ANGLO ASIAN MINING PLC

An exceptional opportunity for growth

Anglo Asian Mining PLC

Annual report and accounts 2021

Anglo Asian Mining PLC is a gold, copper and silver producer with a broad portfolio of production and exploration assets in Azerbaijan. The Company produced 64,610 gold equivalent ounces for the year ended 31 December 2021.

In September 2021, the Company announced a transaction with the Government of Azerbaijan which grants it three additional contract areas with a combined area of 882 square kilometres, including the Garadagh porphyry copper deposit, with a Soviet classified resource of over 300,000 tonnes of copper. The transaction is subject to ratification by the Parliament of Azerbaijan.

In January 2022, the Company completed a private placement and acquired 19.8 per cent. of Libero Copper & Gold Corporation ("Libero"). Libero is listed on the TSX Venture Exchange in Canada and owns, or has the option to acquire, several copper exploration properties in North and South America, including Mocoa in Colombia, one of the world's largest undeveloped copper-molybdenum resources.

Contents

Discover more online

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

Highlights and dividend

year ended 31 December 2021

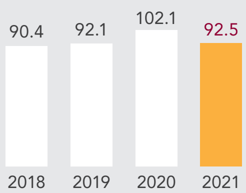
Operational highlights

- Total production for 2021 was 64,610 gold equivalent ounces ("GEOs") compared to 67,249 GEOs in 2020
- Gold production for 2021 of 48,680 ounces, compared to 56,864 ounces produced in 2020
- Gold bullion sales in 2021 of 39,563 ounces (2020: 48,650 ounces) completed at an average of $1,799 per ounce (2020: $1,777 per ounce)
- Copper production for 2021 was 2,649 tonnes compared to 2,591 tonnes produced in 2020
- Silver production for 2021 totalled 154,515 ounces compared to 2020 production of 122,962 ounces
- Gold produced in 2021 at an all-in-sustaining cost ("AISC")*, net of by-product credits, of $843 (2020: $702) per ounce. Higher AISC in 2021 due to significant cost inflation experienced especially for reagents and diesel fuel.

Financial highlights

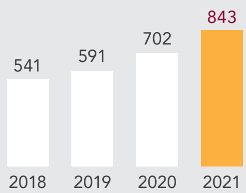
Revenue ($m)

$92.5m



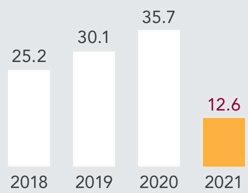
All-in sustaining cost ("AISC")* ($ per ounce)

$843 per oz



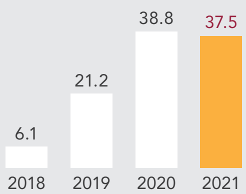
Profit before taxation ($m)

$12.6m



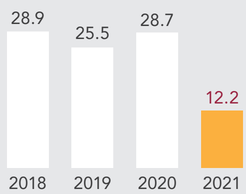
Net cash ($m)*†

$37.5m



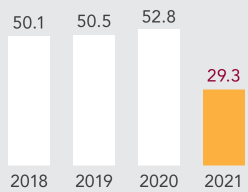
Free cash flow ($m)*†

$12.2m



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

$29.3m



Dividend per share for 2021

- Interim dividend of 3.2937 pence (US 4.5 cents) paid on 8 November 2021
- Final dividend of US 3.5** cents will be paid on 28 July 2022
- Shareholders' record date of 1 July 2022 and shares will go ex-dividend on 30 June 2022
- Payable in sterling at the average US dollar to pounds sterling rate on the five days from 4 to 8 July 2022

US$ cents	2021	2020
Interim paid	**4.5**	4.5
Special paid	—	1.5
Final proposed/paid	**3.5****	3.5
Total for the year	**8.0**	9.5

* Non-IFRS indicator: see definition in financial review on pages 31 to 35.
** Subject to approval at the annual general meeting.
† Including cash in transit.

Anglo Asian Mining at a glance

Anglo Asian Mining is an established and sustainable mining business with a portfolio of copper, gold and silver production assets in western Azerbaijan and a strategy to become a mid-tier copper and gold producer.

Anglo Asian Mining is expanding internationally and completed its first investment outside of Azerbaijan in early 2022 with the acquisition of a strategic interest in Libero Copper & Gold Corporation. It also has a very active exploration programme.

The Company is profitable, debt free and has paid dividends to its shareholders since 2018. The Company has been listed on AIM since 2005.

Anglo Asian Mining has eight contract areas in Azerbaijan, three of which are subject to ratification by the Parliament of Azerbaijan. Its portfolio of assets spans over 2,500 square kilometres, encompassing a large amount of prospective exploration territory through to mature assets in production. It also has several discoveries under investigation that have the potential to become producing mines.

Gold, copper and silver mined at Anglo Asian Mining's Gedabek and Gosha mines are processed by both heap and agitation leaching and flotation at the Gedabek site to produce gold doré and copper concentrate.

Anglo Asian Mining's assets in Azerbaijan are situated on the Tethyan Tectonic Belt, one of the world's most significant gold and copper-bearing trends. The Company is also looking at further suitable opportunities outside of Azerbaijan.

- Active – Production and exploration
- Recently restored
- Awaiting parliamentary ratification

Azerbaijan

Azerbaijan is situated in south-west Asia, bordering the Caspian Sea, 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

Gedabek is the location of the Group's main mines, the Gedabek open pit and the contiguous Gedabek and Gadir underground mines. All processing facilities are currently located at Gedabek, which comprise an agitation leaching plant, a flotation plant and SART processing. Heap leaching is also carried out.

Gedabek is now a very mature site with excellent road access, power from the Azeri national grid and a water treatment plant. Only minimal capital expenditure is now required to sustain its operations. Mining and exploration rights are until March 2027 which can be extended for a further five years.

Construction of a new heap leach pad with a planned capacity of three million tonnes of ore was started in 2021. This is to provide additional leaching capacity once the Zafar mine commences production and will adjoin the existing heap leach pads.

A new tailings dam is being constructed in the vicinity of the existing dam. All geotechnical investigations etc. at the site have been carried out and building of the dam will commence later this year.

An extensive three year rolling exploration programme is underway which is yielding positive results and in March 2022, the final mineral resource of the recently discovered Zafar deposit was announced.

Gosha contract area

300 square kilometre contract area

The location of a small, high grade, underground mine. Ore mined at Gosha is transported by road to Gedabek for processing. Gosha is regarded as under explored and exploration has been ramped up in recent years.

A new sub-vertical high gold grade mineralised vein was discovered by surface drilling at the Gosha underground mine during 2021 which has been named "Hasan". It is immediately south of the existing Gosha mine. The new gold vein can be accessed via a short tunnel from the existing tunnelling at Gosha. Production is planned from the vein in the second half of 2022.

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.

No geological field work was carried out at Ordubad during 2021 as the COVID-19 restrictions prevented drill access to the area. A small geological team remained active at the location and geological re-logging of previously drilled core samples continued.

Zafar – a new underground copper and gold mine at Gedabek

Zafar is a recent discovery close to the Gedabek processing facilities. A final mineral resource of 28,000 tonnes of copper and 73,000 ounces of gold has been confirmed. The ore reserves will be released later in 2022 with production starting in the second half of 2023.

Mining to commence mid-2023

> A portal will be opened, and a decline developed

> Sub-level caving and/or cut and fill mining

> Haulage of ore to plant using existing contractors' trucks

1 million of tonnes of ore to be processed per annum

with the following approximate annual production:

> 10,000 ounces of gold

> 4,000 tonnes of copper

> 4,800 tonnes of zinc

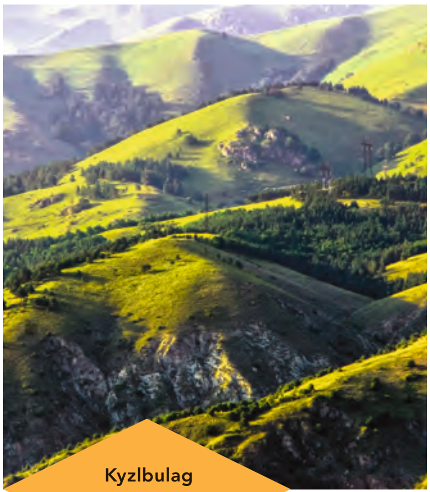
Existing flotation plant to be modified

> Third flotation line for zinc and some upgrades

> No major capital investment

Anglo Asian Mining at a glance *continued*

Kyzlbulag and Vejnaly



Kyzlbulag contract area

Vejnaly contract area

462 square kilometre contract area

The Kyzlbulag contract area in the Karabakh economic region was restored to the Company in 2020. It contains several mines and has excellent potential for exploration, as indicated by the presence of many mineral deposits and known targets in the region.

The Kyzlbulag contract area together with the recently awarded Demirli contract area contain the Demirli mine. There are indications that up to 35,000 ounces of gold per year were extracted from the Demirli copper-gold mine, before the mine was closed several years ago, indicating the presence of a gold mineralising system.

Russian peacekeepers are currently present in the area ensuring the region is safe. The Government of Azerbaijan will use all reasonable endeavours to ensure that the Company has physical access to the region.

300 square kilometre contract area

The Vejnaly contract area in the Zangilan region was restored to the Company in 2020. It contains the Vejnaly deposit which had been previously mined.

In December 2021, the Company was granted permission to access the Vejnaly contract area and senior management visited the site to initially assess the property. The existing ore stockpiled at Vejnaly was also transported to Gedabek and processed in December 2021.

The handover of the surface properties and infrastructure in the Vejnaly contract area and related documents, etc. from the Government of Azerbaijan has now been carried out. De-mining has been carried out and the Azerbaijan National Agency for Mine Action ("ANAMA") has completed its inspection and certified access to the site and underground mine is safe.

Activities at the site are now steadily ramping up, with employees based permanently on-site with ore production planned from the beginning of the fourth quarter of 2022.

Gedabek processing facilities

Garadagh, Xarxar and Demirli

On 28 September 2021, Anglo Asian announced an agreement with the Government of Azerbaijan to award three new contract areas to the Company with a combined area of 882 square kilometres.

Garadagh contract area

344 square kilometre contract area

Garadagh hosts the Garadagh deposit which contains 168,000 and 150,700 tonnes of copper in Soviet resource classifications C1 and C2, respectively, totalling 318,700 tonnes of copper with an average ore grade of 0.64 per cent.

The results of approximately 28,000 metres of recent core drilling at Garadagh will become the property of the Company upon ratification by the Parliament of Azerbaijan of the new production sharing agreement.

An extensive exploration programme is planned which will last 12 to 18 months once the Company has access to the site.

Xarxar contract area

464 square kilometre contract area

Xarxar is situated 1.5 kilometres from the northern boundary of the Gedabek contract area. Together with Garadagh, the two contract areas infill the territory between Gedabek and Gosha to create a contiguous territory totalling 1,408 square kilometres.

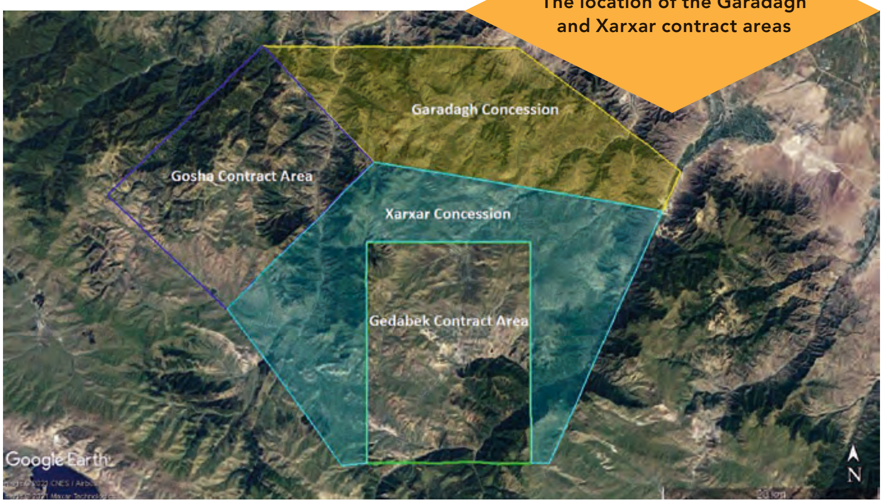
The Avshancli and Gilar discoveries are situated close to the northern boundary of the Gedabek contract area and likely trend to the north towards Xarxar. The Xarxar contract area to the north will therefore enable these discoveries to be fully incorporated into the Company's expansion plans.

Demirli contract area

74 square kilometre contract area

The Demirli deposit is adjacent to the Kyzlbulag contract area and expands the Kyzlbulag contract area to the north-east.

The location of the Garadagh and Xarxar contract areas



Anglo Asian Mining at a glance *continued*

Libero Copper & Gold Corporation

In January 2022, Anglo Asian Mining completed the acquisition of a strategic investment of 19.8 per cent. of Libero Copper & Gold Corporation ("Libero"), the first investment by the Company outside of Azerbaijan.

Libero is a Canadian company listed on the TSX Venture Exchange, and holds a collection of porphyry copper deposits throughout the Americas in prolific, but stable, mining-friendly jurisdictions. It has an experienced board of directors and management team.

Anglo Asian Mining director Michael Sununu was appointed to the board of Libero in January 2022. In addition, a technical committee with representatives of both companies has been established, which will determine Libero's future exploration strategy.

Libero's key projects include:

> **Mocoa** – a copper-molybdenum porphyry deposit in Putumayo, Colombia. The deposit contains 636 million tonnes of 0.45 per cent. copper equivalent at 0.25 per cent. cut-off containing 4.6 billion pounds of copper and 511 million pounds of molybdenum. A drilling campaign at Mocoa is currently underway.

> **Big Bulk** – a copper-gold target, which is fully permitted, located 50 kilometres south-east of Stewart, British Columbia, Canada. Libero has completed a 2,000 metre drilling programme at Big Bulk, the results of which indicate the potential to host a sizeable porphyry deposit.

> **Big Red** – a porphyry copper-gold discovery in the Golden Triangle, British Columbia, Canada. The initial drill programme in 2020 yielded the Terry discovery, with a further 5,000 metre drill programme being completed in October 2021.

> **Esperanza** – a porphyry copper-gold and epithermal gold project located in Huachi, San Juan, Argentina.

For further information about Libero Copper & Gold Corporation, visit: https://www.liberocopper.com

Aerial view of the Mocoa drill site

Sunset at Mocoa

Libero Copper & Gold Corporation Mocoa exploration

Mocoa drill rig

Libero has announced the first results from its drill campaign at Mocoa, which are highly encouraging.

The first drill hole was completed to a depth of 1,236 metres and complete assay results have been reported.

1,229 metres of 0.58 per cent. copper equivalent (0.42 per cent. copper and 0.047 per cent. molybdenum) from 7 metres to 1,236 metres was returned.

These assay results confirm the exceptional grade, thickness, and strength of the mineralisation present in the area.

Nine new porphyry targets including significant expansion potential at Mocoa have been identified.

Drill core logging at Mocoa

Chairman's statement

> **"The Company's performance in 2021 was solid given current economic conditions and leaves the Company financially strong with increased opportunities for growth."**
>
> **Khosrow Zamani**
> **Non-executive chairman**

It gives me great pleasure to present Anglo Asian's annual report for 2021, a year of transformational change for the Company. The Company now has a clearly defined path to become a mid-tier copper and gold producer following the award of the three new contract areas in 2021.

Dividend for 2021

The board is pleased to recommend a final dividend of US 3.5 cents per share for 2021 which gives a total dividend for the year of US 8.0 cents per share. This will maintain the dividend (excluding the special dividend in 2020 of US 1.5 cents per share) at the same amount as in 2020. The board believes this is prudent, despite the lower profitability in 2021, given the Company's current cash resources. This will be the fourth consecutive year that the Company has paid a dividend.

The amount of future dividends will depend on the Company's future profitability and capital requirements as it transitions to become a significant producer of copper. It is the board's intention to maintain the Company's record as a reliable dividend paying company on the London AIM market.

Operational and financial performance

Anglo Asian continued to perform satisfactorily throughout 2021. We were encouraged by the gradual easing of COVID-19 restrictions in Azerbaijan and elsewhere during the year and the Company is now experiencing very little impact of the COVID-19 pandemic on its operations.

Production of gold equivalent ounces in the year, declined by four per cent., to 64,610 due to the lower gold grades of ore processed. The lower production was partially offset by improved copper prices. Profit before tax decreased to $12.6 million as costs were also higher as the Company experienced considerable across-the-board cost inflation like many other similar companies in the industry. All-in-sustaining-cost increased to $843 per ounce and inventories decreased by $6.2 million. The Company ended the year with cash of $37.5 million and no bank debt.

In April 2021, Anglo Asian received approval from the Government of Azerbaijan (the "Government") for the first of two permitted five-year extensions of the Company's Production Sharing Agreement ("PSA") for the Gedabek contract area. This extension, which took place routinely, demonstrates the strength of the Company's relationship with the Government.

