

Anglo Asian Mining plc
Interim results to 30 June 2014

Anglo Asian Mining plc (“Anglo Asian” or the “Company”), the AIM listed gold, copper and silver producer focused in Azerbaijan, is pleased to announce its interim results for the six months ended 30 June 2014 (‘H1 2014’).

Operational overview

- Improved H1 2014 production figures from flagship Gedabek gold, silver and copper mine in Azerbaijan from agitation and heap leaching and SART processing:
 - Gold production of 27,054 ounces (H1 2013: 17,497 ounces)
 - Silver production of 21,924 ounces (H1 2013: 10,661 ounces)
 - Copper concentrate production of 646 dry metric tonnes (“dmt”) (H1 2013: 285 dmt)
- Improved gold, silver and copper sales achieved during H1 2014:
 - Gold sales of 23,545 ounces at an average of US\$1,297 per ounce (H1 2013: 14,229 ounces at an average of US\$1,561 per ounce)
 - Copper concentrate sales of 567 dmt (H1 2013: 772 dmt)
- Produced gold (including the Government of Azerbaijan's share) at an average cash operating cost of US\$1,014 per ounce of gold (H1 2013: US\$564)
- Increased cost of sales at US\$33.5 million include full six months costs of operating the agitation leach plant (H1 2013: US\$18.3 million)
- Gosha resource, 50 kilometres from Gedabek, successfully brought into production with ore processed at Gedabek mining operation to increase Anglo Asian’s production profile – targeted to contribute 2,500 ounces of gold in 2014
- Production target for the year ending 31 December 2014 (“FY 2014”) from Gedabek and Gosha is expected to be circa 62,000 ounces. This is at the lower end of the previously announced target range for Anglo Asian and depends upon maintaining the improved production seen in the quarter ended 30 June 2014 (“Q2 2014”)
- SART copper processing plant performing well with a production target of 750 tonnes of copper for FY 2014
- Progress made with exploration and development of Gedabek to increase the life of mine:
 - Discovered a high grade gold zone, named ‘Gadit’, 400 metres north of the Gedabek operating mine area
 - 29 per cent. increase in JORC compliant resource at Gedabek to 1,449,537 ounces in the Measured and Indicated categories

Financial overview

- Revenue of US\$32.7 million (H1 2013: US\$27.6 million)
- Cost of sales of US\$33.5 million include full six months of costs of operating the agitation leach plant (H1 2013: US\$18.3 million)
- Gross loss of US\$0.8 million (H1 2013: gross profit of US\$9.3 million)
- Loss before tax of US\$7.5 million (H1 2013: profit before tax of US\$4.2 million)
- Average cash operating cost per ounce of gold of US\$1,014 (H1 2013: US\$564)
- Operating cash flow before movements in working capital of US\$2.1 million (H1 2013: US\$10.5 million)
- Net debt of US\$46.1 million at 30 June 2014 (H1 2013: US\$46.4 million) calculated as total of interest bearing loan liabilities and other borrowings (gross amount before amortisation) less cash and cash equivalents
- Cash position of US\$5.0 million as at 30 June 2014 (H1 2013: US\$0.3 million)

Chairman's statement

This year, the Company has been primarily focused on developing our flagship Gedabek gold, copper and silver mine ('Gedabek') in western Azerbaijan. Following a difficult start to the year, with slower than anticipated production in Q1 2014 and higher than expected operating costs, we are now making progress to ensure the growth of Gedabek production and in turn of Anglo Asian as a leading gold production company in Caucasia.

We have a solid portfolio of projects at various stages of development which most notably include Gedabek, which produced 27,054 ounces of gold in H1 2014, and a second gold resource, Gosha, only 50 kilometres away from Gedabek. Gosha is in the early stages of being brought into production with its ore now beginning to be processed at Gedabek. We also have a third gold exploration project, Ordubad, also in Azerbaijan.

With our portfolio, it remains our strategy to continue to further optimise gold production at Gedabek to enable production levels of circa 62,000 ounces for FY 2014, and to extend the life of mine of Gedabek through defined work programmes aimed to increase the reserve and resource base. These currently stand at 744,038 ounces and 1,449,537 ounces of gold, respectively. We will also continue to explore and develop the Gosha resource area to ramp up its contribution to Gedabek; and to continue to build a significant precious metal mining company in Azerbaijan.

