



Transitioning to mid-tier copper production status

Anglo Asian Mining PLC
Annual report and accounts 2022

Anglo Asian Mining PLC is an established gold, copper and silver producer with a broad portfolio of production and exploration assets in Azerbaijan. The Company produced 57,618 gold equivalent ounces in the year ended 31 December 2022. The Company has a well-defined strategy to become a mid-tier copper producer. It has two new copper; and copper and gold mines under development, Zafar and Gilar, which will both open in 2023.

In July 2022, amendments to its production sharing agreement became law in Azerbaijan which granted the Company three additional contract areas with a combined area of 882 square kilometres. These contract areas host the Garadag porphyry copper deposit with a Soviet classified resource of over 300,000 tonnes of copper and the Demirli copper-molybdenum mine in Karabakh.

The Company also holds approximately 19.8 per cent of Libero Copper & Gold Corporation ("Libero"). Libero is listed on the TSX Ventures Exchange in Canada and owns, or has the right to acquire, several copper exploration properties in North and South America. These include Mocoa in Colombia, one of the world's largest undeveloped copper-molybdenum resources.

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Highlights and dividend

year ended 31 December 2022

Operational highlights

- Total production for 2022 was 57,618 gold equivalent ounces ("GEOs") compared to 64,610 GEOs in 2021
- Gold production for 2022 of 43,114 ounces, compared to 48,680 ounces produced in 2021
- Gold bullion sales in 2022 of 34,918 ounces (2021: 39,563 ounces) completed at an average of \$1,783 per ounce (2021: \$1,799 per ounce)
- Copper production for 2022 was 2,516 tonnes compared to 2,649 tonnes produced in 2021
- Silver production for 2022 totalled 182,046 ounces compared to 2021 production of 154,515 ounces
- Gold produced in 2022 at an all-in-sustaining cost ("AISC")*, net of by-product credits, of \$1,064 (2021: \$843) per ounce. Higher AISC in 2022 mainly due to lower production.

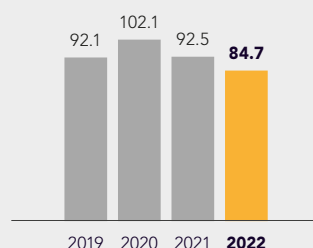
Dividend per share for 2022

- Interim dividend of 3.559 pence (US 4.0 cents) paid on 3 November 2022
- Final dividend of US 4.0** cents will be paid on 27 July 2023
- Shareholders' record date of 30 June 2023 and shares will go ex-dividend on 29 June 2023
- Payable in Sterling at the average United States Dollar to pounds Sterling rate on the five days from 3 to 7 July 2023

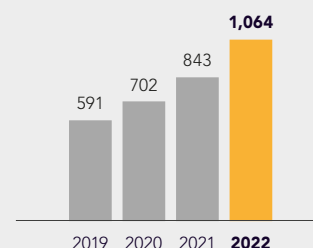
US cents	2021	2022
Interim paid	4.5	4.0
Final paid/proposed	3.5	4.0**
Total for the year	8.0	8.0

Financial highlights

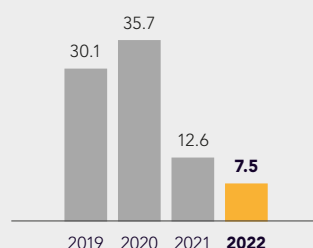
Revenue (\$m)



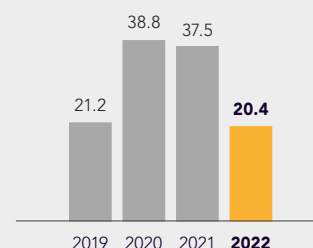
All-in sustaining cost ("AISC")* (\$ per ounce)



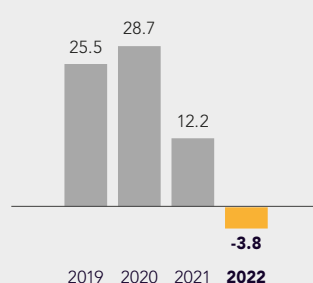
Profit before taxation (\$m)



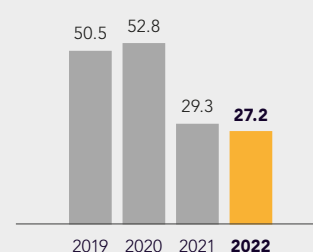
Net cash*† (\$m)



Free cash flow*† (\$m)



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



* Non-IFRS indicator: see definition in financial review on pages 33 to 37.

** 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 wholly-owned copper, gold and silver producing assets in Azerbaijan. These assets are situated on the Tethyan Tectonic belt, one of the world's most significant gold and copper bearing trends.

The Group has eight concessions called contract areas in Azerbaijan with a total area of 2,544 square kilometres. Five of the contract areas were acquired in 1997 and three additional contract areas, Xarxar, Garadag and Demirli, were acquired in 2022.

The contract areas encompass highly prospective exploration territory through to mature assets in production. Access has not yet been granted to the Kyzilbulag and Demirli contract areas which are located in the Karabakh economic region.

Gold, silver and copper are mined at Gedabek which is also the location of the Group's main processing facilities. Gold doré is produced by leaching and copper concentrate by flotation. Two new copper and copper-gold mines, Zafar and Gilar are currently under development at Gedabek.

Xarxar and Garadag, which adjoin Gedabek, are known to host significant copper deposits. The previous owners of the contract areas carried out considerable exploration and the historic data has been acquired by Anglo Asian Mining.

Gosha and Vejnaly both host existing underground mines built in the Soviet era. Exploration and small-scale production are carried out at these two locations.

Anglo Asian is expanding internationally and owns approximately 19.8 per cent. of Libero Copper & Gold Corporation ("Libero") which is listed on the Toronto TSX stock exchange. Libero holds a portfolio of copper exploration projects in the Americas.

Anglo Asian has been listed on AIM since 2005, is profitable and has paid regular dividends since 2018.

Azerbaijan contract areas



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.

Libero Copper & Gold corporation

1 Big Red
Big Bulk
Canada

2 Mocoa
Colombia

3 Esperanza
San Juan,
Argentina

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. 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.

Azerbaijan contract areas

Gedabek 300 square kilometre



Gedabek is the main production site of the Group. It hosts the Gedabek open pit and the contiguous Gedabek and Gadir underground mines. Two new mines are now under development at Gedabek, the Zafar copper mine and the Gilar copper-gold mine. All processing facilities are currently located at Gedabek which comprise an agitation leaching plant, a flotation plant and SART processing. The capacity of the flotation plant is being doubled in 2023. Heap leaching is also carried out and a new heap leach pad with a capacity of three million tonnes has recently been constructed.

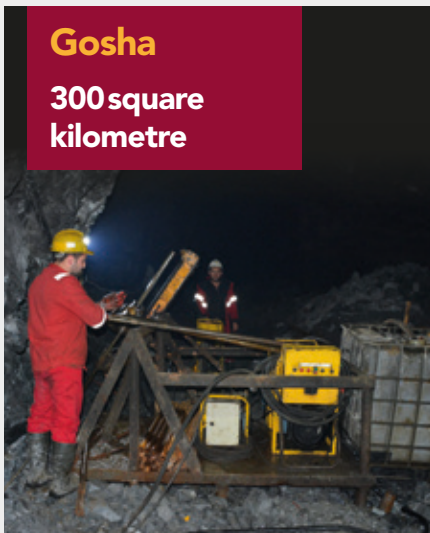
Gedabek is now a very mature site with excellent road access, power from the Azeri national grid and a water treatment plant. Only minimal capital expenditure is now

required to sustain its operations. Mining and exploration rights are until March 2027 which can be extended for a further five years.

A new tailings dam is being constructed in the vicinity of the existing dam which is nearing full capacity. A smaller tailings dam is also under construction near the plant to provide auxiliary tailings storage whilst the new dam is being constructed.

An extensive exploration programme is underway which is yielding positive results. This has resulted in the discovery of the Zafar and Gilar deposits in the last two years.

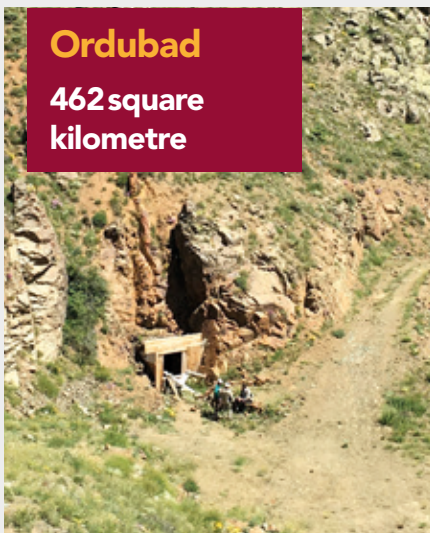
Gosha 300 square kilometre



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.

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. Modest production is planned from the vein in 2023.

Ordubad 462 square kilometre



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 2022 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. Exploration has been restarted in 2023.

Anglo Asian Mining at a glance *continued*

Azerbaijan contract areas continued

Kyzlbulag

462 square kilometre



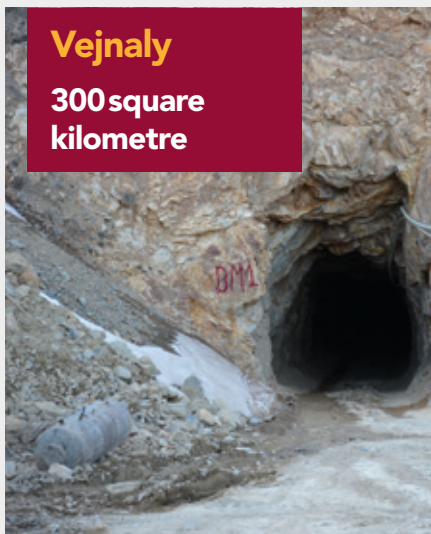
The Kyzlbulag contract area in the Karabakh economic region was restored to the Company in 2020. It contains several mines and has excellent potential for exploration, as indicated by the presence of many mineral deposits and known targets in the region.

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.

Vejnaly

300 square kilometre



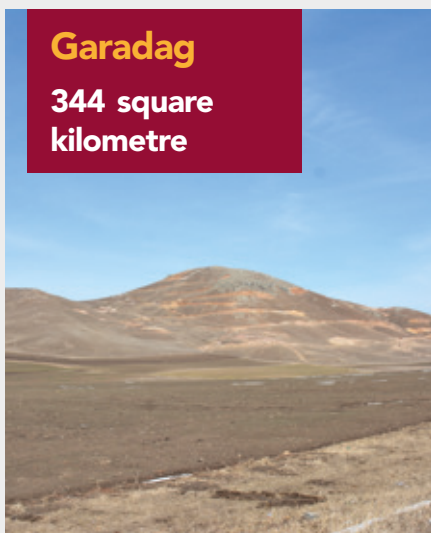
Vejnaly is a 300 square kilometre contract area located in the Zangilan district in south-west Azerbaijan. It borders Iran to the south and Armenia to the west. It hosts the Vejnaly deposit. In 2022 access to the Vejnaly site was certified as safe by the Government of Azerbaijan.

There are both open pit and underground workings and the main ore body was extensively mined during the Armenian occupation. There is also an existing crusher and flotation processing plant at the mine which will need extensive renovation to recommence operation. A camp is now established at Vejnaly and approximately 35 full time employees, who are mainly geologists, are exploring in the vicinity of the existing mine.

There was no mining or production at Vejnaly in 2022. Minor amounts of ore are being extracted from the underground mine as the geologists clean out and rehabilitate the tunnels as part of their exploration. This ore will be transported to Gedabek for processing during 2023.

Garadag

344 square kilometre



The Garadag contract area abuts the northern boundary of the Xarxar contract area. It hosts the Garadag 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.

In 2022, the Group acquired the historical geological exploration and other data of the previous owners of the deposit. The data acquired includes geochemical and geophysical data, including maps and interpretative reports. There were also 9,645 chemical assays taken from 23,454 metres of core drilling. An initial mining scoping study based on a preliminary mineral resource estimate and an environmental

and socio-economic baseline assessment was also included in the material.

The Group is currently collating and analysing the historical data. Following the analysis, an extensive exploration programme is planned. This will take around 12 to 18 months.

Xarxar**464 square kilometre**

Xarxar is situated 1.5 kilometres from the northern boundary of the Gedabek contract area. Together with Garadag, the two contract areas infill the territory between Gedabek and Gosha to create a contiguous territory totalling 1,408 square kilometres. Xarxar hosts a portal and exploration tunnel constructed in Soviet times. However, the tunnel had collapsed near its entrance.

Geological exploration began at Xarxar immediately following its acquisition in July 2022. A new portal was constructed next to the Soviet portal. Tunnelling then commenced parallel to the existing tunnel to give access to it. A surface drill programme was also started. The Group also acquired historical geological and

other data in respect of Xarxar obtained by the previous owner. This included 805 assays taken from 4,923 metres of drill core.

Gilar is situated close to the northern boundary of the Gedabek contract area. Geological exploration indicates that Gilar trends to the north. The Xarxar contract area extends the Gedabek contract area to the north and will therefore enable Gilar to be fully exploited.

Demirli**74 square kilometre**

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



Gedabek town

The Company's main production site is at its Gedabek contract area which is close to the town of Gedabek in western Azerbaijan. Gedabek town has undergone a large amount of economic growth and development as a result of the mining now taking place in the area. It is now a thriving community and is the location of many diverse businesses. A new town community centre has been built together with other communal buildings. The Company actively promotes economic activity in the region and has sponsored activities such as beekeeping and carpet weaving.

Anglo Asian Mining at a glance *continued*

In January 2022, Anglo Asian Mining completed its acquisition of a strategic investment of 19.8 per cent. of Libero Copper & Gold Corporation ("Libero"). Further follow-on investments were made in 2022 and 2023 to maintain its investment at approximately 19.8 per cent. This is the Group's first investment 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. These include Mocoa in Colombia, Big Bulk and Big Red in British Columbia, Canada, and Esperanza in Argentina. Libero 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 to determine Libero's future exploration strategy.

Libero completed its first drill hole at Mocoa in 2022. Nine additional porphyry targets have been identified in the vicinity of Mocoa and the footprint and potential size of the deposit has been expanded outside of the forest reserve. Libero, together with the National University of Colombia, have extracted metallic copper from pulp from Mocoa ore. This is the first copper produced in Colombia from a deposit within Colombia.

Libero's Esperanza project in San Juan, Argentina is in its final steps of start-up. Representatives from local Government have visited the site and a strong collaborative relationship has been developed with the Ministry of Mines and the local community.

Libero has also carried out a drill programme comprising of four holes at its Big Red project in British Columbia, Canada.

Libero exploration properties

Big Bulk



A copper-gold target, which is fully permitted, located 20 kilometres north of Kitsault, British Columbia, Canada. Libero has completed a 1,743 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. Four drill holes completed in 2022 extended the Terry copper-gold discovery.

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.

Esperanza



A porphyry copper-gold and epithermal gold project located in Huachi, San Juan, Argentina.

Our growth strategy

Anglo Asian Mining announced its medium-term growth strategy on 30 March 2023. It outlined the Company's transition to a multi-asset, mid-tier producer, with copper becoming the Company's principal commodity.

The Company has been operating successfully in Azerbaijan for over 20 years, developing high-quality production and development assets. The acquisition of three new contract areas, Garadag, Xarxar and Demirli, in July 2022 underpin the growth strategy, the Company's transition, and its evolution to mid-tier copper producer. The Company is assessing the historical geological data associated with Garadag and Xarxar and, in doing so, has gained significant confidence that these assets contain the required mineralisation for the Company to effectively and efficiently mine the sites.

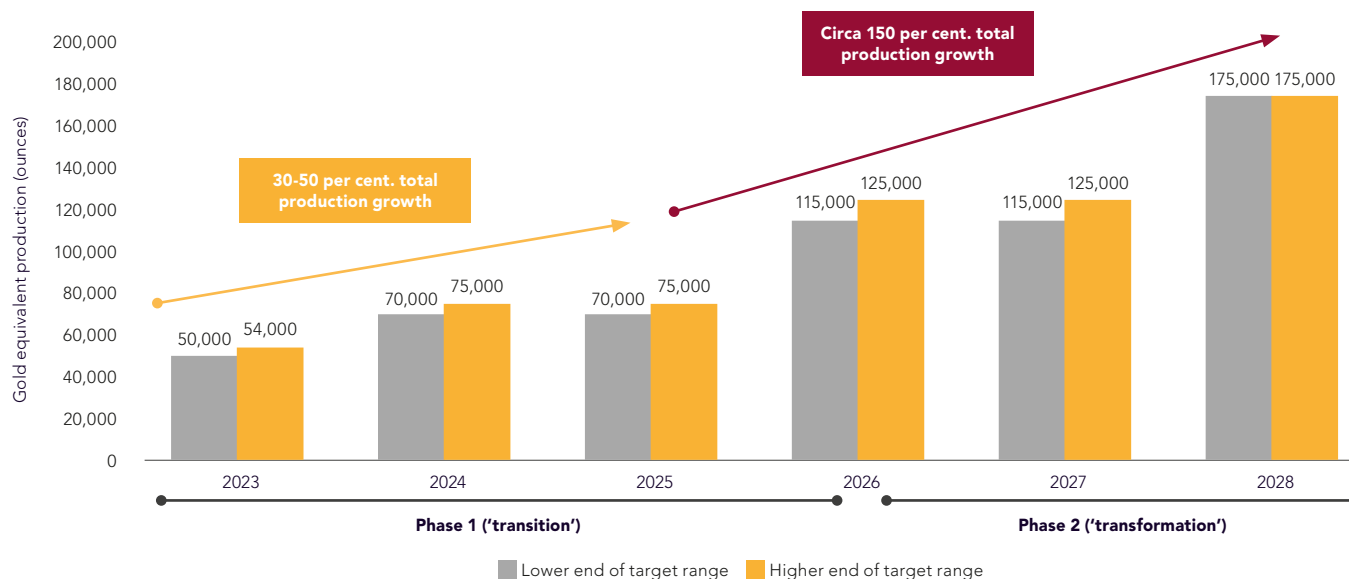
The growth strategy comprises two phases. In the first phase ('transition'), the Company will manage production at the currently operating Gedabek and Gadir mines as they approach the end of their anticipated mine lives. Simultaneously, the Company will start production at three new mines between 2023 and 2026: Zafar, Gilar and Xarxar.

The second ('transformation'), will see the Company develop Garadag, which it assesses to have the potential to produce over 300,000 tonnes of copper and is expected to commence production in 2028.

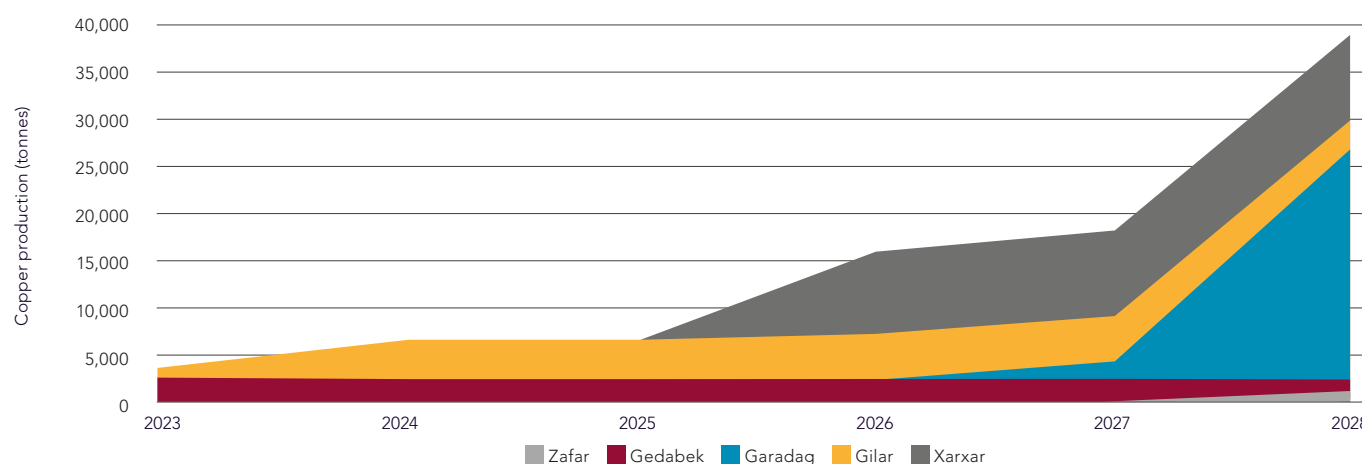
The Company anticipates total production will increase by 30 to 50 per cent. to 70,000 to 75,000 gold equivalent ounces by 2024 and 2025. It is targeting a rise in copper equivalent production to approximately 36,000 plus tonnes per annum (gold equivalent of 175,000 ounces) from 2028.

As part of this strategy, the Company's primary focus will shift to copper from gold, with copper becoming the majority contributor to revenue by 2026. Output is expected to more than double from 2023 to 2027 and could triple by 2028. As a critical metal for the energy transition to net zero, the board of Anglo Asian Mining is confident the Company's shift to copper production will continue to generate strong shareholder returns.

Production target ranges (2023 to 2028)



Transition from gold to copper through new mine construction



Chairman's statement

"It was a pivotal year for Anglo Asian Mining, during which time the Company made substantial progress with its existing operations and in developing its business."

Khosrow Zamani

Non-executive chairman



I am delighted to present our annual report for 2022. It was a pivotal year for Anglo Asian Mining, during which time the Company made substantial progress with its existing operations and in developing its business. This was done whilst maintaining its track record of operating profitably and generating value for all stakeholders.