Our exploration programme made considerable progress in 2021 and 2022 to date. We have confirmed a mineral resource of 28,000 tonnes of copper and 73,000 ounces of gold for our new Zafar deposit. We will release the ore reserves for Zafar later in the year with production starting next year. We were also pleased to announce the discovery of the highly prospective Hasan gold vein at the Gosha underground mine.

Access was obtained to Vejnaly in late 2021 which is now safe for operations. Vejnaly hosts a previously worked underground mine. Ownership of the existing infrastructure, which includes a small processing plant, has been transferred to the Company. A team is now based at Vejnaly and our activities are ramping up with production expected from the beginning of the fourth quarter of 2022.

Production guidance for 2022

This year and next will see significant changes in the production profile of the Company. We will transition from all our production being from our existing mines at Gedabek, which are approaching the end of their operational lives, to new mines at Gedabek and elsewhere in Azerbaijan. The Company expects to significantly increase its copper production and produce zinc for the first time in the next two years.

Metal production of 54,000 to 58,000 gold equivalent ounces is expected in 2022 from our existing mines at Gedabek. We also expect to produce metal at Vejnaly and from the Hasan vein later in the year. This will supplement the output from our existing mines at Gedabek. We will release our production guidance for 2022, once we have determined the expected production this year from Vejnaly and Hasan.

Acquisition of three new contract areas in Azerbaijan

In September 2021, the Company announced the acquisition of three new contract areas in Azerbaijan and the relinquishment of our rights to the Soutely mine. These three new contract areas transform the Company's development pipeline. This acquisition requires the ratification of the Parliament of Azerbaijan of a revised PSA for the Company. We have now agreed the revised PSA with the Government and are still awaiting its ratification by the Parliament of Azerbaijan. The three concessions, Garadagh, Xarxar and Demirli, hold very substantial copper reserves.

Investment in Libero Copper & Gold Corporation

In January 2022, the Company completed the acquisition of 19.8 per cent. of Libero Copper & Gold Corporation ("Libero"). This was the Company's first acquisition outside of Azerbaijan. The board believes that Libero has an exceptional portfolio of undervalued copper properties in North and South America and Anglo Asian can help realise their full value. The board also believes this acquisition will enhance shareholder value in Anglo Asian as mining companies operating in multiple jurisdictions are typically valued more highly than those operating in a single country.

Health and safety

The Company's health and safety record continues to improve. There were no serious safety incidents or accidents in the year and our lost time incident rate continues to decrease. A detailed report on health and safety can be found on page 30.

Geological team at Gedabek

Sustainable development

The long-term development of Anglo Asian needs to encompass all the Environmental, Social and Governance ("ESG") aspects of our business. Anglo Asian considers all stakeholder groups in its business decisions, carries out its operations with respect for the environment and strongly values its relationships with local communities.

In 2021, we made considerable progress towards establishing our ESG criteria and reporting practices and are progressing with enhancing our disclosures on sustainability. In 2022, we are continuing this work with a review of our policies, key performance indicators ("KPIs") and sustainability targets. I am delighted that this annual report contains the Company's first sustainability reporting on pages 28 to 30.

Annual General Meeting for 2022

The directors strongly welcome, that following the recent lifting of all COVID-19 restrictions in the United Kingdom, the Company is able to have an in-person "open" Annual Meeting General ("AGM") in 2022 and all shareholders are welcome to attend. The location, date and time of the AGM are set out in the notice of AGM on pages 100 and 101 of this annual report. The directors very warmly invite all shareholders to attend and look forward to meeting as many of you as possible.

Outlook

The Company's performance in 2021 was solid given current economic conditions and leaves the Company financially strong with increased opportunities for growth. We continue to drive our organic growth to achieve our ambition to become a mid-tier producer. Our near-term focus continues to be increasing production at our currently active contract areas of Gedabek, Gosha and Vejnaly.

Longer-term, the new Garadagh and Demirli deposits and our investment in Libero have significantly increased Anglo Asian's exposure to copper. We expect demand for copper to increase considerably in the future with the global transition to a low-carbon economy. We are already planning a very significant increase in the scale of our copper production in the next three to five years.

There are considerable headwinds in 2022 as inflationary pressures and the geopolitical uncertainty brought about by Russia's invasion of Ukraine continue. However, the Company is unaffected directly by the war in Ukraine and by international sanctions levied against various Russian entities. The Company will continue to demonstrate its proven resilience of the previous two years.

Appreciation

I would like to take this opportunity to thank the employees of Anglo Asian Mining, our partners, the Government of Azerbaijan and our advisers for their continued support. 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

16 May 2022

President and chief executive's review

"As anticipated at the end of the first half of the year, the Company's profitability increased in the second half of 2021."

Reza Vaziri
President and chief executive

I am pleased to present the results of our 2021 performance. As anticipated at the end of the first half of the year, the Company's profitability increased in the second half of 2021. Our financial position remains robust, and the board has recommended a final dividend for 2021 of US 3.5 cents per ordinary share.

Operational review

During 2021, the Company continued to mine from its open pit and underground mines at Gedabek following the exhaustion of the Ugur open pit in 2020. Total production for 2021 was within our guidance at 64,610 gold equivalent ounces ("GEOs"). The Company produced 48,680 ounces of gold, 154,515 ounces of silver and 2,649 tonnes of copper. Total GEO production in 2021 was lower than 2020 due to reduced gold production. The ore mined contained lower grades of gold as the open pit and Gadir and Gedabek underground mines are approaching the end of their lives. The production included 1,308 ounces of gold from ore stockpiled at Vejnaly. This ore was transported to Gedabek for processing.

Gedabek is now a very mature site with only minimal capital expenditure required during the year to sustain its operations. Construction of a new heap leach pad with a planned capacity of three million tonnes of ore was started in the year. This is to provide additional leaching capacity once the Zafar mine commences production and will adjoin the existing heap leach pads.

The Company's existing tailing dam at Gedabek has now reached its maximum design capacity. Various initiatives were carried out in 2021 to ensure the tailings dam now has sufficient capacity until the end of 2023. Permission has been obtained to construct a new tailings dam in the vicinity of the existing dam. All geotechnical and other investigations at the site have been carried out and building of the dam will commence later this year.

Financial results

The Company's financial performance has proved resilient with revenue of $92.5 million, compared with $102.1 million in 2020. Lower production was partially offset by higher average metal prices. Profit before tax in 2021 reduced to $12.6 million from $35.7 million in 2020 mainly due to the All-In-Sustaining-Cost ("AISC") of gold produced increasing from $702 to $843. This was due to the across-the-board cost inflation that was experienced, and the lower gold grades of ore processed. The Company had cash of $37.5 million at 31 December 2021 and no bank debt. Free cash flow for the year was within guidance at $12.2 million.

Revenues continued to be subject to an effective royalty of 12.75 per cent. We anticipate that this same royalty rate will continue until at least 2023, with further details set out in the financial review on page 33 of this annual report.

Award of three new contract areas in Azerbaijan

In September 2021, Anglo Asian was awarded the rights to three new contract areas, Garadagh, Xarxar and Demirli, which will be transformational for the Company and a key driver of future growth. There was no initial payment for the new concessions.

Garadagh and Xarxar border our existing Gedabek and Gosha contract areas while Demirli is adjacent to our existing Kyzlbulag contract area. The proximity of these new contract areas to our existing concessions will generate significant operational synergies and decrease the time required to bring them into production. They are considerable in size with a combined total area of 822 square kilometres. They contain significant mineralisation, with the Garadagh porphyry deposit alone known to contain over 300,000 tonnes of copper with an in-situ value of over $3 billion at current prices. The results of approximately 28,000 metres of recent core drilling at Garadagh will become the property of the Company upon ratification of the revised PSA. Demirli is estimated to contain 275,000 tonnes of copper and 3,200 tonnes of molybdenum which further increases our mineral resources.

As part of the acquisition, Anglo Asian relinquished its rights to the Soutely mine in the Kalbajar district. This followed an assessment into the site's security risks and capital expenditure required for development. It was determined that the safety and security of our employees could not be guaranteed. Very considerable infrastructure investment would have been required to develop the mine as road access and all the mine's associated infrastructure is situated in Armenian territory.

Restored contract area of Vejnaly

In December 2021, Anglo Asian was granted permission to access its Vejnaly contract area in the Zangilan district. Following this permission, in December 2021, I was delighted to join other members of our senior management on a visit to carry out an initial assessment of the property. The existing ore stockpiled at Vejnaly was transported to Gedabek and processed in December 2021. Activities at the site are now steadily ramping up, with employees based permanently on-site with ore production planned from the beginning of the fourth quarter of the year.

Gedabek laboratory staff

Geological exploration in 2021 and 2022 to date

We are pleased with progress at Zafar, for which we have now completed a very robust JORC Mineral Resource estimate, confirming 6.8 million tonnes of mineralisation with an average copper grade of 0.50 per cent. This includes an in-situ Mineral Resource of 28,000 tonnes of copper, 73,000 tonnes of gold and 36,000 tonnes of zinc. Zafar represents a significant resource to add to our growing portfolio. We are now proceeding with ore reserves estimation and mine planning and are on track to commence production in 2023.

In March 2022, we announced the discovery of a new sub-vertical gold vein, "Hasan", to the south of the Gosha mine. The vein was discovered by surface drilling and can easily be accessed from the existing underground tunnelling. It possesses bonanza gold intersections of up to 229.5 grammes of gold per tonne. We are evaluating the vein and developing a mine plan for Hasan, with ore production set to commence from the beginning of the fourth quarter of the year.

Investment in Libero Copper & Gold Corporation

In December 2021, we were delighted to announce our acquisition of 19.8 per cent. of Libero Copper & Gold Corporation ("Libero") for $4.9 million. The transaction was completed in January 2022 and Michael Sununu was appointed to Libero's board. A technical committee to direct future exploration was also established with Farhang Hedjazi appointed to represent Anglo Asian. Farhang visited the Mocoa site in Colombia and Esperanza in Argentina in April 2022. The recently reported assay results of the first drill hole at Mocoa are very encouraging. The investment in Libero is part of our growth strategy to expand our interests beyond our operations in Azerbaijan.

Libero's portfolio enhances Anglo Asian's exposure to substantial copper properties without significant impact to the Company's balance sheet. We believe Libero has an outstanding portfolio of copper exploration properties and we are ideally placed to help Libero realise shareholder value from these assets.

Looking ahead

Our ambition is to transform the Company from a junior gold miner into a mid-tier producer of copper with gold as a by-product. In the near-term, our focus remains on our organic growth opportunities to maintain and increase our production in the next few years. Later this year, we intend to start production from Hasan and Vejnaly, whilst in 2023 Zafar will commence production. We will also continue with our exploration programme. Longer-term, we have already started the planning to exploit our new contract areas.

We continue to prioritise ensuring attractive shareholder returns and are proud of our position as one of AIM's reliable dividend payers. I am pleased to note that the Board is recommending a final dividend of US 3.5 cents, which gives a full year dividend for 2021 of US 8 cents per ordinary share.

Reza Vaziri

President and chief executive

16 May 2022

Strategic report

"In 2021, the Company continued its strategy to increase shareholder value by progressing Anglo Asian's development towards a mid-tier gold, copper and silver miner."

Reza Vaziri
President and chief executive

Principal activities

Anglo Asian Mining PLC (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 gold and copper deposits in Azerbaijan.

In January 2022, the Group completed its first investment outside of Azerbaijan acquiring 19.8 per cent. of Libero Copper & Gold Corporation ("Libero"), a company which owns several copper exploration properties in North and South America including Mocoa in Colombia, one of the world's largest undeveloped copper-molybdenum resources.

Mining concessions in Azerbaijan

The Group's mining concessions in Azerbaijan are held under a Production Sharing Agreement with the Government of Azerbaijan ("PSA") dated 20 August 1997.

The Group's mining concessions are called "Contract Areas" and the original PSA granted the Group six Contract Areas. However, access to three of the Contract Areas (Vejnaly, Soutely and Kyzlbulag) was not possible as they were situated in territory occupied by Armenia. The three Contract Areas were restored to the Group following the resolution of the conflict between Azerbaijan and Armenia in November 2020.

In September 2021, the Government of Azerbaijan agreed to grant the Company three new Contract Areas (Garadagh, Xarxar and Demirli) and the Company agreed to relinquish its Soutely Contract Area.

The Group will have following ratification of a revised PSA by the Parliament of the Republic of Azerbaijan, eight Contract Areas covering 2,544 square kilometres in western Azerbaijan:

> **Gedabek.** 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 are also located at Gedabek.

> **Gosha.** Located approximately 50 kilometres from Gedabek and hosts a narrow vein gold and silver mine.

> **Ordubad.** An early-stage gold and copper exploration project located in the Nakhchivan exclave.

> **Garadagh.** Located to the north of Gedabek, that hosts the Garadagh deposit which contains 168,000 and 150,700 tonnes of copper in Soviet resource classifications C1 and C2, respectively, totalling 318,700 tonnes of copper with an average ore grade of 0.64 per cent. copper.

> **Xarxar.** Adjacent to Garadagh and shows significant potential as it is likely part of the same mineral system.

> **Kyzlbulag.** Situated in Karabakh and hosts the Demirli deposit and a copper/molybdenum mine and an intact processing plant.

> **Demirli.** This is adjacent to the Kyzlbulag Contract Area and expands the Kyzlbulag Contract Area to the north-east.

> **Vejnaly.** Situated in the Zangilan district of Azerbaijan and hosts the Vejnaly deposit.

The restored Contract Areas (Kyzlbulag and Vejnaly) 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 PSA has now commenced in respect of the Vejnaly Contract Area.

Overview of 2021

In 2021, the Company continued its strategy to increase shareholder value by progressing its development towards a mid-tier gold, copper and silver miner.

In January 2021, the Group announced the discovery of "Zafar" at Gedabek. Zafar is a significant copper-gold mineral occurrence. The Group published the final mineral resources for the Zafar deposit in March 2022. The planning and development of the new mine are currently underway.

In September 2021, the Group signed heads of terms with the Government of Azerbaijan to acquire three new Contract Areas and relinquish its Soutely Contract Area. This agreement requires the ratification by the Parliament of the Republic of Azerbaijan.

In the second half of 2021, access was obtained to the Vejnaly Contract Area and, in December, ore stockpiles from the existing Vejnaly mine were transported to the Gedabek site and processed. Staff are now based at Vejnaly and planning is underway to start production at Vejnaly in the second half of 2022.

In December 2021, a strategic interest of 9.9 per cent. was acquired in Libero Copper & Gold Corporation ("Libero"). In January 2022, the Group's interest was increased to 19.8 per cent.

In March 2022, the Group announced the discovery of a significant new sub-vertical gold vein, "Hasan", at Gosha.

Production target for 2022

The Company expects to commence gold production from both the Hasan gold vein at Gosha and at Vejnaly in the second half of 2022, with the amounts achievable by the year end currently under evaluation. Accordingly, the Group will publish its final production guidance later in 2022. Currently metal production in 2022 from the existing Gedabek operations is forecast to be between 54,000 and 58,000 gold equivalent ounces.

Strategic report

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, the Gadir and Gedabek underground mines and the Company's processing facilities.

Gold production at Gedabek commenced in September 2009. Ore was initially mined from an open pit, with underground mining commencing in 2015 when the Gadir mine was opened. In 2020, underground mining commenced beneath the main open pit (the "Gedabek underground mine"). The Gedabek and Gadir underground mines have now been connected to form one continuous underground system of tunnels.

Initial gold production was by heap leaching, with copper production beginning 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. From the start of production to 31 December 2021, approximately 745 thousand ounces of gold and 16.3 thousand tonnes of copper have been produced at Gedabek.

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 for the Gedabek open pit and Gadir underground mine were published on 2 November 2020. A final mineral resources statement for the Zafar deposit was published on 21 March 2022. A summary of these estimates is as follows (amounts are in-situ before recovery).

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 Zafar mineral resources estimate at 30 November 2021.

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.

Gedabek continued

Mineral resources and ore reserves continued

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

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	—	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.

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	—	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 (t)	Silver (koz)	Zinc (t)
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 (t)	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 RESERVE	**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.

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 – Zafar mineral resources estimate at 30 November 2021

		MINERAL RESOURCES (cut-off grade > 0.3 per cent. copper equivalent)					
		In-situ grades			Contained metal		
	Tonnage (Mt)	Copper (%)	Gold (g/t)	Zinc (%)	Copper (kt)	Gold (kozs)	Zinc (kt)
Measured and indicated	5.5	0.5	0.4	0.6	25	64	32
Inferred	1.3	0.2	0.2	0.3	3	9	3
TOTAL	**6.8**	**0.5**	**0.4**	**0.6**	**28**	**73**	**36**

Note that all tonnages reported are dry metric tonnes. Totals may not add due to rounding.

Previously heap leached ore

Gold production at Gedabek from 2009 to 2013 was by heap leaching crushed ore until the start-up 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 ore contains significant amounts of gold. This is now being processed by agitation leaching. Table 6 shows the amount of previously heap leached ore processed in 2021.

