Independent Auditor's Report

To the Shareholders and Supervisory Board of AzerGold CJSC

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AzerGold CJSC (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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.

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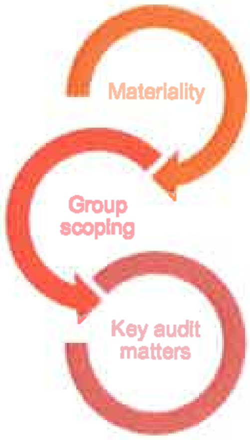
Our audit approach

Overview



- Overall Group materiality: USD 1,900,000, which represents 5% of profit before tax.

- We conducted audit work at the parent company of the Group – AzerGold CJSC. In respect of the other Group entities, we performed audit procedures over significant financial statements line items and analytical procedures.
- The Group engagement team visited the companies within the Group located in Baku and Dashkasan.
- Our audit scope addressed 100% of the Group's revenues and 99% of the Group's absolute value of underlying profit before tax.

Key audit matter

- Impairment of Property and Equipment, 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 consolidated financial statements. In particular, we considered where management made 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 Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated 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 consolidated financial statements as a whole.

Overall Group materiality	USD 1,900,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Property and Equipment, Exploration and evaluation assets and intangible assets Refer to Note 4 - "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 9 – Property and Equipment, Note 10 - "Exploration and evaluation assets" and Note 11 - "Intangible assets." As disclosed in Note 10, the Group identifies eleven cash generating units (CGU): Chovdar Integrated (CGU 1); Filizchay (CGU 2); Mazimchay (CGU 3); Goydagh (CGU 4); Garadagh (CGU 5); Khar-khar (CGU 6); Narchala (CGU 7); Dashkasan Damir (CGU 8); Daghkesemen (CGU 9); Nerimanlar (CGU 10); Peydere (CGU 11). Management assesses whether there is an indication that a CGU may be impaired at the end of each reporting period. Management applies significant judgment in assessing whether indicators of impairment exist for a CGU which would necessitate impairment testing. Internal and external factors considered by management include commodity prices, foreign exchange rates, capital and production cost forecasts, reserve and resource quantities and discount rates. When impairment indicators exist, management estimates the recoverable amount of the CGU and compares it against the CGU's carrying amount. The recoverable amount of each CGU is determined as the higher of value in use and fair value less costs of disposal calculations. These calculations use cash flow projections based on geological studies produced by international mining consultants covering the life of mine for each mining area and annual financial budgets approved by management. As a result of the exploration and evaluation assets impairment assessment performed by the Group as at 31 December 2021, additional impairment charge was identified for Mazimchay (CGU 3), Goydagh (CGU 4), Narchala (CGU 7), Daghkesemen (CGU 9), Nerimanlar (CGU 10), Peydere (CGU 11) in the amount of USD 6,034 thousand. Also, impairment loss was recognised	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. We engaged our valuation experts to review the impairment models, assessment of reasonableness of discount rate calculation, verification of metal price and other macroeconomic assumptions with external sources. We discussed with management the key assumptions used in the assessment, including tracing this information to external or Group's internal sources, where appropriate. As part of our procedures, we have tested the current year actual results and compared them with the figures included in the forecasts to consider the reasonableness of the assumptions included in the forecasts. We have also checked the management's key assumption for long-term commodity prices by comparing it to spot prices and data produced by external sources. We also assessed the completeness and adequacy of the presentation and disclosures regarding the impairment testing performed.

Key audit matter	How our audit addressed the key audit matter
for Chovdar Integrated (CGU 1) in the amount of USD 14,249 thousand. Impairment loss on Chovdar Integrated (CGU 1) was allocated on intangible assets in the amount of USD 5,926 thousand, on property and equipment in the amount of USD 7,286 thousand and on exploration and evaluation assets in the amount of USD 1,037 thousand) Impairment loss on other property and equipment is USD 963 thousand. Reversal of prior periods impairment charge for intangible assets was recognised as a result of the impairment assessment of Filizchay (CGU 2) carried by the Group as at 31 December 2021 in the amount of USD 11,117 thousand. Net impact on the statement of profit or loss and other comprehensive income from impairment charge of exploration and evaluation assets, property and equipment and intangible assets is USD 10,129 thousand 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 judgement 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 to be a key audit matter.	

How we tailored our Group audit scope

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

We identified AzerGold CJSC as a significant component of the Group and the remaining entities as insignificant components. We conducted an audit of the significant component's financial information and performed audit procedures on individual significant financial statement line items and analytical procedures for insignificant components.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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

26 October 2022

In thousands of US Dollars	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property and equipment	9	43,577	21,210
Right-of-use assets	12	1,396	1,654
Exploration and evaluation assets	10	18,987	22,156
Intangible assets	11	44,044	44,856
Non-current prepayments	14	6,121	2,887
Deferred tax assets	25	197	943
Total non-current assets		**114,322**	**93,706**
Current assets			
Cash and cash equivalents	18	56,974	32,099
Prepayments	14	3,890	6,233
Trade and other receivables		135	-
Inventories	13	20,683	6,230
Other current assets	17	4,918	1,610
Total current assets		**86,600**	**46,172**
TOTAL ASSETS		**200,922**	**139,878**
EQUITY			
Share capital	19	36,471	21,765
Additional paid-in capital	19	33,003	7,767
Retained earnings		89,260	68,603
Equity attributable to the Company's owners		**158,734**	**98,135**
Non-controlling interest	27	**1,075**	-
TOTAL EQUITY		**159,809**	**98,135**
LIABILITIES			
Non-current liabilities			
Borrowings	20	20,291	20,429
Lease liabilities	12	737	1,197
Provision for rehabilitation of mine	16	8,958	6,469
Total non-current liabilities		**29,986**	**28,095**
Current liabilities			
Trade and other payables	15	7,810	7,889
Current income tax payable		807	4,752
Lease liabilities	12	781	579
Deferred income		600	-
Other current liabilities	17	1,129	428
Total current liabilities		**11,127**	**13,648**
TOTAL LIABILITIES		**41,113**	**41,743**
TOTAL LIABILITIES AND EQUITY		**200,922**	**139,878**

Approved for issue and signed on 25 october 2022.