Operational overview

The Company produced 57,618 gold equivalent ounces ("GEOs") in 2022, towards the top end of our guidance range. This was achieved despite declining grades of ore at our Gedabek mine, our core asset. Our production guidance for 2023 is 50,000 to 54,000 GEOs.

Our long-standing assets continue to offer considerable potential. In 2022, we announced the discovery of a new sub-vertical vein at Gosha and published a JORC mineral resource of 6.8 million tonnes of mineralisation at Zafar, with average copper grades of 0.50 per cent. At Gilar, we completed a maiden mineral resource of over 135,000 ounces of gold, 21,500 tonnes of copper and 23,000 tonnes of zinc; this has since been increased following further drilling in 2023. Construction of the Gilar and Zafar underground mines commenced in early 2023, and their development will provide a long-term supply of ore to support our future growth prospects.

A substantial geological exploration programme at Vejnaly was established in 2022 and exploration restarted at Ordubad in early 2023. These areas both have very encouraging prospectivity for significant mineral discoveries.

In light of the considerable increase in the amount of copper ore we will mine in the coming years, we have expanded our flotation plant. Its capacity has been doubled and the installation of additional flotation cells later in 2023 will provide further operational flexibility to our portfolio of mining assets.

New contract areas and strategic growth plan

We were delighted that, in July 2022, amendments to the Company's Production Sharing Agreement ("PSA") were ratified by the Parliament of the Republic of Azerbaijan, granting the Company the three new contract areas of Xarxar, Demirli and Garadag. In August 2022, the Company acquired historical exploration data, drill core, geological studies and other reports in respect of Xarxar and Garadag from AzerGold CJSC, the previous owner of these contract areas. This allowed our exploration and development team to immediately begin an extensive analysis of the new contract areas. This work, together with our geological fieldwork undertaken since July 2022, culminated in the Company announcing its growth strategy in March 2023. This outlines how we will transition to a mid-tier, multi-asset copper and gold producer. By 2026, the Company expects copper to become its principal product, a commodity vital for the transition to a future powered by clean energy.

Kyzylbulag and Demirli contract areas

Kyzylbulag, together with the newly acquired Demirli contract area, form a continuous territory of approximately 536 square kilometres in the Karabakh economic region. They host the Demirli copper and molybdenum mine and processing plant. The mine was operating until recently, but we now believe it is idled. We estimate the Demirli mine and plant has the potential to produce around 10,000 tonnes of copper per annum. However, the level of investment that will be required to restart the mine and plant is currently unknown.

The area is claimed by Azerbaijan but Russian peacekeepers, who are scheduled to leave in November 2025, are currently occupying the territory. Once the Government of Azerbaijan grants the Company access, the mine and processing plant will become our property at no cost. However, the situation in the Karabakh economic region is very fluid with no firm date when the Government of Azerbaijan will grant the Company access. We are continuing to closely monitor events.

Libero Copper & Gold Corporation

In January 2022, we were delighted to complete our investment in Libero Copper & Gold Corporation ("Libero"), following which Anglo Asian Mining owns approximately 19.8 per cent. of Libero. Michael Sununu now serves on the board of Libero. Farhang Hedjazi was appointed to the technical committee of Libero and visited Libero's properties in Argentina and Colombia. 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. The Company made further investments in 2022 and early 2023 to maintain its approximate 19.8 per cent. ownership.

Financial overview and dividend

Despite facing inflationary headwinds, the Company continued to manage its cost base tightly and deliver pre-tax profits of \$7.5 million. All-in sustaining cost increased to \$1,064 per ounce mainly due to lower production and the Company finished the year with cash of \$20.4 million and no bank debt. Accordingly, the board is pleased to recommend a final dividend of US 4 cents per share for 2022, which gives a total dividend for the year of US 8 cents per share. This maintains the dividend at the same level of US 8 cents per share in 2021, while ensuring that the Group retains sufficient capital to pursue its development plans.



Production team at Gedabek

The Company bought back 150,000 of its ordinary shares in 2022 at an average price of 81 pence per share at a total cost of \$145,000. The board believed the shares were undervalued at that price. The shares are held in treasury and could be sold in the future to an appropriate investor.

The Company entered into an AZN 55 million (\$32 million), unsecured revolving credit facility with the International Bank of Azerbaijan in early 2023. This shows the confidence of local Azeri banks in the strength of our business.

Sustainability

The long-term development of the Company must be achieved in alignment with the interests all our stakeholders. As set out in our last annual report, the Company established its ESG criteria and reporting practices in 2021. It is now focused on ensuring it continues to enhance its disclosure. To this effect, we are pleased that in 2022 we continued to make important progress in this area with a stakeholder assessment survey and further ESG policy development.

Health and safety

It was with great sadness and regret that the Company experienced its first employee fatality in 2022. An employee lost control of a loader he was driving up a hill at Xarxar

and was killed in the resulting accident. An external investigation cleared the Company of any blame for the incident. Anglo Asian Mining offered its full support to the family of the bereaved, to whom we extend our deepest condolences. Anglo Asian Mining continues to review and strengthen its health and safety policies.

Annual General Meeting ("AGM")

We encourage all shareholders to attend our AGM, the details of which are set out on pages 104 to 107 of this annual report. The directors welcome all shareholders to attend and look forward to meeting as many of you as possible.

Summary

The board is extremely excited by Anglo Asian's future growth prospects. The awarding of the new contract areas is a testament to our reputation of successfully bringing assets into production on time and within budget for the benefit of all stakeholders. Importantly, these assets will generate meaningful growth whilst the Company will not deviate from its commitment to generate strong returns for its shareholders. Our existing production assets continue to show excellent development potential and underpin the Company's strong position as a cash-generative business with a clear path for growth.

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 to sharing our future successes with you all.

Khosrow Zamani

Non-executive chairman
15 May 2023

President and chief executive's review

"We are pleased with the performance of our ongoing operations. Our total production of 57,618 gold equivalent ounces was at the upper end of our stated guidance range."

Reza Vaziri

President and chief executive



2022 was another solid year for Anglo Asian Mining, despite the challenges the Company and the wider mining sector face due to global macroeconomic events that continue to exert significant inflationary pressure on the industry. Against this backdrop, the Company continued to operate its mines efficiently and profitably.

Operational review

We are pleased with the performance of our ongoing operations. Our total production of 57,618 gold equivalent ounces ("GEOs") was at the upper end of our stated guidance range and comprised 43,114 ounces of gold, 2,516 tonnes of copper and 182,046 ounces of silver. Production was lower than in 2021 mainly due to the lower grades of ore taken from the Gedabek mine.

During the year, we took several important steps towards increasing our future production by starting the development of Zafar and Gilar, two new underground mines. In parallel, the Company worked extensively on evolving its medium-term growth strategy. This combines the development of our existing and newly-acquired assets into a clear and defined plan to enable the Company to achieve its growth ambitions.

In July 2022, our amended Production Sharing Agreement was passed into law, awarding us the three new contract areas of Garadag, Xarxar and Demirli, which have a combined area of 882 square kilometres. In August 2022, we acquired historical geological data regarding Garadag and Xarxar from AzerGold CJSC, which comprised core drill assay results and geochemical and geophysical data including maps and interpretative reports. We also acquired 23 kilometres of AzerGold CJSC drill core. Subsequently, we conducted an in-

depth analysis of all the historical geological data supplemented by our ongoing geological fieldwork. These data reinforced our confidence that we can establish a significant copper-gold mining district in the Gedabek region of Azerbaijan.

Throughout the year, we also made considerable progress with the existing assets within our portfolio, starting with the completion of a JORC mineral resource of the Zafar deposit. The mineral resource showed 28,000 tonnes of copper, 73,000 ounces of gold, and 36,000 tonnes of zinc, supported by over 302 metres of continuous mineralisation in the thickest intersection.

We are extremely pleased with the progress of Gilar, which is expected to commence production in late 2023. Towards the end of 2022, the Company announced a non-JORC preliminary maiden mineral resource for the Gilar deposit, with over 135,000 ounces of gold, 21,500 tonnes of copper and 23,000 tonnes of zinc. In early 2023, the Company announced an update which further increased the mineral resource at Gilar, as discussed in the outlook section below.

We restarted exploration work in early 2023 at Ordubad in the Nakhchivan exclave. We now have one drill rig operating there. The drill results will be combined with data from satellite imaging and geochemical sampling to better understand the geology of the region. We are also encouraged that the Government of Azerbaijan continues to strongly support the construction of a road between Zangilan and Nakhchivan to greatly improve access to the exclave from Azerbaijan.

We have established an active exploration programme at Vejnaly. A substantial team of geologists are now based there.

Following the decision in late 2022 to fast-track development of the Gilar mine, recommencing gold production from Vejnaly is now less of a priority. However, we expect some minor production in 2023 from Vejnaly from ore brought to the surface as our geologists clean out the existing underground tunnels. The ore will be transported to Gedabek for processing. At Gosha, we discovered a new sub-vertical gold vein to the south of the Gosha mine with some bonanza gold grades. However, gold production from Gosha is now also less of a priority, given the development of Gilar.

Our growth plan includes a significant increase in copper and, as a first step, we initiated an expansion programme of our existing flotation plant which doubled its processing capacity. Furthermore, seven additional flotation cells will be installed later in 2023 to provide extra flexibility and establish a line to produce zinc concentrate.

The Company has now obtained the necessary permit to build a new tailings dam in the valley adjoining the current dam. Detailed planning for the construction of the new dam, together with further geotechnical investigations, has commenced. The current dam is nearing full capacity, and to ensure sufficient tailings storage capacity is available until the new dam is completed, an auxiliary tailings storage dam is being constructed close to the Zafar mine portal. This will be completed in the third quarter of the year and will provide enough capacity for 12 to 18 months. The possibility of a further raise of the wall of the existing dam is being assessed in conjunction with Knight Piésold, a leading firm of geotechnical and environmental consulting engineers.

Sustainability initiatives

The long-term growth and profitability of our business must be sustainable and comply with all relevant and necessary best practice standards. We employ almost 1,000 people which makes us a large and significant employer in Azerbaijan. We run multiple community outreach programmes, including carpet-making to provide homework for family members of our staff and teaching Taekwondo to children and young adults at Gedabek. Benefitting the communities in which we operate is critical to ensuring that we remain a responsible employer and a respected member of the business community in Azerbaijan.

Financial performance

The Company had a turnover in 2022 of \$84.7 million and a profit before tax of \$7.5 million. The Company ended the year with cash of \$20.4 million and no bank debt. Cash generation remained good, and the



Underground staff at Gedabek

Company generated cash of \$17.0 million from its operations. The Company spent \$10.2 million on capital expenditure and \$7.2 million on geological exploration.

The war in Ukraine has resulted in considerable geopolitical uncertainty and widespread economic disruption. However, the Company was unaffected directly by the war and the international sanctions levied against various Russian entities. Like all companies in the mining sector, the Company had to deal with inflation. Most notably, we saw increases in the price of reagents and other consumables, such as grinding balls. However, the Company was insulated to some extent from increases in the cost of energy as Azerbaijan is a significant energy producer. For example, diesel fuel remained at US 47 cents per litre throughout 2022. Our focus on tight cost control ensured that the cost of our inputs was managed to minimise the impact on the Company's profitability.

Revenues continued to be subject to an effective royalty of 12.75 per cent. through our Production Sharing Agreement with the Government of Azerbaijan. We anticipate that this same royalty rate will continue until at least the end 2025, with further details set out in the financial review on pages 33 to 37 of this annual report.

The price of gold in 2022 averaged \$1,801 per ounce for the year, helping deliver a solid market into which sell our gold. The Company continued not to hedge gold sales in 2022. However, given the gold price of over \$2,000 per ounce in early 2023, this policy is kept under review.

Health and safety

The Company's record on health and safety performance, which has undergone

a big improvement over the last few years, unfortunately suffered a reversal in 2022. The Company tragically suffered the first fatality in its history when the driver of a loader was killed in an accident. The Company also incurred two incidents where the injured employee had to take time off work (2021: nil). As a result, the LTI (Lost Time Incident) frequency rate increased to 2.18. Anglo Asian Mining remains committed to the highest standards of health and safety for all our employees and is strengthening its safety policies and practices in light of the accidents in 2022.

A detailed report on health and safety is set out on page 31 of this annual report.

Growth strategy

We were delighted to release our medium-term growth strategy in March 2023, which provides a clear pathway for the Company's growth to mid-tier status. The strategy is ambitious but achievable and will see Anglo Asian Mining more than double its production in the next five years. Critically, our transition towards copper as our primary product is in line with the global clean energy agenda and the shift to renewable sources. The strategy will establish the Company as a multi-asset, mid-tier mining company.

The Company forecasts total production increasing by 30 to 50 per cent. to 70,000 to 75,000 GEOs for 2024 and 2025, driven by production from the Gilar mine. Copper production is targeted to grow to more than 36,000 tonnes per annum (175,000 GEOs) from 2028, as Xarxar and Garadag are brought into production.

Our core Gedabek mine remains an important asset, which we expect to continue in production until at least 2028. Alongside this, we expect strong production

from Gilar, where drilling in 2023 has led to the discovery of increased mineral resources, now estimated to contain over 249,000 ounces of gold, 46,000 tonnes of copper, and 48,000 tonnes of zinc. Recently, additional encouraging drill results have revealed further increases in the deposit's size and provided added confidence regarding the extent of the mineralisation. This underpins the decision to start construction of an underground tunnel at Gilar for further exploration and early production.

Zafar is progressing well, with the completion of the mine design and commencement of the construction of two parallel declines. The Company is currently procuring an underground mining fleet and related equipment. This fleet can be deployed in either the Zafar or Gilar mine.

An initial assessment of data relating to the Garadag porphyry copper deposit has also confirmed the potential to produce over 300,000 tonnes of copper.

We remain committed to Libero Copper & Gold Corporation ("Libero"). The investment in Libero reflects portfolio diversification, and we continue to seek opportunities beyond Azerbaijan. Libero also complements our growth strategy well, and we look forward to seeing its world-class copper assets developed in the coming years.

Looking ahead

2023 will be a pivotal year as we focus on the implementation of our growth strategy, with Anglo Asian continuing to benefit from commodity prices which have started strongly in 2023, with gold hitting its all-time high since August 2020, at \$2,048 per ounce. We remain focused on delivering value to all our stakeholders and strengthening our commitments to safety, sustainability and community engagement. We are excited with our portfolio of current and future assets which we will develop to transition to mid-tier status. I would like to thank all our employees for their fantastic work and support.

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 4 cents per ordinary share, which gives a full year dividend for 2022 of US 8 cents per ordinary share.

Reza Vaziri

President and chief executive

15 May 2023

Strategic report

"The Company's strategy is to transition into a mid-tier copper-focused producer... This will favourably position Anglo Asian for the upcoming era of electrification and decarbonisation to create considerable shareholder value."

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.

The Group also owns approximately 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.

Production Sharing Agreement with the Government of Azerbaijan

The Group's mining concessions in Azerbaijan are held under a Production Sharing Agreement ("PSA") with the Government of Azerbaijan dated 20 August 1997. Amendments to the PSA were passed into law in Azerbaijan on 5 July 2022.

The Group's mining concessions are called Contract Areas and six were granted to the Group by the original PSA in 1997. These were Gedabek, Gosha, Ordubad, Vejnaly, Kyzlbulag and Soutely. However, there was no access to Vejnaly, Kyzlbulag and Soutely, which were situated in territory occupied at that time by Armenia. Following the resolution of the conflict between Azerbaijan and Armenia in 2020, access was obtained to Vejnaly in 2021.

On 5 July 2022, amendments to the PSA were passed into law by the Government of Azerbaijan which granted the Group three additional Contract Areas: Garadag, Xarxar and Demirli and relinquished Soutely. There

was no payment made for the amendments to the PSA.

- **Garadag and Xarxar** are situated 4.0 and 1.5 kilometres respectively from the northern boundary of the Gedabek Contract Area. They infill the territory between Gedabek and Gosha and create a contiguous territory totalling 1,408 square kilometres.
- **Demirli** is in the Karabakh economic region and expands the Kyzlbulag Contract Area to the north-east. There is currently no access to Kyzlbulag and Demirli. The PSA will only commence in respect of these two Contract Areas upon notification by the Government of Azerbaijan to the Group of the cessation of all hostilities and that it is safe to access the district.

Contract Areas in Azerbaijan

Following the amendments to its PSA in 2022, the Group has eight Contract Areas covering a total of 2,544 square kilometres in western Azerbaijan:

- **Gedabek.** The location of the Group's primary gold, silver and copper open pit mine and the Gadir and Gedabek underground mines. The Group has two new underground mines in development at Gedabek – Zafar and Gilar. The Group's main processing facilities are also located at Gedabek.
- **Gosha.** Located approximately 50 kilometres from Gedabek and hosts a narrow vein gold and silver mine. A new vein "Hasan" was discovered at Gosha in 2022.
- **Ordubad.** An early-stage gold and copper exploration project located in the Nakhchivan exclave.
- **Garadag.** Located to the north of Gedabek and which hosts the large Garadag copper deposit.

- **Xarxar.** Another copper deposit adjacent to Garadag, which shows significant potential as it is likely part of the same mineral system.
- **Kyzlbulag.** Situated in the Karabakh economic region. Hosts the Demirli deposit, a copper/molybdenum mine and a processing plant.
- **Demirli.** Adjacent to Kyzlbulag and expands the Kyzlbulag Contract Area to the north-east.
- **Vejnaly.** Situated in the Zangilan district of Azerbaijan and hosts the Vejnaly gold deposit.

Overview of 2022

The Company's strategy is to transition into a mid-tier copper-focused producer, which will be achieved through developing its significant assets. This will favourably position Anglo Asian for the upcoming era of electrification and decarbonisation to create considerable shareholder value.

In January 2022, the Group completed the remaining 10 per cent. of its initial investment in Libero, taking it to 19.8 per cent. Michael Sununu was appointed to Libero's board of directors and a technical committee was established to which Farhang Hedjazi was appointed as Anglo Asian's representative. Anglo Asian made three further follow-on investments in Libero via private placements in August 2022, January 2023 and February 2023 to maintain its interest at approximately 19.8 per cent.

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

In March 2022, the final mineral resource estimate for the Zafar deposit was published. Mine planning continued throughout 2022 with development started in early 2023. Underground equipment was selected with the major drilling equipment to be supplied by Epiroc and the mining and loading equipment by Caterpillar. Initial down payments were made for the equipment in late 2022 and 2023. Construction of the Zafar mine started in early 2023.

Activity was increased at Vejnaly during 2022 following access being obtained in late 2021. A camp has been established and staff are now permanently located at Vejnaly. The staff are mainly geologists exploring in the existing mine and its vicinity.

In July 2022, the Group acquired three additional Contract Areas: Garadag, Xarxar and Demirli and relinquished the Soutely Contract Area. This was following amendments to the Group's PSA being passed into law.



View of the Garadag deposit from the Shamkir to Gedabek road

In November 2022, the Group commenced an expansion of its flotation processing plant. The expansion will double the capacity of the plant and cost approximately \$3.0 million. It will also add an additional flotation line which will increase the flexibility of the plant and enable it to produce a zinc concentrate. The expansion is expected to be completed in the second half of 2023.

In December 2022, a preliminary maiden non-JORC mineral resource for the Gilar deposit was published, following exceptional drilling results. This was updated in March 2023. Development of an underground mine commenced with the opening of a portal and commencement of the construction of an underground tunnel suitable for exploration and production in early 2023.

Production target for 2023

The Group's production guidance for the year ended 31 December 2023 is as follows:

Metal	Unit	Full year 2022 Actual production	Full year 2023 Production guidance
Gold	ounce	43,114	30,000 to 32,000
Copper	tonne	2,516	4,100 to 4,300
Total gold and copper	GEO*	57,618	50,000 to 54,000

The Company does not forecast silver production as it is not material.

* Gold equivalent ounce

The gold equivalent ounces were computed using the following budget rates:

Metal	Unit	Price of metal		Gold equivalent ounces of metal	
		Actual 31 December 2022 \$	Budget 2023 \$	Actual 31 December 2022 Ounces	Budget 2023 Ounces
Gold	ounce	1,797.55	1,800.00	1.000	1.000
Silver	ounce	23.97	20.00	0.013	0.011
Copper	tonne	8,387.00	8,500.00	4.666	4.722

Strategic report *continued*

Production target for 2023 continued

The Company's production profile will change significantly in 2023 as copper becomes a greater proportion of its production:

- The agitation leaching plant will operate on a "campaign basis" during the year processing mainly gold rich ore from the Gedabek open pit and underground mines. There is a diminishing amount of ore suitable for agitation leaching at Gedabek. Additionally, it is more commercially advantageous to use the plant's crushing and grinding circuit to treat ore for the expanded flotation plant.
- The capacity of the flotation plant will double in 2023 as a result of the investment of approximately \$3 million.
- Copper rich ore from the Gedabek open pit will be used as feedstock for the flotation plant during 2023. From the fourth quarter of 2023, it is planned that Gilar ore will also be processed by flotation and its gold content extracted by agitation leaching. There will be no production of Zafar ore in 2023.
- Only a very minimal amount of ore will be processed from the Vejnaly and Gosha mines in 2023. The recent decision to fast-track the Gilar mine into production has required redeployment of resources away from these two projects.

Mineral resources and ore reserves

Key to the future development of the Group are the mineral resources and ore reserves estimates within its Contract Areas. Mineral resources and ore reserves are produced both in accordance with the JORC (2012) code ("JORC") and as non-JORC-compliant estimates.

