC.

Governor John Sununu

Non-executive director, age 81

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.

Governor John Sununu is the father of Michael Sununu.

Corporate governance

Introduction

The board of directors (the "Board") applied throughout 2020 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.

The Company's corporate governance actions in response to the COVID-19 health emergency and the conflict between Azerbaijan and Armenia are also set out below.

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 2020 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. These activities were severely curtailed in 2020 due to the COVID-19 pandemic. However, the Company intends to recommence these activities once travel restrictions are lifted.

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 2020 by video conference as travel was not feasible to 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 29. Two of the five directors, being Khosrow Zamani 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/.

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 2020 and the attendance of the directors are as follows:

	Number of board meetings each director attended				
Number of board meetings in 2020	John Monhemius	Richard Round	John Sununu	Reza Vaziri	Khosrow Zamani
18	18	18	18	18	18

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.

No board meetings were held between the appointment of Michael Sununu and 31 December 2020.

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 2020. 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 29 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 Group structure in 2020. The Company's broker and NOMAD (S P Angel Corporate Finance LLP) also advised the Board on various regulatory and commercial matters during 2020.

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 2020 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.

Compliance with the principles of the QCA code continued

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

Until the resignation of Richard Round on 7 December 2020, the audit committee comprised Richard Round and John Sununu. From 8 December 2020, Khosrow Zamani was appointed as a member of the audit committee to replace Richard Round. The chief financial officer will be invited to all meetings of the audit committee subsequent to the appointment of Khosrow Zamani.

Meetings of the audit committee held in 2020

The audit committee met twice in 2020, to approve the financial statements for the year ended 31 December 2019 and to approve the financial statements for the six months ended 30 June 2020. 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 2019.

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.

The committee met once in 2020 to approve the remuneration of Michael Sununu who was appointed a director on 7 December 2020. John Sununu was not eligible to vote on the remuneration as he is the father of Michael Sununu. John Monhemius was appointed in his place and voted to approve the remuneration.

The remuneration paid to the directors is disclosed in the report on directors' remuneration on page 37.

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.

The committee met once in 2020 to approve the appointment of Michael Sununu who was appointed a director on 7 December 2020. John Sununu was not eligible to vote on the appointment as he is the father of Michael Sununu. John Monhemius was appointed in his place and voted to approve the appointment.

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 were very focused throughout 2020 on the potential impact of the COVID-19 pandemic on the Group's operations. At the start of the pandemic, the Board convened weekly meetings which were also attended by senior management. Reports covering all aspects of the Group's operations and recent developments were considered at the meetings to ensure all necessary actions were taken. In the second half of 2020, the Board concluded that adequate measures were in place to safeguard its staff and operations were continuing satisfactorily. COVID-19 remained a very high priority of the Group throughout this period but with the Board monitoring the situation at each monthly board meeting.

Conflict between Azerbaijan and Armenia

The conflict between Azerbaijan and Armenia commenced very suddenly in September 2020 and the Government of Azerbaijan rapidly put in place security restrictions such as a night-time curfew, travel restrictions around Azerbaijan and blocking of access to social media and other internet services. The conflict lasted until early November. During this period, the Board convened various formal and informal meetings to ensure that all necessary actions were put in place to safeguard the health of its staff.

Directors' report

year ended 31 December 2020

Annual report and financial statements

The directors present their annual report together with the audited Group financial statements on pages 46 to 78.

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 19 May 2021 is set out in the chairman's statement on pages 5 to 7 and the strategic report on pages 10 to 22 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 2020 are set out in the chairman's statement on pages 5 to 7, the financial review on pages 25 to 28 and note 28 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 2019 and 2020 are disclosed in note 25 – '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.

Certain directors own 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 2020 and details of the scheme are disclosed in note 26 – '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 30 to 33.

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 during the year and up to 19 May 2021 are as follows and further details are set out on page 29:

Professor John Monhemius
Mr Richard Round (resigned 7 December 2020)
Governor John Sununu
Mr Michael Sununu (appointed 7 December 2020)
Mr Reza Vaziri
Mr Khosrow Zamani

Michael Sununu having been appointed since the previous annual general meeting retires at the next annual general meeting and, being eligible, offers himself for re-election.

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

Company secretary

William Morgan
33 St James's Square
London SW1Y 4JS
United Kingdom

Registered office

33 St James's Square
London SW1Y 4JS
United Kingdom

Registration of the Company

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

Directors' interests

The beneficial interests of the directors who held office at 31 December 2020 and their connected parties in the share capital of the Company at 31 December were as follows:

	2020 Number of ordinary shares	2019 Number of ordinary shares
John Monhemius	**341,890**	341,890
Michael Sununu	**—**	—
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 19 May 2021:

	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 2022 (the 'going concern review period') 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 $22.9 million (31 December 2020: $38.8 million) and no bank debt at 31 March 2021. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and gold prices of $1,650 and $1,700 for 2021 and $1,750 for 2022. The gold prices are lower than that used for the impairment testing to add further conservatism to the forecast. The base case cash flow forecast shows 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 a $15 million standby credit facility with Pasha Bank as a contingency measure which is available until April 2023 with no conditions on drawdown.

Despite the restrictions imposed by the COVID-19 pandemic and martial law in September to November 2020 due to the conflict between Azerbaijan and Armenia, the Company continued production throughout 2020 at Gedabek and to ship and sell gold doré and copper concentrate.

From February 2021, the Government of Azerbaijan started lifting many of the restrictions imposed to restrict the spread of the coronavirus. In the second quarter of 2021, the remaining restrictions were not having any material effect on the ability of the business to operate. The directors believe that the ability of the Company to operate throughout 2020 demonstrates the resilience of the business should further restrictions be imposed due to any future intensification of the COVID-19 pandemic.

In the current period the directors reviewed various severe downside scenarios under which the business may in future be required to operate. These downside scenarios are six months of continuing production but having to stockpile finished product for later sale and secondly the full going concern period where production is either disrupted or shut down and the business placed on care and maintenance. No revenue is assumed in both downside scenarios. It is currently costing approximately $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. Under the downside scenarios the Group's forecasts to have the financial resources to continue as a going concern, utilising the standby credit facility where necessary. The directors believe the likelihood of both downside scenarios to be remote given the resilience demonstrated in 2020.

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 5 to 22. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within the financial review on pages 25 to 28. In addition, note 24 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.

Directors' report continued

year ended 31 December 2020

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 30 to 33.

Annual general meeting

The Company will hold its annual general meeting for 2021 on 29 June 2021. 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 2020 was 131.50 pence (2019: 152.00 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, 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 (2019: $nil). Political donations of $nil (2019: $nil) were made.

Research and development

There was no expenditure on research and development during the year (2019: $nil).

Related party transactions

Related party transactions are disclosed in note 31 – 'Related party transactions' to the Group financial statements.

Streamlined Energy and Carbon Reporting ("SECR")

The Group has no operations and does not maintain any offices for staff in the United Kingdom. The Group does not therefore directly consume any electricity in the United Kingdom. No disclosure is therefore required in relation to SECR as the Company consumed less than 40,000 kWh of energy in the United Kingdom during the period in respect of which the directors' report is prepared. The Company qualifies as a low energy user and is exempt from reporting under these regulations.

