Independent Auditor's Report

To the Shareholders and Supervisory Board of AzerGold CJSC:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AzerGold CJSC (the "Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flow for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality	• Overall Company materiality: US dollars ("USD") 2.9 million, which represents 5% of profit before tax
Key audit matters	• Impairment of exploration and evaluation assets and intangible assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made

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subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	USD 2.9 million
How we determined it	5% of the Company's profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is a generally accepted benchmark for such a profit-oriented entity with a history of revenue increase through years. We chose 5%, which is consistent with quantitative materiality thresholds used for companies in this sector.

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of exploration and evaluation assets and intangible assets Refer to Note 4 "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 10 "Exploration and evaluation assets and Note 11 "Intangible assets." As disclosed in Note 10,the Company identifies eleven cash generating units (CGU): Chovdar Sulphide (CGU 1); Filizchay (CGU 2); Mazimchay (CGU 3); Goydagh (CGU 4); Aghyokhush (CGU 5); Tulallar (CGU 6); Mereh (CGU 7); Garadagh (CGU 8); Khar-khar (CGU 9); Narchala (CGU 10); Dashkesan Damir (CGU 11). The recoverable amount of each CGU is determined higher value in use and fair value less costs of disposal calculatior These calculations use cash flow projections based (geological studies produced by international minii consultants covering the life of mine for each mining area ai annual financial budgets approved by management. These CGUs are in pre-feasibility stage and expected decrease of metal prices in the market triggered the impairment test on the assets for those CGUs. As a result of the exploration and evaluation assets impairment assessment performed by the Company as at 31 December 2020, additional impairment charge was identified for Mazimchay (CGU 3); Garadagh (CGU 8); Khar-khar (CGU 9) and Narchala (CGU 10) in the amount of USD 6,3 million. Also, impairment loss on intangible assets was recognised for Fillizchay (CGU 2) in the amount of USD 11,1 million. Reversal of impairment charge was recognised as a result of the impairment assessment of Chovdar Sulphide (CGU 1) carried by the Company as at 31 December 2020 in the amount of USD 12,9 million. As at 31 December 2020, the accumulated impairment for exploration and evaluation assets is USD 7,6 million. Net impact on the statement of profit or loss and other comprehensive income from impairment charge of exploration and evaluation assets and intangible assets is USD 4,5 million loss. Considering the level of audit risk, significance of exploration and evaluation assets and intangible assets to the financial statements, complexity and high degree of judgements applied in the impairment assessment, as well as estimation uncertainty of the future exploration results, sensitivity of assumptions, including discount rate and growth rate, we considered impairment of exploration and evaluation assets and intangible assets as a key audit matter.	We obtained understanding of management's process for the assessment of the recoverable amount of exploration and evaluation assets. We obtained the cash flow model used by management for each CGU used to calculate the recoverable amount of assets. We checked the models and ensured that they are mathematically accurate. We compared the key inputs into the models with the geological studies produced by international mining consultants and no discrepancies were identified. PwC Valuation experts were involved in review the impairment models, assessment of reasonableness of discount rate calculation, verification of gold price and other macroeconomic assumptions with external sources. We discussed with management key assumptions used in the assessment, including tracing this information to external or Company's internal sources, where appropriate. As part of our procedures we have tested current year actual results and compared them with the figures included in the current year forecast to consider the reasonableness of the assumptions included in the forecasts. We have also checked management's key assumption for long term commodity prices by comparing it to spot prices and data produced by external source, Consensus Economics, as at the analysis date. Market data applied in the impairment models was appropriate. In addition, we re-performed calculation of discount rate. We have involved our internal valuation experts to assist us in assessing the accuracy and reasonableness of discount rate estimated by management of the Company. We also assessed the completeness and adequacy of the presentation and disclosures regarding the impairment testing performed.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines 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, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fahri Mustafayev.

PricewaterhouseCoopers Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan

20 August 2021

In thousands of US dollars	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property and equipment	9	21,210	20,056
Right-of-use assets	12	1,654	1,701
Exploration and evaluation assets	10	22,156	11,974
Intangible assets	11	44,856	45,484
Non-current prepayments	14	2,887	26
Deferred tax assets	25	943	2,112
Total non-current assets		**93,706**	**81,353**
Current assets			
Cash and cash equivalents	18	32,099	17,137
Prepayments	14	6,233	1,305
Trade and other receivables		-	10
Inventories	13	6,230	7,799
Other current assets	17	1,610	2,585
Total current assets		**46,172**	**28,836**
TOTAL ASSETS		**139,878**	**110,189**
EQUITY			
Share capital	19	21,765	7,179
Additional paid in capital	19	7,767	-
Retained earnings		68,603	20,393
TOTAL EQUITY		**98,135**	**27,572**
LIABILITIES			
Non-current liabilities			
Borrowings	20	20,429	36,989
Lease liabilities	12	1,197	1,326
Provision for rehabilitation	16	6,469	5,350
Total non-current liabilities		**28,095**	**43,665**
Current liabilities			
Trade and other payables	15	7,889	2,655
Current income tax payable	17	4,752	-
Lease liabilities	12	579	408
Borrowings	20	-	35,557
Other current liabilities	17	428	332
Total current liabilities		**13,648**	**38,952**
TOTAL LIABILITIES		**41,743**	**82,617**
TOTAL LIABILITIES AND EQUITY		**139,878**	**110,189**