The Group's most recent mineral resources and ore reserves estimates in accordance with JORC for the Gedabek open pit and Gadir underground mine were published on 2 November 2020. Table 1 shows the Gedabek open pit mineral resources estimate and Table 2 shows the Gedabek open pit ore reserves estimate. Table 3 shows the Gadir underground mine mineral resources estimate and Table 4 shows the Gadir underground mine ore reserves estimate.

A final mineral resources estimate for the Zafar deposit at 30 November 2021 prepared in accordance with JORC was published on 21 March 2022 and is shown in Table 5. The latest non-JORC mineral resources estimate for the Gilar deposit was published in March 2023 and is shown in Table 6.

Table 7 shows the Soviet mineral resource for the Vejnaly deposit and Table 8 shows the Soviet C1 and C2 copper resource for the Garadag deposit.

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

Mineral Resources	MINERAL RESOURCES (cut-off grade of 0.2 g/t gold)								
	Tonnage (Mt)	In-situ grades				Contained metal			
		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 in the above table may not sum due to rounding

	ADDITIONAL MINERAL RESOURCES (additional to gold mineral resource) (gold cut-off < 0.2 g/t and copper > 0.3%)											
	Gold		Copper		Silver		Zinc		Contained metal			
	Tonnage (Mt)	Gold grade (g/t)	Tonnage (Mt)	Copper grade (%)	Tonnage (Mt)	Silver grade (g/t)	Tonnage (Mt)	Zinc grade (%)	Gold (koz)	Copper (kt)	Silver (koz)	Zinc (kt)
Measured	—	—	2.15	0.43	0.08	16.4	1.86	0.53	—	9.2	42	9.9
Indicated	—	—	2.13	0.34	0.28	13.9	2.03	0.51	—	7.2	125	10.4
Measured and Indicated	—	—	4.28	0.39	0.36	14.5	3.89	0.52	—	16.5	167	20.2
Inferred	—	—	2.85	0.40	0.15	19.4	7.04	0.54	—	11.4	94	38.0
TOTAL	—	—	7.10	0.39	0.51	15.9	10.9	0.50	—	27.9	261	58.2

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

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

	Tonnage (Mt)	Stockpiles included in Measured Resources and Ore Reserves					
		Stockpile grades			Contained metal		
		Gold grade (g/t)	Copper grade (%)	Silver grade (g/t)	Gold (koz)	Copper (kt)	Silver (koz)
Measured Mineral Resources							
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

	Tonnage (Mt)	In-situ grades			Contained metal		
		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 ore reserves							
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 in the above table may not sum 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	Tonnage (kt)	MINERAL RESOURCES (cut-off grade of 0.5 g/t gold)							
		In-situ grades				Contained metal			
		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 in the above table may not sum due to rounding

Strategic report *continued*

Mineral resources and ore reserves *continued*

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

	Tonnage (Mt)	In-situ grades			Contained metal		
		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 may 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

	Tonnage (Mt)	Copper > 0.3 per cent. copper equivalent					
		In-situ grades			Contained metal		
		Copper (%)	Gold (g/t)	Zinc (%)	Copper (kt)	Gold (koz)	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

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

Note that all tonnages reported are dry metric tonnes.

Table 6 – Latest Non-JORC mineral resources estimate of the Gilar deposit

	Tonnes (Mt)	Gold (g/t)	Copper (%)	Zinc (%)	Gold (Oz)	Copper (T)	Zinc (T)
Class 1+2	3.93	1.53	0.93	0.94	192,929	36,687	37,009
Class 3	1.71	1.02	0.57	0.69	56,155	9,778	11,777
Total	5.64	1.37	0.82	0.87	249,083	46,466	48,786

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

Cut-off grade 0.5 gold eq. / gold eq = gold g/t + (copper % x 1.49) + (zinc x 0.46) + (silver x 0.01) + (lead x 0.37).

Amounts of contained metal have been rounded to the nearest hundred of ounces or tonnes.

Table 7 – Soviet mineral resources of the Vejnyal deposit

	Units	Metal content		
		Category C1	Category C2	Total C1 and C2
Ore	tonnes	181,032	168,372	349,404
Gold	kilograms	2,148.5	2,264.2	4,412.7
Silver	kilograms	6,108.9	4,645.2	10,754.1
Copper	tonnes	1,593.6	1,348.8	2,942.4

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

Table 8 – Soviet copper resources for the Garadag deposit

		Copper content		
Category		C1	C2	Total C1 and C2
Ore	Millions of tonnes	25.35	23.69	49.04
Copper	Thousands of tonnes	168.0	150.7	318.7
Grade	Per cent.	0.65	0.64	0.64

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

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. The new Zafar and Gilar underground mines are both being developed at Gedabek.

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 2022, approximately 787 thousand ounces of gold and 19 thousand tonnes of copper have been produced at Gedabek.

Gedabek open pit and Gedabek and Gadir underground mines

The principal mining operation at the Gedabek 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.

The Group also mined ore in 2022 from the Gadir and Gedabek underground mines. Table 9 shows all the ore mined by the Group in the year ended 31 December 2022.

Table 9 – Ore mined at Gedabek for the year ended 31 December 2022

Mine	Total ore mined for the year ended 31 December 2022	
	Ore mined (tonnes)	Average gold grade (g/t)
Gedabek open pit	1,705,337	0.47
Gadir – underground	136,715	1.41
Gedabek – underground	373,915	1.30
Total for the year	2,215,967	0.67

Zafar and Gilar mine development

The Group is developing two new underground mines at Gedabek – Zafar and Gilar.

The Zafar deposit was discovered in 2021 and is close to the Gedabek processing facilities. Its final mineral resource estimate was published in March 2022 and is set out in Table 5 – "Zafar mineral resources estimate at 30 November 2021". Two declines will be constructed to access the mineralisation, a haulage decline and a parallel ventilation decline. The two portals for the declines have been constructed close to the existing Gedabek processing facilities and about 1,000 metres from the mineralisation. Mining will be by sub-level caving supplemented by sub-level open stoping. The necessary significant underground machinery has been contracted for with drilling equipment manufactured by Epiroc and the mining and loading equipment manufactured by Caterpillar.

The Group commenced developing the Gilar underground mine in late 2022, following exceptional drilling results in the south of the area. The latest non-JORC mineral resources estimate was published in March 2023 and is set out in Table 6 – "Latest Non-JORC mineral resources estimate of the Gilar deposit". A portal has been constructed and a tunnel is under construction suitable for both exploration and production.

Strategic report *continued*

Gedabek *continued*

Processing operations

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

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

- 1 Heap leaching of crushed ore.** Crushed ore is heaped into permeable “pads” onto which is sprayed a solution of cyanide. The solution dissolves the metals as it percolates through the ore by gravity and it is then collected by the impervious base under the pad.
- 2 Heap leaching of run of mine (“ROM”) ore.** The process is similar to heap leaching for crushed ore, except the ore is not crushed, instead it is heaped into pads as received from the mine (ROM) without further treatment or crushing. This process is used for very low-grade ores.
- 3 Agitation leaching.** Ore is crushed and then milled in a grinding circuit. The finely ground ore is placed in stirred (agitation) tanks containing cyanide solution and the contained metal is dissolved in the solution. 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. In this plant, a synthetic resin is used to selectively absorb the gold and silver from the slurry. The metal-loaded resin is then “stripped” of its gold and silver by desorption into another solution, from which the metals are recovered by electrolysis, followed by smelting to produce the doré metal, which comprises 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.** Finely ground ore is mixed with water to produce a slurry called “pulp” and 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.

During 2022, the Group contracted to purchase an additional seven cells for the flotation plant. These cells use “Imhoflot” pneumatic flotation technology, which require less energy and offers better recoveries than traditional tank cells and flotation columns. A new thickener and filter press were also ordered. The new equipment, together with modifications to de-bottleneck the existing flotation plant, will double its capacity at a total cost of around \$3.0 million. It will also enable the production of a zinc concentrate. The modifications to increase the capacity of the flotation plant have been completed and the new flotation line will be installed in the second half of 2023.

Table 10 summarises the ore processed by leaching at Gedabek for the year ended 31 December 2022.

Table 10 – Ore processed by leaching at Gedabek for the year ended 31 December 2022

Quarter ended	Ore processed (tonnes)			Gold grade of ore processed (g/t)		
	Heap leach pad crushed ore	Heap leach pad ROM ore	Agitation leaching plant	Heap leach pad	Heap leach pad	Agitation
31 March 2022	115,173	273,577	144,275	0.75	0.48	1.63
30 June 2022	82,814	299,762	162,239	0.78	0.53	1.49
30 September 2022	92,398	302,714	162,669	0.81	0.57	1.41
31 December 2022	24,606	213,120	156,285	0.72	0.56	1.52
Total for the year	314,991	1,089,173	625,468	0.77	0.56	1.51

Table 11 summarises ore processed by flotation for the year ended 31 December 2022.

Table 11 – Ore processed by flotation for the year ended 31 December 2022

Quarter ended	Ore processed (tonnes)	Gold content (ounces)	Silver content (ounces)	Copper content (tonnes)
31 March 2022	104,475	1,921	33,522	577
30 June 2022	114,099	1,293	24,209	745
30 September 2022	143,838	1,314	24,582	724
31 December 2022	119,819	1,389	18,003	670
Total for the year	482,231	5,917	100,316	2,716



Factory building at Vejnaly

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 12 shows the amount of previously heap leached ore processed in 2022.

Table 12 – Amount of previously heap leached ore processed in 2022

	In-situ material (tonnes)	Average gold grade (g/t)
1 January 2022	1,586,313	1.36
Processed in the year	(195,689)	1.18
31 December 2022	1,390,624	1.39

Production and sales

For the year ended 31 December 2022, gold production totalled 43,114 ounces, which was a decrease of 5,566 ounces in comparison to the production of 48,680 ounces for the year ended 31 December 2021.

Table 13 summarises the gold and silver bullion produced from doré bars and sales of gold bullion for the year ended 31 December 2022.

Table 13 – Gold and silver bullion produced from doré bars and sales of gold bullion for the year ended 31 December 2022

Quarter ended	Gold produced* (ounces)	Silver produced* (ounces)	Gold sales** (ounces)	Gold sales price (\$/ounce)
31 March 2022	8,963	7,574	7,519	1,904
30 June 2022	10,137	7,620	3,754	1,895
30 September 2022	10,473	6,949	10,000	1,727
31 December 2022	10,437	4,820	13,645	1,727
Total for the year	40,010	26,963	34,918	1,783

* Including Government of Azerbaijan's share.

** Excluding Government of Azerbaijan's share.

Strategic report *continued*

Gedabek continued

Production and sales continued

Table 14 summarises the total copper, gold and silver produced as concentrate by both SART and flotation processing for the year ended 31 December 2022.

Table 14 – Total copper, gold and silver produced as concentrate by both SART and flotation processing for the year ended 31 December 2022

Quarter ended	Copper (tonnes)			Gold (ounces)			Silver (ounces)		
	SART	Flotation	Total	SART	Flotation	Total	SART	Flotation	Total
31 March 2022	188	380	568	12	1,065	1,077	25,114	17,986	43,100
30 June 2022	168	547	715	14	715	729	25,582	15,672	41,254
30 September 2022	208	401	609	33	581	614	24,077	14,094	38,171
31 December 2022	244	380	624	39	645	684	20,833	11,725	32,558
Total for the year	808	1,708	2,516	98	3,006	3,104	95,606	59,477	155,083

Table 15 summarises the total copper concentrate (including gold and silver) production and sales from both SART and flotation processing for the year ended 31 December 2022.

Table 15 – Total copper concentrate (including gold and silver) production and sales from both SART and flotation processing for the year ended 31 December 2022

Quarter ended	Concentrate production* (dmt)	Copper content* (tonnes)	Gold content* (ounces)	Silver content* (ounces)	Concentrate sales (dmt)	Concentrate sales** (\$000)
31 March 2022	2,916	568	1,077	43,100	1,477	3,248
30 June 2022	4,127	715	729	41,254	4,642	8,127
30 September 2022	3,172	609	614	38,171	1,718	3,378
31 December 2022	3,086	624	684	32,558	4,606	7,487
Total for the year	13,301	2,516	3,104	155,083	12,443	22,240

* 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 tarmac 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 tailings dam has a final capacity of 6.0 million cubic metres which is sufficient to approximately the end of 2023.

A site has been identified for a new tailings dam in the vicinity of the existing dam. The necessary investigations to determine the competency of the bedrock at the proposed site have been successfully completed. The design for the tailings dam has also been finalised. Construction of the new tailings dam was delayed due to an additional Government permit which was required. However, this has now been obtained and detailed planning for the construction of the new dam is underway, together with further geotechnical investigation of the site. To provide tailings storage until the new dam is completed, an auxiliary tailings dam is being constructed close to the new Zafar mine. This is a downstream tailings dam with a 45 metre dam wall and which will be fully lined with a capacity of 1.5 million tonnes. It will be completed around July 2023 and will provide sufficient storage capacity for the next 12 to 18 months. The possibility of a further five metre raise of the wall of the existing dam is being assessed in conjunction with Knight Piésold, a leading firm of geotechnical and environmental consulting engineers.

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 2022.

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 2022 due to the COVID-19 pandemic, details of which are set out in the report on geological exploration below. Drilling has resumed in 2023 targeting copper porphyry potential. The first stage of the programme is to drill five core drill holes with a total depth of 2,250 metres.

Garadag

The 340 square kilometre Garadag Contract Area is situated four kilometres north of Gedabek alongside the road from Gedabek to Shamkir. Garadag was explored during the Soviet era and a Soviet resource for the deposit is set out in Table 8 – "Soviet copper resource for the Garadag deposit". Garadag has been extensively explored since the end of the Soviet era, most recently by AzerGold CJSC, its previous owner.

In August 2022, the Group acquired historical geological and other data and associated reports (the "Data") in respect of Garadag owned by AzerGold CJSC for \$3.3 million. The Data includes geochemical and geophysical data including maps and interpretative reports. Substantial core drilling and data interpretation were carried out by AzerGold CJSC and the Data includes 9,645 chemical assays taken from 23,454 metres of drill core. The Data also includes an initial mining scoping study based on a preliminary mineral resource estimate with various options for mine development including open pit designs, initial mining schedules and an outline metallurgical flow sheet. An environmental and socio-economic baseline assessment has also been carried out and is included in the Data. Since acquisition, the Group has started an extensive exercise to index, analyse, interpret and verify the Data.

Xarxar

The 464 square kilometre Contract Area is located immediately north of Gedabek which it borders. Xarxar hosts a portal and exploration tunnel constructed in Soviet times. However, the tunnel had collapsed near its entrance.

Geological exploration began at Xarxar immediately following its acquisition in July 2022. A new portal was constructed next to the Soviet portal. Tunnelling then commenced parallel to the existing tunnel to give access to it. A surface drill programme was also started. The Group also acquired historical geological and other data in respect of Xarxar owned by AzerGold CJSC for \$0.7 million. This included 805 assays taken from 4,923 metres of Xarxar drill core.

Gilar is situated close to the northern boundary of the Gedabek Contract Area. Geological exploration indicates that this deposit trends to the north. The Xarxar Contract Area extends the Gedabek Contract Area to the north and will therefore enable Gilar to be fully exploited.

Kyzilbulag and Demirli

The Kyzilbulag Contract Area is 462 square kilometres located in the Karabakh economic region. 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 Demirli concession is 74 square kilometres and extends to the north-east by about 10 kilometres from the Kyzilbulag Contract Area and contains the Demirli mining property. There are indications that up to 35,000 ounces of gold per year were extracted from the Kyzilbulag 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. The Government of Azerbaijan will use all reasonable endeavours to ensure that the Company has physical access to the region to undertake mineral exploration and production. No work was carried out at Kyzilbulag and Demirli in 2022 as the Group had no access to the Contract Areas.

Vejnaly

Vejnaly is a 300 square kilometre Contract Area located in the Zangilan district in south-west Azerbaijan. It borders Iran to the south and Armenia to the west. It hosts the Vejnaly deposit. Access was obtained in 2021 and in 2022, the Azerbaijan National Agency for Mine Action ('ANAMA') completed its inspection of Vejnaly and certified access to the site and underground mine as safe. In accordance with our PSA, the Government of Azerbaijan transferred all site assets to the Company at nil cost.

A camp is now established at Vejnaly for Group employees. An extensive survey of the site has been carried out which has found that the main ore body was extensively mined during the Armenian occupation. There are both open pit and underground workings at the location. There is also an existing crusher and flotation processing plant at the mine which will need extensive renovation to recommence operation. Approximately 35 full time employees are based at the site who are mainly geologists exploring in the vicinity of the existing mine. There was no mining or production at Vejnaly in 2022. Minor amounts of ore are being extracted from the underground mine as the geologists clean out and rehabilitate the tunnels as part of their exploration. This ore will be transported to Gedabek for processing during 2023.

Strategic report *continued*

Geological exploration

Summary

- New mineral deposit discovery “Zafar” at Gedabek
 - Final mineral resource published on 21 March 2022
 - In-situ JORC mineral resource of 28,000 tonnes of copper, 73,000 ounces of gold and 36,000 tonnes of zinc
 - Additional exploration and geotechnical drilling carried out in 2022
- New mineral deposit discovery “Gilar” at Gedabek
 - Preliminary non-JORC mineral resource published on 19 December 2022
 - In-situ non-JORC mineral resource of over 135,000 ounces of gold, 21,500 tonnes of copper, and 23,000 tonnes of zinc
 - Considerable exploration activity carried out in 2022 with “bonanza” gold grades returned
- Exploration continued throughout 2022 in the Gedabek open pit and the Gedabek and Gadir underground mines to define ore zones and extensions.
- New sub-vertical gold vein, “Hasan”, discovered at Gosha
 - Located to the immediate south of the existing Gosha mine
 - Vein can be accessed from existing underground mine workings
- Extensive historic exploration data acquired for the Garadag and Xarxar deposits
- Exploration work commenced at Xarxar in 2022
 - 10 surface core drill holes were completed with a total length of 3,479 metres
 - New portal constructed and 470 metres of underground tunnelling completed
- Very limited geological field work was carried out at Ordubad during 2022 due to COVID-19 travel restrictions
- Exploration work commenced at the Vejnaly deposit
 - Soviet mineral resources of the Vejnaly deposit shows 142,000 ounces of gold and 2,942 tonnes of copper
 - Existing galleries have been mapped and vein sampling and ore modelling is now being carried out

Gedabek

Zafar deposit

Zafar is a new discovery 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.

19 core drill holes with a total length of 5,045 metres were completed at Zafar in 2022. Four drill holes returned grades above reportable limits. 14 drill holes were for the purpose of geotechnical and metallurgical test work. Grades of up to 1.5 grammes per tonne of gold and 3.95 per cent. copper were reported. Bench scale X-ray diffraction (“XRD”) analysis of drill core samples was routinely used during 2022. This uses a portable XRD machine to undertake mineralogical 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 final mineral resource estimate for the Zafar deposit was published on 21 March 2022 and is shown in table 5 – “Zafar mineral resources estimate at 30 November 2021”.

Gilar

Gilar is a mineral occurrence located in the Gedabek contract area, approximately seven kilometres from the Company’s processing facilities and approximately two kilometres south of Avshandli-1. The area hosts two styles of mineralisation, gold in quartz veins and hydrothermal gold-copper.

The maiden Non-JORC mineral resources estimate was published in March 2023 which contained over 249,000 ounces of gold, 46,000 tonnes of copper, and 49,000 tonnes of zinc. The mineral resource estimate (which is not a JORC resource) was compiled by an independent consultant and was based on stage one drilling. The mineral resources were estimated using the JORC guidelines, but because the mineral resource estimate is subject to validation, classes 1, 2, and 3 are stated, instead of the usual Measured, Indicated and Inferred classifications. The mineral resource estimate is contained in Table 6 – “Latest Non-JORC mineral resources estimate of the Gilar deposit”.

Extensive exploration drilling was carried out at Gilar in 2022. 48 surface core drill holes were completed with a total length of 16,577 metres. Four geotechnical surface core drill holes totalling 930 metres were also drilled for underground mine development purposes. The drilling demarcated six zones of mineralisation with drilling in the second

half of 2022 extending and confirming the deeper zone of continuous mineralisation hosting significant gold, copper and zinc with an intercept thickness of over 65 metres as follows:

Borehole 22GLDD127: 68.35m @ 2.40g/t gold, 2.89% copper and 1.58% zinc from 320.00m, including:

- 55.4m @ 2.7g/t Au, 3.5% Cu and 1.4% zinc at 1.5g/t gold cut-off from 331.00m, including at a 2.0 g/t Au cut-off
- 33.3m @ 3.0g/t Au, 5.4% Cu and 2.0% zinc from 333.00m
- 14.4m @ 2.8 g/t Au, 0.4% Cu and 0.2% zinc from 372.00m

One drill hole in the centre of Gilar also intersected significant mineralisation.

The Group acquired the technology to make and microscopically examine thin sections of ore in 2022 using SystemAbele®. This system identified the free gold in the Gilar deposit.

Gedabek open pit

14 surface core drill holes were completed in 2022 with a total length of 2,938 metres and 139 reverse circulation drill holes completed with a total length of 20,258 metres to define the ore zone and extensions. The majority of the gold grades returned were in the range 0.01 to 0.99 grammes of gold per tonne and copper grades of 0.01 to 0.49 per cent. of copper.

Gedabek open pit – underground

The Gedabek and Gadir underground mines are 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. In 2022, tunnelling of 742 metres was completed from the existing Gadir underground mine to underneath the northern end of the Gedabek main open pit. Nine core drill holes (HQ/NQ size) totalling 1,125 metres were completed, along the length of the tunnel, which showed significant mineralisation. The tunnelling provides access to the mineralisation between Gadir and the main open pit.