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 24 – 'Financial instruments' to the Group financial statements.

By order of the board of directors

W R Morgan

William Morgan

Company secretary

19 May 2021

Report on directors' remuneration

year ended 31 December 2020

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 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 2020	Consultancy $	Fees $	Benefits $	Total $
John Monhemius	—	**51,154**	—	**51,154**
Richard Round (resigned 7 December 2020)	—	**47,971**	—	**47,971**
John Sununu	—	**75,707**	—	**75,707**
Michael Sununu (appointed 7 December 2020)	—	**3,665**	—	**3,665**
Reza Vaziri	**578,942**	**51,154**	**32,952**	**663,048**
Khosrow Zamani	—	**126,694**	—	**126,694**
	578,942	**356,345**	**32,952**	**968,239**

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

Directors' fees and consultancy fees for 2019 and 2020 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 26 – 'Share-based payment' to the Group financial statements.

No director held or exercised any share options during the year ended 31 December 2020.

The Company's share price has ranged from 152.00 pence at 31 December 2019 to a high of 174.00 pence and a low of 77.50 pence during the year ended 31 December 2020 with a closing price of 131.50 pence at 31 December 2020.

By order of the board of directors

W R Morgan

William Morgan

Company secretary

19 May 2021

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") in conformity with the Companies Act 2006. 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. Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

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 in conformity with the Companies Act 2006;
- 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, including FRS 101, 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. 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

19 May 2021

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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise:

Group	Parent company
Group Income Statement for the year then ended	Company Statement of Financial Position as at 31 December 2020
Group Statement of Comprehensive Income for the year then ended	Company Statement of Changes in Equity for the year then ended
Group Statement of Financial Position as at 31 December 2020	Related notes 1 to 16 to the Company Financial Statements, including a summary of significant accounting policies
Group Statement of Cash Flows for the year then ended	
Group Statement of Changes in Equity for the year then ended	
Related notes 1 to 31 to the Group 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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. We are independent of the group 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following:

- we obtained and audited management's going concern analysis including the supporting cash flow forecasts included in their going concern model;
- we evaluated the key assumptions used in the model, including gold and copper production volumes and prices and exchange rates, comparing these to available market data where appropriate; this enabled us to conclude on the reasonableness of management's assumptions;
- we tested the integrity and arithmetical accuracy of the cash flow forecasts prepared by management;
- we performed sensitivity analysis on the forecasts to assess the extent of deterioration in prices or sales volumes that would materially impact the group's liquidity position;
- 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 have tested the assumptions included in management's assessment of 'care and maintenance' costs;

Independent auditor's report continued

to the members of Anglo Asian Mining PLC

Conclusions relating to going concern continued

- 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 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 and recent conflict in the country and the government's ability and intentions to support the local economy; and
- we assessed the adequacy of the going concern disclosure included in note 2 to the consolidated financial statements and consider these to appropriately reflect the assessments that management has performed.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern until 30 June 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

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.
Key audit matters	▸ Impairment of mining assets - Management override risk. ▸ Improper revenue recognition.
Materiality	▸ Overall group materiality of $1.8m which represents 5% of Profit before tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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 six reporting components of the Group, we selected two 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 the two 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% (2019: 100%) of the Group's Profit before tax, 100% (2019: 100%) of the Group's Revenue and 100% (2019: 100%) of the Group's Total assets.

The remaining four components together 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 enquiries with Management about unusual transactions in these components, to respond to any potential risks of material misstatement to the Group financial statements.

An overview of the scope of the parent company and group audits continued

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 to visit 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 and also meets with the Azerbaijan component team. 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 that we would have done had we been on site in Baku. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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
Impairment of mining assets – management override risk **Refer to the Accounting policies (page 55 to 57); and notes 13 and 14 of the Consolidated Financial Statements (page 68 to 70).** At 31 December 2020 the carrying value of the Group's mining assets were: • Property, plant and equipment: US$64.9m (2019: US$69.7m); • Intangible assets: US$24.1m (2019: US$20.0m). 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.	Initially, our approach focused on the following procedures: • We obtained an understanding of management's process and key controls over the impairment evaluation for mining assets; • We verified, through discussions with management and review of supporting evidence, the appropriateness of management's determination of CGUs; • We evaluated management's assessment of whether there were any indicators of impairment for operating mines and exploration assets as at 31 December 2020, following the requirements of IAS 36 and IFRS 6. • We examined macro-economic factors, including market interest rates and both spot and future gold, silver and copper prices, to identify potential impairment indicators; • For the operating mines, we evaluated the performance of the CGU during 2020 by comparing it against management's budget and prior year actuals, and evaluated the existence of any significant changes to the expected performance through studying the updated mine plans; and • For Ordubad, we assessed the project for impairment indicators through inquiries of management and obtained any relevant supporting evidence for management's plans to develop the asset in future periods.	Based on the procedures performed, we are satisfied that the impairment assessment performed by Management is appropriate, and the assumptions used therein are reasonable and supportable. We concluded that, as at 31 December 2020, an impairment charge should not be recognised against the carrying value of the mining assets.

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 continued	Since an impairment indicator was identified for the operating mines, we extended our audit procedures to audit management's impairment model and underlying assumptions. This included the following procedures: • We obtained the Group's impairment assessment model for the operating mine CGU including Gedabek, Gosha and Gadir mining properties; • We agreed the forecasts to the budget submitted to the Ministry of Energy and Natural Resources; • We reconciled reserves volumes in the model to the independent JORC reserves report prepared by Mining Plus in the year. We assessed the competence, capabilities and objectivity of Mining Plus as a specialist engaged by management to audit the Group's reserves and resources; • We interviewed both operating and financial management in order to understand the assumptions used in the estimation of production profiles and reserves and resources in the year. We challenged management's internal expert on the estimation of reclaimed ore included in the reserve estimation and reviewed the assessment performed by management's internal expert; • Working with EY's valuation specialists, we assessed management's assumptions relating to future metals prices and discount rates, comparing these to market data and also, for consistency, with other estimates used in the financial statements; • We assessed operating and capital costs included in the cash flow forecasts for consistency with current operating costs and forecast mine production and other forecast information; • We performed sensitivity analyses on management's calculated recoverable values for alternative assumptions for metals prices, discount rate and production including reclaimed ore; and • We assessed the appropriateness of sensitivity disclosures included in the financial statements in light of our other audit procedures. The audit procedures over this risk area were performed by the primary and component teams, covering 100% of the risk amounts.	
Improper revenue recognition Refer to accounting policies (page 52 and 53); and note 6 of the consolidated financial statements (page 65). For the year ended 31 December 2020 the Group recognised revenue from operations of US$102.1m (2019: US$92.1m). 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.	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, detection or correction of material errors in the financial statements; • Performed detailed substantive audit procedures on sales revenues to ensure appropriate cut off, including testing underlying evidence to ensure revenue is recognised in the correct period; • For all sales transactions taking place during the year, we agreed the main inputs to supporting evidence, such as bill of lading, invoices and cash receipts; • Reconciled the Group's records with the amount 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.	As a result of the procedures performed, we reported to the Audit Committee that the Group's revenue transactions have been recognised properly and the government's portion of production has been accounted for and disclosed appropriately.