It must be noted that this has been a difficult period for gold companies globally with the effects still being felt of the substantial reduction in the gold price experienced in 2013. This

reduction in gold price, coupled with the slow start to the year for Anglo Asian, has impacted both revenues and profitability for H1 2014. Whilst we achieved solid revenues of US\$32.7 million, we are disappointed to report a loss before tax of US\$7.5 million for the period. Nonetheless, we are now seeing steady production at Gedabek and with our second gold resource, Gosha, due to contribute approximately 2,500 ounces to Gedabek's production this year, we believe the second half of the year will be more robust than the first. As such, we remain positive about the future.

Gedabek

Gedabek is located in western Azerbaijan on the mineralised Tethyan Tectonic Belt, one of the world's significant copper and gold bearing belts, and is an open pit, agitation leaching and heap leach operation. Gold production for 2014 has significantly increased year-on-year at Gedabek from 17,497 ounces in H1 2013 to 27,054 ounces in H1 2014. This increase in gold production can be mostly attributed to the commissioning of the new agitation leaching plant in June last year. In line with our mining plan, since the beginning of 2014, our agitation leaching plant has continued to process and produce the majority of the gold and silver at Gedabek, being supported by heap leach processing. Of the 27,054 ounces of gold produced, 19,446 was produced from the agitation leaching plant and 7,608 ounces from the heap leach processing.

In H1 2014, we sold 23,545 ounces of gold at an average of US\$1,297 per oz. The difference between gold produced and gold sales for H1 2014 is firstly due to the Government of Azerbaijan taking title to 12.75 per cent. of all metals produced as required by the Production Sharing Agreement and secondly, the time lag from production to sales.

As mentioned in our two quarterly operations updates this year, whilst the new agitation leaching plant helped increase our gold recoveries and production potential at Gedabek, there are continuing problems with low recovery of gold from our high copper sulphide ore, which is often associated with deeper mining. This has led to increased cash costs in H1 2014 and accordingly we adapted the agitation leaching plant and fitted a Knelson concentrator in March 2014 to help with recoveries. The Company is exploring a number of further options to overcome the low recoveries and high cyanide usage resulting from the high copper sulphide content of the ore. As a result of the lower than expected recoveries, which are continuing longer than expected, the Company is now trending towards the lower end of its previous FY 2014 production target, which is now expected to be circa 62,000 ounces. We will update the market accordingly on developments.

At Gedabek, we process the majority of our ore in our agitation leaching plant due to higher gold recoveries and we process lower grade ore not suitable for agitation leaching using heap

leach to best utilise the capacity at Gedabek. During H1 2014, we processed 312,159 tonnes of ore with an average gold content of 2.70 grammes per tonne at our agitation leaching plant and 272,713 tonnes of ore with a gold content of 1.17 grammes per tonne at our heap leaching operation. Of that, 9,009 tonnes of ore with an average grade of 3.54 grammes per tonne of gold from Gosha was processed at Gedabek's agitation leaching plant during the first half of the year. In terms of recovery, we achieved a 73.5 per cent. gold recovery for agitation and 66.0 per cent. for heap leach. We are continuing to work on improving the recoveries in our agitation leach plant. Our original design targets for recovery were 70.0 per cent. for heap leach and 85.0 per cent. for the agitation leach plant.

For the year ending 31 December 2014, with increased gold production from Gedabek and with Gosha continuing to contribute, we remain confident that production will increase in H2 2014 and our full year production target is expected to be circa 62,000 ounces. This is at the lower end of the previously announced target range of 62,000 – 67,000 ounces and depends upon us maintaining the improved production of Q2 2014.

Whilst gold is our primary product from Gedabek, we also produce silver from both our agitation and heap leaching operations. We also have a significant copper and silver contribution to our production profile from our SART processing operation, which produces a copper sulphide concentrate, which also contains silver. Silver production for H1 2014 totalled 21,924 ounces. From our SART processing, our copper concentrate production totalled 646 dry metric tonnes for H1 2014. The SART operation has been performing well throughout the year and our production target remains at 750 tonnes of copper for FY 2014. In May 2014, we successfully secured a three year exclusive sales contract with Industrial Minerals SA, Switzerland. During H1 2014 we sold 567 dry metric tonnes of copper sulphide concentrate.

Whilst improving the production capabilities and containing costs remain a pivotal part of any mining operation's success, continuing to devote resources to structured exploration and development campaigns remains very important to increase the life of the mine and to discover new prospective areas to add additional ounces to the resources and reserves.