Gadir underground mine

During 2022, six underground exploration core drill holes (HQ/NQ size) were completed with a total length of 944 metres. 1,140 metres of underground sidewall and tunnel roof mapping were completed. This defined zones for continuation of mining and extended the down dip footprint of the mineralisation. As part of the mining activity, 15 core drill holes (HQ/NQ size) with a total length of 2,056 metres were completed for ore zone definition. 100 metres of underground development tunnelling was also completed.



Drill rig operating at the Xarxar deposit

Avshandli

Avshandli is a mineral district which is 10.5 kilometres north-east of the Gedabek open pit. In 2022, four core drill holes were completed totalling 1,316 metres. The geological work to date at Avshandli-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.

Ugur open pit and Ugur Deeps

The Ugur pit has now been fully exhausted. In 2022, drilling was carried out in the vicinity of the depleted open pit (Ugur Deeps region) to locate possible extensions to the deposit. Two core drill holes were completed with a total length of 515 metres targeting high-grade copper-silver mineralisation. Five trenches of length 65 metres were sampled, and 250,000 square metres of lithological-alteration structural mapping was completed. No significant results were obtained.

Gosha

The Gosha contract area, which hosts the Gosha mine, is located next to the Armenian border. Surface core drilling which commenced in 2021, 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 discovery was announced in March 2022. 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.

68 metres of underground mapping and 204 metres of channel samples were taken from the Gosha mine in 2022. Five underground core drill holes totalling 1,144 metres were also drilled in 2022.

The Group is also carrying out surface magnetometry geophysical exploration work at Asrikchay. The work is to determine the mineralisation potential for planning the next stage of exploration. Asrikchay is a copper-gold target in the Gosha Contract Area which was discovered in 2018.

Xarxar

Xarxar is a known area of copper mineralisation which had been explored in the Soviet era. Exploration by the Group began in the second half of 2022 immediately upon acquisition of the Contract Area. The area contains a portal and exploration tunnel constructed during the Soviet era. However, the tunnel was found to be of very limited length and collapsed in places. A new portal has therefore been constructed and 470 metres of underground tunnelling completed in 2022.

Ten surface core drill holes totalling 3,479 metres were drilled and 147 channel samples were collected. These returned copper grades of around an average of 0.6 per cent. Structural mapping and a geotechnical study of the deposit was also completed by an independent contractor. The Group also acquired historic exploration results as set out above in "Xarxar".

Garadag

No field exploration work was carried out at Garadag in 2022. However, the Group acquired considerable geological data about the deposit as described above in "Garadag". 538 metres of drill core from the Azergold CJSC was geologically logged and assayed in the Group's laboratory.

Ordubad

Due to COVID-19 restrictions, drill access was proscribed during 2022 and therefore very limited geological field work was completed. To better understand the geology of the region, 3,397 metres of drill core previously drilled by the Group were relogged and some intervals resampled.

Vejnaly

The Vejnaly deposit is located within the volcanic-plutonic structure of the Kafan structure formation and incorporates twenty-five gold-bearing vein zones. Ore veins and zones of the deposit are mainly represented by quartz-sulphide and, rarely, by quartz-carbonate-sulphide veins and hydrothermally altered, disintegrated and brecciated rocks. Sulphides are dominated by pyrite with subordinate chalcopyrite. There are prospects for porphyry, epithermal and skarn type deposits.

Strategic report *continued*

Geological exploration continued

Vejnaly continued

A Soviet mineral resource estimate for the Vajnaly deposit is contained within Table 7 – “Soviet resource of the Vajnaly deposit” and shows a total C1 and C1 resource of 141,000 ounces of gold and 2,942 tonnes of copper. However, the Vajnaly deposit has been extensively mined whilst under Armenian occupation.

A geological team was established at Vajnaly in early 2022 and commenced vein sampling and ore modelling. The logging of historic drill holes of the deposit was also carried out throughout 2022. Vein sampling assays of the deposit show significant high gold grades. The rebuilding and cleaning of collapsed areas of the underground gallery is also ongoing to allow assessment of previously mined areas.

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 2022, the Group shipped all its gold doré to Switzerland for refining by MKS Finance SA. The Group also sold gold bullion inventory at 31 December 2021 to Argor-Heraeus SA in 2022. 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 shipped all its gold doré to Switzerland in 2022 by scheduled flights.

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.

Libero Copper & Gold Corporation

The Group acquired 19.8 per cent. of Libero Copper & Gold Corporation (“Libero”) in January 2022. Further follow-on investments to maintain its investment at approximately 19.8 per cent have been made since January 2022 as detailed in the Group financial statements in note 11 – “Investment in associate company” and note 33 – “Subsequent events”.

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.

Mocoa

Extensive geological exploration was carried out in 2022.

- Core drilling commenced in February 2022. The first drill hole intercepted 840 metres containing 0.72 per cent. copper.
- Interpretation of data obtained from an airborne survey in 2021 identified nine additional porphyry targets in the vicinity of Mocoa.
- Soil sampling identified a large 2 kilometre long by 800 – 1,000 metre wide multi-element soil geochemical anomaly coincidental with the Mocoa deposit. This significantly expands the footprint and potential size of the deposit outside of the forest reserve.

In November 2022, Libero entered into a “Cooperation Framework Agreement for Participation and Generation of Shared Benefits” with the local community of Montclar. This agreement is to share the benefits of mine development.

In November 2022, Libero together with the National University of Colombia, extracted metallic copper from pulp from Mocoa ore. This was the first copper produced in Colombia from a deposit in Colombia.

Esperanza

Permitting is ongoing and in late 2022, representatives from the Ministry of Mines of San Juan visited the project to confirm conditions at the site before restart of activities. The visit complimented the latest water quality work carried out by the Institute of Hydraulic Investigation of the National University of San Juan for the water baseline study.

Big Red

Four core drill holes were completed at Big Red between August and October 2022. The drilling tested a large, 4 by 4 by 4 kilometre triangular-shaped area with strong potassic alteration immediately southeast of, and continuous with, the Terry porphyry copper and gold discovery. One hole intersected 0.24 per cent. copper, and 0.03 grammes per tonne of gold over 100.5 metres and confirmed the down dip extension of previous drilling. The other three drill holes yielded no significant results.

Further information about Libero 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 24 – “Financial Instruments” to the Group financial statements.



Exhibition of Taekwondo at Gedabek. The Company sponsors classes for children and teenagers at Gedabek which are very popular

Liquidity and interest rate risk

During 2022, 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 2022. 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 2022 but its intensity decreased significantly compared to prior years. By the start of 2022, the majority of the COVID-19 restrictions had been lifted in Azerbaijan. The board monitored the COVID-19 pandemic throughout 2022 but did not notice that it resulted in any significant effect on its business.

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
15 May 2023

Section 172(1) statement and stakeholder engagement

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 40 to 43. 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 40 to 43.

Principal decisions and other key factors in maintaining shareholder value

For the year ended 31 December 2022, 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 2022;
- consideration of the final dividend payable for the year ended 31 December 2021 and the interim dividend payable for the year ended 31 December 2022;
- consideration of the mineral resources estimate of the Gilar mine and to undertake the development of the resource;
- agreeing to follow on investments in Libero Copper & Gold Corporation ("Libero") to maintain the Group's interest at 19.8 per cent.;
- agreeing to put in place a programme to buy back the Company's own shares and then buying back certain shares in the market place;
- agreeing to purchase historical geological data in respect of the Xarxar and Garadag contract areas from AzerGold CJSC for a total of \$4 million following the acquisition of the two new Contract Areas;
- agreeing to purchase new equipment to increase the capacity of its existing flotation plant;
- agreeing to the purchase of a mining fleet, drilling equipment and other underground equipment for its new Zafar mine and agreeing to obtain vendor financing for certain of the equipment; and
- the establishment of a long-term strategy and business plan to become a mid-tier producer of copper.

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, the Company has an active geological exploration campaign at its Contract Areas to which it has access. The Board monitors the campaign 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.

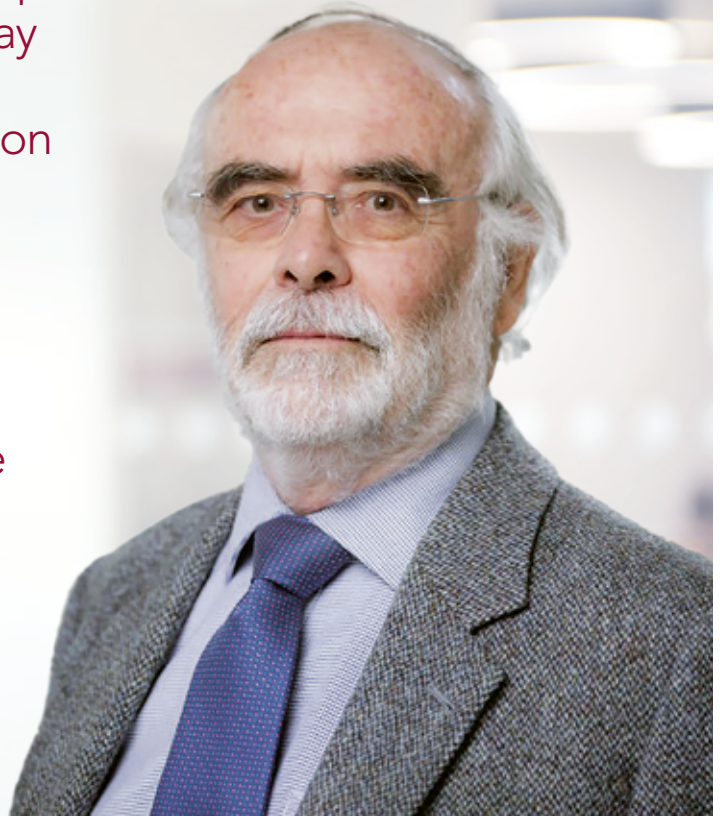
Stakeholder	How the Board has approached their engagement	How the Board has taken their interests into account
Shareholders	The Board aims to provide clear and timely information to its shareholders which gives an honest and transparent view of the performance of the business.	The Board maintains a dialogue with external shareholders and keeps them informed in a variety of ways as set out in section 10 of Corporate Governance on pages 40 to 43.
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.
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. Face-to-face meetings resumed at Gedabek during 2022.	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 2022.
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 40 to 43. 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.

Sustainability at Anglo Asian Mining

"Anglo Asian Mining currently has over one million tonnes of copper mineral resource which will play an important role in helping facilitate global decarbonisation efforts by securing the supply of this critical mineral. However, we also appreciate that whilst aiding the net zero journeys of others, we must operate in a responsible manner for the benefit of all our stakeholders."

Professor John Monhemius

Non-executive director,
chairman of the HSET board committee



Sustainability is a critical consideration at each and every stage of our operations, from developing new assets to responsible mining practices and subsequent mine closure and rehabilitation. While doing so, we look after our people, respect the environment we operate in, engage with our stakeholders, support local communities and conduct our business in an open and transparent manner.

As a strategic focus for Anglo Asian Mining, sustainable development is overseen directly by the board of directors of the Company (the "Board") and the dedicated Health, Safety, Environmental and Technical ("HSET") committee which ensures the Company's vision becomes a reality. The Company's ESG policies are executed by the Company's senior management team, who set and monitor key performance indicators ("KPIs") at the operational level. The HSET committee is chaired by non-executive director Professor John Monhemius, who has worked in the mining industry for several decades. The HSET committee meets every six months at Gedabek and addresses all the Company's activities relating to ESG, including environmental issues, health and safety, operational processes, social projects and waste management.

Comprehensive reports are provided about each issue to the management team and then thoroughly analysed. The management team directly oversees each key aspect (people, environment, health and safety, supply chain) at Gedabek and across other Group assets.

Anglo Asian Mining currently has over one million tonnes of copper mineral resource which will play an important role in helping facilitate global decarbonisation efforts by securing the supply of this critical mineral. However, we also appreciate that whilst aiding the net zero journeys of others, we must operate in a responsible manner for the benefit of all our stakeholders. We have outlined our performance, progress, and approach to sustainability in this section of our annual report.

In response to the growing focus on ESG and related disclosure, we have strengthened our ESG reporting practice and conducted a thorough materiality assessment to lay solid foundation for future standalone sustainability reporting, in line with stakeholder expectations.

Environment, Social and Governance ("ESG") at a glance

Environmental

Material topic	Why is it important for Anglo Asian?	What are we doing?
Environmental management   	We understand that mining activities can have a negative impact on the environment. We are committed to measuring, monitoring, and reducing this wherever possible.	We strictly adhere to all local policies and regulations, as well as aspiring to follow global best practice and international standards. Our Health, Safety Environmental and Technical Committee ("HSET") Committee oversees all the Company's environmental activities, and we have a team of highly qualified environmental specialists at our sites.
Emissions 	Climate change presents one of the biggest challenges faced globally. We aim to respond to it by reducing our own GHG emissions and strengthening our climate-related reporting.	We conduct all the necessary monitoring and reporting of emissions in accordance with local regulatory requirements. Additionally, we are launching a process of calculating our carbon footprint and consequently developing targets to reduce our footprint.
Waste 	Our activities generate several types of waste. It is our direct responsibility to, where possible, ensure it is treated and stored safely, reduce the total volume of waste generated, and increase its recycling/reusage.	We closely monitor the processes around our tailings storage facilities. Our operational plants currently use 15-20 per cent. of recycled materials. We also partner with suppliers for safe management of recycled and non-recycled waste.
Water 	We are committed to responsible and efficient uses of water resources and minimising effluents even though we do not operate in high water risk regions.	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 with the aim of optimising this.
Energy efficiency 	Electricity consumption from traditional energy sources results in additional GHG emissions. Therefore, our energy usage is being closely monitored, optimised where possible, and we are committed to decreasing our consumption of fuel.	We strive to increase the energy efficiency of our operations. We have piloted an initiative to reduce our fuel consumption by 10 per cent. We are also investigating the potential for transitioning to renewable energy sources.

Social

Material topic	Why is it important for Anglo Asian?	What are we doing?
People    	Our highly professional and talented people are paramount to our success as a Company. Therefore, we ensure all our employees can enjoy fair working conditions, social benefits, and development opportunities.	We offer highly competitive remuneration and compensation packages that exceeds local averages. We treat our employees fairly and with respect, providing support when needed including financial, accommodation where eligible and transportation options. We assess the working schedules according to the environment and conditions of each site. We cover medical insurance and provide well-equipped physical and rehabilitation training and sports facilities onsite.
Health and safety  	We are absolutely committed to guaranteeing a safe working environment for all our people, both employees and contractors, and strive to foster a culture of safety and responsible behaviour.	We regularly train our employees on HSE policies and potential hazards at all sites. All site workers also undergo regular medical checks.
Local communities    	We are committed to maintaining close and mutually beneficial relationships with our local communities. In addition to providing employment opportunities in our local communities, we support local infrastructure development projects and strive to create long-lasting benefits to lives of local people.	Our local communities are a constant priority, and we always strive to meaningfully contribute where we can. We have built one school and one kindergarten for the local community, as well as other infrastructure, such as bridges, housing and sports facilities. Our HR team engages directly with the local community. We also take care of people in difficult financial situations by distributing food and necessities, and providing accommodation.

Governance

Material topic	Why is it important for Anglo Asian?	What are we doing?
Corporate governance system 	We want to create sustainable, long-term value all our stakeholders, as well as honouring our responsibilities to them.	We operate according to internationally recognised practices and well-established codes of corporate governance. Our nomination committee is responsible for the selection and nomination of directors.
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 communicate regularly with all our suppliers. We maximise purchasing locally as much as possible. Our supply chains are regulated by internal policies to avoid favouritism.
Anti-corruption framework and business ethics 	We aim to 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.

Sustainability at Anglo Asian Mining *continued*

Our progress and future targets

In response to the increasing focus on ESG disclosure by global investor audiences, we are recalibrating our sustainability strategy and reporting practices to ensure we meet best practice and stakeholder expectations. During 2022, we conducted a methodological, deep-dive materiality assessment to identify our stakeholders' ESG priorities regarding our sector, company and geography. This will help determine the focus of our programmes, initiatives, targets and planning, as well as future sustainability disclosure. During this process, we have consulted with our priority stakeholders for their feedback on priority sustainability issues, in accordance with global sustainability reporting standards.

The materiality process consisted of:

- detailed peer group benchmarking;
- analysis of ESG reporting standards requirements (GRI);
- assessed current sustainability risks and trends, both in general and for the industry;
- completed an online survey of our key internal and external stakeholders;
- identified key material topics; and
- prioritised key topics of those identified.

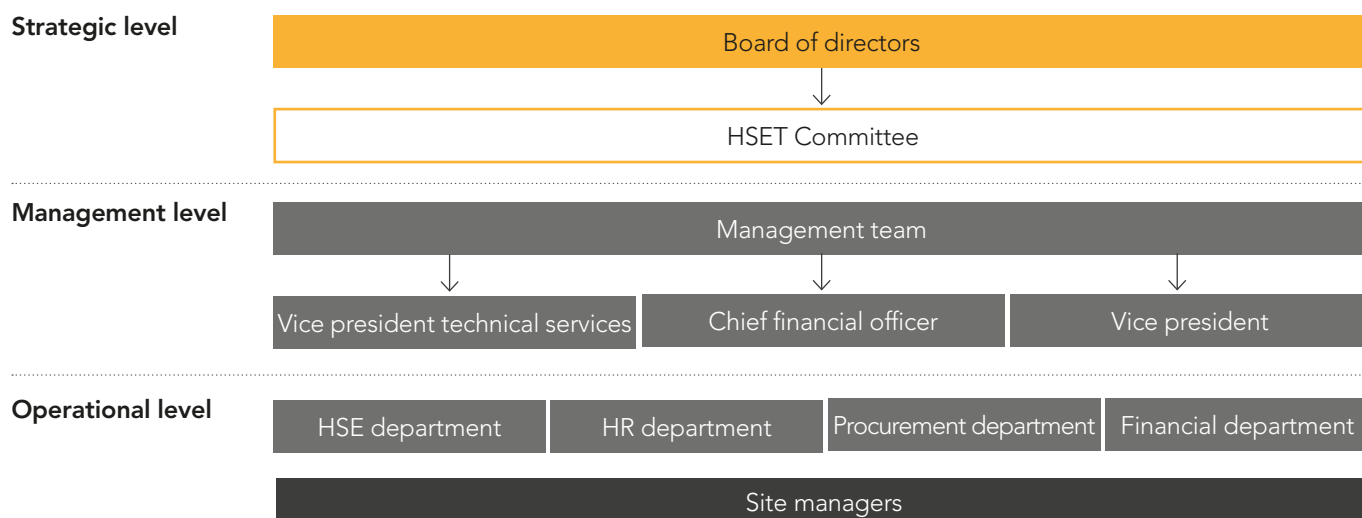
Materiality matrix

The results of the materiality matrix will help to inform our approach around setting future ESG KPIs and the development of our first standalone sustainability report, which we plan to prepare in accordance with GRI Standards.

In 2022, we also conducted a thorough audit of all existing internal and external ESG policies and plan to update some of these, issuing renewed public commitments around the priority material topics identified.



Sustainability governance system structure



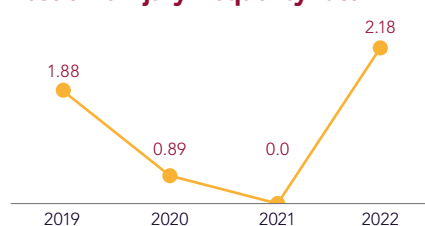
Health and Safety

We are committed to providing a safe working environment for all our employees and contractors and to improving our Group safety performance, with zero harm at all operations as our ultimate goal.

During 2022, there were 18 reportable safety incidents (2021: 4) among Group employees. These included the Company's first fatality and four (2021: 1) lost-time incidents ("LTI"), where the casualty had to take time off work. There were no incidents (2021: one) involving a contractor. The fatality occurred when an employee lost control of a loader he was driving up a hill at Xarxar and was killed in the resulting accident. An external investigation has cleared the Company of any blame for the incident. Two of the four lost time incidents involving an employee having to take time off work occurred in the Gadir underground mine and in the concentrate preparation facility. In the first incident, an underground blaster had his leg trapped between a wall and a loader injuring his shin and in the second incident, the employee fell and injured his back.

As a result of the accidents in 2022, the LTI frequency rate increased to 2.18 (2021: nil). The incidents reported were caused by a combination of behavioural and job-related factors. All incidents were thoroughly investigated by the HSE department to implement corrective action plans related to the working conditions and further promote safety culture among employees and contractors aimed at preventing reoccurrence of similar incidents in the future.

Lost-time injury frequency rate

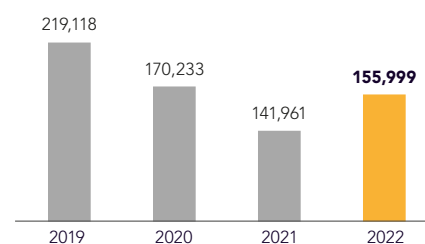


Environmental stewardship

In our continued efforts to reduce the impact of our operations on the environment, we are starting to measure our carbon footprint. In 2021, we implemented a pilot initiative to reduce our fuel consumption by 10 per cent, and are progressing with this initiative, in addition to assessing the potential usage of renewable energy sources.

In 2022, environment monitoring of the Gedabek area was carried out by the Ministry of Natural Resources and Ecology of the Government of Azerbaijan by a mobile laboratory at the site. The Group also commenced a tree planting campaign. 2,000 hardwood trees of the Paulownia genus were planted at Gedabek. The Company also carried out bimonthly monitoring of the ground and surface waters at Gedabek.