Ogtay Mammadov
Authorised signatory of Chairman
of the Executive Board

Zaur Ismayilov

Acting Head of Finance department

The accompanying notes on pages 5 to 42 are an integral part of these financial statements.

In thousands of US Dollars	Note	2021	2020
Revenue from contracts with customers	21	112,074	110,204
Cost of sales	22	(51,700)	(36,699)
Gross profit		**60,374**	**73,505**
General and administrative expenses	23	(13,361)	(9,903)
Impairment of exploration and evaluation assets	10	(7,071)	(6,308)
Impairment (loss)/gain on intangible assets and property and equipment	9,11	(3,058)	1,829
Other income		2,976	700
Operating profit		**39,860**	**59,823**
Finance costs	24	(1,000)	(2,017)
Profit before income tax		**38,860**	**57,806**
Income tax expense	25	(9,458)	(9,596)
PROFIT FOR THE YEAR		**29,402**	**48,210**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29,402**	**48,210**
Profit is attributable to:			
- Owners of the Group		29,481	48,210
- Non-controlling interest	27	(79)	-
Profit for the year		**29,402**	**48,210**
Total comprehensive income is attributable to:			
- Owners of the Group		29,481	48,210
- Non-controlling interest	27	(79)	-
Total comprehensive income for the year		**29,402**	**48,210**

In thousands of US Dollars	Note	Attributable to owners of the Group Share capital	Additional paid-in capital	Retained earnings	Total	Non-controlling interest	Total Equity
Balance at 1 January 2020		**7,179**	**-**	**20,393**	**27,572**	**-**	**27,572**
Profit for the year		-	-	48,210	48,210	-	48,210
Total comprehensive income for 2020		-	-	48,210	48,210	-	48,210
Contribution to share capital	19	14,586	-	-	14,586	-	14,586
Increase in additional paid-in capital	19	-	7,767	-	7,767	-	7,767
Balance at 31 December 2020		**21,765**	**7,767**	**68,603**	**98,135**	**-**	**98,135**
Increase in additional paid-in capital	19	-	31,118	-	31,118	-	31,118
Contribution to share capital	19	14,706	(5,882)	(8,824)	-	1,154	1,154
Profit/(loss) for the year		-	-	29,481	29,481	(79)	29,402
Total comprehensive income for 2021		-	-	29,481	29,481	(79)	29,402
Balance at 31 December 2021		**36,471**	**33,003**	**89,260**	**158,734**	**1,075**	**159,809**

In thousands of US Dollars	Note	2021	2020
Cash flows from operating activities			
Profit before income tax		38,860	57,806
Adjustments for:			
Interest expense	24	735	1,762
Depreciation and depletion of property and equipment	9	11,923	6,177
Depreciation of right-of-use asset	12	694	579
Amortization and depletion of intangible assets	11	6,246	2,571
Impairment of exploration and evaluation assets	10	7,071	6,308
Impairment of property, plant and equipment	9	8,249	-
Impairment of intangible assets	11	5,926	11,117
Reversal of previously impaired exploration rights	11	(11,117)	(12,946)
Unwinding of discount on rehabilitation provision	16	265	255
Net foreign exchange (gain)/loss		38	19
Operating cash flows before working capital changes		**68,890**	**73,648**
Increase/(Decrease) in trade and other receivables		(135)	10
Increase in other current assets	17	(3,308)	(5,622)
Increase/(Decrease) in inventories	13	(14,453)	1,569
Decrease/(Increase) in current prepayments	14	2,343	(4,928)
Decrease/(Increase) in trade and other payables	15	(79)	5,379
Increase in deferred income		600	-
Increase in other current liabilities	17	701	4,849
Changes in working capital		**(14,331)**	**1,257**
Income taxes paid		(10,353)	(1,176)
Net cash from operating activities		**44,206**	**73,729**
Cash flows from investing activities			
Expenditure on property and equipment and mine development	9	(28,749)	(9,473)
Non-current prepayments		(3,234)	-
Investment in exploration and evaluation assets	10	(17,588)	(16,490)
Investment in other intangible assets	11	(243)	(114)
Net cash used in investing activities		**(49,814)**	**(26,077)**
Cash flows from financing activities			
Contributions to share capital	19	1,154	14,586
Additional paid-in capital	19	31,118	7,767
Proceeds from loans and borrowings	20	-	26,360
Repayment of lease liabilities	12	(765)	(579)
Repayments of loans and borrowings	20	-	(78,420)
Interest paid		(1,000)	(2,382)
Net cash from / (used in) financing activities		**30,507**	**(32,668)**
Effect of exchange rate changes on cash and cash equivalents		(24)	(22)
Cash and cash equivalents at the beginning of the year	18	**32,099**	**17,137**
Cash and cash equivalents at the end of the year	18	**56,974**	**32,099**