Gedabek continued

Previously heap leached ore continued

Table 6 – Amount of previously heap leached ore processed in 2021

	In-situ material (tonnes)	Average gold grade (g/t)
1 January 2021	1,725,809	1.35
Processed in the year	(139,496)	1.23
31 December 2021	**1,586,313**	**1.36**

Mining operations

The principal mining operation at the Gedabek contract area is conventional open-cast mining using trucks and shovels from the Gedabek open pit (which comprises several contiguous smaller open pits).

Ore is also mined from the Gadir and Gedabek underground mines. Table 7 shows the ore mined in the year ended 31 December 2021 from all the Company's mines.

Table 7 – Ore mined at Gedabek from all mines for the year ended 31 December 2021

	Total ore mined for the year ended 31 December 2021	
Mine	Ore mined (tonnes)	Average gold grade (g/t)
Gedabek open pit	1,815,857	0.74
Gadir – underground	115,943	1.91
Gedabek – underground	248,792	1.42
Total for the year	**2,180,592**	**0.80**

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. 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. This plant selectively absorbs then de-absorbs the gold and silver. The gold and silver dissolved in the solution which is produced are then recovered by electrolysis and are then smelted to produce the doré metal, comprising an alloy of gold and silver.

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

1 **Sulphidisation, Acidification, Recycling and Thickening ("SART").** The cyanide solution after gold absorption by resin-in-pulp processing is transferred to the SART plant. The pH of the solution is then changed by the addition of reagents which precipitates the copper and any remaining silver from the solution. 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 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.

Table 8 summarises the ore processed by leaching at Gedabek for the year ended 31 December 2021.

Table 8 – Ore processed by leaching at Gedabek for the year ended 31 December 2021

	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 2021	110,612	258,097	154,373	0.90	0.61	1.92
30 June 2021	154,619	177,369	164,288	0.81	0.59	1.64
30 September 2021	154,112	194,816	171,029	0.79	0.51	1.65
31 December 2021	113,623	309,374	151,701	0.68	0.49	1.53
Total for the year	**532,966**	**939,656**	**641,391**	**0.80**	**0.54**	**1.68**

Table 9 summarises the ore processed by flotation for the year ended 31 December 2021.

Table 9 – Ore processed by flotation for the year ended 31 December 2021

Quarter ended	Ore processed (tonnes)	Gold content (ounces)	Silver content (ounces)	Copper content (tonnes)
31 March 2021	111,060	920	15,782	652
30 June 2021	116,910	1,251	23,870	596
30 September 2021	121,283	1,231	19,939	519
31 December 2021	129,384	1,856	28,480	762
Total for the year	**478,637**	**5,258**	**88,071**	**2,529**

Production and sales

For the year ended 31 December 2021, gold production totalled 48,680 ounces, which was a decrease of 8,184 ounces in comparison to the production of 56,864 ounces for the year ended 31 December 2020.

Table 10 summarises the gold and silver bullion produced from doré bars and sales of gold bullion for the year ended 31 December 2021.

Table 10 – Gold and silver bullion produced from doré bars and sales of gold bullion for the year ended 31 December 2021

Quarter ended	Gold produced* (ounces)	Silver produced* (ounces)	Gold sales** (ounces)	Gold sales price ($/ounce)
31 March 2021	11,541	4,916	5,635	1,697
30 June 2021	11,789	5,921	13,947	1,808
30 September 2021	12,314	5,473	6,828	1,815
31 December 2021	10,561	5,430	13,153	1,825
Total for the year	**46,205**	**21,740**	**39,563**	**1,799**

* Including Government of Azerbaijan's share.

** Excluding Government of Azerbaijan's share.

Table 11 summarises the total copper, gold and silver produced as concentrate by both SART and flotation processing for the year ended 31 December 2021.

Gedabek continued

Production and sales continued

Table 11 – Total copper, gold and silver produced as concentrate by both SART and flotation processing for the year ended 31 December 2021

	Copper (tonnes)			Gold (ounces)			Silver (ounces)		
Quarter ended	SART	Flotation	Total	SART	Flotation	Total	SART	Flotation	Total
31 March 2021	276	362	638	13	353	366	19,850	10,599	30,449
30 June 2021	301	394	695	12	539	551	22,428	15,216	37,644
30 September 2021	265	308	573	13	517	530	19,526	11,913	31,439
31 December 2021	193	550	743	16	1,012	1,028	16,414	16,829	33,243
Total for the year	**1,035**	**1,614**	**2,649**	**54**	**2,421**	**2,475**	**78,218**	**54,557**	**132,775**

Table 12 summarises the total copper concentrate (including gold and silver) production and sales from both SART and flotation processing for the year ended 31 December 2021.

Table 12 – Total copper concentrate (including gold and silver) production and sales from both SART and flotation processing for the year ended 31 December 2021

Quarter ended	Concentrate production* (dmt)	Copper content* (tonnes)	Gold content* (ounces)	Silver content* (ounces)	Concentrate sales (dmt)	Concentrate sales** ($000)
31 March 2021	2,848	638	366	30,449	—	—
30 June 2021	3,164	695	551	37,644	3,467	9,066
30 September 2021	3,103	573	530	31,439	3,549	5,712
31 December 2021	3,922	743	1,028	33,243	4,108	8,941
Total for the year	**13,037**	**2,649**	**2,475**	**132,775**	**11,124**	**23,719**

* 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 benefits from excellent infrastructure and access. The 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 good quality roads. The site is connected to the Azeri national power grid.

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.

Tailings (waste) storage

Tailings are stored in a purpose-built dam approximately seven kilometres from the Group's 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. The dam has now been reconfigured and now has sufficient capacity for tailings to approximately the end of 2023. There are two pipelines from the Company's processing facilities to the tailings dam to increase capacity and provide redundancy.

A site has been identified for a new tailings dam in the vicinity of the existing dam and permission has been obtained for the land use. The necessary investigations to determine the competency of the bedrock at the proposed site have been successfully completed. The designing of the new dam and planning to transition to its use are currently underway.

Gedabek
Open pit mine

Gosha

The Gosha Contract Area is 300 square kilometres in size and is situated in western Azerbaijan, 50 kilometres north-west of Gedabek. Gosha is the location of a high grade, underground gold mine. Ore mined at Gosha is transported by road to Gedabek for processing. No mining was carried out in the Gosha mine in the year ended 31 December 2021.

Geological field work in 2021 resulted in the discovery of a new sub-vertical high gold grade mineralised vein ("Hasan") immediately south of the existing Gosha mine. The new gold vein can be accessed via a short tunnel from the existing tunnelling at Gosha.

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 2021 due to the COVID-19 pandemic, details of which are set out in the report on geological exploration below.

Garadagh and Xarxar

Garadagh and Xarxar are situated 4.0 and 1.5 kilometres respectively from the northern boundary of the Gedabek Contract Area. These two Contract Areas infill the territory between Gedabek and Gosha to create a contiguous territory totalling 1,408 square kilometres. The territory includes areas to the north, north-east and west of the current Gedabek Contract Area.

The Avshancli and Gilar discoveries are situated close to the northern boundary of the Gedabek Contract Area. Geological exploration of Avshancli and Gilar indicates that these discoveries trend to the north towards Xarxar. The extension of the Contract Area to the north will therefore enable these discoveries to be fully incorporated into the Company's expansion plans. The Gilar, Avshancli, Xarxar and Garadagh deposits are all situated in close proximity within a ten square kilometre region. This will facilitate their coordinated development across the properties.

No work was carried out at Garadagh and Xarxar in 2021 as the Company will only acquire the rights to the Contract Areas following ratification of the revised PSA by the Parliament of the Republic of Azerbaijan.

Gold pour at Gedabek

Plant maintenance
at Gedabek

Kyzlbulag and Demirli

The Kyzlbulag Contract Area in the Karabakh economic region contains several mines and has excellent potential for exploration, as indicated by the presence of many mineral deposits and known targets in the region. The new Demirli Contract Area contains the Demirli mining property. There are indications that up to 35,000 ounces of gold per year were extracted from the Kyzlbulag copper-gold mine, before the mine was closed several years ago, indicating the presence of a gold mineralising system.

Russian peacekeepers are currently present in the area ensuring the region is safe. The Government of Azerbaijan will use all reasonable endeavours to ensure that the Company has physical access to the region to undertake mineral exploration.

The new Demirli concession is 74 square kilometres and extends by about 10 kilometres to the north-east from the Kyzlbulag Contract Area.

No work was carried out at Kyzlbulag in 2021 as the Company had no access to the Contract Area in 2021. No work was carried out at Demirli in 2021 as the Company will only acquire the rights to the Contract Area following ratification of the revised PSA by the Parliament of the Government of the Republic of Azerbaijan.

Vejnaly

Access to Vejnaly was granted in the second half of 2021. Members of the Company's senior management including Reza Vaziri, president and chief executive officer, travelled to Zangilan in early December 2021 to assess the Contract Area, including the existing underground mine at the site.

Initial investigations of the site were carried out and surveying of ore stockpiles was completed in December 2021. A technical study of the existing mine and plant is now underway. Employees are now permanently based on site and the camp is being refurbished. The Azerbaijan National Agency for Mine Action ("ANAMA") has recently completed its inspection and has certified access to the site and underground mine as safe. In accordance with our existing Production Sharing Agreement, the Government of Azerbaijan has transferred all site assets to the Company.

10,575 dry metric tonnes of stockpiled Vejnaly ore grading 3.91 grammes per tonne of gold and 0.27 per cent. copper were transported to Gedabek and processed by agitation leaching in December 2021, with gold recoveries of 95 per cent. producing 1,308 ounces of gold.

Drill core logging at Gedabek

Geological exploration

Summary

- New mineral deposit "Zafar" discovered at Gedabek.
  - Maiden Mineral Resource published on 16 August 2021 with the final Mineral Resource published on 21 March 2022.
  - Extensive core drilling carried out throughout the year at the deposit.
- New sub-vertical gold vein, "Hasan", discovered at Gosha.
  - Located to the immediate south of the existing Gosha mine.
  - Vein can be easily accessed from existing underground mine workings.
- The Gedabek and Gadir underground mines are now connected and form one continuous tunnel system and extensive underground core drilling took place in 2021.
  - Extensions to the underground mines discovered.
- New mineralisation body discovered at Gilar.
  - Ore body is a south-west continuation of the deposit.
- Infill drilling carried out in pit 5 and pit 9 of the Gedabek open pit.
  - Drilling intersections returned with grades of up to one per cent. copper in this copper-rich area of the main open pit.
- No geological field work was carried out at Ordubad during 2021 due to COVID-19 travel restrictions.

Gedabek

Zafar deposit

The discovery of a new mineral deposit "Zafar" was announced in early 2021. The deposit is located 1.5 kilometres north-west of the existing Gedabek processing plant.

The geology of the area is structurally complex, comprising mainly of Upper Bajocian-aged volcanics. The mineralisation seems to be associated with a main north-west to south-east trending structure, which is interpreted as post-dating smaller north-east to south-west 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.

75 core drill holes with a total length of 36,432 metres were completed at Zafar in 2021. 20 drill holes returned grades above reportable limits. One drill hole encountered abundant sulphide mineralisation with a thickness of 133 metres and grading 0.85 per cent. copper, 1.35 per cent. zinc and 0.58 grammes of gold per tonne. Bench scale X-RAY diffraction ("XRD") analysis of drill core samples commenced during the year. This uses a portable XRD machine to undertake geochemical analyses of core samples. The results are obtained in "real time" without the need to wait for laboratory analysis which enables a better focused drill programme.

The maiden Mineral Resource estimate for the Zafar deposit was published on 16 August 2021. The final Mineral Resource estimate was completed during 2021 and early 2022 and published on 21 March 2022 and is contained within table 5 above.

Gedabek and Gadir underground mines

The Gedabek and Gadir underground mines are now connected and form one continuous underground network of tunnels accessible from both the Gadir and Gedabek portals. However, a significant fault structure separates the two mines. Underground drilling was conducted along the tunnel connecting the Gedabek and Gadir mines and 45 core drill holes (19 BQ and 26 HQ/NQ diameter) with a total length of 3,328 metres were completed. This underground drilling enables the Company to capture truly 3-dimensional data. Underground mapping was also carried out. The drilling results have yielded extensions to the Gedabek and Gadir underground mines.

Infill drilling at pit 5 and pit 9 of the Gedabek open pit

Infill reverse circulation drilling at pit 5 and pit 9 of the Gedabek open pit was carried out in 2021. The drilling was for grade control and to locate ore extensions for mining. 95 drill holes for a total length of 7,484 metres of drilling were completed. Notable intersections included 6 metres at 2.86 per cent. copper and 5 metres at 3.06 per cent. copper in this copper-rich area of the Gedabek open pit.

Avshancli

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. 92 reverse circulation drill holes with a total length of 2,176 metres were completed at Avshancli-1 and 9 reverse circulation drill holes with a total length of 1,022 were completed at Avshancli-2 in 2021. The geological work to date at Avshancli-1 shows discontinuous surface mineralisation with gold grades dropping off from the surface as the structures narrow with depth. Given the distribution of mineralisation, economic volumes of ore are likely to be small.

Gilar

Gilar is a mineral occurrence located approximately two kilometres south of Avshancli-1. The area hosts two styles of mineralisation, gold in quartz veins and hydrothermal gold-copper. 37 surface core drill holes were completed in 2021 for a total length of 14,165 metres. The drilling allows the determination of zone continuity and a new mineralisation body was discovered which is a south-west continuation of the deposit. The Company continues to assess the economic feasibility of tunnelling for further exploration at Gilar to allow for underground drilling and bulk sampling.

Ugur open pit and Ugur Deeps

The Ugur pit has now been fully exhausted. However, in the first half of the year, drilling continued in the vicinity of the depleted open pit (Ugur Deeps region) to locate possible extensions to the deposit. Ten core drill holes with a total length of 3,360 metres were completed, targeting high-grade copper-silver mineralisation. However, the drill rigs at Ugur Deeps were redeployed in the second half of the year and no further drilling was carried out. Limited trench sampling was undertaken in the second half of the year.

Gosha

The Gosha contract area, which hosts the Gosha mine, is located next to the Armenian border. Due to the conflict between Azerbaijan and Armenia, geological field work was carried out only in the second half of the year. This was mainly surface core drilling in the vicinity of the Gosha underground mine. However, some outcrop and trench sampling was also carried out. The surface core drilling resulted in the discovery of a new sub-vertical high gold grade mineralised vein ("Hasan"), after surface mapping suggested the presence of gold at the location. The new gold vein can be accessed via a short tunnel from the existing tunnelling at Gosha.

The Gosha mine was previously thought to consist of two narrow gold veins, zone 13 and zone 5 to the south. Mining has previously taken place from both veins. Hasan is located immediately south of the zone 5 and intersects it at one point. The host rock mostly exhibits silicification and kaolinisation alteration which changes to quartz-haematite alteration in andesite.

Geological exploration continued

Gosha continued

During 2021, 15 core drill holes for a total length of 4,618 metres were completed. Outstanding grades of up to 229.5 grammes of gold per tonne were returned, with significant drill intersections as follows:

Hole i.d	Depth From (metres)	Depth To (metres)	Downhole Length (metres)	Gold (g/t)	Silver (g/t)
21GODDH01	65.80	69.40	3.20	53.42	5.00
	66.80	67.30	0.50	229.50	5.00
	61.00	**71.00**	**10.00**	**23.24**	**5.00**

New geological maps were also compiled for the Gosha Contract Area using all previously obtained data. This is the first stage of a desktop study to consolidate all historical and newly obtained data to better understand the regional geology.

Ordubad

Due to COVID-19 restrictions, drill access was restricted during 2021 and therefore very limited geological field work was completed.

The Company is 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 the Ordubad Contract Area. The results of this investigation have unfortunately been delayed by the COVID-19 pandemic.

Detailed reports on geological exploration

Detailed reports on all exploration activities in 2021 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 its ability to transport its products to market and sell them without disruption.

In 2021, the Group shipped all its gold doré to Switzerland for refining by either MKS Finance SA or Argor-Heraeus SA. The Group continually reviews which refiner offers the best commercial terms, and based on this, 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. In 2021 all shipments were made by scheduled airflights and the refineries operated without disruption.

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. 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.

Libero Copper & Gold Corporation

A private placement to acquire a strategic interest in Libero Copper & Gold Corporation ("Libero") was signed in December 2021. The transaction was completed and 19.8 per cent. of Libero acquired in January 2022.

Libero has an extremely attractive portfolio of exploration assets in mining-friendly jurisdictions in North and South America, including Mocoa in Colombia, Big Bulk and Big Red in British Columbia, Canada, and Esperanza in Argentina.

Further information can be found at https://www.liberocopper.com/.

Section 172(1) statement

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

Principal risks and uncertainties

Country risk in Azerbaijan

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

Operational risk

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

Commodity price risk

The Group's revenues are exposed to fluctuations in the price of gold, silver and copper and all fluctuations have a direct impact on the operating profit and cash flow of the Group. Whilst the Group has no control over the selling price of its commodities, it has very robust cost controls to minimise expenditure to ensure it can withstand any prolonged period of commodity price weakness. The Group actively monitors all changes in commodity prices to understand the impact on the business. The Group has previously hedged against the future movement in the price of gold. The directors keep under review the potential benefit of hedging.