In the prior year, our auditor's report included a key audit matter in relation to the Going Concern basis used in the preparation of the annual report and accounts. In the current year, this was no longer considered a key audit matter due to the reduced level of uncertainty related to the outbreak of the COVID-19 pandemic.

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 $1.8m (2019: $1.5m), which is 5% (2019: 5%) of Profit before tax. We believe that Profit before tax provides us with a reliable measure that is significant to users and is the measure which is aligned best with the expectations of the Audit Committee and other stakeholders. Materiality has increased in 2020 following the improved operating results of the group.

We determined materiality for the Parent Company to be $210k (2019: $134k), which is 0.9% (2019: 0.9%) of Total assets (2019: Total assets).

During the course of our audit, we reassessed materiality and as a result increased Group materiality from $1.2m to $1.8m. This was due to actual Profit before tax for the year being higher than forecast during the planning phase of the audit.

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% (2019: 50%) of our planning materiality, namely $0.9m (2019: $0.8m). We have set performance materiality at this percentage based on our assessment of the likelihood of misstatements following our review of prior year audit adjustments.

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 $228k to $892k (2019: $222k to $740k).

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 $89k (2019: $75k), 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 38, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

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. 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 course of 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 themselves. 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.

Independent auditor's report continued

to the members of Anglo Asian Mining PLC

Matters on which we are required to report by exception

In 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 38, 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, FRS 101 "Reduced Disclosure Framework", 2018 Quoted Companies Alliance Corporate Governance Code, AIM Listing Rules) and the relevant tax compliance regulations in the United Kingdom and Azerbaijan, where Anglo Asian Mining plc operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, together with those laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices.
- We understood how Anglo Asian Mining plc is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through the review of the following documentation:
  - all minutes of board meetings held during the year;
  - the group's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations;
  - any relevant correspondence with local tax authorities; and
  - any relevant correspondence received from regulatory bodies.

Auditor's responsibilities for the audit of the financial statements continued

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud. We gained an understanding of the entity level controls and policies that the Company applies being part of the group. We considered the risk of management override of controls in relation to the impairment of mining assets and revenue recognition to be fraud risks for the audit. Procedures were designed to address these fraud risks accordingly as outlined within the 'Key audit matters' section.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; enquiries of legal counsel and group management.
- If any instances of non-compliance with laws and regulations were identified, these were communicated to the relevant local EY teams who performed sufficient and appropriate audit procedures, supplemented by audit procedures performed at the group level.

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

Paul Wallek (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

19 May 2021

Group statement of income

year ended 31 December 2020

Continuing operations	Notes	2020 $000	2019 $000
Revenue	6	**102,054**	92,052
Cost of sales	8	**(60,325)**	(54,576)
Gross profit		**41,729**	37,476
Other operating income	7	**646**	1
Administrative expenses		**(5,033)**	(5,208)
Other operating expenses	7	**(1,278)**	(943)
Operating profit	8	**36,064**	31,326
Finance costs	10	**(564)**	(1,269)
Finance income		**121**	73
Other income	7	**116**	—
Profit before tax		**35,737**	30,130
Income tax expense	11	**(12,516)**	(10,787)
Profit attributable to the equity holders of the parent		**23,221**	19,343
Profit per share attributable to the equity holders of the parent			
Basic (US cents per share)	12	**20.30**	16.91
Diluted (US cents per share)	12	**20.30**	16.91

Group statement of comprehensive income

year ended 31 December 2020

	2020 $000	2019 $000
Profit for the year	**23,221**	19,343
Total comprehensive profit	**23,221**	19,343
Attributable to the equity holders of the parent	**23,221**	19,343

Group statement of financial position

31 December 2020

	Notes	2020 $000	2019 $000
Non-current assets			
Intangible assets	13	**23,965**	19,965
Property, plant and equipment	14	**66,680**	69,728
Leased assets	15	**1,809**	3,622
Other receivables	16	**—**	67
		92,454	93,382
Current assets			
Inventory	17	**41,457**	43,881
Trade and other receivables	16	**6,830**	26,783
Other current financial assets	18	**185**	—
Cash and cash equivalents	19	**38,848**	17,801
		87,320	88,465
Total assets		**179,774**	181,847
Current liabilities			
Trade and other payables	20	**(12,820)**	(27,510)
Income tax payable		**(6,265)**	(2,760)
Interest-bearing loans and borrowings	21	**—**	(1,688)
Lease liabilities	15	**(465)**	(1,015)
		(19,550)	(32,973)
Net current assets		**67,770**	55,492
Non-current liabilities			
Provision for rehabilitation	23	**(11,833)**	(10,485)
Lease liabilities	15	**(1,482)**	(2,741)
Deferred tax liability	11	**(24,947)**	(26,596)
		(38,262)	(39,822)
Total liabilities		**(57,812)**	(72,795)
Net assets		**121,962**	109,052
Equity			
Share capital	25	**2,016**	2,016
Share premium account	27	**33**	33
Merger reserve	25	**46,206**	46,206
Retained earnings		**73,707**	60,797
Total equity		**121,962**	109,052

The Group financial statements were approved by the board of directors and authorised for issue on 19 May 2021. They were signed on its behalf by:

Reza Vaziri

President and chief executive

Group financial statements

Group statement of cash flows

year ended 31 December 2020

	Notes	2020 $000	2019 $000
Cash flows from operating activities			
Profit before tax		**35,737**	30,130
Adjustments to reconcile profit before tax to net cash flows:			
Finance costs	10	**564**	1,269
Finance income		**(121)**	(73)
Unrealised gain on financial instruments		**(116)**	—
Gain on the modification of lease liabilities		**(72)**	—
Depreciation of owned assets	14	**14,949**	16,767
Depreciation of leased assets	15	**627**	795
Amortisation of mining rights and other intangible assets	13	**1,267**	1,600
Operating cash flow before movements in working capital		**52,835**	50,488
Decrease/(increase) in trade and other receivables		**4,939**	(2,502)
Decrease/(increase) in inventories		**2,422**	(9,722)
Increase/(decrease) in trade and other payables		**2**	(462)
Cash from operations		**60,198**	37,802
Income taxes paid		**(10,660)**	(8,148)
Net cash flow from operating activities		**49,538**	29,654
Cash flows from investing activities			
Expenditure on property, plant and equipment and mine development		**(10,476)**	(4,703)
Investment in exploration and evaluation assets including other intangible assets		**(5,267)**	(4,499)
Purchase of financial instruments		**(69)**	—
Interest received		**121**	73
Net cash used in investing activities		**(15,691)**	(9,129)
Cash flows from financing activities			
Dividends paid	28	**(10,311)**	(8,696)
Proceeds from borrowings	22	**—**	537
Repayments of borrowings	22	**(1,688)**	(7,287)
Interest paid – borrowings		**(20)**	(804)
Interest paid – lease liabilities	15	**(230)**	(353)
Repayment of lease liabilities	15	**(551)**	(661)
Net cash used in financing activities		**(12,800)**	(17,264)
Net increase in cash and cash equivalents		**21,047**	3,261
Cash and cash equivalents at the beginning of the year	19	**17,801**	14,540
Cash and cash equivalents at the end of the year	19	**38,848**	17,801

Group statement of changes in equity

year ended 31 December 2020

	Notes	Share capital $000	Share premium $000	Merger reserve $000	Retained earnings $000	Total equity $000
1 January 2019		2,016	33	46,206	50,150	98,405
Profit for the year		—	—	—	19,343	19,343
Cash dividends paid	28	—	—	—	(8,696)	(8,696)
31 December 2019		2,016	33	46,206	60,797	109,052
Profit for the year		—	—	—	23,221	23,221
Cash dividends paid	28	—	—	—	(10,311)	(10,311)
31 December 2020		**2,016**	**33**	**46,206**	**73,707**	**121,962**

Notes to the Group financial statements

year ended 31 December 2020

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 88 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 29, the chairman's statement on pages 5 to 7 and the strategic report on pages 10 to 22 of this annual report.