Approved for issue and signed on 19 August 2021.

Azərbaycan Respublikası «AZERGOLD» Qapalı Səhmdar Cəmiyyəti
Azerbaijan Republic «AZERGOLD» Closed Joint-Stock Company

Ogtay Mammadov
Acting Chairman of the Executive Board

Zaur İsmayılov
Acting Head of Finance department

In thousands of US dollars	**Note**	**2020**	**2019**
Revenue from contracts with customers	21	110,204	86,168
Cost of sales	22	(36,699)	(55,707)
Gross profit		**73,505**	**30,461**
General and administrative expenses	23	(8,747)	(4,899)
Impairment of exploration and evaluation assets	10	(6,308)	(1,347)
Impairment gain/(loss) on intangible assets		1,829	(4,348)
Other operating expenses		(20)	(665)
Other expenses		(1,136)	(897)
Other income		700	553
Operating profit		**59,823**	**18,858**
Finance costs	24	(2,017)	(3,766)
Profit before income tax		**57,806**	**15,092**
Income tax expense	25	(9,596)	(2,646)
PROFIT FOR THE YEAR		**48,210**	**12,446**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**48,210**	**12,446**

In thousands of US dollars	**Note**	**Share capital**	**Additional paid in capital**	**Retained earnings**	**Total**
Balance at 1 January 2019		**1,297**	**-**	**7,947**	**9,244**
Total comprehensive income for 2019		-	-	12,446	12,446
Contribution to share capital		5,882	-	-	5,882
Balance at 31 December 2019		**7,179**	**-**	**20,393**	**27,572**
Contribution to share capital	19	14,586	-	-	14,586
Increase in additional paid in capital	19	-	7,767	-	7,767
Total comprehensive income for 2020		-	-	48,210	48,210
Balance at 31 December 2020		**21,765**	**7,767**	**68,603**	**98,135**

In thousands of US dollars	Note	2020	2019
Cash flows from operating activities			
Profit before income tax		57,806	15,092
Adjustments for:			
Interest expense	24	1,762	3,766
Depreciation and depletion of property and equipment	9	6,177	13,799
Depreciation of right of use asset	12	579	426
Amortization and depletion of intangible assets	11	2,571	11,982
Impairment of exploration and evaluation assets	10	6,308	1,347
Impairment of intangible assets	11	11,117	4,348
Reversal of previously impaired exploration rights	11	(12,946)	-
Unwinding of discount on rehabilitation provision	16	255	226
Net foreign exchange (gain)/loss		19	
Operating cash flows before working capital changes		**73,648**	**50,986**
Decrease in trade and other receivables		10	2
Increase in other current assets	17	(5,622)	(3,234)
Decrease in inventories	13	1,569	5,539
Increase in current prepayments	14	(4,928)	(781)
Increase in trade and other payables	15	5,379	89
Increase in other current liabilities	17	4,849	104
Changes in working capital		**74,905**	**52,705**
Income taxes paid		(1,176)	-
Net cash from operating activities		**73,729**	**52,705**
Cash flows from investing activities			
Expenditure on property and equipment and mine development	9	(9,473)	(13,909)
Investment in exploration and evaluation assets	10	(16,490)	(7,117)
Investment in other intangible assets	11	(114)	(89)
Net cash used in investing activities		**(26,077)**	**(21,115)**
Cash flows from financing activities			
Proceeds from issuance of shares	19	14,586	5,882
Proceeds from paid in capital	19	7,767	-
Proceeds from loans and borrowings	20	26,360.	-
Repayment of lease liabilities	12	(579)	(478)
Repayments of loans and borrowings	20	(78,420)	(21,081)
Interest paid		(2,382)	(3,482)
Net cash used in financing activities		**(32,668)**	**(19,159)**
Effect of exchange rate changes on cash and cash equivalents		(22)	(2)
Cash and cash equivalents at the beginning of the year	18	**17,137**	**4,708**
Cash and cash equivalents at the end of the year	18	**32,099**	**17,137**