Foreign currency risk

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

Liquidity and interest rate risk

During 2021, the Group had no bank debt and only occasional minor borrowings in connection with providing letters of credit to suppliers. The Group did therefore not have any significant interest rate risk during the year.

The Group had significant surplus cash deposits during 2021. 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.

Russian invasion of Ukraine

The Company is unaffected directly by the Russian invasion of Ukraine or the international sanctions levied against various private and governmental Russian entities.

COVID-19 pandemic

The COVID-19 pandemic continued into 2021, but the intensity of the pandemic decreased throughout the year. As a result, the Government of Azerbaijan slowly eased the restrictions in the country with most of the restrictions lifted in the first half of 2021. The COVID-19 pandemic remained a priority for the Group throughout the year and the board continued to monitor the situation closely.

The main risk to the Group from a resurgence of the COVID-19 pandemic would be a lower level, or complete cessation, of production. This could occur due to an outbreak 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. However, given the Group has been able to continue its operations since the start of the pandemic without issue, the Group considers these risks as minimal.

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 from operating activities less expenditure on property, plant and equipment and mine development and investment in exploration and evaluation assets including other intangible assets.
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

16 May 2022

Strategic report

Section 172(1) statement*

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") considers that it has adhered to the requirements of section 172 of the Companies Act 2006 (the "Act") and, in good faith, acted in a way that it considers 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 has recognised 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, a holding company for the Group. The Group carries out its business of mineral exploration and mining in Azerbaijan and elsewhere through its wholly-owned subsidiaries and other investments. Given the nature and size of the Group, the Board considers 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 27 sets out the Company's section 172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor in potential impacts on stakeholders in the decision-making process.

General

The Group promotes the highest standards of governance as set out in Corporate Governance on pages 38 to 41. 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 the Corporate Governance Section on pages 38 to 41.

Principal decisions and other key factors in maintaining shareholder value

For the year ended 31 December 2021, the Board considers 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 2021;

> consideration of the special and final dividends payable for the year ended 31 December 2020 and the interim dividend payable for the year ended 31 December 2021;

> consideration of the Mineral Resources estimate of the Zafar mine and to undertake the development of the resource;

> considering a proposal by the Government of Azerbaijan to amend the Group's existing production sharing agreement by adding three new contract areas and relinquishing its rights to the Soutely contract area. The Board considered all aspects of the transaction and in particular the risks and benefits to the Group to acquire and develop the rights for the new mining contract areas in return for the rights to the Soutely contract area and associated mine;

> agreeing to an investment in Libero Copper & Gold Corporation ("Libero") and entering into a private placement through which the Group acquired 19.8 per cent. of Libero and a seat on the board of directors. The Board considered all aspects of the investment and, in particular, to ensure that any downside risk to the investment was limited; and

> 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.

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 rolling 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 decisions do not disadvantage external shareholders compared to the interests of the directors and senior management and that external shareholders are fully informed of all Company developments in a timely manner.

Engagement with key stakeholders

The table on page 27 sets out the Board's key stakeholders and provides examples of how the Board engaged with them in the year as well as demonstrating stakeholder consideration in the decision-making process. However, the Board recognises 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.

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 on pages 38 to 41.
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.
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. A new manager was appointed in December 2021 to manage the Company's procurement activities.
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 2021 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 and environment	The Board aims to build trust and conduct its operations in partnership with the communities at all locations where the Group operates whilst minimising any adverse effect on the environment. Board members regularly visit Gedabek and other locations 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. Comprehensive environmental monitoring was continuously carried out at Gedabek throughout 2021.
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 38 to 41. 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 obtaining access to the restored contract areas following the resolution of the conflict with Armenia.

Sustainability at Anglo Asian Mining

"In recent years we have noted rising demands on the disclosure of sustainability information by large and small companies alike. At Anglo Asian, we believe that the long-term growth and profitability of our business is impossible without taking into account the Environmental, Social and Governance ("ESG") aspects of our business. In this report, we provide an overview of our progress in sustainability governance, the integration of ESG principles into our business processes, and our plans for the future."

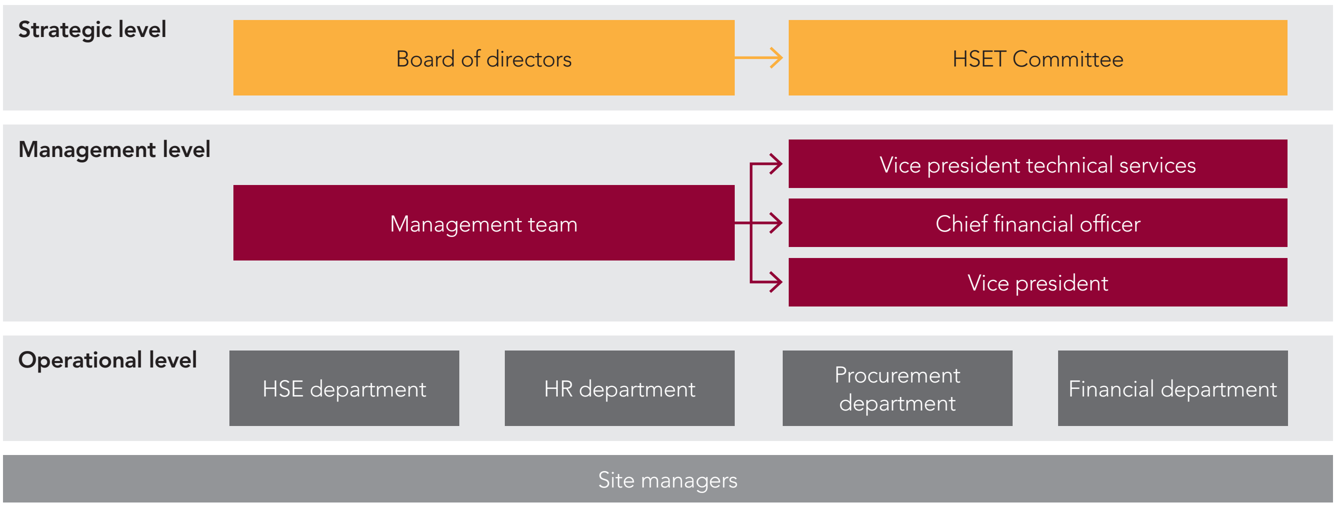
Professor John Monhemius
Non-executive director, chairman of the HSET Committee

At each stage of our operations, from developing new business opportunities to mining activities and mine closure, we value our people, care for the environment, and conduct our business in a transparent manner, based on open dialogue and respect for our stakeholder groups.

Anglo Asian Mining's sustainability activities are overseen directly by the board of directors and its Health, Safety, Environmental and Technical ("HSET") Committee. The Group's senior management is responsible for executing the strategic vision, and for setting and monitoring key performance indicators ("KPIs") at an operational level. The HSET committee is led by non-executive director Professor John Monhemius, who has been in the mining industry for several decades. The committee meets every six months and addresses all ESG aspects relevant to the Company's activities, including environmental issues, health and safety, operational processes, social projects, and waste management.

Each issue is reported to the management team and analysed. At Gedabek, the management team or a direct manager oversees each key aspect (people, environment, health and safety, supply chain) and across other Group locations.

Sustainability governance system structure



ESG at a glance

Focus area	Material topic	Why is it important for Anglo Asian?	What are we doing?	United Nations Sustainable development goals
Environmental	Environmental management	We understand that mining activities have negative impact on the environment. We are committed to monitor and reduce our negative impact where possible.	We adhere to all policies and regulations imposed by local authorities, and aspire to follow international best practice and standards. Our Health, Safety Environmental and Technical Committee ("HSET") is responsible for all environmental matters and a team of qualified environmental specialists is in place at our sites.	6 Clean water and sanitation; 12 Responsible consumption and production; 13 Climate action
	Emissions	The climate crisis is one of the biggest global challenges, therefore we aim to develop our climate-related reporting and to reduce our Green House Gas ("GHG") emissions.	We conduct all necessary monitoring and reporting of emissions according to the requirements of the local authorities. Also, we are now starting the process of calculating our carbon footprint and consequent development of improving our KPIs.	13 Climate action
	Waste	Our activities generate several waste types. It is our direct responsibility to reduce the total volume of waste generated, and increase recycling where possible.	We closely monitor processes around our tailings storage facilities. At our operational plants we use 15 to 20 per cent. recycled materials. We partner with suppliers for the management of recycled and non-recycled waste.	12 Responsible consumption and production
	Water	We are committed to responsible and efficient use of water resources and minimising effluents.	Where possible, we have implemented solutions for using recycled water, and we endeavour to release minimal effluents that go through our purification systems. We record our freshwater usage on a daily basis.	6 Clean water and sanitation
	Energy efficiency	Electricity consumption from traditional resources implies additional GHG emissions and is therefore closely monitored. We are also committed to decreasing our fuel consumption.	We are striving to increase the energy efficiency of our operations. We are now testing an initiative to reduce our fuel consumption by 10 per cent. In the future, we see potential for transition to renewable energy sources.	7 Affordable and clean energy
Social	People	Our team of professionals is key to Anglo Asian's success. Therefore, we provide employees with fair working conditions, social benefits, and possibilities for their development.	We offer a decent compensation package that is above average regional wages. We treat our employees fairly and with respect, providing assistance when needed, including financial support, accommodation for eligible employees and transport options. We assess the working schedules according to the environment and conditions of each operational site. We cover medical insurance and provide well-equipped physical/rehabilitation training and sports facilities onsite.	4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities
	Health and safety	We recognize our responsibility to provide a safe working environment for both our employees and contractors.	We train our employees on HSE policies and potential hazards at each site. All site workers undergo regular basic medical checks.	3 Good health and well-being; 8 Decent work and economic growth
	Local communities	We are committed to maintaining close and mutually beneficial relationships with our local communities, bringing employment and infrastructure to the region and improving quality of life.	Our human resources team engages directly with local communities. We have built one school and one kindergarten for the local community and other infrastructure, such as bridges, housing and sports facilities. We also take care of people in difficult financial situations by distributing food and necessities, and providing accommodation options.	1 No poverty; 4 Quality education; 8 Decent work and economic growth; 11 Sustainable cities and communities
Governance	Corporate governance system	We want to promote long-term value for shareholders and take into account our broader stakeholder responsibilities and their implications for long-term success.	We operate according to recognised corporate governance practices and well-established codes of corporate governance. Our nomination committee is responsible for the selection and nomination of directors.	16 Peace, justice and strong institutions
	Supply chain	We endeavour to operate with integrity in all our procurement processes and ensure our supply chains are free from corruption.	We have a centralised department for all business procurement and we communicate regularly with our suppliers. Where possible, we try to maximise local purchases. Our supply chains are regulated by internal policies to avoid favouritism.	12 Responsible consumption and production
	Anticorruption system and business ethics	We conduct our business with fairness, integrity, and transparency	We comply with UK anti-corruption legislation, the QCA corporate governance code and all financial auditing requirements.	16 Peace, justice and strong institutions

Sustainability at Anglo Asian Mining *continued*

Our progress and plans for the future

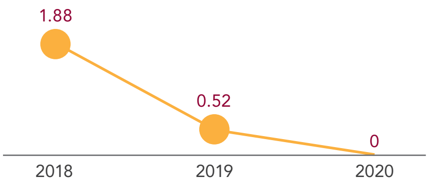
In 2021 we undertook various health, safety and environmental initiatives across the business. Activities included a complete revision of all HSE documentation, the launch of an audit of our ESG policies, reporting and processes, and extensive HSE training for staff and trainers across the business. The Company completed an annual environment survey as well as the Zafar environmental impact survey.

We are committed to enhancing our public disclosures with regard to ESG matters and reviewing and formalising our policies, KPIs and targets.

Health and safety

We are committed to providing a safe working environment for our colleagues and to improving our Group safety performance. All staff have received vaccinations against COVID-19 and all required booster doses in 2021.

Lost-time injury frequency rate



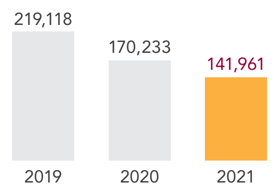
During 2021, there were 12 reportable safety incidents (2020: 13); however, no major accidents occurred. There were zero (2020: two) lost-time incidents ("LTI"), where the casualty had to take time off work among Group employees, and one LTI incident involving a contractor in 2021. The Company continues to progress towards its target of achieving two million hours without a LTI, following the achievement of one million hours working without a LTI in July 2020.

Environmental stewardship

In our efforts to reduce our impact on the environment we are starting to measure our carbon footprint and aim to provide greater detail on our environmental metrics in our GRI sustainability report. In 2021 we implemented a test initiative to reduce our fuel consumption by 10 per cent, and are progressing with this initiative, in addition to assessing the potential of renewable energy sources.

For more information about our environmental activities at Gedabek in 2021, please see page 18 of the strategic report.

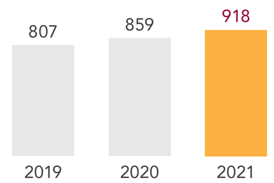
Water intake, (cubic metres)



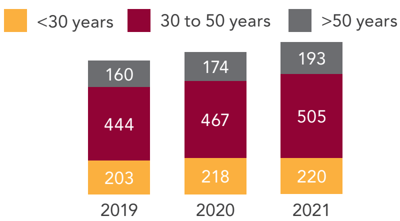
Our people and local communities

We treat our 918 colleagues with respect, and regularly benchmark standards of remuneration and quality of life to ensure we are providing our employees with fair and equitable labour, and we aim to provide opportunities and training for all employees to enhance their career development, supporting our colleagues to complete further education qualifications and participate in conferences

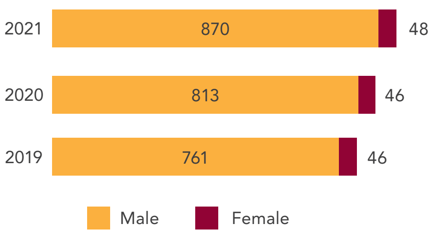
Number of employees



Employees by age



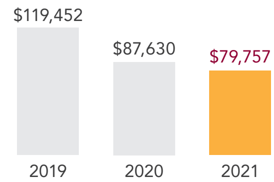
Employees by gender



We invest in our communities and have built a school in the village of Arikhdam and a kindergarten in Gumlu to enhance education opportunities for young people in the region, and have relationships with the universities of Azerbaijan State Oil Industry University, the University of France & Azerbaijan and Baku State University. We also improve learning opportunities at a local level by sponsoring English language and computing courses.

In addition, we encourage a healthy lifestyle among the local population and are a sponsor of local sports teams, including football and taekwondo.

Social investments



Professor John Monhemius

Non-executive director

16 May 2022

Financial review

"The cash costs in 2021 compared to 2020 were higher due to increased labour, reagent, material and haulage costs. The Company generally experienced significant cost inflation during the year especially for reagents and diesel fuel."

William Morgan
Chief financial officer

The directors present their financial review for the year ended 31 December 2021. This financial review forms part of the strategic report on pages 12 to 27.

Currency of financial review

References to "$" and "cents" are to United States dollars and cents. References to "CAN$" and "CAN cents" are to Canadian dollars and cents. References to "£" and "p" are to United Kingdom Sterling pounds and pence.

Group statement of income

The Group generated revenues in 2021 of $92.5 million (2020: $102.1 million) from the sales of gold and silver bullion and copper and precious metal concentrate.

The revenues in 2021 included $71.6 million (2020: $86.8 million) generated from the sales of gold and silver bullion from the Group's share of the production of doré bars. Bullion sales in 2021 were 39,563 (2020: 48,650) ounces of gold and 18,023 (2020: 15,759) ounces of silver at an average price of $1,799 (2020: $1,777) per ounce and $25 (2020: $21) per ounce respectively. In addition, the Group generated revenue in 2021 of $20.9 million (2020: $15.3 million) from the sale of 11,124 (2020: 11,839) dry metric tonnes of copper and precious metal concentrate. The Group's revenue benefited in the year from a slightly higher average price of gold at $1,799 (2020: $1,772) per ounce and a higher average price of copper at $9,294 (2020: $6,190) per metric tonne.

The Group did not hedge any metal sales during 2020 or 2021.

The Group incurred cost of sales in 2021 of $74.5 million (2020: $60.3 million) as follows:

	2021 $m	2020 $m	B/(W) $m
Cash cost of sales	**55.6**	48.0	(7.6)
Depreciation	**16.1**	16.2	0.1
Cash costs and depreciation	**71.7**	64.2	(7.5)
Capitalised costs	**(3.4)**	(5.8)	(2.4)
Cost of sales before inventory movement	**68.3**	58.4	(9.9)
Inventory movement	**6.2**	1.9	(4.3)
Total cost of sales	**74.5**	60.3	(14.2)

The cash costs in 2021 compared to 2020 were higher due to increased labour, reagent, material and haulage costs. The Company generally experienced significant cost inflation during the year especially for reagents and diesel fuel.