2 Basis of preparation

The Group's annual report is for the year ended 31 December 2020 and includes the consolidated financial statements of the Group prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006.

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 35, 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 2022 (the 'going concern review period') 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 $22.9 million (31 December 2020: $38.8 million) and no bank debt at 31 March 2021. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and gold prices of $1,650 and $1,700 for 2021 and $1,750 for 2022. The gold prices are lower than that used for the impairment testing to add further conservatism to the forecast. The base case cash flow forecast shows 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 a $15 million standby credit facility with Pasha Bank as a contingency measure which is available until April 2023 with no conditions on drawdown.

Despite the restrictions imposed by the COVID-19 pandemic and martial law in September to November 2020 due to the conflict between Azerbaijan and Armenia, the Company continued production throughout 2020 at Gedabek and to ship and sell gold doré and copper concentrate.

From February 2021, the Government of Azerbaijan started lifting many of the restrictions imposed to restrict the spread of the coronavirus. In the second quarter of 2021, the remaining restrictions were not having any material effect on the ability of the business to operate. The directors believe that the ability of the Company to operate throughout 2020 demonstrates the resilience of the business should further restrictions be imposed due to any future intensification of the COVID-19 pandemic.

In the current period the directors reviewed various severe downside scenarios under which the business may in future be required to operate. These downside scenarios are six months of continuing production but having to stockpile finished product for later sale and secondly the full going concern period where production is either disrupted or shut down and the business placed on care and maintenance. No revenue is assumed in both downside scenarios. It is currently costing approximately $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. Under the downside scenarios the Group's forecasts to have the financial resources to continue as a going concern, utilising the standby credit facility where necessary. The directors believe the likelihood of both downside scenarios to be remote given the resilience demonstrated in 2020.

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 5 to 22. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within the financial review on pages 25 to 28. In addition, note 24 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

The following standards and amendments were applicable for annual financial statements beginning on or after 1 January 2020:

- Amendments to IFRS 3: Definition of a business
- Amendments to IAS 1 and IAS 8: Definition of material
- Conceptual Framework for Financial Reporting Issued on 29 March 2018
- Amendments to IFRS 16: Covid-19 Related Rent Concessions

The above standards and amendments had no impact on the consolidated financial statements of the Group.

3.2 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 IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant and Equipment: proceeds before intended use
- Amendments to IAS 37: Onerous contracts – costs of Fulfilling a Contract
- IFRS 1: First-time adoption of International Financial Reporting Standards: subsidiary as a first-time adopter
- IFRS 9 Financial Instruments: Fees in the "10 per cent." test for derecognition of financial liabilities
- IAS 41: Agriculture – Taxation in fair value measurements

The above standards and amendments are not expected to have any impact on the consolidated financial statements of the Group.

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 2020. 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.

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 Significant accounting policies continued

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

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".

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.

4 Significant accounting policies continued

4.3 Leases continued

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.

d) Lease modifications

Where the terms of a lease are varied during its term which results in a revised carrying amount of the lease, the change to the carrying amount is accounted for as "Lease Modifications".

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.

4.6 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.

4 Significant accounting policies continued

4.6 Borrowing costs continued

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.

4.8 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.

4 Significant accounting policies continued

4.8 Property, plant and equipment and mine properties continued

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 (2019: eight years)
- Plant and equipment – eight years (2019: eight years)
- Motor vehicles – four years (2019: four years)
- Office equipment – four years (2019: four years)
- Leasehold improvements – the lower of eight years (2019: eight years) and the remaining term of the relevant lease

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.

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.

4 Significant accounting policies continued

4.9 Impairment of tangible and intangible assets continued

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 19 – 'Cash and cash equivalents';
- Note 20 – 'Trade and other payables'; and
- Note 21 – '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.

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.

4 Significant accounting policies continued

4.11 Provisions continued

ii) Rehabilitation provision continued

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.

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.

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) continued

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.

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.

4 Significant accounting policies continued

4.12 Financial instruments – initial recognition and subsequent measurement continued

a) Financial assets continued

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.

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.

4.12 Financial instruments – initial recognition and subsequent measurement continued

b) Financial liabilities continued

ii) Subsequent measurement continued

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.

4.14 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.

4 Significant accounting policies continued

4.14 Inventories continued

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) 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.

ii) 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 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 in order to calculate present value.

The Group has calculated the value in use of its only operating cash generating unit ("CGU") which are its mines together with their associated processing facilities at Gedabek ("Mining Operations") to assess whether any impairment provision is required. The significant accounting judgements made to perform this calculation are: production volumes, precious metal and copper prices, discount rates and exchange rates.

iii) 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.

iv) Leases (note 15)

The implementation of IFRS 16 requires the Group to make judgements 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.

v) Renewal of Production Sharing Agreement ("PSA") (note 30)

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 initially had 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 and the first of the two five year extensions allowed under the PSA has now been obtained. The directors have judged that the requirements to renew the licence for the second five year extension will be satisfied and therefore it is valid to depreciate assets over useful lives which end later than March 2027.

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 23)
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.

v) Recovery of deferred tax assets (note 11)
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.

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.

	2020 $000	2019 $000
Gold within doré and gold bullion	**86,441**	76,123
Silver bullion	**337**	264
Gold and copper concentrate	**15,276**	15,665
	102,054	92,052

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 2020 and 2019 to Industrial Minerals SA, Trafigura PTE Ltd and Metal-Kim Metalurji Ve Kimya Tarim Sanayi Tic Ltd Sti.