Water intake (cubic metres)



Our people and local communities

We are currently employing approximately 950 people directly and creating job opportunities for more than 1,500 people in the Gedabek region alone.

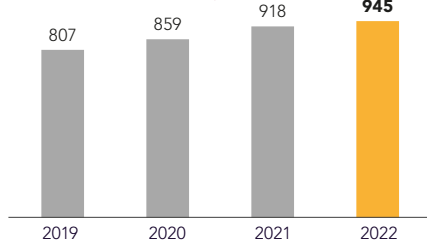
We regularly benchmark standards of remuneration and quality of life among our colleagues, to ensure we are providing our employees with fair and equitable labour, and we aim to provide opportunities and training for all to enhance career development. We support our colleagues to complete further education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

Sustainability at Anglo Asian Mining *continued*

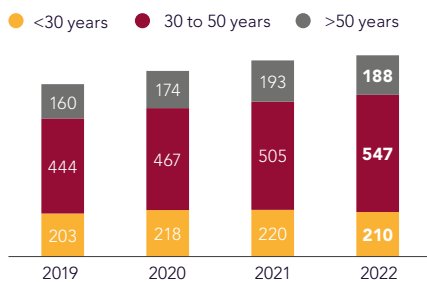


Carpet and rug making at Gedabek

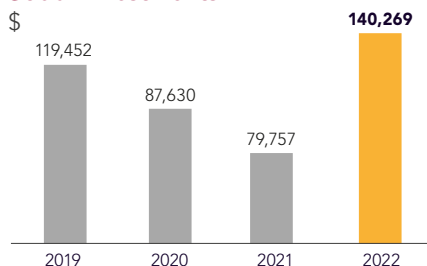
Number of employees



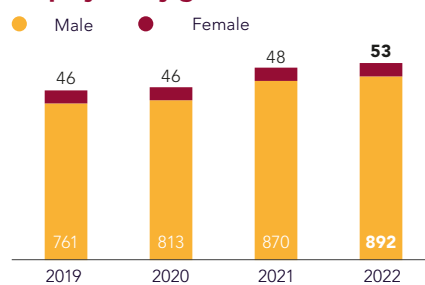
Employees by age



Social investments



Employees by gender



As Azerbaijan's largest exporter outside the oil & gas sector, we have always taken our social responsibility towards the communities we operate in very seriously. We believe it is of utmost importance to be a good corporate citizen in the regions that host us and grant us the opportunity to conduct our business.

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. We have relationships with a number of higher education institutions, including Azerbaijan State Oil Industry University (ASOIU), the University of France & Azerbaijan (UFAZ) and Baku State University (BSU). We also improve learning opportunities at a local level by sponsoring English language and computing courses.

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

We are extremely active in social work and community development in our areas of presence. We have constructed schools, a bridge, a road and an internet café for local people to ensure digital inclusion. We also sponsor a football team, martial arts group and weightlifting club.

We have recently launched an opportunity to empower women and housewives by creating opportunities for them to engage in economic activity. We have set up an initiative to enable them to weave different rugs and help them market and sell these to local markets in Azerbaijan. This initiative was supported by providing training and materials for the local women.

Professor John Monhemius

Non-executive director

15 May 2023

Financial review

"The Group was financed entirely by equity and had no bank debt or other borrowings throughout 2022."

William Morgan

Chief financial officer



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. References to AZN are to the Azerbaijan New Manat.

Group statement of income

The Group generated revenues in 2022 of \$84.7m (2021: \$92.5m) from the sales of gold and silver bullion and copper and precious metal concentrate.

The revenues in 2022 included \$62.8m (2021: \$71.6m) generated from the sales of gold and silver bullion from the Group's share of the production of doré bars. Bullion sales in 2022 were 34,918 (2021: 39,563) ounces of gold and 23,763 (2021: 18,023) ounces of silver at an average price of \$1,783 (2021: \$1,799) per ounce and \$22 (2021: \$25) per ounce respectively. In addition, the Group generated revenue in 2022 of \$21.9m (2021: \$20.9m) from the sale of 12,443 (2021: 11,124) 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 \$1,801 (2021: \$1,799) per ounce but the average price of copper was lower at \$8,797 (2021: \$9,294) per metric tonne.

The Group did not hedge any metal sales during 2021 or 2022.

The Group incurred cost of sales in 2022 of \$69.0m (2021: \$74.5m) as follows:

	2022 \$m	2021 \$m	B/(W) \$m
Cash cost of sales	57.1	55.6	(1.5)
Depreciation	16.4	16.1	(0.3)
Cash costs and depreciation	73.5	71.7	(1.8)
Capitalised costs	(3.0)	(3.4)	(0.4)
Cost of sales before inventory movement	70.5	68.3	(2.2)
Inventory movement	(1.5)	6.2	7.7
Total cost of sales	69.0	74.5	5.5

The cash costs in 2022 compared to 2021 were higher due to increased material and haulage costs.

Depreciation and amortisation in 2022 were higher at \$16.4m compared to \$16.1m in 2021. 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 or by the straight-line method. The depreciation and amortisation were higher in 2022 due to the lower economically recoverable reserves of the mines concerned used to calculate the depreciation and the amortisation.

Other operating income was \$0.4m (2021: \$0.2m) and included \$0.3m which was the recovery of previously expensed United Kingdom value added tax. Administration expenses in 2022 were \$5.9m (2021: \$5.2m). 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. The Azerbaijan New Manat was stable against the US dollar in 2022 compared to 2021 at an exchange rate of \$1 = AZN1.7. The United States dollar to the United Kingdom pounds Sterling rate was volatile in 2022 with a high of £1 = \$1.37 to a low of £1 = \$1.07. Administration costs in 2022 were higher than 2021 due to an increased share-based payment charge of \$0.4m (2021: \$0.1m) due to an increase in the number of share options outstanding and employee costs increasing by \$0.3m due to higher staff numbers in Azerbaijan.

Finance costs in 2022 were \$0.8m (2021: \$0.7m). Finance costs in 2022 and 2021 were mainly the interest expense of finance leases and interest on the unwinding of provisions. These remained at a similar level in both 2022 and 2021. The finance costs for 2022 also included \$0.1m (2021: \$nil) in respect of the long-term trade creditor for the purchase of historical geological data from AzerGold CJSC. The other expense in 2022 of \$0.6m (2021: \$nil) arose from the Libero Copper & Gold Corporation ("Libero") transaction ("Libero Copper & Gold Corporation transaction" below).

The Group recorded a profit before taxation in 2022 of \$7.5m compared to \$12.6m in 2021. This reduction was mainly due to a lower gross margin of \$15.8m (2021: \$18.0m) due to lower metal sales and the share of the loss of the associate company of \$0.5m (2021: \$nil).

The Group had a taxation charge in 2022 of \$3.8m (2021: \$5.2m). This comprised a current income tax charge of \$0.6m (2021: \$5.5m) and a deferred tax charge of \$3.2m (2021: credit of \$0.3m). The current income tax charge of \$0.6m was incurred by R.V. Investment Group Services ("RVIG") in Azerbaijan. RVIG generated taxable profits in 2022 of \$1.7m (2021: \$17.1m) which were taxed at 32 per cent. (the corporation tax rate stipulated in the Group's production sharing agreement).

Financial review *continued*

Group statement of income *continued*

The Group's overall tax rate in 2022 was 51 per cent. (2021: 42 per cent.). The higher tax charge than 32 per cent. arose as several significant expenses of the Group are not deductible for tax. These are mainly the United Kingdom administration costs, amortisation of mining property and the loss of the associate company.

The Group had an Other comprehensive loss in 2022 of \$0.2m (2021: \$nil). This was mainly a translation loss on the translation of Libero's financial statements into United States dollars at 31 December 2022. This arose as the Canadian dollar depreciated against the United States dollar in 2022.

All-in sustaining cost of gold production

The Group produced gold at an all-in sustaining cost ("AISC") per ounce of \$1,064 in 2022 compared to \$843 in 2021. 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 2022 compared to 2021 was a combination of the lower production as most of the Group's production costs are fixed or semi-fixed and higher cash costs.

Group statement of financial position Assets and liabilities

Non-current assets increased from \$95.0m at the end of 2021 to \$102.2m at the end of 2022. Intangible assets increased from \$30.3m at the end of 2021 to \$38.6m at the end of 2022 due to expenditure on geological exploration and evaluation of \$9.4m (2021: \$7.6m) offset by amortisation of \$1.1m (2021: \$1.2m) in the year. Property, plant and equipment were lower by \$2.7m due to depreciation of \$15.5m mainly offset by additions of \$9.1m and an increase in the provision for rehabilitation of \$3.7m. Leased assets were \$0.7m lower due to modifications to leased assets of \$0.5m and depreciation of \$0.5m, offset by \$0.3m additions.

Net current assets were \$60.5m at the end of 2022 compared to \$62.8m at the end of 2021. The main reason for the decrease in net current assets was a reduction in cash of \$17.0m partially offset by a decrease in trade and other payables of \$10.0m and income tax payable of \$3.0m. Trade and other payables were lower due to a decrease of \$8.8m in gold held due to the Government of Azerbaijan. The Group's cash balances at 31 December 2022 were \$20.4m (2021: \$37.5m). Surplus cash is maintained in US dollars and was placed on fixed deposit with banks in Azerbaijan at tenors of between one to three months at interest rates of around 1.5 to 4.0 per cent.

Non-current liabilities included trade and other payables of \$2.9m (2021: \$nil). This was in respect of the purchase of historical exploration data of Xarxar and Garadag. The total cost of the purchase was \$4.0m of which \$1.0m was paid in 2022. The remaining creditor of \$3.0m was discounted over 2.5 years using an interest rate of 8 per cent. and includes attributable VAT of \$0.6m.

Net assets of the Group at the end of 2022 were \$113.5m (2021: \$118.4m). The net assets were lower due to a decrease in retained earnings following dividend payments which were higher than profits after taxation and the purchase of Company shares for treasury. There were no shares issued in 2022.

Equity

The Group was financed entirely by equity and had no bank debt or other borrowings throughout 2022.

There were no movements of the Group's share capital, merger reserve and share premium account in 2022. The Group's holding company bought back certain of its ordinary shares for the first time in 2022. 150,000 ordinary shares were bought in the open market at an average price of 81.42 pence at a total cost of \$145,000. The ordinary shares have not been cancelled and are held in treasury. The cost of buying back the shares is included in equity as a negative reserve.



Gedabek main open pit

The Group's holding company received an intercompany dividend in 2022 of \$10m (2021: \$10.0) which gives it the capacity to pay dividends of \$1.2m during 2023. Further dividends by the Group's holding company will require additional dividends to be paid by its subsidiaries.

Libero Copper & Gold Corporation transaction

On 26 January 2022, the Company acquired a further 10 per cent. of Libero which was then reclassified as an associate company of the Group. A reconciliation of its cost of acquisition to its carrying value at 31 December 2022 is as follows:

	\$000
Market value of the Company's existing 9.8 per cent. trade investment at 26 January 2022	2,168
Close out of forward contract established at 31 December 2021	214
Transfer from financial assets to associate company	2,382
Cost of the 10 per cent. investment (7 million shares at CAD\$0.50 per share)	2,781
Total acquisition cost of Libero as an associate Company	5,163
Further investment (2.9 million shares at CAD\$0.33 per share)	710
Our share of its loss – 27 January to 31 December 2022	(476)
Currency translation	(225)
Carrying value of associate company at 31 December 2022	5,172

The cost of the two investments in Libero during the year is as follows:

	\$000
Cost of the 10 per cent. investment (7 million shares at CAD\$0.50 per share)	2,781
Further investment (2.9 million shares at CAD\$0.33 per share)	710
Total investment in the year	3,491

A reconciliation of the acquisition cost to the net assets of Libero is as follow:

	\$000
Company's share of the net assets of Libero	1,417
Goodwill on acquisition	3,746
Total acquisition cost of Libero as an associate company	5,163

The acquisition of Libero also resulted in a loss of \$221,000, being a loss on the revaluation to market price of the Company's initial investment between 31 December 2021 and 26 January 2022. The Company also revalued its warrants in Libero to market value at 31 December 2022, resulting in a loss of \$349,000 due to the share price of Libero decreasing from CAD\$0.54 at 31 December 2021 to CAD\$0.16 at 31 December 2022. The total of the loss on the revaluation of the investment and warrants of \$570,000 has been included in other expense in the profit and loss account.

The Group's percentage ownership of Libero fluctuated during 2022 as Libero issued shares throughout the year. Our share of its loss has been calculated using our average ownership for each quarterly period for which Libero publishes its results.

Group cash flow statement

Operating cash inflow before movements in working capital for 2022 was \$27.2m (2021: \$29.3m). The main source of operating cash was operating profit before the non-cash charges of depreciation and amortisation in 2022 of \$24.6m (2021: \$29.2m).

Working capital movements absorbed cash of \$10.1m (2021: generated cash of \$5.4m) mainly due to trade receivables which were higher by \$5.9m (2021: \$0.4m) and inventory which was \$3.4m higher (2021: \$4.5m lower).

Cash from operations in 2022 was \$17.0m compared to \$34.7m in 2021 due to the lower operating cash flow and cash absorbed by working capital.

The Company paid corporation tax in 2022 of \$3.6m (2021: \$8.7m) in Azerbaijan in accordance with local requirements. This payment was the final payment of its liability for 2021 and payments on account of its liability for the year ended 31 December 2022.

Expenditure on property, plant and equipment and mine development was \$9.1m (2021: \$7.4m). The main items of expenditure in 2022 were capitalised stripping costs of \$2.9m, mine development costs of \$2.8m and equipment of \$1.9m.

Expenditure on intangible assets was \$9.4m which was mainly expenditure on exploration and evaluation of \$9.2m. The main expenditure on exploration and evaluation expenditure was \$3.6m (2021: \$6.8m), \$1.6m (2021: \$nil) and \$2.8m (2021: \$nil) at Gedabek, Xarxar and Garadag respectively. The expenditure for Xarxar and Garadag include \$0.6m and \$2.7m respectively for the purchase of historical geological data from AzerGold C.JSC.

The Group spent \$3.5m (2021: \$2.2m) on acquiring shares in Libero during 2022.

Financial review *continued*



Gold pour at Gedabek

COVID-19 pandemic

The majority of the travel and other restrictions arising from the COVID-19 pandemic were lifted by the end of 2021. The Group monitored the COVID-19 pandemic throughout the year but did not detect any noticeable effect on its business. The Group considers the risks from the pandemic are very minimal. Further details regarding the risks are set out in the Strategic Report.

Dividends

In respect of 2022, the Group paid an interim dividend of \$0.04 per share and has proposed a final dividend of \$0.04 per share giving a total for the year of \$0.08 per share (2021: total for the year of \$0.08 per share). Dividends are declared in United States dollars but paid in United Kingdom pounds sterling. The total cash cost of dividends paid in respect of 2021 was \$9.2m and the estimated total cost of the dividends in respect of 2022 is \$9.2m. The proposed final dividend for 2022 is subject to the approval of the shareholders and has not been accrued in the 2022 financial statements.

To ensure the Company retains sufficient capital to pursue its growth strategy, the board has decided to maintain the dividend at the same level as 2021 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 2022. The Government's share of production in 2022 (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 2022 of 12.75 per cent. (2021: 12.75 per cent.) of the value of its production.

The Group can recover the following costs in accordance with the PSA for its Gedabek contract area (currently its main operating site):

- 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 Goshu and Ordubad contract areas; and
- an imputed interest rate of United States Dollar SOFR + 4 per cent. per annum on any unrecovered costs.

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 2022 were \$37.5m and \$31.4m respectively (2021: \$29.7m and \$19.7m respectively). The Group's current business plans indicate that these costs will not be fully recovered until at least the end of 2025 and the effective royalty of 12.75 per cent. will therefore continue until then for the Gedabek and Gosha contract areas. The unrecovered costs at 31 December 2022 for the Garadag and Xarxar contract areas were \$0.9m and \$1.0m respectively. The unrecovered costs include cash payments for historical geological data of \$0.8m and \$0.2m in respect of Garadag and Xarxar respectively.

The Group produced gold and copper for the first time in 2021 from its Vejnyaly contract area and the metal produced will be sold in 2023. The Government's share of this production in 2021 may 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, the cost of geological exploration and Gedabek production costs. There will be no mining costs available for offset as the metal was produced from ore stockpiled at Vejnyaly by the previous owner. Vejnyaly had unrecovered costs at 31 December 2022 of \$0.8m.

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 2024 (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 \$10.7 million (31 December 2022: \$20.4 million) and no bank debt at 31 March 2023. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and a gold price of between \$1,675 and \$1,850 for 2023 and 2024. A copper price of \$8,500 per tonne has been used for 2023 and \$8,000 per tonne for 2024. 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 Group is currently building two new mines, Gilar and Zafar. These mines will require significant capital expenditure to bring into production. The Group estimates this capital expenditure will be around \$17 million to \$20 million in the 18 months to 30 June 2024. The base case cash flow shows that the Group is able to finance this expenditure from existing operating cash flow and current undrawn debt facilities.

The Group has access to local sources of both short and long-term finance and has an AZN55 million (\$32.3 million) revolving credit facility with International Bank of Azerbaijan which is available until 31 December 2030 with no conditions on drawdown. The Group is also utilising vendor financing for certain of its equipment purchases.

The majority of the restrictions imposed by the Government of Azerbaijan to combat the COVID-19 pandemic have now been lifted. The directors believe the COVID-19 pandemic is not now having any effect on the business.

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 25. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within this financial review. In addition, note 24 to the Group financial statements below includes the Group's financial management risk objectives and details of its financial instrument exposures to credit risk and liquidity risk.

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

W R Morgan

William Morgan

Chief financial officer

15 May 2023

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: 80 **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 \$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: 70 **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.

Holds a law degree from the national university of Iran.

Governor John H Sununu

Non-executive director

Age: 83 **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: 80 **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: 55

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.

Member of the board of 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, environment and technology committee
- R** Remuneration committee
- N** Nomination committee

* Independent non-executive director

Senior management

Our leadership team



Farhang Hedjazi



William Morgan



Stephen Westhead



Amirreza Vaziri

Farhang Hedjazi

Vice president, technical services

Worked in the industry since 1985 and has constructed process plants including zinc smelters, CIL plants, gold heap leach facilities and managed underground mines. Oversees all mining and exploration activities.

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

Member of the technical committee of Libero Copper & Gold Corporation.

Holds an MSc in non-ferrous extractive metallurgy.

Amirreza Vaziri

Director, business development

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

Strong focus on partnerships and M&A, in line with the Company'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.

William Morgan

Chief financial officer Company secretary

UK chartered accountant with over 45 years accountancy and financial management experience in the UK, Far East, Africa, Kazakhstan and Russia.

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

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

Stephen Westhead

Vice president, Azerbaijan International Mining Company

UK 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.

Corporate governance

Introduction

The board of directors (the “Board”) applied throughout 2022 the principles of the 2018 Quoted Companies Alliance Corporate Governance Code (the “QCA Code”) to support the Company’s corporate governance framework. The directors acknowledge the importance of the ten principles set out in the QCA Code. The QCA Code is a code of best practice for AIM companies.

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

Compliance with the principles of the QCA code

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

The Company has a portfolio of gold, copper and silver exploration and production assets in Azerbaijan. The Company has a clear strategy of growing a sustainable mining business in Azerbaijan which is fully set out in the chairman’s statement, the president and chief executive’s review, the 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. The Company maintains an active geological exploration programme which continued throughout 2022 to identify new mineral resources. The Company also obtained three new mining concessions in Azerbaijan in 2022.

The Company also seeks to grow shareholder value by investing in mining properties outside of Azerbaijan. In December 2021, the Group made its first investment outside of Azerbaijan in Libero Copper & Gold Corporation (“Libero”). Libero became an associate company of the Group in January 2022 upon completion of the Group’s initial investment and a further investment was made in August 2022. 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 2022 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 resumed in 2022 after travel and other restrictions arising from the COVID-19 pandemic were largely lifted at the end of 2021.

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. The Company also uses social media to communicate with shareholders and has a dedicated LinkedIn account at <https://www.linkedin.com/company/anglo-asian-mining-plc/>.

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 2022. The first meeting was held by video conference and the second was convened as a face-to-face meeting at the Gedabek mining 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 38. Two of the five directors, being Khosrow Zamani and Professor John Monhemius are independent. The Company'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 2022 and the attendance of the directors are as follows:

Number of board meetings in 2022	Number of board meetings each director attended				
	John Monhemius	Michael Sununu	John Sununu	Reza Vaziri	Khosrow Zamani
10	10	10	10	10	10

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, environment 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 2022. 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 38 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 2022.

The external auditor provided tax compliance services which comprised preparing and submitting the UK tax computations for the two England and Wales incorporated companies for the year ended 31 December 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 ongoing 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 2022 of any failing of the Company due to poor culture brought to the attention of the Board.

Corporate governance *continued*

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

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. The Company unfortunately suffered its first fatality in 2022. As a result of this fatality, a comprehensive review of all aspects of the safe operation of earthmoving and other plant was carried out. However, an external investigation by the local Governmental authorities ruled that the Company was not to blame for the incident.

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

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

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

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

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

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

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

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

The Company maintains an adequate dialogue with its shareholders as set out in section 2 above. The Company 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. A highly experienced accountant is also employed by the Company to provide technical advice to the audit committee.

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.

Meetings of the audit committee held in 2022

The audit committee met twice in 2022, to approve the financial statements for the year ended 31 December 2021 and to approve the financial statements for the six months ended 30 June 2022. 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 2021.