Depreciation and amortisation in 2021 were lower at $16.1 million compared to $16.2 million in 2020. 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 2021 due to the lower amount of gold produced.

The Group incurred administration expenses in 2021 of $5.2 million (2020: $5.0 million). 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 2021 compared to 2020. Administration costs in 2021 were higher than 2020 due to higher administrative salaries and the legal costs incurred on the award of the new contract areas.

Finance costs in 2021 were $0.7 million (2020: $0.6 million). Finance costs in 2021 and 2020 were mainly the interest expense of finance leases and interest on the unwinding of provisions. These remained at a similar level in both 2021 and 2020. The finance costs in 2020 included interest on external bank loans of $20k. Other income in 2021 of $0.8 million arose from the Libero Copper & Gold Corporation transaction (see "Libero Copper & Gold Corporation transaction" below).

The Group recorded a profit before taxation in 2021 of $12.6 million compared to $35.7 million in 2020. This reduction was mainly due to lower revenues from reduced gold production and higher cost of sales arising primarily from inflationary pressure and inventory reduction. Other operating expenses in 2021 were lower at $0.7 million (2020: $1.3 million) due the cost incurred in 2020 of chartering aircraft to fly gold doré to Switzerland as a result of the COVID-19 pandemic. All shipments of doré in 2021 were by scheduled airline flight.

The Group had a taxation charge in 2021 of $5.2 million (2020: $12.5 million). This comprised a current income tax charge of $5.5 million (2020: $14.2 million) offset by a deferred tax credit of $0.3 million (2020: $1.7 million). The current income tax charge of $5.5 million was incurred by R.V. Investment Group Services ("RVIG") in Azerbaijan. RVIG generated taxable profits in 2021 of $17.1 million (2020: $35.7 million) which were taxed at 32 per cent. (the corporation tax rate stipulated in the Group's production sharing agreement).

The Group's overall tax rate in 2021 was 42 per cent. (2020: 35 per cent.). The taxable profits of RVIG are calculated on a cash payment and receipt basis instead of the accrual accounting basis used to prepare the IFRS financial statements. The higher tax charge arose as the taxable profits for RVIG of $17.1 million were significantly higher than its taxable profits of $13.9 million calculated on an accrual accounting basis. The overall tax rate is also 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 2021 totalled $1.2 million (2020: $2.8 million).

All-in sustaining cost of gold production

The Group produced gold at an all-in sustaining cost ("AISC") per ounce of $843 in 2021 compared to $702 in 2020. 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 2021 compared to 2020 was the higher cash costs of production due to the general price inflation experienced in the year and the impact of lower production on fixed costs.

Group statement of financial position

Non-current assets increased from $92.5 million at the end of 2020 to $95.1 million at the end of 2021. Property, plant and equipment were lower by $8.0 million due to depreciation of $15.1 million mainly offset by additions of $7.4 million and leased assets were $1.2 million higher due to capitalised leased assets and modifications to leased assets of $1.8 million offset by depreciation of $0.5 million. Intangible assets increased from $24.0 million at the end of 2020 to $30.3 million at the end of 2021 due to expenditure on geological exploration and evaluation of $7.6 million (2020: $5.3 million) offset by amortisation of $1.2 million (2020: $1.2 million) in the year. The main expenditure was $6.8 million (2020: $4.2 million) of exploration and evaluation expenditure at Gedabek.

Net current assets were $62.8 million at the end of 2021 compared to $67.8 million at the end of 2020. The main reason for the decrease in net current assets was a reduction in inventory of $4.5 million. Trade and other payables and trade receivables were both higher reflecting an increase of $12.4 million in gold held due to the Government of Azerbaijan. The Group's cash balances at 31 December 2021 were $37.5 million (2020: $38.8 million). 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 2021 were $118.4 million (2020: $122.0 million). The net assets were lower due to a decrease in retained earnings following dividend payments which were higher than profits after taxation. There were no shares issued in 2021.

At 1 January 2021, the Group was financed by equity and had no bank debt throughout 2021. The total debt in respect of lease liabilities at 31 December 2021 was $3.3 million (2020: $1.9 million).

There were no movements of the Group's share capital or share premium account in 2021. The Group's holding company, Anglo Asian Mining PLC received an intercompany dividend in 2021 of $10 million (2020: $10.0) which gives it the capacity to pay dividends of $5.7 million during 2022.

Libero Copper & Gold Corporation transaction

The Company subscribed for 12.6 million shares (together with an associated 6.3 million warrants) in Libero Copper & Gold Corporation ("Libero") at 50 CAN cents per share for a total of CAN$6.3 million ($4.9 million) in December 2021. In December 2021, 5.6 million shares (and associated 2.8 million warrants) were acquired for CAN$2.8 million ($2.2 million) and the remaining 7.0 million shares (and associated 3.5 million warrants) acquired for CAN$3.5 million ($2.8 million) in January 2022. Libero is listed on the Toronto Ventures Stock Exchange. The shares in Libero acquired in December 2021 were revalued to market value of $2.4 million at 31 December 2021 and included in non-current financial assets. The fair value of the 6.3 million warrants of $0.4 million was also included in non-current financial assets and the fair value of the contractual right to acquire the 7 million shares in January 2022 of $0.2 million was included in other current financial assets. The fair values were calculated using internationally accepted valuation techniques by an outside specialist valuation expert.

The Libero transaction resulted in other income of $0.8 million. The fair value of the contractual right to acquire 7.0 million shares of Libero subsequent to 31 December 2021 and the 6.3 million options totalling $0.6 million were recognised as other income. In addition, the revaluation to market value at 31 December 2021 of the Libero shares resulted in a gain of $0.2 million.

Group cash flow statement

Operating cash inflow before movements in working capital for 2021 was $29.3 million (2020: $52.8 million). The main source of operating cash was operating profit before the non-cash charges of depreciation and amortisation in 2021 of $29.2 million (2020: $52.6 million).

Working capital movements generated cash of $5.4 million (2020: $7.4 million) mainly due to inventories which were lower by $5.4 million (2020: $2.4 million) and increased trade and other payables $1.3 million (2020: nil).

Cash from operations in 2021 was $34.7 million compared to $60.2 million in 2020 due to the lower operating cash flow.

The Company paid corporation tax in 2021 of $8.7 million (2020: $10.7 million) in Azerbaijan in accordance with local requirements. This payment was the final payment of its liability for 2020 and payments on account of its liability for the year ended 31 December 2021.

Expenditure on property, plant and equipment and mine development was $6.2 million (2020: $10.5 million). The main items of expenditure in 2021 were capitalised stripping costs of $2.0 million and mine development costs of $2.5 million.

Exploration and evaluation expenditure in 2021 of $7.6 million (2020: $5.3 million) was incurred and capitalised. This arose on exploration and evaluation at the Gedabek, Gosha and Ordubad contract areas with costs of $6.9 million, $0.6 million and $0.2 million respectively.

COVID-19 pandemic

The COVID-19 pandemic continued into 2021 but the intensity of the pandemic decreased throughout the year. As a result, the Government of Azerbaijan slowly eased the restrictions in the country with most of the restrictions lifted in the first half of 2021. The COVID-19 pandemic remained a priority of the Group throughout the year with the board monitoring the situation at each monthly board meeting.

Given that the Group has managed to maintain its operations throughout the COVID-19 pandemic, the Group considers the risks from the pandemic are minimal. Further details regarding the risks are set out in the Strategic Report.

Dividends

In respect of 2021, the Group paid an interim dividend of $0.045 per share and has proposed a final dividend of $0.035 per share giving a total for the year of $0.08 per share (2020: total for the year of $0.095 per share). Dividends are declared in United States dollars but paid in United Kingdom pounds sterling. The total cash cost of the 2020 dividends was $10.9 million and the estimated total cost of the dividends for 2021 is $9.2 million. The proposed final dividend for 2021 is subject to the approval of the shareholders and has not been accrued in the 2021 financial statements.

Gold doré at Gedabek

To ensure the Company retains sufficient capital to pursue 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 2020 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 2021. The Government's share of production in 2021 (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 2021 of 12.75 per cent. (2020: 12.75 per cent.) of the value of its production.

The Group can recover the following costs in accordance with the PSA for its production at Gedabek:

- all direct operating expenses of the Gedabek mines;
- all exploration expenses incurred on the Gedabek contract area;
- all capital expenditure incurred on the Gedabek mines;
- 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.

Gedabek plant

Unrecovered costs are calculated separately for each individual contract area and can only be recovered against production from that respective contract area. The total unrecovered costs for the Gedabek and Gosha contract areas at 31 December 2021 were $29.7 million and $19.7 million respectively (2020: $36.9 million and $27.3 million 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 for the Gedabek and Gosha contract areas.

The Group produced gold and copper for the first time in 2021 from its Vejnaly contract area and the metal produced will be sold in 2022. The Government's share of this production in 2021 and any further production in 2022 will likely be higher than 12.75 per cent. This is because the mine and other facilities were acquired at no cost and the only costs available to offset the production will be the administration costs of the site, minor refurbishment capital expenditure and the direct costs of production.

Calculation of non-IFRS financial indicators

Net debt/cash

Calculated as the cash and cash equivalents minus current and non-current interest-bearing loans and borrowings.

Free cash flow

Calculated as net cash from operating activities less expenditure on property, plant and equipment and mine development and investment in exploration and evaluation assets including other intangible assets.

All-in sustaining cost ("AISC") per ounce. 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.

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 2023 (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 have 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 $27.9 million (31 December 2021: $37.5 million) and no bank debt at 31 March 2022. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and a gold price of $1,800 for 2022 and 2023. The gold price is 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. The base case cash flow also shows that the Group is able to fund its capital expenditure requirements on developing new mines and production facilities from internal sources.

The Group has access to local sources of both short and long-term finance should this be required and has a $15.0 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 during 2021, the Company continued production throughout the year 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 with the vast majority of the restrictions lifted by May 2022. The remaining restrictions were not having any effect on the ability of the Company to operate.

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 on pages 8 and 9, the president and chief executive's review on pages 10 and 11 and the strategic report on pages 12 to 27. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within this financial review. In addition, note 23 to the Group financial statements 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.

W R Morgan

William Morgan

Chief financial officer

16 May 2022

Board of directors

Our experienced board

Khosrow Zamani

Reza Vaziri

Governor John H Sununu

Professor John Monhemius

Michael C Sununu

Khosrow Zamani*

Non-executive chairman

Age: 79 A R N

Former director Southern Europe and Central Asia of the International Finance Corporation ("IFC") from 2000 – 2005. Oversaw the IFC portfolio of more than US$2 billion, diversified across the financial, oil and gas and mining industries.

Over 30 years experience in investment and project finance and banking in emerging markets.

Formerly non-executive board member and chairman of the corporate governance committee of Sekerbank A.S. and non-executive director of the compensation committee of Komercijalna Bank, Serbia.

Reza Vaziri

President and chief executive

Age: 69 H

Head of the foreign relations office at the ministry of the Imperial Court of Iran before moving to the US in 1980

Prominent businessman in Azerbaijan. Former head of the Foreign Relations Office at the Ministry of the Imperial court of Iran.

Holds a law degree from the national university of Iran.

* Independant non-executive director.

Governor John H Sununu

Non-executive director

Age: 82 A R N

Two terms Governor of New Hampshire, USA. Former chief of staff to President George H.W. Bush 1989-1992.

Former partner in Trinity International Partners and currently serves as President of JHS Associates, Ltd.

Professor John Monhemius*

Non-executive director

Age: 79 H

Over 40 years experience in hydrometallurgy and environmental control in mining and metallurgical processes.

Co-founder and director of Consort Research Ltd, a consultancy to large mining and chemical companies specialising in gold and base metal ore processing.

Former director of Obtala Resources plc.

Michael Sununu

Non-executive director

Age: 54

Wealth of financial and directorial experience and former board member of Optima Bank & Trust.

Founder and Manager of Sununu Enterprises LLC and Sununu Holdings LLC and consultant to energy, materials and infrastructure industries.

Holds a BSc from the Massachusetts Institute of Technology and an MBA from the Kellogg School at Northwestern University majoring in finance and accounting.

Board member for Purpose Energy Inc. and member of the Investment Committee for the New Hampshire Historical Society.

Michael is also a director of Libero Copper & Gold Corporation.

A Audit committee

H Health, safety and technical committee

R Remuneration committee

N Nomination committee

Senior management

Our leadership team

Farhang Hedjazi

William Morgan

Stephen Westhead

Amirreza Vaziri

Farhang Hedjazi

Vice president, technical services

Worked in the field since 1985 and constructed process plants including zinc smelters, CIL plants, gold heap leach facilities and managed underground mines. Oversees all mining and exploration activities at Anglo Asian Mining.

Previously worked for the national Iranian lead and zinc company as chief process engineer, before founding Kahanroba engineering company.

Holds an MSc. In non-ferrous extractive metallurgy.

William Morgan

Chief financial officer
Company secretary

UK chartered accountant with over 40 years accountancy and financial management experience in the UK, Far East, Kazakhstan and Russia.

Previously regional CFO for Kinross – Russia Region, CFO Hambledon Mining plc and Bakyrchik Gold plc.

20 plus years experience in the gold mining industry in Russia / FSU.

Stephen Westhead

Vice president, Azerbaijan International Mining Company

Chartered Geologist with over 30 years of experience in India, CIS, Eastern Europe and Russia.

Previously Technical Advisor to the Managing Director of Polyus Gold's main business unit. Project management expertise from exploration, construction and production.

PhD in structural controls on mineralisation, a MSc in Mineral Exploration and Mining Geology and a BSc in Applied Geology

Amirreza Vaziri

Director, business development

Previous roles ranging from co-founder and CEO of a tech startup to director of business development at an international technology company.

Strong focus on partnerships and M&A, in line with Anglo Asian's strategic vision for growth.

Holds a BA in international business from the University of Maryland's Smith School of Business, MSc in international management from Kings College London.

Corporate governance

Introduction

The board of directors (the "Board") applied throughout 2021 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 is 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 rolling three-year programme of geological exploration for new mineral resources.

The Company also seeks to grow shareholder value by investing in mining properties outside of Azerbaijan. In 2021, the Group made its first investment outside of Azerbaijan in Libero Copper & Gold Corporation ("Libero"). Libero has a portfolio of copper and gold exploration properties in North and South America.

A further key challenge is the safe working of its operations and this annual report sets out measures adopted by the Company in 2021 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 2021 due to the COVID-19 pandemic. However, the Company will recommence these activities in 2022.

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 2021 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 36. 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/.

The number of board meetings held during 2021 and the attendance of the directors are as follows:

	Number of board meetings each director attended				
Number of board meetings in 2021	John Monhemius	Michael Sununu	John Sununu	Reza Vaziri	Khosrow Zamani
14	14	14	14	14	14

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.

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 2021. 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 36 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 Company's broker and NOMAD (S P Angel Corporate Finance LLP) advised the Board on various regulatory and commercial matters during 2021.

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 2021 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.

Compliance with the principles of the QCA code continued

9 **Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**
The Company's governance structures are appropriate for a company of its size and all necessary committees such as audit and remuneration regularly meet. The Board also meets regularly and the directors continuously maintain an informal dialogue between themselves.

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

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

> health, safety, environmental and technological issues relating to the Company;

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

> the management of risk related to health, safety, environmental and technological issues.

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

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

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

There is a formal process of maintaining the relationship between the Company and the Government of Azerbaijan.

10.1 *Report* of the audit committee

Members of the audit committee
The members of the audit committee comprise John Sununu and Khosrow Zamani. The chief financial officer is invited to all meetings of the audit committee.

Meetings of the audit committee held in 2021
The audit committee met twice in 2021, to approve the financial statements for the year ended 31 December 2020 and to approve the financial statements for the six months ended 30 June 2021. 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 2020.

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 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 during 2021 to consider the remuneration of the directors and recommended no change.

The remuneration paid to the directors is disclosed in the report on directors' remuneration on page 46.

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 did not meet in 2021.

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 COVID-19 pandemic continued into 2021 but the intensity of the pandemic decreased throughout the year. As a result, the Government of Azerbaijan slowly eased the restrictions in the country with most of the restrictions lifted in the first half of 2021. The COVID-19 pandemic remained a priority of the Group throughout the year with the board monitoring the situation at each monthly board meeting.

Directors' report

year ended 31 December 2021

Annual report and financial statements

The directors present their annual report together with the audited Group financial statements on pages 55 to 90.

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 16 May 2022 is set out in the chairman's statement on pages 8 and 9 the president and chief executive's review on pages 10 and 11, and the strategic report on pages 12 to 27 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 2021 are set out in the chairman's statement on pages 8 and 9, the president and chief executive's review on pages 10 and 11, the financial review on pages 31 to 35 and note 27 to the Group financial statements.

Capital structure

Details of the Company's authorised and issued share capital, together with the movements for the years ended 31 December 2020 and 2021 are disclosed in note 24 – 'Equity' to the Group financial statements. The Company has one class of ordinary share and they carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. All issued ordinary shares are fully paid.

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

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.