7 Other operating income and expenses and other income

	2020 $000	2019 $000
Other operating income		
Interest receivable	**—**	1
Gain on the modifications of lease liabilities	**72**	—
Gain on cancellation of trade payables	**574**	—
	646	1
Other operating expenses		
Transportation and refining costs	**782**	399
Foreign exchange loss	**130**	139
Advances and inventory written off	**366**	405
	1,278	943
Other income		
Fair value gain on equity instruments at fair value through profit or loss	**116**	—

8 Operating profit

	Notes	2020 $000	2019 $000
Operating profit is stated after charging:			
Depreciation on property, plant and equipment – owned	14	**14,949**	16,767
Depreciation on property, plant and equipment – right of use assets	15	**627**	795
Amortisation of mining rights and other intangible assets	13	**1,267**	1,600
Employee benefits and expenses	9	**10,021**	8,026
Foreign currency exchange net loss		**130**	139
Inventory expensed during the year		**24,240**	24,470
Fees payable to the Company's auditor for:			
The audit of the Group's annual accounts		**154**	155
The audit of the Group's subsidiaries pursuant to legislation		**119**	119
Audit related assurance services – half year review		**3**	2
Total audit services		**276**	276
Amounts paid to auditor for other services:			
Tax compliance services		**13**	13
Tax advice regarding dividend and share premium reduction		**34**	48
Total non-audit services		**47**	61
Total		**323**	337

The audit fees for the parent company were $111,000 (2019: $107,000).

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:

	2020	2019
Management and administration	**45**	44
Exploration	**47**	29
Mine operations	**767**	705
	859	778

The aggregate payroll costs of these persons were as follows:

	2020 $000	2019 $000
Wages and salaries	**8,732**	6,750
Social security costs	**1,706**	1,701
Costs capitalised as exploration	**(417)**	(425)
	10,021	8,026

Remuneration of key management personnel

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

	2020 $	2019 $
Short-term employee benefits	**1,713,791**	1,674,133

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 mining 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 37.

10 Finance costs

	2020 $000	2019 $000
Interest charged on interest-bearing loans and borrowings	**20**	466
Finance charges on letters of credit	**4**	12
Interest expense on lease liabilities	**230**	353
Unwinding of discount on provisions	**310**	438
	564	1,269

Interest on interest-bearing loans and borrowings represents charges incurred on those credit facilities as set out in note 21 – "Interest-bearing loans and borrowings".

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 2020 were $nil (2019: $nil).

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

	2020 $000	2019 $000
Current income tax		
Current income tax charge	**14,165**	7,208
Deferred tax		
(Benefit)/charge relating to origination and reversal of temporary differences	**(1,649)**	3,579
Income tax charge for the year	**12,516**	10,787

11 Taxation continued

Deferred income tax at 31 December relates to the following:

	Statement of financial position		Income statement	
	2020 $000	2019 $000	2020 $000	2019 $000
Deferred income tax liability				
Property, plant and equipment – accelerated depreciation	**(19,049)**	(18,072)	**(977)**	93
Right of use assets – accelerated deprecation	**(579)**	(1,159)	**580**	(1,159)
Non-current prepayments	**—**	(21)	**21**	118
Trade and other receivables	**(616)**	(2,062)	**1,446**	(782)
Inventories	**(11,828)**	(12,604)	**776**	(3,111)
Deferred income tax liability	**(32,072)**	(33,918)		
Deferred income tax asset				
Trade and other payables and provisions*	**2,716**	2,765	**(49)**	(406)
Lease liabilities	**623**	1,202	**(579)**	1,202
Asset retirement obligation*	**3,786**	3,355	**431**	466
Deferred income tax asset	**7,125**	7,322		
Deferred income tax benefit/(charge)			**1,649**	(3,579)
Net deferred income tax liability	**(24,947)**	(26,596)		

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

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

	2020 $000	2019 $000
Profit before tax	**35,737**	30,130
Theoretical tax charge at statutory rate of 32 per cent. for RVIG*	**11,436**	9,642
Effects of different tax rates for certain Group entities (20 per cent.)	**171**	198
Tax effect of items which are not deductible or assessable for taxation purposes:		
– non-deductible expenses	**909**	947
Income tax charge for the year	**12,516**	10,787

* 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 2020, the Group had unused tax losses available for offset against future profits of $21,599,000 (2019: $20,181,000). Unused tax losses in the Republic of Azerbaijan at 31 December 2020 were $nil (2019: $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 $23,221,000 (2019: $19,343,000).

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:

	2020	2019
Basic	**114,392,024**	114,392,024
Diluted	**114,392,024**	114,392,024

At 31 December 2020 there were no unexercised share options that could potentially dilute basic earnings per share (2019: nil).

Group financial statements

Notes to the Group financial statements continued

year ended 31 December 2020

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 2019	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
Additions	4,240	812	215	—	—	5,267
31 December 2020	**10,514**	**1,642**	**5,751**	**41,925**	**562**	**60,394**
Amortisation and impairment*						
1 January 2019	—	—	—	33,155	407	33,562
Charge for the year	—	—	—	1,578	22	1,600
31 December 2019	—	—	—	34,733	429	35,162
Charge for the year	—	—	—	1,233	34	1,267
31 December 2020	**—**	**—**	**—**	**35,966**	**463**	**36,429**
Net book value						
31 December 2019	6,274	830	5,536	7,192	133	19,965
31 December 2020	**10,514**	**1,642**	**5,751**	**5,959**	**99**	**23,965**

* 290,000 ounces of gold at 1 January 2020 were used to determine amortisation of producing mines, mining rights and other intangible assets (2019: 355,000 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 $55,000 and an increase in amortisation of $61,000 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 2019	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
Additions	619	8,734	1,510	10,863
Increase in provision for rehabilitation	—	1,038	—	1,038
31 December 2020	**25,207**	**220,421**	**1,590**	**247,218**
Depreciation and impairment*				
1 January 2019	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
Charge for the year	1,743	13,206	—	14,949
31 December 2020	**21,766**	**158,772**	**—**	**180,538**
Net book value				
31 December 2019	4,565	65,083	80	69,728
31 December 2020	**3,441**	**61,649**	**1,590**	**66,680**

* 290,000 ounces of gold at 1 January 2020 were used to determine depreciation of producing mines, mining rights and other intangible assets (2019: 355,000 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 $149,000 and an increase in depreciation of $166,000 respectively.

14 Property, plant and equipment continued

Impairment assessment of the Group's fixed assets

The Group assesses at each balance sheet date whether any indicators of impairment exist for each asset or cash generating unit ("CGU"). The Group has only one operating CGU. This is the Group's mines together with their associated processing facilities at Gedabek ("Mining Operations"). If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether an impairment is required, the carrying value of Mining Operations is compared with its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Given the nature of the Group's activities, information on the fair value less costs to disposal of Mining Operations is difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the VIU recoverable amount for Mining Operations is estimated based on the discounted future estimated cash flows (expressed in nominal terms) expected to be generated from its continued use using market-based commodity price and exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements based on the Group's latest five-year plan and life of mine plan. The cash flows are discounted using a nominal discount rate before taxation that reflects current market assessments of the time value of money and the risks specific to Mining Operations.

Indication of impairment during the year ended 31 December 2020

In the year ended 31 December 2020, revised JORC ore reserve estimates were prepared and published for the Group's Gedabek open pit mine and Gadir underground mine. These showed decreased ore reserves compared to previous estimates which was considered an indication of impairment. Accordingly, the recoverable amount of Mining Operations was calculated and compared to its carrying value. The results of the analysis are as follows:

	$M
Recoverable amount of Mining Operations	90.7
Carrying value of Mining Operations	(76.0)
Excess of carrying value over recoverable amount	14.7

As the recoverable amount of Mining Operations was in excess of its carrying value, no impairment charge was made during 2020.