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 2022 to consider the remuneration of the directors. The committee recommended the redenomination of the directors' fees payable to Khosrow Zamani, Michael Sununu and John Sununu from Sterling into United States Dollars. The three directors all reside in the USA. The measure was to simplify the payment of their fees and provide them with certainty of the fee amount given the extreme volatility of the United States Dollar to Sterling exchange rate in 2022. The remuneration of the three directors was not materially affected by this measure. The committee also recommended a 14 per cent. increase in fees due to United Kingdom inflation for John Monhemius. John Monhemius resides in the United Kingdom and his fees are denominated and paid in Sterling.

The remuneration paid to the directors is disclosed in the report on directors' remuneration on page 48.

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 2022.

COVID-19 health emergency

The Government of Azerbaijan, together with many governments worldwide, had lifted most of the COVID-19 restrictions by the start of 2022. The board monitored the COVID-19 pandemic throughout 2022. However, it had no noticeable effect on the Group's business in 2022.

Directors' report

for the year ended 31 December 2022

Annual report and financial statements

The directors present their annual report together with the audited Group financial statements on pages 56 to 95.

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 contract area in western Azerbaijan.

Business review and future prospects

A review of the activities of the business throughout the year and up to 15 May 2023 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 25 which includes information on the Group's risks, uncertainties and key performance indicators. These sections are incorporated in this directors' report by reference.

Dividends

Full details of the Company's dividend policy and dividend payments paid and proposed for the year ended 31 December 2022 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 33 to 37 and note 29 – "Dividends paid and proposed", 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 2021 and 2022 are disclosed in note 25 – 'Share capital and merger reserve' 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 was granted power at its Annual General Meeting for 2022 to buy back up to 10 per cent. of its issued ordinary shares. Details of ordinary shares acquired in 2022 are given in this directors' report and in note 27 – 'Treasury shares' to the Group financial statements.

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 28 – '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 40 to 43 of this annual report.

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 15 May 2023 are as follows and further details are set out on page 38 of this annual report:

Professor John Monhemius

Governor John Sununu

Mr Michael Sununu

Mr Reza Vaziri

Mr Khosrow Zamani

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

Company secretary

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

Registered office

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

Registration of the Company

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

Directors' interests

The beneficial interests of the directors who held office at 31 December 2022 and their connected parties in the share capital of the Company at 31 December were as follows:

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

All directors' interests are beneficially held.

Purchase of shares for treasury

The Company bought back 150,000 of its own ordinary shares in the year ended 31 December 2022 and the shares were placed into treasury. Details of these share purchases are set out in note 27 – 'Treasury shares' to the Group financial statements.

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 15 May 2023:

	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 2024 (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 \$10.7 million (31 December 2022: \$20.4 million) and no bank debt at 31 March 2023. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and a gold price of between \$1,675 and \$1,850 for 2023 and 2024. A copper price of \$8,500 per tonne has been used for 2023 and \$8,000 per tonne for 2024. 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 Group is currently building two new mines, Gilar and Zafar. These mines will require significant capital expenditure to bring into production. The Group estimates this capital expenditure will be around \$17 million to \$20 million in the 18 months to 30 June 2024. The Group is also incurring capital expenditure on maintaining its current operations and geological exploration. The base case cash flow shows that the Group is able to finance this expenditure from existing operating cash flow and current undrawn debt facilities.

Directors' report *continued*

year ended 31 December 2022

Going concern *continued*

The Group has access to local sources of both short and long-term finance and has an AZN55 million (\$32.3 million) revolving credit facility with International Bank of Azerbaijan which is available until 31 December 2030 with no conditions on drawdown. The Group is also utilising vendor financing for certain of its equipment purchases.

The majority of the restrictions imposed by the Government of Azerbaijan to combat the COVID-19 pandemic have now been lifted. The directors believe the COVID-19 pandemic is not now having any effect on the business.

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 25. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within the financial review on pages 33 to 37. In addition, note 24 to the Group financial statements below includes the Group's financial management risk objectives and details of its financial instrument exposures to credit risk and liquidity risk.

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

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 40 to 43 of this annual report.

Annual general meeting

The Company will hold its annual general meeting for 2023 on 22 June 2023. Notification of the meeting has been included on pages 104 to 107 of 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 30 December 2022 was 97.5 pence (31 December 2021: 112.5 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. The Company also uses social media to communicate with shareholders and has a dedicated LinkedIn account at <https://www.linkedin.com/company/anglo-asian-mining-plc/>.

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 (2021: \$5,000). Political donations of \$nil (2021: \$nil) were made.

Research and development

The Group incurred research and development costs in 2022 of \$130,000 (2021: \$121,000). 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 32 – ‘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 in the ordinary course of business. It is the Group’s policy that no trading in such financial instruments shall be undertaken. As part of the acquisition of its interest in Libero Copper & Gold Corporation (“Libero”), the Group made a forward purchase of shares in the year ended 31 December 2021. The Group also owns share warrants in Libero. These are both derivative transactions and further details are disclosed in note 17 – “Financial assets” to the Group financial statements. The main risks arising from the Group’s financial instruments are liquidity risk, credit risk, foreign exchange risk and interest rate risk. Further details are disclosed in note 24 – ‘Financial instruments’ to the Group financial statements.

By order of the board of directors



William Morgan

Company secretary

15 May 2023

Report on directors' remuneration

year ended 31 December 2022

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) payment for accommodation and other subsistence expenses.

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

The 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. Changes to the directors' remuneration in 2022 are set out in corporate governance section 10.2 – "Report of the remuneration committee".

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 2022	Consultancy \$	Fees \$	Benefits \$	Total \$
John Monhemius	5,362	51,436	—	56,798
John Sununu	—	74,211	—	74,211
Michael Sununu	—	51,613	—	51,613
Reza Vaziri	578,483	51,613	33,166	663,262
Khosrow Zamani	—	123,888	—	123,888
	583,845	352,761	33,166	969,772

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

Directors' fees and consultancy fees for 2021 and 2022 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 28 – 'Share-based payment' to the Group financial statements.

No director held or exercised any share options during the year ended 31 December 2022.

The Company's share price has ranged from 112.5 pence at 31 December 2021 to a high of 120.5 pence and a low of 62 pence during the year ended 31 December 2022 with a closing mid-market price of 97.5 pence at 30 December 2022.

By order of the board of directors



William Morgan

Company secretary

15 May 2023

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 International Accounting Standards. 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.

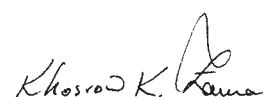
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may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

Non-executive chairman
15 May 2023

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 2022 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 2022 which comprise:

Group	Parent company
Group Income Statement for the year then ended	Company Statement of Financial Position as at 31 December 2022
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 2022	Related notes 1 to 17 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 33 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 for a period ending 30 June 2024.

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\$0.3m 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, the potential impact of climate change, changes in the business environment and 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.

The reporting components where we performed audit procedures accounted for 100% (2021: 100%) of the Group's Profit before tax, 100% (2021: 100%) of the Group's Revenue and 100% (2021: 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.

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 continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits Baku to meet with key finance personnel and with members of the Azerbaijan component team. During the current year's audit cycle, a visit was undertaken by the primary audit team to the component team in Baku. These visits involved the discussion of any audit findings and any issues arising from the audit work, meeting with local management, attending a closing meeting and reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component team where appropriate during various stages of the audit, reviewed relevant working papers and was 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.

Climate change

Stakeholders are increasingly interested in how climate change will impact Anglo Asian Mining. The Group has acknowledged the issue of the climate crisis, as well as other environmental matters, in the sustainability section of the strategic report. These disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements, specifically we considered the impact on commodity price assumption forecasts and how this affects the economic limit of the reserves over the forecast production period. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter.

Independent auditor's report *continued*

to the members of Anglo Asian Mining PLC

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 65 to 67); and Notes 14 and 15 of the Consolidated Financial Statements (page 81 to 85) At 31 December 2022 the carrying value of the Group's mining assets were: - Producing mines: US\$49.5m (2021: US\$52.5m). - Intangible assets: US\$38.6m (2021: US\$30.3m). 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 prior year, the Group only has one operating CGU. This is the Group's mines together with their associated common processing facilities. 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 2022, 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 2022 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 the exploration assets, 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 2022, 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 CGU, 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 including Gadabak and Gosha Contract areas; • We agreed the forecasts to the budget submitted to the Ministry of Ecology and Natural Resources; • We reconciled reserves volumes in the model to the independent JORC reserves report prepared by Mining Plus (adjusted for actual production). We assessed the competence, capabilities and objectivity of Mining Plus as a specialist engaged by management to audit the Group's reserves and resources. For Gilar, volumes were reconciled to the maiden non-JORC resources estimation published in March 2023; • 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; • 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; • We assessed the appropriateness of sensitivity disclosures included in the financial statements in light of our other audit procedures; and • We considered the impact of climate change and the energy transition on the assumptions used in the impairment assessment, including the impact on commodity price assumption forecasts and how this affects the economic limit of the reserves over the forecast production period. The audit procedures over this risk area were performed by a combination of 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\$0.3m (2021: US\$0.6m), which is 5% (2021: 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 2022 following the fall in operating results of the group.

We determined materiality for the Parent Company to be US\$0.1m (2021: US\$0.2m), which is 1.0% (2021: 0.9%) of Total Assets (2021: Total Assets).

During the course of our audit, we reassessed initial materiality for the Group and Parent Company, and as a result decreased the Group materiality from US\$0.6m to US\$0.3m. This was due to actual Profit before Tax being lower than initially forecasted during the planning phase of the audit.

Independent auditor's report *continued*

to the members of Anglo Asian Mining PLC

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% (2021: 50%) of our planning materiality, namely US\$0.2m (2021: US\$0.3m). 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\$0.1 to US\$0.3m (2021: US\$0.1m to US\$0.3m).

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\$17k (2021: US\$32k), 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 49, 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 49, 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.
- 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

15 May 2023

Group statement of income

year ended 31 December 2022

	Notes	2022 \$000	2021 \$000
Continuing operations			
Revenue	6	84,719	92,494
Cost of sales		(68,958)	(74,473)
Gross profit		15,761	18,021
Other operating income	7	420	228
Administrative expenses		(5,930)	(5,126)
Other operating expenses	7	(971)	(741)
Operating profit	8	9,280	12,382
Finance costs	10	(814)	(652)
Finance income		84	114
Other income	7	—	748
Other expense	7	(570)	—
Share of loss of an associate company	11	(476)	—
Profit before tax		7,504	12,592
Income tax expense	12	(3,844)	(5,231)
Profit attributable to the equity holders of the parent		3,660	7,361
Profit per share attributable to the equity holders of the parent			
Basic (US cents per share)	13	3.20	6.43
Diluted (US cents per share)	13	3.20	6.43

Group statement of comprehensive income

year ended 31 December 2022

	Notes	2022 \$000	2021 \$000
Profit for the year		3,660	7,361
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent years*:			
Exchange differences on translation of foreign associate company	11	(233)	—
Share of comprehensive profit of an associate company	11	8	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent year		(225)	—
Total comprehensive income for the year*		3,435	7,361

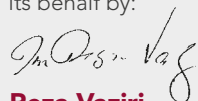
* These are gross amounts and the tax effect is \$nil.

Group statement of financial position

31 December 2022

	Notes	2022 \$000	2021 \$000
Non-current assets			
Intangible assets	14	38,616	30,347
Property, plant and equipment	15	56,045	58,710
Leased assets	16	2,363	3,066
Investment in an associate company	11	5,172	—
Non-current financial assets	17	39	2,777
Other receivables	18	—	185
		102,235	95,085
Current assets			
Inventory	19	40,202	36,912
Trade and other receivables	18	18,331	19,752
Other current financial assets	17	—	214
Cash and cash equivalents	20	20,410	37,453
		78,943	94,331
Total assets		181,178	189,416
Current liabilities			
Trade and other payables	21	(18,022)	(28,024)
Income tax payable		(46)	(3,061)
Lease liabilities	16	(419)	(403)
		(18,487)	(31,488)
Net current assets		60,456	62,843
Non-current liabilities			
Trade and other payables	21	(2,897)	—
Provision for rehabilitation	23	(16,006)	(11,922)
Lease liabilities	16	(2,289)	(2,890)
Deferred tax liability	12	(27,992)	(24,699)
		(49,184)	(39,511)
Total liabilities		(67,671)	(70,999)
Net assets		113,507	118,417
Equity			
Share capital	25	2,016	2,016
Share premium	26	33	33
Treasury shares	27	(145)	—
Share-based payment reserve	28	424	12
Merger reserve	25	46,206	46,206
Foreign currency translation reserve		(233)	—
Retained earnings		65,206	70,150
Total equity		113,507	118,417

The Group financial statements were approved by the board of directors and authorised for issue on 15 May 2023. They were signed on its behalf by:



Reza Vaziri

President and chief executive

Group statement of cash flows

year ended 31 December 2022

	Notes	2022 \$000	2021 \$000
Cash flows from operating activities			
Profit before tax		7,504	12,592
Adjustments to reconcile profit before tax to net cash flows:			
Finance costs	10	814	652
Finance income		(84)	(114)
Unrealised loss/(gain) on financial instruments		572	(749)
Gain on the modification of lease liabilities		(65)	—
Write down of unrecoverable inventory		108	—
Depreciation of owned assets	15	15,443	15,075
Depreciation of leased assets	16	540	523
Amortisation of mining rights and other intangible assets	14	1,131	1,206
Share-based payment expense	28	412	12
Share of loss of an associate company	11	476	—
Foreign exchange loss		317	72
Operating cash flow before movements in working capital		27,168	29,269
Increase in trade and other receivables		(5,933)	(381)
(Increase)/decrease in inventories		(3,399)	4,545
(Decrease)/increase in trade and other payable		(779)	1,274
Cash from operations		17,057	34,707
Income taxes paid		(3,566)	(8,682)
Net cash flow from operating activities		13,491	26,025
Cash flows from investing activities			
Expenditure on property, plant and equipment and mine development		(10,158)	(6,199)
Investment in exploration and evaluation assets including other intangible assets		(7,162)	(7,587)
Proceeds from sale of financial instruments		—	110
Purchase of financial instruments		—	(2,168)
Acquisition of an associate company	11	(3,491)	—
Interest received		—	114
Net cash used in investing activities		(20,811)	(15,730)
Cash flows from financing activities			
Purchase of treasury shares	27	(145)	—
Dividends paid	29	(8,612)	(10,918)
Interest paid – lease liabilities	16	(291)	(266)
Repayment of lease liabilities	16	(358)	(434)
Net cash used in financing activities		(9,406)	(11,618)
Net decrease in cash and cash equivalents		(16,726)	(1,323)
Net foreign exchange difference		(317)	(72)
Cash and cash equivalents at the beginning of the year	20	37,453	38,848
Cash and cash equivalents at the end of the year	20	20,410	37,453

Group statement of changes in equity

year ended 31 December 2022

	Notes	Share capital \$000	Share premium \$000	Treasury shares \$000	Share-based payment reserve \$000	Merger reserve \$000	Foreign currency translation reserve \$000	Retained earnings \$000	Total equity \$000
1 January 2021		2,016	33	—	—	46,206	—	73,707	121,962
Profit for the year		—	—	—	—	—	—	7,361	7,361
Cash dividends paid	29	—	—	—	—	—	—	(10,918)	(10,918)
Share-based payment	28	—	—	—	12	—	—	—	12
31 December 2021		2,016	33	—	12	46,206	—	70,150	118,417
Profit for the year		—	—	—	—	—	—	3,660	3,660
Other comprehensive loss for the year		—	—	—	—	—	(233)	8	(225)
Total comprehensive income for the year		—	—	—	—	—	(233)	3,668	3,435
Cash dividends paid	29	—	—	—	—	—	—	(8,612)	(8,612)
Share-based payment	28	—	—	—	412	—	—	—	412
Purchase of shares for treasury	27	—	—	(145)	—	—	—	—	(145)
31 December 2022		2,016	33	(145)	424	46,206	(233)	65,206	113,507

Notes to the Group financial statements

year ended 31 December 2022

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 108 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 30, 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 25 of this annual report.

2 Basis of preparation

The Group's annual report is for the year ended 31 December 2022 and includes the consolidated financial statements of the Group prepared in accordance with International accounting standards in accordance with UK-adopted International Accounting Standards.

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 44 to 47, 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 2024 (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 \$10.7 million (31 December 2022: \$20.4 million) and no bank debt at 31 March 2023. The directors have prepared a base case cash flow forecast that assumes production is consistent with the business plan and a gold price of between \$1,675 and \$1,850 for 2023 and 2024. A copper price of \$8,500 per tonne has been used for 2023 and \$8,000 per tonne for 2024. 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 Group is currently building two new mines, Gilar and Zafar. These mines will require significant capital expenditure to bring into production. The Group estimates this capital expenditure will be around \$17 million to \$20 million in the 18 months to 30 June 2024. The Group is also incurring capital expenditure on maintaining its current operations and geological exploration. The base case cash flow shows that the Group is able to finance this expenditure from existing operating cash flow and current undrawn debt facilities.

The Group has access to local sources of both short and long-term finance and has an AZN55 million (\$32.3 million) revolving credit facility with International Bank of Azerbaijan which is available until 31 December 2030 with no conditions on drawdown. The Group is also utilising vendor financing for certain of its equipment purchases.

The majority of the restrictions imposed by the Government of Azerbaijan to combat the COVID-19 pandemic have now been lifted. The directors believe the COVID-19 pandemic is not now having any effect on the business.

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 to 9, the president and chief executive's review on pages 10 to 11 and the strategic report on pages 12 to 25. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed within the financial review on pages 33 to 37. In addition, note 24 to the Group financial statements below includes the Group's financial management risk objectives and details of its financial instrument exposures to credit risk and liquidity risk.

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

3 Adoption of new and revised standards

3.1 New and amended standards and interpretations

The following standards and amendments were applicable for annual financial statements beginning on or after 1 January 2022:

- Amendments to IAS 37, IFRS 3, IAS 16, IFRS 1, IFRS 9 and IAS 41.

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

3 Adoption of new and revised standards continued

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

In May 2017, the IASB issued IFRS 17 'Insurance Contracts', a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

The Group is currently reviewing this standard, but believes it will have no impact as the Group does not issue insurance contracts.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current practice.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

There is no impact to the Group financial statements of the amendments.

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 2022. 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.

Notes to the Group financial statements *continued*

year ended 31 December 2022

4 Significant accounting policies *continued*

4.2 Revenue

The Group is principally engaged in the business of producing gold and silver bullion and copper and precious metal 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 4.13 for the accounting policies for financial assets and accounting policy 4.14 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. There are no advance payments received from the refiner, therefore, no conditional rights to consideration.

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 outset 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 18 – 'Trade and other receivables' for details of payment terms.

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

For gold and copper in concentrate (metal in concentrate) sales, delivery is made under a binding contract. Under the terms of the contract, the trade receivables generated are short term in nature. The performance obligation is the delivery of the concentrate to the customer.

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

4 Significant accounting policies continued

4.2 Revenue continued

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

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

For these provisional pricing arrangements, any future change that occur over the QP is an embedded derivative within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. The Group does not separately account for the embedded derivative in each transaction as the short transaction cycle of one to four months would result in any changes to the Group's financial statements being immaterial. Any difference between the provisional and final price is adjusted through revenue from contracts with customers. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments. See accounting policy 4.11 for further discussion on fair value. Refer to note 18 – 'Trade and other receivables' 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 4.10 – "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.

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.

Notes to the Group financial statements *continued*

year ended 31 December 2022

4 Significant accounting policies *continued*

4.3 Leases *continued*

i) *Group as a lessee* *continued*

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. Azerbaijan permits offset of an Azerbaijan 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.

Notes to the Group financial statements *continued*

year ended 31 December 2022

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 (2021: eight years)
- Plant and equipment – eight years (2021: eight years)
- Motor vehicles – four years (2021: four years)
- Office equipment – four years (2021: four years)
- Leasehold improvements – the lower of eight years (2021: 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, and therefore not depreciated separately, 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 and repair costs are expensed as incurred.

4.9 Investment in associate companies

The Group acquired an interest in an associate company in the year ended 31 December 2022. Accordingly, the Group has adopted the following accounting policy for associate companies from 1 January 2022:

An associate company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate company is accounted for using the equity method.

Under the equity method, the investment in an associate company is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate company since the acquisition date. Goodwill relating to the associate company, that existed at the initial recognition date, is included in the carrying amount of the investment and is not tested for impairment separately as subsequent goodwill is treated differently.

The statement of profit or loss reflects the Group's share of the results of operations of the associate company. Any change in other comprehensive income of those investees is presented as part of the Group's comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate company, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

The aggregate of the Group's share of profit or loss of the associate company is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate company.

The financial statements of the associate company are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

4 Significant accounting policies continued

4.9 Investment in associate companies continued

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate company. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate company is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate company and its carrying value, and then recognises the loss within 'Share of profit/loss of an associate company' in the statement of profit or loss.

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate company upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4.10 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.

4.11 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 18 – 'Trade and other receivables';
- Note 20 – 'Cash and cash equivalents';
- Note 17 – 'Financial assets'; and
- Note 21 – '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.

Notes to the Group financial statements *continued*

year ended 31 December 2022

4 Significant accounting policies *continued*

4.11 Fair value measurement *continued*

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.

4.12 Provisions

i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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.

4.13 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'.

4 Significant accounting policies continued

4.13 Financial instruments – initial recognition and subsequent measurement continued

a) Financial assets continued

i) Initial recognition and measurement continued

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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.