The Company has a scheme to grant directors and employees options to acquire ordinary shares. The share options granted and details of the scheme are disclosed in note 25 – 'Share-based payment' to the Group financial statements.

With regard to the appointment and replacement of directors, the Company is governed by its articles of association, the Companies Act 2006 and related legislation. It also complies with the Quoted Companies Alliance Corporate Governance Code. The articles of association themselves may be amended by special resolution of the shareholders. The powers of the directors are described in the corporate governance report on pages 38 to 41.

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 16 May 2022 are as follows and further details are set out on page 36:

Professor John Monhemius
Governor John Sununu
Mr Michael Sununu
Mr Reza Vaziri
Mr Khosrow Zamani

Khosrow Zamani 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 2021 and their connected parties in the share capital of the Company at 31 December were as follows:

	2021 Number of ordinary shares	2020 Number of ordinary shares
John Monhemius	**366,890**	341,890
Michael Sununu	**—**	—
John Sununu	**10,734,540**	10,734,540
Reza Vaziri	**32,796,830**	32,796,830
Khosrow Zamani	**1,457,982**	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 16 May 2022:

	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 2023 (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 have 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 $27.9 million (31 December 2021: $37.5 million) and no bank debt at 31 March 2022. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and a gold price of $1,800 for 2022 and 2023. The gold price is 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. The base case cash flow also shows that the Group is able to fund its capital expenditure requirements on developing new mines and production facilities from internal sources.

The Group has access to local sources of both short and long-term finance should this be required and has a $15.0 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 during 2021, the Company continued production throughout the year 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 with the vast majority of the restrictions lifted by May 2022. The remaining restrictions were not having any effect on the ability of the Company to operate.

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 on pages 8 and 9, the president and chief executive's review on pages 10 and 11 and the strategic report on pages 12 to 27. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within the financial review on pages 31 to 35. In addition, note 23 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.

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 38 to 41.

Annual general meeting

The Company will hold its annual general meeting for 2022 on 23 June 2022 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 2021 was 112.5 pence (2020: 131.50 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 made charitable donations during the year of $5,000 (2020: $nil). Political donations of $nil (2020: $nil) were made.

Research and development

The Group incurred research and development costs in 2021 of $121,000 (2020: $nil). The research was on improving the metal recoveries of its processing plants and adding a zinc line to its flotation plant.

Related party transactions

Related party transactions are disclosed in note 30 – '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 23 – 'Financial instruments' to the Group financial statements.

By order of the board of directors

W R Morgan

William Morgan

Company secretary

16 May 2022

Report on directors' remuneration

year ended 31 December 2021

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 2021	Consultancy $	Fees $	Benefits $	Total $
John Monhemius	**—**	**55,019**	**—**	**55,019**
John Sununu	**—**	**80,877**	**—**	**80,877**
Michael Sununu	**—**	**55,019**	**—**	**55,019**
Reza Vaziri	**575,077**	**55,019**	**32,813**	**662,909**
Khosrow Zamani	**—**	**135,346**	**—**	**135,346**
	575,077	**381,280**	**32,813**	**989,170**

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

Directors' fees and consultancy fees for 2020 and 2021 were paid in cash.

Share option scheme

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

No director held or exercised any share options during the year ended 31 December 2021.

The Company's share price has ranged from 131.50 pence at 31 December 2020 to a high of 175.5 pence and a low of 106.0 pence during the year ended 31 December 2021 with a closing mid-market price of 112.5 pence at 31 December 2021.

By order of the board of directors

W R Morgan

William Morgan

Company secretary

16 May 2022

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 UK adopted IFRSs. 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 UK adopted IFRSs;

> 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

16 May 2022

Independent auditor's report

to the members of Anglo Asian Mining PLC

Opinion

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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 2021 which comprise:

Group	Parent company
Group Income Statement for the year then ended	Company Statement of Financial Position as at 31 December 2021
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 2021	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 UK adopted international accounting standards. 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 and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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 prices and exchange rates, comparing these to available market data; 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; 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.

Conclusions relating to going concern continued

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 2023.

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.
Materiality	> Overall group materiality of US$0.6m 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% (2020: 100%) of the Group's Profit before tax, 100% (2020: 100%) of the Group's Revenue and 100% (2020: 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 followed a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visited Baku to meet with key finance personnel and also to meet with the Azerbaijan component team to discuss any audit findings and any issues arising from their work, meeting with local management, attend a closing meeting and reviewing relevant audit working papers on risk areas. During the current year's audit cycle, a visit was also undertaken by the primary audit team to the Company's mining operations in Azerbaijan. This included meeting with non-finance personnel including geologists, mine operations personnel and exploration personnel as well as verifying the existence of key equipment and facilities. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant 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 64 to 65); and notes 13 and 14 of the Consolidated Financial Statements (page 77 to 81). At 31 December 2021 the carrying value of the Group's mining assets were: > Property, plant and equipment: US$58.7m (2020: US$66.7m); > Intangible assets: US$30.3m (2020: US$24.0m). 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.	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 2021, 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 2021 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 2021, an impairment charge should not be recognised against the carrying value of the mining assets.

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 prior year, which was adjusted for actual production in 2021. 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; We also assessed the appropriateness of using the prior year JORC reserves report as the basis for the current year reserves estimate by discussing challenging management's internal expert to explain why this was appropriate; > 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; 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.	

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 US$0.6m (2020: US$1.8m), which is 5% (2020: 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 decreased in 2021 following the fall in operating results of the group.

We determined materiality for the Parent Company to be US$0.2m (2020: US$0.2m), which is 0.9% (2020: 0.9%) of Total Assets (2020: Total Assets).

During the course of our audit, we reassessed initial materiality for the Group and Parent Company, and as a result increased Parent Company materiality from US$0.1m to US$0.2m. This was due to actual Total Assets at the reporting date 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% (2020: 50%) of our planning materiality, namely US$0.3m (2020: US$0.9m). 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 US$0.1m to US$0.3m (2020: US$0.2m to US$0.9m).

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 US$31k (2020: US$89k), 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 47, 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 this gives rise to 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.

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 statements 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 47, 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

16 May 2022

Group statement of income

year ended 31 December 2021

Continuing operations	Notes	2021 $000	2020 $000
Revenue	6	**92,494**	102,054
Cost of sales	8	**(74,473)**	(60,325)
Gross profit		**18,021**	41,729
Other operating income	7	**228**	646
Administrative expenses		**(5,126)**	(5,033)
Other operating expenses	7	**(741)**	(1,278)
Operating profit	8	**12,382**	36,064
Finance costs	10	**(652)**	(564)
Finance income		**114**	121
Other income	7	**748**	116
Profit before tax		**12,592**	35,737
Income tax expense	11	**(5,231)**	(12,516)
Profit attributable to the equity holders of the parent		**7,361**	23,221
Profit per share attributable to the equity holders of the parent			
Basic (US cents per share)	12	**6.43**	20.30
Diluted (US cents per share)	12	**6.43**	20.30

Group statement of comprehensive income

year ended 31 December 2021

	2021 $000	2020 $000
Profit for the year	**7,361**	23,221
Total comprehensive profit	**7,361**	23,221
Attributable to the equity holders of the parent	**7,361**	23,221

Group statement of financial position

31 December 2021

	Notes	2021 $000	2020 $000
Non-current assets			
Intangible assets	13	**30,347**	23,965
Property, plant and equipment	14	**58,710**	66,680
Leased assets	15	**3,066**	1,809
Non-current financial assets	16	**2,777**	—
Other receivables	17	**185**	—
		95,085	92,454
Current assets			
Inventory	18	**36,912**	41,457
Trade and other receivables	17	**19,752**	6,830
Other current financial assets	16	**214**	185
Cash and cash equivalents	19	**37,453**	38,848
		94,331	87,320
Total assets		**189,416**	179,774
Current liabilities			
Trade and other payables	20	**(28,024)**	(12,820)
Income tax payable		**(3,061)**	(6,265)
Lease liabilities	15	**(403)**	(465)
		(31,488)	(19,550)
Net current assets		**62,843**	67,770
Non-current liabilities			
Provision for rehabilitation	22	**(11,922)**	(11,833)
Lease liabilities	15	**(2,890)**	(1,482)
Deferred tax liability	11	**(24,699)**	(24,947)
		(39,511)	(38,262)
Total liabilities		**(70,999)**	(57,812)
Net assets		**118,417**	121,962
Equity			
Share capital	24	**2,016**	2,016
Share premium account	26	**33**	33
Share-based payment reserve	25	**12**	—
Merger reserve	24	**46,206**	46,206
Retained earnings		**70,150**	73,707
Total equity		**118,417**	121,962

The Group financial statements were approved by the board of directors and authorised for issue on 16 May 2022. They were signed on its behalf by:

Reza Vaziri
President and chief executive

Group statement of cash flows

year ended 31 December 2021

	Notes	2021 $000	2020 $000
Cash flows from operating activities			
Profit before tax		**12,592**	35,737
Adjustments to reconcile profit before tax to net cash flows:			
Finance costs	10	**652**	564
Finance income		**(114)**	(121)
Unrealised gain on financial instruments		**(749)**	(116)
Gain on the modification of lease liabilities		**—**	(72)
Depreciation of owned assets	14	**15,075**	14,949
Depreciation of leased assets	15	**523**	627
Amortisation of mining rights and other intangible assets	13	**1,206**	1,267
Share-based payment expense	25	**12**	—
Foreign exchange loss		**72**	—
Operating cash flow before movements in working capital		**29,269**	52,835
(Increase)/decrease in trade and other receivables		**(381)**	4,939
Decrease in inventories		**4,545**	2,422
Increase in trade and other payables		**1,274**	2
Cash from operations		**34,707**	60,198
Income taxes paid		**(8,682)**	(10,660)
Net cash flow from operating activities		**26,025**	49,538
Cash flows from investing activities			
Expenditure on property, plant and equipment and mine development		**(6,199)**	(10,476)
Investment in exploration and evaluation assets including other intangible assets		**(7,587)**	(5,267)
Proceeds from sale of financial instruments		**110**	—
Purchase of financial instruments		**(2,168)**	(69)
Interest received		**114**	121
Net cash used in investing activities		**(15,730)**	(15,691)
Cash flows from financing activities			
Dividends paid	27	**(10,918)**	(10,311)
Repayments of borrowings	21	**—**	(1,688)
Interest paid – borrowings		**—**	(20)
Interest paid – lease liabilities	15	**(266)**	(230)
Repayment of lease liabilities	15	**(434)**	(551)
Net cash used in financing activities		**(11,618)**	(12,800)
Net (decrease)/increase in cash and cash equivalents		**(1,323)**	21,047
Net foreign exchange difference		**(72)**	—
Cash and cash equivalents at the beginning of the year	19	**38,848**	17,801
Cash and cash equivalents at the end of the year	19	**37,453**	38,848

Group statement of changes in equity

year ended 31 December 2021

	Notes	Share capital $000	Share premium $000	Share-based payment reserve $000	Merger reserve $000	Retained earnings $000	Total equity $000
1 January 2020		2,016	33	—	46,206	60,797	109,052
Profit for the year		—	—	—	—	23,221	23,221
Cash dividends paid	27	—	—	—	—	(10,311)	(10,311)
31 December 2020		2,016	33	—	46,206	73,707	121,962
Profit for the year		—	—	—	—	7,361	7,361
Cash dividends paid	27	—	—	—	—	(10,918)	(10,918)
Share-based payment	25	—	—	12	—	—	12
31 December 2021		**2,016**	**33**	**12**	**46,206**	**70,150**	**118,417**

Notes to the Group financial statements

year ended 31 December 2021

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 102 of this annual report. The Company's ordinary shares are traded on the AIM exchange of the London Stock Exchange. The Company is a holding company. The principal activities and place of business of the Company and its subsidiaries (the "Group") are set out in note 28, the chairman's statement on pages 8 and 9 the president and chief executive's review on pages 10 and 11 and the strategic report on pages 12 to 27 of this annual report.

2 Basis of preparation

The Group's annual report is for the year ended 31 December 2021 and includes the consolidated financial statements of the Group prepared in accordance with International accounting standards in accordance with UK-adopted IFRSs.

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 UK Endorsement Board.

The Group financial statements have been prepared under the historical cost convention except for the treatment of share-based payments, certain trade receivables at fair value, derivatives not designated as hedging instruments and financial assets at fair value through profit and loss. The Group financial statements are presented in United States Dollars ("$") and all values are rounded to the nearest thousand except where otherwise stated. In the Group financial statements "£" and "pence" are references to the United Kingdom pound sterling and "CAN$" and "CAN cents" are references to Canadian dollars and cents.

As set out in the directors' report on pages 42 to 45, 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 2023 (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 have 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 $27.9 million (31 December 2021: $37.5 million) and no bank debt at 31 March 2022. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and a gold price of $1,800 for 2022 and 2023. The gold price is 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. The base case cash flow also shows that the Group is able to fund its capital expenditure requirements on developing new mines and production facilities from internal sources.

The Group has access to local sources of both short and long-term finance should this be required and has a $15.0 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 during 2021, the Company continued production throughout the year 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 with the vast majority of the restrictions lifted by May 2022. The remaining restrictions were not having any effect on the ability of the Company to operate.

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 on pages 8 and 9, the president and chief executive's review on pages 10 and 11 and the strategic report on pages 12 to 27. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within the financial review on pages 31 to 35. In addition, note 23 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.

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 2021:

> Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The above 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
- Amendments to IAS 8: Definition of accounting estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 12: Deferred Tax related to assets and liabilities arising from a single transaction.

The impact is being determined of the above standards and amendments 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 2021. 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 17 – 'Trade and other receivables' for details of payment terms.

4 Significant accounting policies continued

4.2 Revenue continued

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.

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 17 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.

4.3 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.

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 Significant accounting policies continued

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.

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.

4 Significant accounting policies continued

4.8 Property, plant and equipment and mine properties continued

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 (2020: eight years)
- Plant and equipment – eight years (2020: eight years)
- Motor vehicles – four years (2020: four years)
- Office equipment – four years (2020: four years)
- Leasehold improvements – the lower of eight years (2020: 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.

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 Significant accounting policies continued

4.10 Fair value measurement

The Group measures financial instruments 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 17 – 'Trade and other receivables';
> Note 19 – 'Cash and cash equivalents';
> Note 16 – 'Other financial assets'; and
> Note 20 – 'Trade and other payables'.

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 recurring 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.

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 Significant accounting policies continued

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.

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).

4 Significant accounting policies continued

4.12 Financial instruments – initial recognition and subsequent measurement continued

a) Financial assets continued

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.

4.12 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 17

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 Significant accounting policies continued

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.

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

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 29)

The Group operates its mines and processing facilities on contract areas licenced under a PSA with the Government of Azerbaijan. The majority of the Group's fixed assets, including its processing facilities and its main producing mines, are located on the Gedabek contract area which 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 18)

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

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

iv) Mine rehabilitation provision (note 22)

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the Group statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 'Property, Plant and Equipment'. Expenditure on mine rehabilitation is expected to take place between 2028 and 2030.

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 statement of income 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.

	2021 $000	2020 $000
Gold within doré and gold bullion	**71,175**	86,441
Silver bullion	**449**	337
Gold and copper concentrate	**20,870**	15,276
	92,494	102,054

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 2021 and 2020 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

	2021 $000	2020 $000
Other operating income		
Gain from insurance proceeds	**52**	—
Gain on the modifications of lease liabilities	**—**	72
Gain on cancellation of trade payables	**176**	574
	228	646
Other operating expenses		
Transportation and refining costs	**308**	782
Foreign exchange loss	**186**	130
Advances and inventory written off	**126**	366
Research costs	**121**	—
	741	1,278
Other income		
Fair value gain on derivatives not designated as hedging instruments	**597**	—
Fair value gain on financial assets at fair value through profit and loss	**151**	116
	748	116

8 Operating profit

	Notes	2021 $000	2020 $000
Operating profit is stated after charging:			
Depreciation on property, plant and equipment – owned	14	**15,075**	14,949
Depreciation on property, plant and equipment – right of use assets	15	**523**	627
Amortisation of mining rights and other intangible assets	13	**1,206**	1,267
Employee benefits and expenses	9	**11,571**	10,021
Foreign currency exchange net loss		**186**	130
Inventory expensed during the year		**30,987**	24,240
Fees payable to the Company's auditor for:			
The audit of the Group's annual accounts		**191**	154
The audit of the Group's subsidiaries pursuant to legislation		**119**	119
Audit related assurance services – half year review		**3**	3
Total audit services		**313**	276
Amounts paid to auditor for other services:			
Tax compliance services		**10**	13
Tax advice regarding dividend		**—**	34
Total non-audit services		**10**	47
Total		**323**	323

The audit fees for the parent company were $148,000 (2020: $111,000).

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:

	2021	2020
Management and administration	**44**	45
Exploration	**57**	47
Mine operations	**817**	767
	918	859

The aggregate payroll costs of these persons were as follows:

	2021 $000	2020 $000
Wages and salaries	**10,158**	8,732
Social security costs	**2,094**	1,706
Costs capitalised as exploration	**(681)**	(417)
	11,571	10,021

Remuneration of key management personnel

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

	2021 $	2020 $
Short-term employee benefits	**1,826,118**	1,713,791

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 vice president Azerbaijan International Mining Company 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 46.