Key assumptions in calculating recoverable amount of Mining Operations

The determination of the recoverable amount of Mining Operations is most sensitive to the following key assumptions:

- Production volumes
- Precious metal and copper prices
- Discount rates
- Exchange rates
- Operating and capital expenditure

Production volumes

In calculating the recoverable amount, the following production volumes were incorporated into the cash flow model for the years 2021 to 2025 ("Cash Flow Model"):

Gold: 231,000 ounces

Silver: 536,321 ounces

Copper: 12,517 tonnes

Estimated production volumes are based on the Group's latest ore reserve estimates and internal budgets and forecasts and the Group's five-year plan. Production volumes are dependent on a number of variables, including: the recoverable quantities; the production profile; the cost to maintain the infrastructure necessary to extract the reserves; the production costs and the selling price of the precious metal and copper extracted.

The volumes used for the production profile are consistent with the latest revised JORC resource and reserves statements published in 2020. The Cash Flow Model also includes production from approximately 1.5 million tonnes of previously crushed heap-leached ore with an estimated average grade of 1.35 grammes of gold. This is high grade ore which was processed prior to construction of the Group's agitation leaching plant and has remained in-situ since heap leaching. As heap leaching only recovers around 30 per cent. to 60 per cent. of the gold and silver content, this material contains a sufficiently high grade of gold to be economic to process and recover by agitation leaching.

14 Property, plant and equipment continued

Key assumptions in calculating recoverable amount of Mining Operations continued

Precious metal and copper prices

The precious metal and copper prices used in the Cash Flow Model are the best estimates by management based on all readily available sources of internal and external information. These prices are reviewed annually. The estimated gold, silver and copper prices used for the Cash Flow Model are as follows:

		Year					
Metal	Unit	2021	2022	2023	2024	2025	Average
Gold	$/ounce	**1,895**	1,830	1,800	1,750	1,700	1,795
Silver	$/ounce	**25**	22	21	21	20	22
Copper	$/tonne	**7,202**	7,200	7,100	7,000	7,000	7,100

Discount rate

In calculating the recoverable amount, a nominal pre-tax discount rate of 12.34 per cent. was applied to the pre-tax cash flows expressed in nominal terms. This is the Group's estimated pre-tax average weighted cost of capital ("WACC"). The cost of the Group's equity is derived from the expected return on investment by the Group's investors.

Exchange rates

The only exchange rate significant to the Cash Flow Model is the United State dollar ("US$") to Azeri New Manat ("AZN") exchange rate. The rate used is US$1 equals AZN1.7. This exchange rate has been stable following the devaluation in 2015 of the Azeri New Manat.

Sensitivity analysis

The directors believe there are no reasonably possible changes in any of the assumptions, except the commodity price and production volumes, which would lead to an impairment in Mining Operations. It is estimated that a 11 per cent. decrease in the gold and silver prices and an average 19 per cent. decrease in copper price together used in the Cash Flow Model would result in an impairment of $12.8 million. It is estimated that a 10 per cent. decrease in production volumes would result in an impairment of $2.2 million.

The capital commitments by the Group have been disclosed in note 30.

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
Additions	—	70	70
Lease modifications	(1,577)	—	(1,577)
31 December 2020	**2,357**	**553**	**2,910**
Depreciation			
1 January 2019	—	—	—
Charge for the year	657	138	795
31 December 2019	657	138	795
Charge for the year	477	150	627
Lease modifications	(321)	—	(321)
31 December 2020	**813**	**288**	**1,101**
Net book value			
31 December 2019	3,277	345	3,622
31 December 2020	**1,544**	**265**	**1,809**

15 Leases continued

Lease liabilities

	2020 $000	2019 $000
1 January	**3,756**	4,417
Additions	**70**	—
Lease modifications	**(1,328)**	—
Interest expense	**230**	353
Repayment	**(781)**	(1,014)
31 December	**1,947**	3,756
Current liabilities	**465**	1,015
Non-current liabilities	**1,482**	2,741
	1,947	3,756

Amount recognised in the profit and loss account

	2020 $000	2019 $000
Depreciation expense of right of use assets	**627**	795
Gain on lease modifications	**(72)**	—
Interest expense	**230**	353
Expenses relating to short term leases	**202**	200
	987	1,348

The amount of future lease commitments for short-term leases at 31 December 2019 and 2020 are similar to the amounts expensed in 2019 and 2020 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	2020 $000	2019 $000
Advances for fixed asset purchases	—	67
Current assets		
Gold held due to the Government of Azerbaijan	**3,664**	18,684
VAT refund due	**671**	735
Other tax receivable	**256**	207
Trade receivables – fair value*	**614**	—
Prepayments and advances	**1,625**	2,012
Loans	—	60
Cash in transit**	—	5,085
	6,830	26,783

* 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.

Notes to the Group financial statements continued

year ended 31 December 2020

16 Trade and other receivables continued

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 2019 or 2020.

The VAT refund due at 31 December 2020 and 2019 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 20.

17 Inventory

Current assets	2020 $000	2019 $000
Cost		
Finished goods – bullion	**1,313**	1,973
Finished goods – metal in concentrate	**456**	863
Metal in circuit	**17,226**	17,041
Ore stockpiles	**9,464**	10,615
Spare parts and consumables	**12,998**	13,389
Total current inventories	**41,457**	43,881
Total inventories at the lower of cost and net realisable value	**41,457**	43,881

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 Other current financial assets

	2020 $000	2019 $000
Financial assets at fair value through profit or loss		
Listed equity investment	**185**	—

The listed equity investment are equity shares which were listed on the AIM market of the London Stock Exchange at 31 December 2020. Their value is determined by reference to published price quotations of the AIM market.

19 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 2020 (including short-term cash deposits) comprised $21,000 and $38,827,000 respectively (2019: $8,000 and $17,793,000).

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

20 Trade and other payables

	2020 $000	2019 $000
Accruals and other payables	**4,570**	4,950
Trade creditors	**3,369**	2,544
Gold held due to the Government of Azerbaijan	**3,664**	18,684
Payable to the Government of Azerbaijan from copper concentrate joint sale	**1,217**	1,332
	12,820	27,510

Trade creditors primarily comprise amounts outstanding for trade purchases and ongoing costs. Trade creditors are non-interest bearing and the creditor days were 20 (2019: 16). 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.

21 Interest-bearing loans and borrowings

	2020 $000	2019 $000
Pasha Bank – refinancing loan	—	1,688
Loans repayable in less than one year	—	1,688

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 and in accordance with the terms of the loan, fully repaid in March 2020.

Unused credit facilities

The Group had a $2.0 million credit facility from Yapi Credit Bank and a $18 million credit facility from Pasha Bank at 31 December 2020 which were not utilised (2019: $2.0 million credit facility from Yapi Credit Bank).

22 Changes in liabilities arising from financing activities

	2020			
	1 January $000	Cash flows $000	Other $000	31 December $000
Current interest-bearing loans and borrowings	1,688	(1,688)	—	—
Lease liabilities	3,756	(781)	(1,028)	1,947
Total liabilities from financing activities	5,444	(2,469)	(1,028)	1,947

	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

Other in 2019 results from the implementation of IFRS 16 – "Leases" (note 15). Other in 2020 results mainly from lease modifications.