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 method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

iv) Financial assets at fair value through profit or loss

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

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

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

Notes to the Group financial statements *continued*

year ended 31 December 2022

4 Significant accounting policies *continued*

4.13 Financial instruments – initial recognition and subsequent measurement *continued*

a) Financial assets *continued*

iv) Financial assets at fair value through profit or loss *continued*

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 of 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.

vi) Impairment of financial assets

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

- Significant accounting judgements: accounting policy 4.22
- Trade and other receivables: accounting policy 4.14 and note 18

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 to the original Effective Interest Rate ("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.

4 Significant accounting policies continued

4.13 Financial instruments – initial recognition and subsequent measurement continued

a) Financial assets continued

vi) Impairment of financial assets continued

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.

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

Loans and borrowings and trade and other payables

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

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

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

iii) Derecognition of financial liabilities

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

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

c) Offsetting of financial instruments

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

d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

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

Notes to the Group financial statements *continued*

year ended 31 December 2022

4 Significant accounting policies *continued*

4.14 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.

4.15 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 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 cost and net realisable value. Ore stockpile costs consist of direct production costs (including mining, crushing and site administration costs) and allocated indirect costs (including depreciation, depletion and amortisation of producing mines and mining interests).

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

Finished goods consist of doré bars that have been refined and assayed and are in a form that allows them to be sold on international bullion markets and metal in concentrate. Finished goods are valued at the lower of 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 cost and replacement cost and, where appropriate, less a provision for obsolescence.

4.16 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.

4.17 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

4.18 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 Significant accounting policies continued

4.19 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.

4.20 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.

4.21 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.

The fair value of share options is calculated 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 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.

4.22 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 14)

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 14, 15 and 16)

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 15)

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.

Notes to the Group financial statements *continued*

year ended 31 December 2022

4 Significant accounting policies *continued*

4.22 Significant accounting judgements *continued*

iv) Leases (note 16)

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 31)

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 PSA contains an option to extend the Gedabek licence for a further ten years from March 2022, conditional upon satisfaction of certain requirements stipulated in the PSA, and the first of the two five-year extensions allowed under the PSA to March 2027 has been obtained. The directors have judged that the requirements to renew the licence for the second five-year extension from March 2027 to March 2032 will be satisfied. The Group depreciates each tangible fixed asset over its estimated useful life subject to no asset having a life extending beyond March 2032.

4.23 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 14, 15 and 16)

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 14 and 15)

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 19)

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

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

iv) Mine rehabilitation provision (note 23)

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

4 Significant accounting policies continued

4.23 Significant accounting estimates continued

v) Recovery of deferred tax assets (note 12)

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.

vi) Leases (note 16)

The implementation of IFRS 16 requires the Group to make 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.

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 Group's mining operations mainly comprise its producing assets, the Gedabek and Gadir mines and related exploration and development at its Gedabek mining concession. The majority of the Group's revenues and its cost of sales, depreciation and amortisation are generated at Gedabek.

The majority of the Group's exploration and all of its development and production activities are carried out by its wholly-owned subsidiaries in Azerbaijan. The Group's associate company, Libero Copper & Gold Corporation ("Libero") explores for minerals in North and South America. Libero has no revenue and is accounted for by the equity method. The Group's share of Libero's loss and its assets are disclosed in the Group statement of income and statement of financial position.

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.

	2022 \$000	2021 \$000
Gold within doré and gold bullion	62,258	71,175
Silver bullion	515	449
Gold and copper concentrate	21,946	20,870
	84,719	92,494

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 in 2022 and 2021 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 2022 and 2021 to Industrial Minerals SA, Trafigura PTE Ltd and Metal-Kim Metalurji Ve Kimya Tarim Sanayi Tic Ltd Sti.

Notes to the Group financial statements *continued*

year ended 31 December 2022

7 Other operating income and expenses and other income

	2022 \$000	2021 \$000
Other operating income		
Gain from insurance proceeds	—	52
Gain on the modifications of lease liabilities	65	—
Gain on cancellation of trade payables	—	176
Reversal of previously written off receivables	355	—
	420	228
Other operating expenses		
Transportation and refining costs	351	308
Foreign exchange loss	317	186
Advances and inventory written off	—	126
Research costs	303	121
	971	741
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
	—	748
Other expense		
Fair value loss on financial assets	570	—

8 Operating profit

	Notes	2022 \$000	2021 \$000
Operating profit is stated after charging:			
Depreciation on property, plant and equipment – owned	15	15,443	15,075
Depreciation on property, plant and equipment – right of use assets	16	540	523
Amortisation of mining rights and other intangible assets	14	1,131	1,206
Employee benefits and expenses	9	11,359	11,571
Foreign currency exchange net loss		317	186
Inventory expensed during the year		30,776	30,987
Fees payable to the Company's auditor for:			
The audit of the Group's annual accounts		243	191
The audit of the Group's subsidiaries pursuant to legislation		134	119
Audit related assurance services – half year review		3	3
Total audit services		380	313
Amounts paid to auditor for other services:			
Tax compliance services		10	10
Total non-audit services		10	10
Total		390	323

The audit fees for the parent company were \$160,000 (2021: \$148,000).

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:

	2022	2021
Management and administration	46	44
Exploration	61	57
Mine operations	838	817
	945	918

The aggregate payroll costs of these persons were as follows:

	2022 \$000	2021 \$000
Wages and salaries	10,154	10,158
Social security costs	2,250	2,094
Costs capitalised as exploration	(1,045)	(681)
	11,359	11,571

The Group does not make any contributions to either individual or collective staff pension plans.

Remuneration of key management personnel

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

	2022 \$	2021 \$
Short-term employee benefits	1,742,750	1,826,118

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 48.

10 Finance costs

	2022 \$000	2021 \$000
Finance charges on letters of credit	11	9
Interest expense on lease liabilities	291	266
Unwinding of discount on provisions	425	377
Interest on long-term creditor: geological data	87	—
	814	652

Notes to the Group financial statements *continued*

year ended 31 December 2022

11 Investment in an associate company

Libero Copper & Gold Corporation ("Libero") is a minerals exploration company listed on the TSX Venture Exchange (ticker: LBC) in Canada and owns, or has the right to acquire, several copper exploration properties in North and South America.

On 26 January 2022, the Group acquired a further 10 per cent. interest in Libero taking its total interest to 19.8 per cent. From this date, Libero is accounted for using the equity method of accounting in the Group's consolidated financial statements. The Group took the market value of its 9.8 per cent. holding (fair value), the cost of its additional 10 per cent. investment and the close out value of the forward contract established at 31 December 2021 as the acquisition cost of Libero as an associate company. Prior to 26 January 2022, the Group had a 9.8 per cent. interest in Libero and accounted for the investment as a financial asset. The Group's interest was subsequently reduced in the period to 19.6 per cent. following an issue of shares by Libero in which the Group did not participate. The Group made a further investment in August 2022 to acquire 2.9 million new shares at CAN 33 cents per share for a total consideration of CAN\$957,000 (\$748,000).

The Group has significant influence over Libero as it has a shareholding of approximately 20 per cent. in Libero, a Group director is also a director of Libero and the Group's Vice president, technical services is a member of the technical committee of Libero. The market value of the Libero shares held by the Group, which corresponds to their fair value, on 30 December 2022 was \$1,830,000. There are no restrictions on the ability of the Group to transfer funds to Libero and for Libero to transfer funds to the Group. The financial statements of Libero are made up to 31 December of each year. The financial information about Libero, included in these Group financial statements, has been taken from their audited financial statements for the year ended 31 December 2022 dated 25 April 2023.

The Group's interest in Libero at 31 December 2022 was 18.29 per cent. Libero carried out a placement of 6,747,000 shares on 30 December 2022. The Group subscribed for 2.6 million shares as part of this placement to maintain its interest in Libero at 19.8 per cent. The Group completed its placement on 8 January 2023. The Group's interest in Libero was therefore temporarily 18.29 per cent. in the period 31 December 2022 to 7 January 2023. The reduction in the Group's interest in Libero at 31 December 2022 of 1.5 per cent has been treated as part disposal of its investment. The following tables illustrates the summarised financial information of the Group's investment in Libero:

The goodwill and other assets of Libero at 31 December 2022 were assessed for impairment and no impairment charge was considered necessary.

Balance sheet of Libero at 31 December

	2022 \$000	2021 \$000
Current assets	338	3,184
Non-current assets	2,579	2,734
Current liabilities	(639)	(627)
Non-current liabilities	(139)	(88)
Equity	2,139	5,203

Reconciliation to carrying value in the Group balance sheet at 31 December 2022

	2022 \$000
Equity of Libero	2,139
Share based payment expense	(874)
Exploration expense	6,531
Equity recognised by the Group	7,796
Group's share in equity – 18.3 per cent. (2021: nil)	1,426
Goodwill	3,746
Group carrying value of associate company	5,172

11 Investment in an associate company continued**Profit and loss account of Libero for the year ended 31 December**

	2022 \$000	2021 \$000
Expenses	10,205	9,061
Other expenses/(income)	638	(579)
Loss before taxation	10,843	8,482
Taxation	(278)	(396)
Loss for the year	10,565	8,086
Other comprehensive income	(44)	(4)
Total comprehensive loss for the year	10,521	8,082

Libero has no revenue and all losses are from continuing operations.

Reconciliation to loss of associate in the Group profit and loss account

	2022 \$000
Loss for the year	10,565
Pre-acquisition loss to 25 January 2022	(659)
Exploration expense	(6,802)
Post acquisition loss for the year	3,104
Group's share of the loss at 19.6 and 19.8 per cent.	611
Profit on deemed disposal of 1.5 per cent. of Libero	(135)
Loss recognised as an associate	476

Reconciliation of the movement in associate company in the year ended 31 December 2022

	2022 \$000
1 January 2022	—
Transfer from other financial assets	2,382
Additions	3,491
Share of loss of the associate	(476)
Foreign exchange loss	(225)
31 December 2022	5,172

Libero had no contingent liabilities or capital commitments on 31 December 2022 and 2021. The Group had no contingent liabilities relating to Libero.

12 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 2022 were \$nil (2021: \$nil).

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

	2022 \$000	2021 \$000
Current income tax		
Current income tax charge	551	5,479
Deferred tax		
Charge/(benefit) relating to origination and reversal of temporary differences	3,293	(248)
Income tax charge for the year	3,844	5,231

Notes to the Group financial statements *continued*

year ended 31 December 2022

12 Taxation *continued*

Deferred income tax at 31 December relates to the following:

	Statement of financial position		Income statement	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Deferred income tax liability				
Property, plant and equipment – accelerated depreciation	(22,377)	(19,978)	(2,399)	(929)
Right of use assets – accelerated depreciation	(756)	(981)	225	(402)
Non-current prepayments	—	(59)	59	(59)
Trade and other receivables	(2,507)	(954)	(1,553)	(338)
Inventories	(11,426)	(10,374)	(1,052)	1,454
Deferred income tax liability	(37,066)	(32,346)		
Deferred income tax asset				
Trade and other payables and provisions*	3,085	2,778	307	62
Lease liabilities*	867	1,054	(187)	431
Asset retirement obligation*	5,122	3,815	1,307	29
Deferred income tax asset	9,074	7,647		
Deferred income tax benefit			(3,293)	248
Net deferred income tax liability	(27,992)	(24,699)		

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

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

	2022 \$000	2021 \$000
Profit before tax	7,504	12,592
Theoretical tax charge at statutory rate of 32 per cent. for RVIG*	2,401	4,029
Effects of different tax rates for certain Group entities (20 per cent.)	179	185
Tax effect of items which are not deductible or assessable for taxation purposes:		
Items not deductible or accessible	1,264	1,017
Income tax charge for the year	3,844	5,231

* 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 2022, the Group had unused tax losses available for offset against future profits of \$28,354,000 (2021: \$22,332,000). Unused tax losses in the Republic of Azerbaijan at 31 December 2022 were \$nil (2021: \$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.

13 Profit per share

The calculation of basic and diluted profit per share is based upon the retained profit for the financial year of \$3,660,000 (2021: \$7,361,000).

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 and treasury shares are as follows:

	2022	2021
Basic	114,335,175	114,392,024
Diluted	114,335,175	114,392,024

At 31 December 2022 there were no unexercised share options that could potentially dilute basic earnings per share (2021: nil).

14 Intangible assets

	Exploration and evaluation								
	Gedabek \$000	Gosha \$000	Ordubad \$000	Vejnaly \$000	Xarxar \$000	Garadag \$000	Mining rights \$000	Other intangible assets \$000	Total \$000
Cost									
1 January 2021	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
Additions	3,654	515	165	517	1,613	2,772	—	164	9,400
31 December 2022	21,010	2,713	6,106	517	1,613	2,772	41,925	726	77,382
Amortisation and impairment*									
1 January 2021	—	—	—	—	—	—	35,966	463	36,429
Charge for the year	—	—	—	—	—	—	1,176	30	1,206
31 December 2021	—	—	—	—	—	—	37,142	493	37,635
Charge for the year	—	—	—	—	—	—	1,107	24	1,131
31 December 2022	—	—	—	—	—	—	38,249	517	38,766
Net book value									
31 December 2021	17,356	2,198	5,941	—	—	—	4,783	69	30,347
31 December 2022	21,010	2,713	6,106	517	1,613	2,772	3,676	209	38,616

During the year the Company spent \$13,000 and \$23,000 respectively for obtaining geological data for the Demirli and Kyzylbulag contract areas. These contract areas are within the region controlled by the Russian peacekeeping force. These amounts are included in other intangible assets.

* 186,000 ounces of gold at 1 January 2022 were used to determine amortisation of producing mines, mining rights and other intangible assets (2021: 232,000 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 \$52,000 (2021: \$56,000) and an increase in amortisation of \$58,000 (2021: \$61,000) respectively.

Notes to the Group financial statements *continued*

year ended 31 December 2022

15 Property, plant and equipment

	Plant and equipment and motor vehicles \$000	Producing mines \$000	Assets under construction \$000	Total \$000
Cost				
1 January 2021	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
Additions	1,409	7,106	601	9,116
Transfer to producing mines	—	647	(647)	—
Increase in provision for rehabilitation	—	3,662	—	3,662
31 December 2022	28,590	236,330	2,181	267,101
Depreciation and impairment*				
1 January 2021	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
Charge for the year	1,002	14,441	—	15,443
31 December 2022	24,195	186,861	—	211,056
Net book value				
31 December 2021	3,988	52,495	2,227	58,710
31 December 2022	4,395	49,469	2,181	56,045

* 186,000 ounces of gold at 1 January 2022 were used to determine depreciation of producing mines, mining rights and other intangible assets (2021: 232,000 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 \$863,000 (2021: \$717,000) and an increase in depreciation of \$994,000 (2021: \$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 assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements based on the Group's strategic growth 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 2022

In the year ended 31 December 2022, 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	71.7
Carrying value of Mining Operations	(60.7)
Excess of carrying value over recoverable amount	11.0

As the recoverable amount of Mining Operations was in excess of its carrying value, no impairment charge was made during 2022.

15 Property, plant and equipment continued**Indication of impairment during the year ended 31 December 2022***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
- 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 2023 to 2028 ("Cash Flow Model"):

Gold: 219,000 ounces

Silver: 429,000 ounces

Copper: 38,861 tonnes

Estimated production volumes are based on the Group's forecasts contained within its Strategic Growth plan which was published by the Company on 30 March 2023. 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 JORC and non-JORC resource and reserves statements published by the Company for its Zafar and Gilar ore deposits. The detailed information on these reserves and resources can be found in the following Company announcements (a) "Increased Mineral Resource Estimate at Gilar" dated 21 March 2023 (b) "Zafar JORC Mineral Resource completed – 6.8 million tonnes of mineralisation with average copper grade of 0.50 per cent." dated 21 March 2022.

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:

Metal	Unit	Year						Average
		2023	2024	2025	2026	2027	2028	
Gold	\$/ounce	1,800	1,720	1,700	1,700	1,700	1,700	1,720
Silver	\$/ounce	21	21	21	21	21	21	21
Copper	\$/tonne	8,400	8,000	8,000	8,000	8,000	8,000	8,067

Discount rate

In calculating the recoverable amount, a nominal pre-tax discount rate of 10.27 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.

Operating and capital expenditure

Operating expenditures are based on actual costs and budgets. Capital expenditures are based on budgets and the Group's strategic growth plan.

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 \$15.7 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 \$15.7 million. It is estimated that a 10 per cent. increase in operating costs would result in an impairment of \$13.1 million.

Notes to the Group financial statements *continued*

year ended 31 December 2022

15 Property, plant and equipment *continued*

Indication of impairment during the year ended 31 December 2021

In the year ended 31 December 2021, 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	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.

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
- 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.

15 Property, plant and equipment continued**Indication of impairment during the year ended 31 December 2021 continued***Precious metal and copper prices*

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

Metal	Unit	Year				Average
		2022	2023	2024	2025	
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 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.

Capital commitments

The capital commitments by the Group have been disclosed in note 31.

16 Leases**Right of use assets**

	Plant and equipment and motor vehicles \$000	Land and building \$000	Total \$000
Cost			
1 January 2021	2,357	553	2,910
Additions	166	541	707
Lease modifications	957	116	1,073
31 December 2021	3,480	1,210	4,690
Additions	337	—	337
Lease modifications	(743)	(57)	(800)
31 December 2022	3,074	1,153	4,227
Depreciation			
1 January 2021	813	288	1,101
Charge for the year	410	113	523
31 December 2021	1,223	401	1,624
Charge for the year	386	154	540
Lease modifications	(264)	(36)	(300)
31 December 2022	1,345	519	1,864
Net book value			
31 December 2021	2,257	809	3,066
31 December 2022	1,729	634	2,363

Notes to the Group financial statements *continued*

year ended 31 December 2022

16 Leases *continued*

Lease liabilities

	2022 \$000	2021 \$000
1 January	3,293	1,947
Additions	337	707
Lease modifications	(565)	1,073
Interest expense	291	266
Repayment	(648)	(700)
31 December	2,708	3,293
Current liabilities	419	403
Non-current liabilities	2,289	2,890
	2,708	3,293

Amount recognised in the profit and loss account

	2022 \$000	2021 \$000
Depreciation expense of right of use assets	540	523
Gain on lease modifications	(65)	—
Interest expense	291	266
Expenses relating to short term leases	347	413
	1,113	1,202

The amount of future lease commitments for short-term leases at 31 December 2021 and 2022 are similar to the amounts expensed in 2021 and 2022 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.

17 Financial assets

	2022 \$000	2021 \$000
Non-current		
Derivatives not designated as hedging instruments		
Share warrants	39	384
Financial assets at fair value through profit or loss		
Listed equity investments	—	2,393
	39	2,777
Current		
Derivatives not designated as hedging instruments		
Forward contract for the purchase of shares	—	214

17 Financial assets continued**Derivatives not designated as hedging instruments***Share warrants*

Each of the 12,600,000 shares in total purchased in Libero Copper & Gold Corporation ("Libero") in December 2021 and January 2022 had a half warrant attached totalling 6,300,000 warrants. The 2,900,000 shares purchased in August 2022 had no warrants attached. The 6,300,000 share warrants held at 31 December 2022 (2021: 6,300,000) are 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:

Assumption	31 December 2022	31 December 2021
Share price of Libero	CAD\$0.16	CAD\$0.54
Option exercise price	CAD\$0.75	CAD\$0.75
Acceleration condition	CAD\$1.00	CAD\$1.00
Lapse date		
2,800,000 warrants issued 22 December 2021	21 December 2023	21 December 2023
3,500,000 warrants issued 26 January 2022	25 January 2024	Not applicable
Risk free rate	4.6 per cent.	0.51 per cent.
Expected volatility – daily	6.88 per cent.	7.64 per cent.
Expected volatility – annualised	109.26 per cent.	121.25 per cent.
Probability of regulatory approval	Not applicable	95 per cent.
Discount for lack of marketability	13.97 per cent.	15.36 per cent.
Exchange rate	US\$1 = CAD\$1.3549	US\$1 = CAD\$1.2634

Forward contract for the purchase of shares

In December 2021, the Group subscribed for 12,600,000 shares in 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 at 31 December 2021. The forward contract is measured at fair value at 31 December 2021. The carrying value of the forward contract of \$214,000 was added to the acquisition cost of the associate company following the acquisition of the 7,000,000 shares in January 2022.

Financial assets at fair value through profit or loss*Listed equity investments*

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 and Libero became an associate company of the Group (note 11 – 'Investment in an associate company').

Notes to the Group financial statements *continued*

year ended 31 December 2022

18 Trade and other receivables

Other receivables

	2022 \$000	2021 \$000
Non-current		
Advances for purchases	—	185
Trade receivables		
Current		
Gold held due to the Government of Azerbaijan	7,274	16,094
VAT refund due	1,562	390
Loan to employee*	510	—
Other tax receivable	1,038	182
Trade receivables – fair value**	2,716	718
Prepayments and advances	5,231	2,368
	18,331	19,752

* See note 32 – “Related party transactions”.

** 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 4.11 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 2021 or 2022.

The VAT refund due at 31 December 2022 and 2021 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 21 – ‘Trade and other payables’.

19 Inventory

	2022 \$000	2021 \$000
Current assets		
Cost		
Finished goods – bullion	2,243	2,001
Finished goods – metal in concentrate	1,128	1,079
Metal in circuit	12,140	12,026
Ore stockpiles	8,299	7,107
Spare parts and consumables	16,392	14,699
Total current inventories	40,202	36,912
Total inventories at the lower of cost and net realisable value	40,202	36,912

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.

20 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 2022 (including short-term cash deposits) comprised \$17,000 and \$20,393,000 respectively (2021: \$11,000 and \$37,442,000).