10 Finance costs

	2021 $000	2020 $000
Interest charged on interest-bearing loans and borrowings	—	20
Finance charges on letters of credit	**9**	4
Interest expense on lease liabilities	**266**	230
Unwinding of discount on provisions	**377**	310
	652	564

Interest charged on interest-bearing loans and borrowings for the year ended 31 December 2020 was interest charged on the Pasha Bank refinancing loan which was fully repaid in March 2020.

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 2021 were $nil (2020: $nil).

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

	2021 $000	2020 $000
Current income tax		
Current income tax charge	**5,479**	14,165
Deferred tax		
Benefit relating to origination and reversal of temporary differences	**(248)**	(1,649)
Income tax charge for the year	**5,231**	12,516

The increase from 1 April 2023 in the main rate of UK Corporation tax from 19 per cent. to 25 per cent. does not have any effect on the Group financial statements for the year ended 31 December 2021.

Deferred income tax at 31 December relates to the following:

	Statement of financial position		Income statement	
	2021 $000	2020 $000	2021 $000	2020 $000
Deferred income tax liability				
Property, plant and equipment – accelerated depreciation	**(19,978)**	(19,049)	**(929)**	(977)
Right of use assets – accelerated depreciation	**(981)**	(579)	**(402)**	580
Non-current prepayments	**(59)**	—	**(59)**	21
Trade and other receivables	**(954)**	(616)	**(338)**	1,446
Inventories	**(10,374)**	(11,828)	**1,454**	776
Deferred income tax liability	**(32,346)**	(32,072)		
Deferred income tax asset				
Trade and other payables and provisions*	**2,778**	2,716	**62**	(49)
Lease liabilities	**1,054**	623	**431**	(579)
Asset retirement obligation*	**3,815**	3,786	**29**	431
Deferred income tax asset	**7,647**	7,125		
Deferred income tax benefit			**248**	1,649
Net deferred income tax liability	**(24,699)**	(24,947)		

* 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.

11 Taxation continued

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

	2021 $000	2020 $000
Profit before tax	**12,592**	35,737
Theoretical tax charge at statutory rate of 32 per cent. for RVIG*	**4,029**	11,436
Effects of different tax rates for certain Group entities (20 per cent.)	**185**	171
Tax effect of items which are not deductible or assessable for taxation purposes:		
items not deductible or accessable	**1,017**	909
Income tax charge for the year	**5,231**	12,516

* 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 2021, the Group had unused tax losses available for offset against future profits of $22,332,000 (2020: $21,599,000). Unused tax losses in the Republic of Azerbaijan at 31 December 2021 were $nil (2020: $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 $7,361,000 (2020: $23,221,000).

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:

	2021	2020
Basic	**114,392,024**	114,392,024
Diluted	**114,392,024**	114,392,024

At 31 December 2021 there were no unexercised share options that could potentially dilute basic earnings per share (2020: nil).

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 2020	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
Additions	6,842	556	190	—	—	7,588
31 December 2021	**17,356**	**2,198**	**5,941**	**41,925**	**562**	**67,982**
Amortisation and impairment*						
1 January 2020	—	—	—	34,733	429	35,162
Charge for the year	—	—	—	1,233	34	1,267
31 December 2020	—	—	—	35,966	463	36,429
Charge for the year	—	—	—	1,176	30	1,206
31 December 2021	**—**	**—**	**—**	**37,142**	**493**	**37,635**
Net book value						
31 December 2020	10,514	1,642	5,751	5,959	99	23,965
31 December 2021	**17,356**	**2,198**	**5,941**	**4,783**	**69**	**30,347**

* 232,000 ounces of gold at 1 January 2021 were used to determine amortisation of producing mines, mining rights and other intangible assets (2020: 290,000 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 $56,000 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 2020	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
Additions	1,974	4,782	637	7,393
Decrease in provision for rehabilitation	—	(288)	—	(288)
31 December 2021	**27,181**	**224,915**	**2,227**	**254,323**
Depreciation and impairment*				
1 January 2020	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
Charge for the year	1,427	13,648	—	15,075
31 December 2021	**23,193**	**172,420**	**—**	**195,613**
Net book value				
31 December 2020	3,441	61,649	1,590	66,680
31 December 2021	**3,988**	**52,495**	**2,227**	**58,710**

* 232,000 ounces of gold at 1 January 2021 were used to determine depreciation of producing mines, mining rights and other intangible assets (2020: 290,000 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 $717,000 and an increase in depreciation of $793,000 respectively.

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 2021

In the year ended 31 December 2021, future operating cost forecasts were prepared for the Group's Gedabek open pit mine and Gedabek and Gadir underground mines. These showed an increase in future operating costs compared to historic operating costs 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	67.2
Carrying value of Mining Operations	(65.2)
Excess of carrying value over recoverable amount	2.0

As the recoverable amount of Mining Operations was in excess of its carrying value, no impairment charge was made during 2021.

14 **Property, plant and equipment** continued

Indication of impairment during the year ended 31 December 2021 continued

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 2022 to 2025 ("Cash Flow Model"):

Gold: 186,000 ounces

Silver: 373,000 ounces

Copper: 9,856 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 adjusted by production in 2021. The Cash Flow Model also includes production from approximately 1.6 million tonnes of previously crushed heap-leached ore with an estimated average grade of 1.25 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.

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	2022	2023	2024	2025	Average
Gold	$/ounce	1,830	1,800	1,750	1,700	1,770
Silver	$/ounce	22	21	21	20	21
Copper	$/tonne	9,000	9,100	9,000	9,000	9,025

Discount rate

In calculating the recoverable amount, a nominal pre-tax discount rate of 8.71 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.

Sensitivity analysis

The directors believe there are no reasonably possible changes in any of the assumptions, except the commodity price and production volumes and operating costs, which would lead to an impairment in Mining Operations. It is estimated that a 10 per cent. decrease in the gold and silver prices and an average 10 per cent. decrease in copper price together used in the Cash Flow Model would result in an impairment of $10.8 million. It is estimated that a 10 per cent. decrease in the production used in the Cash Flow Model would result in an impairment of $10.8 million. It is estimated that a 10 per cent. increase in operating costs would result in an impairment of $6.1 million.

14 Property, plant and equipment continued

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.

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.

14 Property, plant and equipment continued

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.

Capital commitments

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

15 Leases

Right of use assets

	Plant and equipment and motor vehicles $000	Land and building $000	Total $000
Cost			
1 January 2020	3,934	483	4,417
Additions	—	70	70
Lease modifications	(1,577)	—	(1,577)
31 December 2020	2,357	553	2,910
Additions	166	541	707
Lease modifications	957	116	1,073
31 December 2021	**3,480**	**1,210**	**4,690**
Depreciation			
1 January 2020	657	138	795
Charge for the year	477	150	627
Lease modifications	(321)	—	(321)
31 December 2020	813	288	1,101
Charge for the year	410	113	523
31 December 2021	**1,223**	**401**	**1,624**
Net book value			
31 December 2020	1,544	265	1,809
31 December 2021	**2,257**	**809**	**3,066**

Lease liabilities

	2021 $000	2020 $000
1 January	**1,947**	3,756
Additions	**707**	70
Lease modifications	**1,073**	(1,328)
Interest expense	**266**	230
Repayment	**(700)**	(781)
31 December	**3,293**	1,947
Current liabilities	**403**	465
Non-current liabilities	**2,890**	1,482
	3,293	1,947

15 Leases continued

Amount recognised in the profit and loss account

	2021 $000	2020 $000
Depreciation expense of right of use assets	**523**	627
Gain on lease modifications	**—**	(72)
Interest expense	**266**	230
Expenses relating to short term leases	**413**	202
	1,202	987

The amount of future lease commitments for short-term leases at 31 December 2020 and 2021 are similar to the amounts expensed in 2020 and 2021 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 Other financial assets

Non-current	2021 $000	2020 $000
Derivatives not designated as hedging instruments		
Share warrants	**384**	—
Financial assets at fair value through profit or loss		
Listed equity investments	**2,393**	—
	2,777	—

Current	2021 $000	2020 $000
Derivatives not designated as hedging instruments		
Forward contract for the purchase of shares	**214**	—
Financial assets at fair value through profit or loss		
Listed equity investments	**—**	185
	214	185

Derivatives not designated as hedging instruments

Forward contract for the purchase of shares

In December 2021, the Group subscribed for 12,600,000 shares in Libero Copper & Gold Corporation ("Libero"). 5,600,000 shares were purchased in December 2021, with the remaining 7,000,000 shares purchased in January 2022. Accordingly, the 7,000,000 shares purchased in January 2022 is a forward contract for the purchase of shares. The forward contract is measured at fair value.

Share warrants

Each of the 12,600,000 shares purchased in Libero has half a warrant attached totalling 6,300,000 warrants. The carrying value is the value of the 6,300,000 warrants valued using a risk-neutral binomial tree. Quantitative information about the fair value measurement of the warrants using significant directly or indirectly observable inputs is as follows:

Share price of Libero at 31 December 2021:	CAD$0.54
Exercise price:	CAD$0.75
Acceleration condition:	CAD$1.00
Lapse date:	22 December 2023
Risk free rate:	0.51 per cent.
Expected volatility:	Daily volatility – 7.64 per cent. (annualised –121.25 per cent.)
Probability of regulatory approval:	95 per cent.
Discount for lack of marketability:	15.36 per cent.
Exchange rate:	US$1.00 = CAD$1.2634

16 Other financial assets continued

Financial assets at fair value through profit or loss

Listed equity investments

At 31 December 2020, these were 325,000 shares in Conroy Gold and Natural Resources PLC ("Conroy"), a company listed on the AIM market of the London Stock Exchange. The shares were sold in 2021 at a loss of $75,000 following the termination of discussions with Conroy regarding a proposed joint venture.

At 31 December 2021, these were 5,600,000 shares in Libero, a company which is listed on the Toronto Ventures Stock Exchange in Canada. On 26 January 2022, the Group purchased a further 7,000,000 shares (see note 31 – "Subsequent events").

17 Trade and other receivables

	2021 $000	2020 $000
Non-current assets		
Advances for purchases	**185**	—
Current assets		
Gold held due to the Government of Azerbaijan	**16,094**	3,664
VAT refund due	**390**	671
Other tax receivable	**182**	256
Trade receivables – fair value*	**718**	614
Prepayments and advances	**2,368**	1,625
	19,752	6,830

* Trade receivables subject to provisional pricing.

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

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

The Group does not consider any trade or other receivable as past due or impaired. All receivables at amortised cost have been received shortly after the balance sheet date and therefore the Group does not consider that there is any credit risk exposure. No provision for any expected credit loss has therefore been established in 2020 or 2021.

The VAT refund due at 31 December 2021 and 2020 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.

18 Inventory

Current assets	2021 $000	2020 $000
Cost		
Finished goods – bullion	**2,001**	1,313
Finished goods – metal in concentrate	**1,079**	456
Metal in circuit	**12,026**	17,226
Ore stockpiles	**7,107**	9,464
Spare parts and consumables	**14,699**	12,998
Total current inventories	**36,912**	41,457
Total inventories at the lower of cost and net realisable value	**36,912**	41,457

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.

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 2021 (including short-term cash deposits) comprised $11,000 and $37,442,000 respectively (2020: $21,000 and $38,827,000).

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

20 Trade and other payables

	2021 $000	2020 $000
Accruals and other payables	**5,999**	4,570
Trade creditors	**3,629**	3,369
Gold held due to the Government of Azerbaijan	**16,094**	3,664
Payable to the Government of Azerbaijan from copper concentrate joint sale	**2,302**	1,217
	28,024	12,820

Trade creditors primarily comprise amounts outstanding for trade purchases and ongoing costs. Trade creditors are non-interest bearing and the creditor days were 18 (2020: 20). Accruals and other payables mainly consist of accruals made for accrued but not paid salaries, bonuses, related payroll taxes and social contributions, 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 Changes in liabilities arising from financing activities

	2021			
	1 January $000	Cash flows $000	Other $000	31 December $000
Lease liabilities	**1,947**	**(700)**	**2,046**	**3,293**
Total liabilities from financing activities	**1,947**	**(700)**	**2,046**	**3,293**

	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

Other in 2020 results is mainly from lease modifications. Other in 2021 results mainly from a change to the estimate of the life of the mine.

22 Provision for rehabilitation

	2021 $000	2020 $000
1 January	**11,833**	10,485
Additions	**614**	1,330
Accretion expense	**377**	310
Effect of passage of time and change in discount rate	**(902)**	(292)
31 December	**11,922**	11,833

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 2021 was $15,883,000 (2020: $13,497,000). The undiscounted liability was discounted using a risk-free rate of 3.57 per cent. (2020: 3.19 per cent.). Expenditures on restoration and rehabilitation works are expected between 2028 and 2030 (2020: between 2023 and 2025).

23 Financial instruments

Financial risk management objectives and policies

The Group's principal financial instruments at 31 December 2021 comprised cash and cash equivalents. The Group also had letters of credit outstanding during the year ended 31 December 2021 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 2021 and 2020 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 2021 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 letters of credit outstanding during the year ended 31 December 2021 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 letters of credit outstanding during the year ended 31 December 2021 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 2021 and 2020.

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. 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 to reduce liquidity risk.

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

23 Financial instruments continued

Liquidity risk continued

Year ended 31 December 2021

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	>5 years $000	Total $000
Lease liabilities	**—**	**182**	**547**	**2,916**	**122**	**3,767**
Trade and other payables	**—**	**28,024**	**—**	**—**	**—**	**28,024**
	—	**28,206**	**547**	**2,916**	**122**	**31,791**

Year ended 31 December 2020

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	>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

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, Trafigura PTE Ltd and Metal-Kim Metalurji Ve Kimya Tarim Sanayi Tic Ltd Sti. 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	
	2021 $000	2020 $000	2021 $000	2020 $000
UK Sterling	**277**	157	**2**	195
Azerbaijan Manats	**7,448**	6,045	**1,474**	1,085
Other	**377**	525	**152**	402

23 Financial instruments continued

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 9 per cent., 9 per cent. and 20 per cent. (2020: 10 per cent., 9 per cent. and 20 per cent.) increase in and a 9 per cent, 9 per cent and 3 per cent. (2020: 10 per cent., 10 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	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Increase – effect on profit before tax	**23**	(4)	**1,171**	992	**20**	11
Decrease – effect on profit before tax	**(23)**	4	**(176)**	(149)	**(21)**	(12)

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 2021 would result in a reduction in revenue of $7.3 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 $0.05 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 $1.9 million and a 10 per cent. increase in copper price would have an equal and opposite effect.

24 Equity

	2021		2020	
	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 (note 25).

Merger reserve

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

25 Share-based payment

The Group operates a share option scheme for directors and senior employees of the Group. The period during which share options can be exercised is determined by the board of directors for each individual grant of share options subject to exercise not taking place later than the tenth anniversary of their issue. Options are exercisable at a price equal to the closing quoted market price of the Group's shares on the date the board of directors give approval to grant options. Options are forfeited if the employee leaves the Group and the options are not exercised within three months from leaving date.

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

	2021		2020	
	Number	WAEP pence	Number	WAEP pence
1 January	**—**	**—**	—	—
Granted during the year	**220,000**	**115**	—	—
Outstanding at 31 December	**220,000**	**115**	—	—
Exercisable at 31 December	**—**	**—**	—	—

The weighted average remaining contractual life of the share options outstanding at 31 December 2021 was six years and their exercise price was 115 pence.

On 13 December 2021, 220,000 share options were granted with a weighted average fair value of £1.15.

Share options are valued using the assumption that they will only be exercised if the share price prevailing at the date of exercise is equal to, or above, the price at which the options were granted. This methodology approximates to valuing the share options using a Black-Scholes model.

The Group recognised total expense related to equity-settled share-based payment transactions for the year ended 31 December 2021 of $12,000 (2020: $nil).

26 Share premium account

	2021 $000	2020 $000
1 January and 31 December	**33**	33

27 Distributions made and proposed

	2021 $000	2020 $000
Cash dividends on ordinary shares declared and paid		
Final dividend for 2019: 4.5 US cents per share	—	5,153
Interim dividend for 2020: 4.5 US cents per share	—	5,158
Special dividend for 2020: 1.5 US cents per share	**1,711**	—
Final dividend for 2020: 3.5 US cents per share	**4,010**	—
Interim dividend for 2021: 4.5 US cents per share	**5,197**	—
	10,918	10,311
Proposed dividends on ordinary shares		
Final dividend for 2021: 3.5 US cents per share*	**4,010**	—

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 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
Final dividend for 2020: 3.5 US cents per share	1.3805	2.5354
Interim dividend for 2021: 4.5 U S cents per share	1.3662	3.2937

* The proposed final dividend for the year ending 31 December 2021 is subject to approval by shareholders at the annual general meeting for 2022 at a rate to be announced. It has not been recognised as a liability in the Group statement of financial position at 31 December 2021.