23 Provision for rehabilitation

	2020 $000	2019 $000
1 January	10,485	9,028
Additions	1,330	292
Accretion expense	310	438
Effect of passage of time and change in discount rate	(292)	727
31 December	11,833	10,485

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 2020 was $13,497,000 (2019: $12,211,000). The undiscounted liability was discounted using a risk-free rate of 3.19 per cent. (2019: 2.94 per cent.). Expenditures on restoration and rehabilitation works are expected between 2023 and 2025 (2019: between 2023 and 2025).

24 Financial instruments

Financial risk management objectives and policies

The Group's principal financial instruments at 31 December 2020 comprised cash and cash equivalents. The Group also had bank loans and letters of credit outstanding during the year ended 31 December 2020 but these were all settled during the year. The Group may enter into bank and other loans and letters of credit in the future. 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 2020 and 2019 using the amounts of debt and other financial assets and liabilities held as at those reporting dates.

Capital risk management

The capital structure of the Group at 31 December 2020 consists of 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 also had bank loans and letters of credit outstanding during the year ended 31 December 2020 but these were all settled during the year. The Group may enter into bank and other loans and letters of credit in the future. 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 are at a fixed rate of interest. The Group's bank debt and letters of credit outstanding during the year ended 31 December 2020 were also at a fixed rate of interest. The Group would expect any future bank and other borrowings and letters of credit to be 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 2020 and 2019.

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 21 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 2020

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	Total $000
Lease liabilities	—	**220**	**440**	**1,980**	**2,640**
Trade and other payables	—	**12,820**	—	—	**12,820**
	—	**13,040**	**440**	**1,980**	**15,460**

24 Financial instruments continued

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

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.

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	
	2020 $000	2019 $000	**2020 $000**	2019 $000
UK Sterling	**157**	—	**195**	130
Azerbaijan Manats	**6,045**	5,226	**1,085**	1,044
Other	**525**	139	**402**	—

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 10 per cent., 9 per cent. and 20 per cent. (2019: 9 per cent., 8 per cent. and 10 per cent.) increase in and a 10 per cent, 10 per cent and 3 per cent. (2019: 9 per cent., 8 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	
	2020 $000	2019 $000	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Increase – effect on profit before tax	**(4)**	(12)	**992**	418	**11**	11
Decrease – effect on profit before tax	**4**	12	**(149)**	(125)	**(12)**	(11)

Group financial statements

Notes to the Group financial statements continued

year ended 31 December 2020

24 Financial instruments continued

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 2020 would result in a reduction in revenue of $8.9 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 $0.1 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.

25 Equity

	2020		2019	
	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.

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 2019 and 2020 (note 26).

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.

26 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.

There were no share options issued, exercised or outstanding during the years ended 31 December 2019 and 2020.

27 Share premium account

	2020 $000	2019 $000
1 January and 31 December	**33**	33

28 Distributions made and proposed

	2020 $000	2019 $000
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2018: 4.0 US cents per share	—	4,592
Interim dividend for 2019: 3.5 US cents per share	—	4,104
Final dividend for 2019: 4.5 US cents per share	5,153	—
Interim dividend for 2020: 4.5 US cents per share	5,158	—
	10,311	8,696
Cash dividends on ordinary shares declared and paid subsequent to balance sheet date		
Special dividend for 2020: 1.5 US cents per share	1,716	—
Proposed dividends on ordinary shares:		
Final dividend for 2020: 3.5 US cents per share*	4,004	—

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
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
Final dividend for 2019: 4.5 US cents per share	1.2591	3.5739
Interim dividend for 2020: 4.5 US cents per share	1.2987	3.4651
Special dividend for 2020: 1.5 US cents per share	1.3932	1.0767

* The proposed final dividend for the year ending 31 December 2020 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 2020.

29 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 2020 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 2020.

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

Group financial statements

Notes to the Group financial statements continued

year ended 31 December 2020

30 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 initial period of the mining licence for Gedabek was until March 2022. The Company has the option to extend the licence for two five-year periods (ten years in total) conditional upon satisfaction of certain requirements in the PSA. The first of the five year extensions was obtained by the Company in April 2021 and accordingly the mining licence is now to March 2027 with a further five year extension permitted.

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.

31 Related party transactions

Trading transactions

During the years ended 31 December 2019 and 2020, 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 37.

b During the year ended 31 December 2020, total payments of $658,000 (2019: $887,000) 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 2020 there is a payable in relation to the above related party transaction of $39,000 (2019: $nil).

c During the year ended 31 December 2020, total payments of $2,244,000 (2019: $1,865,000) were made for processing equipment and supplies purchased from F&H Group LLC ("F&H"), an entity in which the vice president of technical services of Azerbaijan International Mining Company has a direct ownership interest.

   At 31 December 2020 there is a payable in relation to the above related party transaction of $249,000 (2019: $134,000).

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.

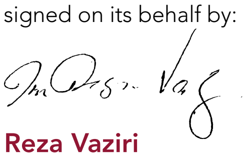
Company statement of financial position

31 December 2020

	Notes	2020 $000	2019 $000
Non-current assets			
Property, plant and equipment	3	**147**	142
Investments	4	**1,325**	1,325
		1,472	1,467
Current assets			
Other receivables	6	**70**	161
Other current financial assets	7	**185**	—
Cash and cash equivalents	8	**22,226**	13,722
		22,481	13,883
Total assets		**23,953**	15,350
Current liabilities			
Trade and other payables	9	**(14,541)**	(4,209)
Net current assets		**7,940**	9,674
Total liabilities		**(14,541)**	(4,209)
Net assets		**9,412**	11,141
Equity			
Share capital	11	**2,016**	2,016
Share premium account	13	**33**	33
Retained profit		**7,363**	9,092
Total equity		**9,412**	11,141

The profit dealt with in the financial statements of the Company is $8,582,000 (2019: profit of $8,467,000).

These Company financial statements were approved by the board of directors and authorised for issue on 19 May 2021. They were signed on its behalf by:



Reza Vaziri

President and chief executive

Company statement of changes in equity

year ended 31 December 2020

	Notes	Share capital $000	Share premium $000	Accumulated profit $000	Total equity $000
1 January 2019		2,016	33	9,321	11,370
Profit for the year		—	—	8,467	8,467
Cash dividends paid	14	—	—	(8,696)	(8,696)
31 December 2019		2,016	33	9,092	11,141
Profit for the year		—	—	8,582	8,582
Cash dividends paid	14	—	—	(10,311)	(10,311)
31 December 2020		**2,016**	**33**	**7,363**	**9,412**

Notes to the Company financial statements

year ended 31 December 2020

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 19 May 2019.

The parent company financial statements have been prepared using the accounting policies set out in note 2 and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework', ("FRS 101").