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

21 Trade and other payables

	2022 \$000	2021 \$000
Current		
Accruals and other payables	4,912	5,999
Trade creditors	3,311	3,629
Gold held due to the Government of Azerbaijan	7,274	16,094
Payable to the Government of Azerbaijan from copper concentrate joint sale	2,525	2,302
	18,022	28,024
Non-current		
Geological data	2,897	—

Trade creditors primarily comprise amounts outstanding for trade purchases and ongoing costs. Trade creditors are non-interest bearing and the creditor days were 33 (2021: 18). 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.

In the year ended 31 December 2022, the Group contracted with AzerGold CJSC to pay \$4.0 million for the historical geological data AzerGold CJSC owned in respect of the Garadag and Xarxar Contract Areas. The consideration was apportioned as \$3.3 million for Garadag data and \$0.7 million for Xarxar data. \$1.0 million (25 per cent.) was paid in 2022 with the remaining \$3.0 million (75 per cent.) payable after three years, or if earlier for each respective deposit, the balance of the purchase price on the approval of the Group's development and production programme for the deposit in accordance with the Group's Production Sharing Agreement. The amount outstanding under the contract at 31 December 2022 has been classified as a non-current liability. The long-term creditor has been discounted at a rate of 8 per cent. being the risk-free rate. The repayment dates of the creditor are the directors' best estimation of when repayment will occur. The undiscounted amount of the creditor at 31 December 2022 is \$3.0 million (2021: nil).

The \$1.0 million payment made in 2022 has been included in the Group cash flow statement as investment in exploration and evaluation assets. The full amount of \$4 million less the discount of \$0.7 million has been capitalised in the Group balance sheet as an intangible asset – exploration and evaluation.

Notes to the Group financial statements *continued*

year ended 31 December 2022

22 Changes in liabilities arising from financing activities

	2022			
	1 January \$000	Cash flows \$000	Other \$000	31 December \$000
Lease liabilities	3,293	(648)	63	2,708
Total liabilities from financing activities	3,293	(648)	63	2,708
	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

Other in 2021 results mainly from a change to the estimate of the life of the mine.

23 Provision for rehabilitation

	2022 \$000	2021 \$000
1 January	11,922	11,833
Additions	5,704	614
Accretion expense	425	377
Effect of passage of time and change in discount rate	(2,045)	(902)
31 December	16,006	11,922

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 2022 was \$24,235,000 (2021: \$15,883,000). The undiscounted liability was discounted using a risk-free rate of 5.99 per cent. (2021: 3.57 per cent.). Expenditures on restoration and rehabilitation works are expected between 2028 and 2030 (2021: between 2028 and 2030).

24 Financial instruments

Financial risk management objectives and policies

The Group's principal financial instruments at 31 December 2022 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 2022 and 2021 using the amounts of debt and other financial assets and liabilities held as at those reporting dates.

24 Financial instruments continued

Capital risk management

The capital structure of the Group at 31 December 2022 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 2022 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 2022 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 2022 and 2021.

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.

The table below summarises the maturity profile of the Group's financial liabilities based on their contractual payment amounts as disclosed in the Group balance sheet.

Year ended 31 December 2022

	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	—	105	314	2,289	—	2,708
Trade and other payables	—	18,022	—	2,897	—	20,919
	—	18,127	314	5,186	—	23,627

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

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.

Notes to the Group financial statements *continued*

year ended 31 December 2022

24 Financial instruments *continued*

Foreign currency risk

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

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

	Liabilities		Assets	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
UK Sterling	253	277	473	2
Azerbaijan Manats	9,503	7,448	2,300	1,474
Other	698	377	65	152

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 10.60 per cent., 10.60 per cent. and 0.14 per cent. (2021: 9 per cent., 9 per cent. and 20 per cent.) increase in and a 10.60 per cent., 10.60 per cent. and 0.14 per cent. (2021: 9 per cent., 9 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	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Increase – effect on profit before tax	(23)	23	10	1,171	67	20
Decrease – effect on profit before tax	23	(23)	(10)	(176)	(67)	(21)

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 2022 would result in a reduction in revenue of \$6.7 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 \$0.02 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 \$1.6 million and a 10 per cent. increase in copper price would have an equal and opposite effect.

25 Share capital and merger reserve

	2022		2021	
	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. 150,000 ordinary shares were bought back during the year ended 31 December 2022 and are now held in treasury (note 27 – 'Treasury shares').

25 Share capital and merger reserve continued

Share options

The Group has a share option scheme under which options to subscribe for the Company's shares are granted to certain executives and senior employees (note 28 – 'Share based payment').

Merger reserve

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

26 Share premium

	2022 \$000	2021 \$000
1 January and 31 December	33	33

27 Treasury shares

	2022		2021	
	Number	\$000	Number	\$000
1 January	—	—	—	—
Shares bought back during the year	150,000	145	—	—
31 December	150,000	145	—	—

The Company bought back the following ordinary shares in the year ended 31 December 2022:

Date of buyback	Number of shares	Price per share Pence	Total cost £	Total cost \$000
21 July 2022	50,000	81.75	40,875	49
10 August 2022	50,000	89.50	44,750	54
16 September 2022	50,000	73.00	36,500	42
	150,000	81.42*	122,125	145

* Average cost.

28 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:

	2022		2021	
	Number	WAEP Pence	Number	WAEP Pence
1 January	220,000	115	—	—
Granted during the year	160,000	111	220,000	115
Outstanding at 31 December	380,000	113	220,000	115
Exercisable at 31 December	110,000	115	—	—

The weighted average remaining contractual life of the share options outstanding at 31 December 2022 was 4.4 years (2021: 6 years) and their average exercise price was 113 pence.

On 2 February 2022, 160,000 share options were granted at a price of £1.11.

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 2022 of \$412,000 (2021: \$12,000).

Notes to the Group financial statements *continued*

year ended 31 December 2022

29 Distributions paid and proposed

	2022 \$000	2021 \$000
Cash dividends on ordinary shares declared and paid		
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
Final dividend for 2021: 3.5 US cents per share	3,995	—
Interim dividend for 2022: 4.0 US cents per share	4,617	—
	8,612	10,918
Proposed dividends on ordinary shares		
Final dividend for 2022: 4 US cents per share*	4,570	—

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
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 US cents per share	1.3662	3.2937
Final dividend for 2021: 3.5 US cents per share	1.1994	2.9181
Interim dividend for 2022: 4.0 US cents per share	1.1249	3.5559

* The proposed final dividend for the year ending 31 December 2022 is subject to approval by shareholders at the annual general meeting for 2023 at a rate to be announced. It has not been recognised as a liability in the Group statement of financial position at 31 December 2022.

30 Subsidiary undertakings and associate company

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 2022 are as follows:

Name	Country of incorporation*	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 2022.

The Company's associate company included in the Group financial statements at 31 December 2022 is as follows:

Name	Registered address	Primary place of business	Percentage of holding per cent.
Libero Copper & Gold Corporation	Suite 905 – 1111 West Hastings Vancouver, British Columbia Canada, V6E 2J3	The Americas	18.3

The associate company was acquired in the year ended 31 December 2022.

* See note 6 – “Subsidiaries” of notes to the Company financial statements for the registered address of the subsidiaries.

31 Contingencies and commitments

The Group undertakes its mining operations in the Republic of Azerbaijan pursuant to the provisions of an Agreement on the Exploration, Development and Production Sharing for Prospective Gold Mining Areas ("PSA"). The original agreement was dated 20 August 1997 and granted the Group mining rights over the following contract areas containing mineral deposits: Gedabek, Gosha, Ordubad Group (Piyazbashi, Agyurt, Shakardara, Kiliyaki), Soutely, Kyzilbulag and Vejnali. On 5 July 2022, amendments to the PSA were ratified by the Parliament of the Republic of Azerbaijan which granted the Group three new contract areas with a combined area of 882 square kilometres and relinquished the Soutely contract area. The parliamentary ratification was signed into law on 5 July 2022 by the President of the Republic of Azerbaijan.

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.

32 Related party transactions

Trading transactions

During the years ended 31 December 2021 and 2022, 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 48.
- b During the year ended 31 December 2022, total payments of \$3,533,000 (2021: \$715,000) were made for processing equipment and supplies purchased from Proses Muhendislik Danismanlik Inshaat ve Tasarim Anonim Sirket, an entity in which the vice president of technical services of Azerbaijan International Mining Company has a direct ownership interest.

At 31 December 2022 there is a payable in relation to the above related party transaction of \$250,000 (2021: \$157,000).

- c During the year ended 31 December 2022, total payments of \$1,609,000 (2021: \$1,489,000) 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 2022 there is not a payable in relation to the above related party transaction (2021: \$862,000).

- d On 30 June 2022, a loan of \$500,000 was made to the Vice President of technical services of Azerbaijan International Mining Company. The loan carries an interest rate of 4 per cent. and is repayable on 30 June 2023 with earlier repayment permissible. The loan is secured on the Anglo Asian Mining plc shares owned by the vice president of technical services of Azerbaijan International Mining Company. The loan was guaranteed by the president and chief executive officer of Anglo Asian Mining plc.

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

33 Subsequent events

Libero Copper & Gold Corporation ("Libero")

On 6 January 2023, the Company made its second follow-on investment in Libero by way of a subscription agreement. The subscription agreement was for 2,600,000 new shares at CAN 15 cents per share totalling CAN\$390,000 (\$289,000). The Company also acquired 2,600,000 warrants at CAN 22 cents per share. The shares were admitted to the TSXV following issue. Following the subscription, the Company held 18.1 million common shares in Libero, as well as a total of 2.6 million warrants exercisable at CAN 22 cents and 6.3 million warrants exercisable at CAN 75 cents per share. The investment maintained the Company's 19.8 per cent. shareholding in Libero.

On 17 February 2023, the Company made its third follow-on investment in Libero by way of a subscription agreement. The subscription agreement was for 3,200,000 new shares at CAN 15 cents per share totalling CAN\$480,000 (\$355,000). The Company also acquired 3,200,000 warrants at CAN 22 cents per share. The shares were admitted to the TSXV following issue. Following the subscription, the Company held 21.3 million common shares in Libero, as well as a total of 5.8 million warrants exercisable at CAN 22 cents and 6.3 million warrants exercisable at CAN 75 cents per share. The investment maintained the Company's 19.8 per cent. shareholding in Libero.

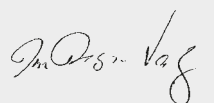
Company statement of financial position

31 December 2022

	Notes	2022 \$000	2021 \$000
Non-current assets			
Property, plant and equipment	3	113	122
Investments	4	1,325	1,325
Non-current financial assets	5	1,864	2,777
		3,302	4,224
Current assets			
Other receivables	7	1,051	105
Other current financial assets	5	—	214
Cash and cash equivalents	8	9,760	23,548
		10,811	23,867
Total assets		14,113	28,091
Current liabilities			
Trade and other payables	9	(10,991)	(20,324)
Net current (liabilities)/assets		(180)	3,543
Total liabilities		(10,991)	(20,324)
Net assets		3,122	7,767
Equity			
Share capital	11	2,016	2,016
Share premium	13	33	33
Treasury shares	14	(145)	—
Share-based payment reserve		142	7
Retained profit		1,076	5,711
Total equity		3,122	7,767

The profit dealt with in the financial statements of the Company is \$3,977,000 (2021: profit of \$9,266,000).

These Company financial statements were approved by the board of directors and authorised for issue on 15 May 2023. They were signed on its behalf by:



Reza Vaziri

President and chief executive

Company statement of changes in equity

year ended 31 December 2022

	Notes	Share capital \$000	Share premium \$000	Treasury shares \$000	Share-based payment reserve \$000	Retained profit \$000	Total equity \$000
1 January 2021		2,016	33	—	—	7,363	9,412
Profit for the year		—	—	—	—	9,266	9,266
Cash dividends paid	15	—	—	—	—	(10,918)	(10,918)
Share-based payment		—	—	—	7	—	7
31 December 2021		2,016	33	—	7	5,711	7,767
Profit for the year		—	—	—	—	3,977	3,977
Purchase of shares for treasury	14	—	—	(145)	—	—	(145)
Cash dividends paid	15	—	—	—	—	(8,612)	(8,612)
Share-based payment		—	—	—	135	—	135
31 December 2022		2,016	33	(145)	142	1,076	3,122

Notes to the Company financial statements

year ended 31 December 2022

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 15 May 2023.

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").

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 – Financial Instruments Disclosures;
- (b) the requirements of paragraphs 10(d), 16, 38A to 38D, 111 and 134 to 136 of IAS 1 – Presentation of Financial Statements;
- (c) the requirements of IAS 7 – Statement of Cash Flows;
- (d) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 – Share-based payments; and
- (e) the requirements of paragraphs 17 of IAS 24 – Related Party Disclosures.

Where relevant, equivalent disclosures have been given in the Group financial statements, included in this Annual Report.

The Company has applied the exemption from the requirement to publish a separate income statement for the parent company set out in section 408 of the Companies Act 2006.

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 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

2 Significant accounting policies continued

2.7 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 grant date of the equity-settled share-based payments is expensed to the profit and loss account 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.

The fair value of share options is calculated 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 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.

3 Property, plant and equipment

	Office equipment \$000
Cost	
1 January and 31 December 2021	382
Additions	19
31 December 2022	401
Depreciation	
1 January 2021	235
Charge for the year	25
31 December 2021	260
Charge for the year	28
31 December 2022	288
Net book value	
31 December 2021	122
31 December 2022	113

4 Investments

	2022 \$000	2021 \$000
Shares in subsidiary undertakings		
Anglo Asian Operations Limited	1,325	1,325

5 Other financial assets

	2022 \$000	2021 \$000
Non-current		
Derivatives not designated as hedging instruments		
Share warrants	39	384
Financial assets at fair value through profit or loss		
Listed equity investments	1,825	2,393
	1,864	2,777
Current		
Derivatives not designated as hedging instruments		
Forward contract for the purchase of shares	—	214

Notes to the Company financial statements *continued*

year ended 31 December 2022

5 Other financial assets *continued*

Derivatives not designated as hedging instruments

Share warrants

Each of the 12,600,000 shares in total purchased in Libero Copper & Gold Corporation ("Libero") in December 2021 and January 2022 had a half warrant attached totalling 6,300,000 warrants. The 2,900,000 shares purchased in August 2022 had no warrants attached. The 6,300,000 share warrants held at 31 December 2022 (2021: 6,300,000) are 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:

Assumption	31 December 2022	31 December 2021
Share price of Libero	CAD\$0.16	CAD\$0.54
Option exercise price	CAD\$0.75	CAD\$0.75
Acceleration condition	CAD\$1.00	CAD\$1.00
Lapse date		
2,800,000 warrants issued 22 December 2021	21 December 2023	21 December 2023
3,500,000 warrants issued 26 January 2022	25 January 2024	Not applicable
Risk free rate	4.6 per cent.	0.51 per cent.
Expected volatility – daily	6.88 per cent.	7.64 per cent.
Expected volatility – annualised	109.26 per cent.	121.25 per cent.
Probability of regulatory approval	Not applicable	95 per cent.
Discount for lack of marketability	13.97 per cent.	15.36 per cent.
Exchange rate	US\$1 = CAD\$1.3549	US\$1 = CAD\$1.2634

Forward contract for the purchase of shares

In December 2021, the Group subscribed for 12,600,000 shares in 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 at 31 December 2021. The forward contract is measured at fair value at 31 December 2021. The carrying value of the forward contract of \$214,000 was expensed to other expense following the acquisition of the 7,000,000 shares in January 2022.

Financial assets at fair value through profit or loss

Listed equity investments

At 31 December 2022, these were 15,500,000 (2021: 5,600,000) shares in Libero, a company which is listed on the Toronto Ventures Stock Exchange in Canada.

6 Subsidiaries

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

The Company's subsidiaries at 31 December 2022 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

6 Subsidiaries continued

Name	Registered office address	Primary activity
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 2022.

7 Other receivables

	2022 \$000	2021 \$000
Current assets		
Prepayments	103	90
Loan	510	—
Advances	—	15
VAT receivable from HMRC	438	—
	1,051	105

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

	2022 \$000	2021 \$000
Trade creditors	39	101
Accruals	184	132
PAYE and NI payable to HMRC	27	24
Amounts owed to subsidiary undertakings	10,741	20,067
	10,991	20,324

The amounts due to subsidiary undertakings are interest free and have no fixed date for repayment.

10 Deferred taxation

	2022 \$000	2021 \$000
The elements of unrecognised deferred taxation are as follows:		
Tax losses	28,354	22,332
Unrecognised deferred tax asset	5,671	4,466

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.

Notes to the Company financial statements *continued*

year ended 31 December 2022

11 Share capital

	2022		2021	
	Number	£	Number	£
Authorised				
Ordinary shares of 1 pence each	60,000,000	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. 150,000 ordinary shares were bought back during the year ended 31 December 2022, and are now held in treasury (see note 14 – “Treasury shares”).

12 Share-based payments

Equity-settled share option scheme

Details of the Company's equity-settled share option scheme are given in note 28 to the Group financial statements.

13 Share premium account

	2022 \$000	2021 \$000
1 January and 31 December	33	33

14 Treasury shares

	2022		2021	
	Number	\$000	Number	\$000
1 January	—	—	—	—
Shares bought back during the year	150,000	145	—	—
31 December	150,000	145	—	—

The Company bought back the following ordinary shares in the year ended 31 December 2022:

Date of buyback	Number of shares	Price per share Pence	Total cost £	Total cost \$000
21 July 2022	50,000	81.75	40,875	49
10 August 2022	50,000	89.50	44,750	54
16 September 2022	50,000	73.00	36,500	42
	150,000	81.42*	122,125	145

* Average cost.

15 Distributions paid and proposed

	2022 \$000	2021 \$000
Cash dividends on ordinary shares declared and paid		
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
Final dividend for 2021: 3.5 US cents per share	3,995	—
Interim dividend for 2022: 4.0 US cents per share	4,617	—
	8,612	10,918
Proposed dividends on ordinary shares		
Final dividend for 2022: 4 US cents per share*	4,570	—

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
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 US cents per share	1.3662	3.2937
Final dividend for 2021: 3.5 US cents per share	1.1994	2.9181
Interim dividend for 2022: 4.0 US cents per share	1.1249	3.5559

* The proposed final dividend for the year ending 31 December 2022 is subject to approval by shareholders at the annual general meeting for 2023 at a rate to be announced. It has not been recognised as a liability in the Group statement of financial position at 31 December 2022.

16 Subsequent events

Libero Copper & Gold Corporation ("Libero")

On 6 January 2023, the Company made its second follow-on investment in Libero by way of a subscription agreement. The subscription agreement was for 2,600,000 new shares at CAN 15 cents per share totalling CAN\$390,000 (\$289,000). The Company also acquired 2,600,000 warrants at CAN 22 cents per share. The shares were admitted to the TSXV following issue. Following the subscription, the Company held 18.1 million common shares in Libero, as well as a total of 2.6 million warrants exercisable at CAN 22 cents and 6.3 million warrants exercisable at CAN 75 cents per share. The investment maintained the Company's 19.8 per cent. shareholding in Libero.

On 17 February 2023, the Company made its third follow-on investment in Libero by way of a subscription agreement. The subscription agreement was for 3,200,000 new shares at CAN 15 cents per share totalling CAN\$480,000 (\$355,000). The Company also acquired 3,200,000 warrants at CAN 22 cents per share. The shares were admitted to the TSXV following issue. Following the subscription, the Company held 21.3 million common shares in Libero, as well as a total of 5.8 million warrants exercisable at CAN 22 cents and 6.3 million warrants exercisable at CAN 75 cents per share. The investment maintained the Company's 19.8 per cent. shareholding in Libero.

17 Auditor's remuneration

The Company paid \$160,000 (2021: \$148,000) 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

26 May 2023

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 2022 together with the attached notice of the annual general meeting to be held on 22 June 2023 (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 2023

The meeting will be held on 22 June 2023 at 11.00am at 33 St James's Square, London SW1Y 4JS. All shareholders are welcome to attend.

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 Michael Sununu 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 18 May 2023 (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 2024 (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.

Background to resolutions continued**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 2024 or, if earlier, at the close of business on 30 June 2024, 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 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.

The Company's waiver from the Panel on Takeovers and Mergers ("Takeover Panel") to buy back shares without a mandatory bid being made for the Company will expire at the conclusion of this year's AGM. This is because the permission which was obtained in 2022 only related to the buyback resolution taken at the AGM in that year. The directors do not intend to use the authority granted by the resolution proposed this year to buy back shares without first seeking the approval of its independent shareholders and the Takeover Panel through the appropriate "Whitewash" procedures.

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 22 June 2023 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 2022 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 Michael Sununu be re-elected as a director, having retired by rotation in accordance with the Company's articles of association.
- 4 THAT a dividend shall be declared of 4 US cents per issued share to the ordinary shareholders on the registrar of members on the 30 June 2023.
- 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 2024, 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 5 above) as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment (or, in the case of Treasury Shares, the sale or transfer) of equity securities:
 - (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange or otherwise; and
 - (b) otherwise than pursuant to sub-paragraph (a) of this resolution up to an aggregate nominal amount of £114,392†,
 and provided that this authority shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the Company's next annual general meeting or, if earlier, 30 June 2024 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 2024 or, if earlier, at the close of business on 30 June 2024, 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



William Morgan

Company Secretary
33 St James's Square
London SW1Y 4JS
United Kingdom
26 May 2023

* 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 11.00am 20 June 2023.
- 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 20 June 2023 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 20 June 2023 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 20 June 2023 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.

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