28 Subsidiary undertakings

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

The Company's subsidiaries included in the Group financial statements at 31 December 2021 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 2021.

* See note 6 – "Subsidiaries" of notes to the Company financial statements.

29 Contingencies and commitments

The Group undertakes its mining operations in the Republic of Azerbaijan pursuant to the provisions of the Agreement on the Exploration, Development and Production Sharing for the Prospective Gold Mining Areas: Gedabek, Gosha, Ordubad Group (Piyazbashi, Agyurt, Shakardara, Kiliyaki), Soutely, Kyzilbulag and Vejnali deposits dated 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.

30 Related party transactions

Trading transactions

During the years ended 31 December 2020 and 2021, 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 46.

b During the year ended 31 December 2021, total payments of $715,000 (2020: $658,000) 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 2021 there is a payable in relation to the above related party transaction of $157,000 (2020: $39,000).

c During the year ended 31 December 2021, total payments of $1,489,000 (2020: $2,244,000) 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 2021 there is a payable in relation to the above related party transaction of $862,000 (2020: $249,000).

All of the above transactions were made on arm's length terms.

31 Subsequent events

Libero Copper & Gold Corporation ("Libero")

On 22 December 2021, the Company entered into a subscription agreement to acquire 19.9 per cent. of Libero by way of a private placement. The subscription agreement was for 12,600,000 new shares at CAN 50 cents per share. 5,600,000 shares were acquired immediately for CAN$2.8 million ($2.2 million). The subscription for the remainder of the shares required the regulatory approval of the TSX Venture Exchange ("TSXV") in Canada. This approval was granted on 19 January 2022 and on 26 January 2022, the Company acquired the remaining 7,000,000 shares at CAN 50 cents per share for CAN$3.5 million ($2.8 million). Libero is quoted on the TSXV and both tranches of shares were admitted to the exchange following issue.

On 26 January 2022, Michael Sununu, a director of the Group was appointed as a director of Libero and the Group's interest in Libero was increased to 19.8 per cent.

Company statement of financial position

31 December 2021

	Notes	2021 $000	2020 $000
Non-current assets			
Property, plant and equipment	3	**122**	147
Investments	4	**1,325**	1,325
Non-current financial assets	5	**2,777**	—
		4,224	1,472
Current assets			
Other receivables	7	**105**	70
Other current financial assets	5	**214**	185
Cash and cash equivalents	8	**23,548**	22,226
		23,867	22,481
Total assets		**28,091**	23,953
Current liabilities			
Trade and other payables	9	**(20,324)**	(14,541)
Net current assets		**3,543**	7,940
Total liabilities		**(20,324)**	(14,541)
Net assets		**7,767**	9,412
Equity			
Share capital	11	**2,016**	2,016
Share premium account	13	**33**	33
Retained profit		**5,718**	7,363
Total equity		**7,767**	9,412

The profit dealt with in the financial statements of the Company is $9,266,000 (2020: profit of $8,582,000).

These Company financial statements were approved by the board of directors and authorised for issue on 16 May 2022. They were signed on its behalf by:

Reza Vaziri
President and chief executive

Company statement of changes in equity

year ended 31 December 2021

	Notes	Share capital $000	Share premium $000	Retained profit $000	Total equity $000
1 January 2020		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
Profit for the year		—	—	9,266	9,266
Cash dividends paid	14	—	—	(10,918)	(10,918)
Share-based payment		—	—	7	7
31 December 2021		**2,016**	**33**	**5,718**	**7,767**

Notes to the Company financial statements

year ended 31 December 2021

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 16 May 2022.

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, certain trade receivables at fair value, derivatives not designated as hedging instruments and financial assets at fair value through profit and loss. The parent company financial statements are presented in United States Dollars ("$") and all values are rounded to the nearest thousand except where otherwise stated. In the Group financial statements "£" and "pence" are references to the United Kingdom pound sterling and "CAN$" and "CAN cents" are references to Canadian dollars and cents. 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 financial assets

Other financial assets are listed equity investments and any associated warrants to acquire additional shares in the investment and are held at fair value through profit or loss. They are recognised in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss account. They are classified as current assets with the exception of investments which the Group intend to hold for greater than one year from the balance sheet and which will be accounted for in the Group accounts as an associated company.

2.4 Other receivables

Other receivables include prepayments, advances and other miscellaneous debtors. They are valued at the amount expected to be realised subsequent to the balance sheet date.

2.5 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.

2.6 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 2020	352
Additions	30
31 December 2020	382
Additions	—
31 December 2021	**382**
Depreciation	
1 January 2020	210
Charge for the year	25
31 December 2020	235
Charge for the year	25
31 December 2021	**260**
Net book value	
31 December 2020	147
31 December 2021	**122**

4 Investments

	2021 $000	2020 $000
Shares in subsidiary undertakings		
Anglo Asian Operations Limited	**1,325**	1,325

5 Other financial assets

Non-current	2021 $000	2020 $000
Derivatives not designated as hedging instruments		
Share warrants	**384**	—
Financial assets at fair value through profit or loss		
Listed equity investments	**2,393**	—
	2,777	—

Current	2021 $000	2020 $000
Derivatives not designated as hedging instruments		
Forward contract for the purchase of shares	**214**	—
Financial assets at fair value through profit or loss		
Listed equity investments	**—**	185
	214	185

Derivatives not designated as hedging instruments

Forward contract for the purchase of shares

In December 2021, the Company subscribed for 12,600,000 shares in Libero Copper & Gold Corporation ("Libero"). 5,600,000 shares were purchased in December 2021, with the remaining 7,000,000 shares purchased in January 2022. Accordingly, the 7,000,000 shares purchased in January 2022 is a forward contract for the purchase of shares. The forward contract is measured at fair value.

Share warrants

Each of the 12,600,000 shares purchased in Libero has half a warrant attached totalling 6,300,000 warrants. The carrying value is the value of those 6,300,000 warrants valued using a risk-neutral binomial tree. Quantitative information about the fair value measurement of the warrants using significant directly or indirectly observable inputs is as follows:

5 Other financial assets continued

Share price of Libero at at 31 December 2021:	CAD$0.54
Exercise price:	CAD$0.75
Acceleration condition:	CAD$1.00
Lapse date:	22 December 2023
Risk free rate:	0.51 per cent.
Expected volatility:	Daily volatility – 7.64 per cent. (annualised -121.25 per cent.)
Probability of regulatory approval:	95 per cent.
Discount for lack of marketability:	15.36 per cent.
Exchange rate:	US$1.00 = CAD$1.2634

Financial assets at fair value through profit or loss

Listed equity investments

At 31 December 2020, these were 325,000 shares in Conroy Gold and Natural Resources PLC ("Conroy"), a company listed on the AIM market of the London Stock Exchange. The shares were sold in 2021 at a loss of $75,000 following the termination of discussions with Conroy regarding a proposed joint venture.

At 31 December 2021, these were 5,600,000 shares in Libero, a company which is listed on the Toronto Ventures Stock Exchange in Canada. On 26 January 2022, the Company purchased a further 7,000,000 shares in Libero.

6 Subsidiaries

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

The Company's subsidiaries at 31 December 2021 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 2021.

7 Other receivables

	2021 $000	2020 $000
Current assets		
Prepayments	**90**	56
Advances	**15**	14
	105	70

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

	2021 $000	2020 $000
Trade creditors	**101**	144
Accruals	**132**	163
HMRC	**24**	24
Amounts owed to subsidiary undertakings	**20,067**	14,210
	20,324	14,541

10 Deferred taxation

	2021 $000	2020 $000
The elements of unrecognised deferred taxation are as follows:		
Tax losses	**22,332**	21,599
Unrecognised deferred tax asset	**4,466**	4,320

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

	2021		2020	
	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.

12 Share-based payments

Equity-settled share option scheme

Details of the Company's equity-settled share option scheme are given in note 25 to the Group financial statements.

13 Share premium account

	2021 $000	2020 $000
1 January	**33**	33

14 Distributions made and proposed

	2021 $000	2020 $000
Cash dividends on ordinary shares declared and paid		
Final dividend for 2019: 4.5 US cents per share	—	5,153
Interim dividend for 2020: 4.5 US cents per share	—	5,158
Special dividend for 2020: 1.5 US cents per share	**1,711**	—
Final dividend for 2020: 3.5 US cents per share	**4,010**	—
Interim dividend for 2021: 4.5 US cents per share	**5,197**	—
	10,918	10,311
Proposed dividends on ordinary shares		
Final dividend for 2021: 3.5 US cents per share*	**4,010**	—

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 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
Final dividend for 2020: 3.5 US cents per share	1.3805	2.5354
Interim dividend for 2021: 4.5 U S cents per share	1.3662	3.2937

* The proposed final dividend for the year ending 31 December 2021 is subject to approval by shareholders at the annual general meeting for 2022 at a rate to be announced. It has not been recognised as a liability in the Group statement of financial position at 31 December 2021.

15 Subsequent events

Libero Copper & Gold Corporation ("Libero")

On 22 December 2021, the Company entered into a subscription agreement to acquire 19.9 per cent. of Libero by way of a private placement. The subscription agreement was for 12,600,000 new shares at CAN 50 cents per share. 5,600,000 shares were acquired immediately for CAN$2.8 million ($2.2 million). The subscription for the remainder of the shares required the regulatory approval of the TSX Venture Exchange ("TSXV") in Canada. This approval was granted on 19 January 2022 and on 26 January 2022, the Company acquired the remaining 7,000,000 shares at CAN 50 cents per share for CAN$3.5 million ($2.8 million). Libero is quoted on the TSXV and both tranches of shares were admitted to the exchange following issue.

On 26 January 2022, Michael Sununu, a director of the Group was appointed as a director of Libero and the Group's interest in Libero was increased to 19.8 per cent.

16 Auditor's remuneration

The Company paid $148,000 (2020: $111,000) 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

27 May 2022

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 2021 together with the attached notice of the annual general meeting to be held on 23 June 2022 (the "Meeting") and a form of proxy. This letter is to explain the 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 2022
Due to the recent lifting of COVID-19 pandemic restrictions in the United Kingdom, the annual general meeting will be held as an "Open" meeting and all shareholders are warmly welcomed to attend. The meeting will be held on 23 June 2022 at 11.00am at 33 St James's Square, London SW1Y 4JS.

Although we do not anticipate there being any changes to the UK Government's COVID-19 guidelines ("Government Guidance"), we will continue to monitor the situation and, depending on the outcome, may decide that it would not be possible for shareholders to attend the AGM in person. We therefore advise shareholders to check the Company's website www.angloasianmining.com in advance of the AGM in case there are changes to the AGM meeting arrangements in order to comply with Government Guidance.

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 myself, Khosrow Zamani is retiring in accordance with the Company's articles of association and is seeking re-election at the Meeting.

Resolution 4 – Declaration of a dividend
This is an ordinary resolution to declare a dividend as recommended by the directors. The dividend is payable out of distributable profits available for the purpose and set aside by the Company for the payment of a dividend. The directors have a responsibility to examine the financial statements of the Company to ensure that a distribution can be made to the shareholders without placing the Company into any difficulties.

Resolution 5 – Authority to allot shares
This ordinary resolution deals with the renewal of the directors' authority to allot new ordinary shares during the course of the year in order to facilitate the business of the Company and renews the equivalent authority granted at last year's annual general meeting which expires at the end of the Meeting.

The current Investment Association guidelines state that Investment Association members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of the Company's issued share capital, but on the basis that any authority to allot shares exceeding one-third of the Company's issued share capital can only be used to allot shares pursuant to a fully pre-emptive rights issue.

In accordance with these guidelines, resolution 5 proposes that directors be granted authority to allot shares in the capital of the Company up to a maximum amount representing the guideline limit of two-thirds of the Company's issued ordinary share capital as at 23 May 2022 (the latest practicable date prior to publication of this letter). Of this amount, half can only be allotted pursuant to a rights issue.

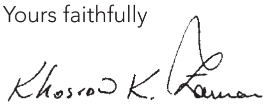
The authority will expire on the earlier of: (i) the conclusion of the next annual general meeting; or (ii) 30 June 2023 (being six months after the Company's accounting reference date).

Resolution 6 – Disapplication of statutory pre-emption rights
This resolution is a special resolution that renews the authority given at last year's Annual General Meeting and which seeks to give the directors the authority to allot securities for cash on a pre-emptive basis within the limits of the authority set out in resolution 5 and on a non pre-emptive basis up to a maximum of 10 per cent. of the issued ordinary share capital of the Company. The directors believe that it is in the best interests of the shareholders that the directors should have the right to allot relevant securities for cash on a pre-emptive basis and a limited authority to allot relevant securities for cash on a non-pre-emptive basis.

Resolution 7 – Buyback of shares
This resolution is a special resolution to provide the Company with the necessary authority to purchase its ordinary shares. If the resolution is passed, the authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 or, if earlier, at the close of business on 30 June 2023, unless renewed before that time. The directors intend to exercise this right only when, in light of market conditions prevailing at the time, they are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and, accordingly, that the purchase is in the interests of shareholders. The directors will also give careful consideration to any borrowing required by the Company and its general financial position. The purchase price would be paid out of distributable profits. The maximum number of shares which may be purchased under the proposed authority will be 11,439,202 ordinary shares representing approximately 10 per cent. of the issued ordinary share capital of the Company. The price paid for ordinary shares will not be less than the nominal value. The price paid will not be more than the higher of 5 per cent. above the average of the middle market quotation of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the day on which the shares are purchased and an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

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 Zamani
Non-executive chairman

Notice of annual general meeting of shareholders

NOTICE IS HEREBY GIVEN that the annual general meeting ("AGM") of the shareholders of Anglo Asian Mining PLC (the "Company") will be held on 23 June 2022 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 5 (inclusive) will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions:

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 2021 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 Khosrow Zamani be re-elected as a director, having retired by rotation in accordance with the Company's articles of association.

4 THAT a dividend shall be declared of 3.5 US cents per issued share to the ordinary shareholders on the registrar of members on the 1 July 2022.

5 THAT the directors be hereby authorised generally and unconditionally pursuant to Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act):

(a) up to an aggregate nominal amount of £381,307*; and

(b) up to an aggregate nominal amount of £762,613** (including within such limit any equity securities issued under paragraph (a) above) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any matter.

The authority granted by this resolution shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 June 2023, 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 resolutions

6 THAT subject to the passing of resolution 5 above the directors be hereby empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (as defined by Section 560 of the Act) wholly for cash and/or to sell or transfer shares held by the Company in treasury ("Treasury Shares") as the directors deem appropriate (in the case of allotments, pursuant to the authority conferred by resolution 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 2023 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.

7 THAT the Company be and it is hereby generally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £0.01 each in the capital of the Company on such terms and in such manner as the board of directors may from time to time determine, provided that:

(a) the number of such ordinary shares hereby authorised to be purchased by the Company shall not exceed 11,439,202;

(b) the minimum price (exclusive of expenses) which may be paid for any ordinary share shall be £0.01, being the nominal value of each ordinary share;

(c) the maximum price (exclusive of expenses) which may be paid for each ordinary share shall be the higher of:

(i) an amount equal to 105 per cent. of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased; and

(ii) an amount equal to the higher of the price of the last independent trade of any ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

Unless previously revoked, renewed, extended or varied, the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2023 or, if earlier, at the close of business on 30 June 2023, provided that the Company may effect purchases following the expiry of such authority if such purchases are made pursuant to contracts for purchases of ordinary shares which are entered into by the Company on or prior to the expiry of such authority.

By order of the board of directors

W R Morgan

William Morgan

Company Secretary
33 St James's Square
London SW1Y 4JS
United Kingdom
27 May 2022

* 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 not later than 11.00 am 21 June 2022.

2 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company at close of business on 21 June 2022 shall be entitled to vote in respect of shares registered in their name at that time. Changes to the register of members after close of business on 21 June 2022 shall be disregarded in determining the rights of any person to attend or vote at the AGM.

3 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ("a CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent ("RA10") by 11.00am on 21 June 2022 or if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Company information

Azerbaijan office (principal place of business)
3rd Floor, Tower 2
Hyatt Regency Business Centre
2 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

Bankers – United Kingdom
ibanq
119 Marylebone Road
London NW1 5PU
United Kingdom

Bankers – Canada
TD Bank
TD Bank Tower
15th Floor
66 Wellington Street West
Toronto M5K 1A2
Canada

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

Solicitors – Azerbaijan
Dentons Europe (Central Asia) Limited
Hyatt International Center
Hyatt Tower 2
Baku, 1065
Azerbaijan

Solicitors – Canada
McCarthy Tetrault LLP
Suite 530
TD Bank Tower
Toronto ON M5K 1E6
Canada

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
Hudson Sandler
25 Charterhouse Square
London EC1M 6AE
United Kingdom

Registrar
Link Group
The Registry
Central Square
29 Wellington Street
Leeds LS1 4DL
United Kingdom

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

The Republic of Azerbaijan
Tel +994 12 310 3993

www.angloasianmining.com