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	
1 January and 31 December 2019	352
Additions	30
31 December 2020	**382**
Depreciation	
1 January 2019	184
Charge for the year	26
31 December 2019	210
Charge for the year	25
31 December 2020	**235**
Net book value	
31 December 2019	142
31 December 2020	**147**

4 Investments

	2020 $000	2019 $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 2020 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	33 St James's Square London SW1 4JS United Kingdom	Holding company
Holance Holdings Limited	Vistra Corporate Services Centre Wickhams Cay II Road Town Tortola VG1110 British Virgin Islands	Holding company
Anglo Asian Cayman Limited	Floor 2 Willow House Cricket Square PO Box 709 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	Floor 2 Willow House Cricket Square PO Box 709 Grand Cayman KY1 1107 Cayman Islands	Mining

There has been no change in subsidiary undertakings since 1 January 2020.

6 Other receivables

	2020 $000	2019 $000
Current assets		
Prepayments	**56**	40
Loans	**—**	60
Advances	**14**	61
	70	161

7 Other current financial assets

	2020 $000	2019 $000
Financial assets at fair value through profit or loss		
Listed equity investment	**185**	—

The listed equity investment are equity shares which were listed on the AIM market of the London Stock Exchange at 31 December 2020. Their value is determined by reference to published price quotations of the AIM market.

8 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.

9 Trade and other payables

	2020 $000	2019 $000
Trade creditors	**144**	121
Accruals	**163**	232
HMRC	**24**	30
Amounts owed to subsidiary undertakings	**14,210**	3,826
	14,541	4,209

10 Deferred taxation

	2020 $000	2019 $000
The elements of unrecognised deferred taxation are as follows:		
Tax losses	**21,599**	20,181
Unrecognised deferred tax asset	**4,320**	4,036

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.

11 Share capital

	2020		2019	
	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.

Notes to the Company financial statements continued

year ended 31 December 2020

12 Share-based payments

Equity-settled share option scheme

Details of the Company's equity-settled share option scheme are given in note 26 to the Group financial statements.

13 Share premium account

	2020 $000	2019 $000
1 January	**33**	33

14 Distributions made and proposed

	2020 $000	2019 $000
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2018: 4.0 US cents per share	—	4,592
Interim dividend for 2019: 3.5 US cents per share	—	4,104
Final dividend for 2019: 4.5 US cents per share	**5,153**	—
Interim dividend for 2020: 4.5 US cents per share	**5,158**	—
	10,311	8,696
Cash dividends on ordinary shares declared and paid subsequent to balance sheet date		
Special dividend for 2020: 1.5 US cents per share	**1,716**	—
Proposed dividends on ordinary shares:		
Final dividend for 2020: 3.5 US cents per share*	**4,004**	—

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
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
Final dividend for 2019: 4.5 US cents per share	1.2591	3.5739
Interim dividend for 2020: 4.5 US cents per share	1.2987	3.4651
Special dividend for 2020: 1.5 US cents per share	1.3932	1.0767

* The proposed final dividend for the year ending 31 December 2020 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 2020.

15 Subsequent events

No significant events took place for Anglo Asian Mining PLC after the balance sheet date.

16 Auditor's remuneration

The Company paid $111,000 (2019: $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
33 St James's Square, London SW1Y 4JS, United Kingdom

1 June 2021

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 2020 together with the attached notice of the annual general meeting to be held on 29 June 2021 (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 2021
Due to the current COVID-19 situation, 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 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 before the close of business on 25 June 2021.

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 Governor John Sununu is retiring in accordance with the Company's articles of association and is seeking re-election at the Meeting.

Resolution 4 – Re-election of Michael Sununu
Under the Company's articles of association, any director who has been appointed since the last annual general meeting, must retire at the next annual general meeting and may offer themselves for re-election to the board of directors. Michael Sununu, who was appointed on 7 December 2020, is retiring in accordance with the Company's articles of association and is seeking re-election at the Meeting.

Resolution 5 – 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.

Letter to shareholders from the Chairman continued

Resolution 6 – 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 6 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 19 May 2021 (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 2022 (being six months after the Company's accounting reference date).

Resolution 7 – 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 6 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 29 June 2021 at 11.00am at 33 St James's Square, London SW1Y 4JS, United Kingdom for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions and resolution 7 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 2020 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 Governor John Sununu be re-elected as a director, having retired by rotation in accordance with the Company's articles of association.
4 THAT Michael Sununu who had been appointed by the board of directors to fill a casual vacancy, offers himself for election as a director in accordance with the Company's articles of association.
5 THAT a dividend shall be declared of 3.5 US cents per issued share to the ordinary shareholders on the registrar of members on the 2 July 2021.
6 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 2022, 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

7 THAT subject to the passing of resolution 6 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 6 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 2022 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

Company Secretary
33 St James's Square
London SW1Y 4JS
United Kingdom
1 June 2021

* 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. To be effective, the form of proxy must be completed, signed and lodged (together with the authority, if any, under which this form of proxy is signed or a certified copy of such authority) at Link Group, PXS 1, Central Square, 29 Wellington Street, LEEDS LS1 4DL.
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 25 June 2021 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 25 June 2021 shall be disregarded in determining the rights of any person to attend or vote at the AGM.

Company information

Azerbaijan office (principal place of business)
3rd Floor, Tower 2
Hyatt Regency Business Centre
8 Izmir Street
Baku
Azerbaijan AZ1065
The Republic of Azerbaijan
Tel +994 12 310 3993

Company secretary
William Morgan
33 St James's Square
London SW1Y 4JS
United Kingdom
Tel +44 (0) 20 3709 5000

Registered office
33 St James's Square
London SW1Y 4JS
United Kingdom
Tel +44 (0) 20 3709 5000

Website
www.angloasianmining.com

Company number
5227012
Registered in England and Wales

VAT registration number
872 3197 09

Bankers – Azerbaijan
Pasha Bank OJSC
13 Yusif Mammadaliyeu Street
Baku
The Republic of Azerbaijan

International Bank of Azerbaijan
67 Nizami Street
Baku
The Republic of Azerbaijan

Yapi Kredi Bank Azerbaijan JSC
32 J. Jabbarly Street
Baku
The Republic of Azerbaijan

Solicitors – United Kingdom
Squire Patton Boggs (UK) LLP
Premier Place
2 & A Half
Devonshire Square
London EC2M 4UJ
United Kingdom

Solicitors – Azerbaijan
Nazal Consulting LLC
36 Islam Safarly Str.
Baku
The Republic of Azerbaijan

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Nominated adviser and broker
SP Angel Corporate Finance LLP
Prince Frederick House
35–39 Maddox Street
London W1S 2PP
United Kingdom

Financial PR advisers
Blytheweigh
4–5 Castle Court
London EC3V 9DL
United Kingdom

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

WORLD
LAND
TRUST™

www.carbonbalancedpaper.com
CBP007112

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C014999

Anglo Asian Mining PLC's commitment to environmental issues is reflected in this Annual Report, which has been printed on Creator Silk, an FSC® certified material.

This document was printed by Opal X using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

Produced by
designportfolio

ANGLO ASIAN MINING PLC

Anglo Asian Mining PLC
3rd Floor
Tower 2
Hyatt Regency Business Centre
8 Izmir Street
Baku 1065

The Republic of Azerbaijan
Tel +994 12 310 3993

www.angloasianmining.com

Anglo Asian Mining PLC Annual report and accounts 2020