We were therefore delighted to report that an active exploration and development programme resulted in the discovery of a new high-grade gold area at Gedabek in January 2014. The new target called Gadit is approximately 400 metres north of the main Gedabek resource zone. During a 3,000 metre drill programme in this area, core hole AIMCDD-106 had a 1 metre interception of 101 grammes per tonne of gold from 313 metres to 314 metres and drill hole AIMCDD-107 had a 1 metre interception at 207.1 grammes per tonne of gold from 248 metres to 249 metres. Additional gold interceptions of significance included 6 metres of 7 grammes per tonne gold from 277 metres to 283 metres, 10 metres of 3.04 grammes per tonne

gold from 302 metres to 312 metres and 2 metres of 2.82 grammes per tonnes gold from 325 metres to 327 metres. We believe the apparent high grade nature of this significant new discovery has the potential to enhance our ability to optimise the reprocessing of spent heap leach tailings through the agitation leach plant by blending.

Further exploration has been conducted in Q2 2014 to determine how much additional resource will be available to extend the mine life at Gedabek and to assist in the optimisation of drill-hole targets. In July 2014, we were delighted to announce a 29 per cent. increase in our Measured and Indicated JORC compliant resource estimate to 1,449,537 ounces of gold at Gedabek. Mine planning is now underway for an updated calculation of the reserve base which currently stands at around 744,000 and we plan to issue an updated JORC report during Q4 2014.

Gosha

In tandem with developments at Gedabek, we remain committed to advancing our second gold resource at Gosha. Due to the proximity of Gosha to Gedabek, the gold ore produced at Gosha will be processed at our agitation leaching plant at Gedabek. Progress is already being made at Gosha and we are pleased to report that 10,678 tonnes of ore had been mined during H1 2014 with 10,579 tonnes at an average grade of 3.39 grammes per tonne sent to Gedabek for processing and we expect that Gosha will contribute approximately 2,500 ounces to the Company's gold production for FY 2014.

Ordubad

Our 462 square kilometre Ordubad Contract Area is located in the Nakhchivan Autonomous Republic of Azerbaijan and contains numerous targets which are all located within a 5 kilometre radius of each other. Development at Ordubad forms part of our longer-term development portfolio as a mid-tier gold, copper and silver mining company.

Financial overview

Revenue of US\$32.7 million was generated from the sale of Anglo Asian's share of its production of doré bars and copper concentrate in the six months to 30 June 2014. Doré sales were US\$30.6 million which comprised 23,545 ounces of gold and 5,317 ounces of silver at an average price of US\$1,297 and US\$20 per ounce respectively. Sales of copper concentrate were US\$2.1 million.

Cost of sales for the six months ended 30 June 2014 were US\$33.5 million compared to US\$18.3 million in 2013. The increase in cost of sales for 2014 mainly arose as a result of

higher processing costs following commissioning of the agitation leaching plant in June 2013 and increased prices for fuel. Stripping costs of US\$5.4 million were capitalised in the six months to 30 June 2014. Exploration and evaluation expenditure was incurred of US\$0.5 million which was capitalised.

Administrative expenses for the six months ended 30 June 2014 were US\$3.6 million. Administrative expenses comprise the cost of the Company's office in Baku, directors and other administrative staff salaries, professional fees and the cost of maintaining the Company's admission to trading on the AIM market of the London Stock Exchange plc.

The finance costs for the six months ended 30 June 2014 of US\$2.8 million comprise interest on loans of US\$2.4 million, and interest on letters of credit and accretion expense on the rehabilitation provision of US\$0.4 million. There were no borrowing costs capitalised in the six months to 30 June 2014.

The income tax credit for the six months ended 30 June 2014 of US\$0.6 million was a deferred taxation credit in respect of the Azerbaijan operations. The Company's Azerbaijan operations are expected to incur tax losses for the year ending 31 December 2014.

Capital expenditure of US\$7.1 million mainly comprised capitalised deferred stripping costs of US\$5.4 million; Gosha mine development of US\$0.6 million and the cost of the Knelson concentrator which was US\$0.4 million.

The Company had US\$5.0 million cash on hand and total gross borrowings of US\$51.1 million resulting in net debt of US\$46.1 million at 30 June 2014. The borrowings consist of Amsterdam Trade Bank ("ATB") US\$37.0 million; International Bank of Azerbaijan ("IBA") US\$12.3 million and Atlas Copco vendor financing of Euros1.4 million (US\$1.8 million). Total debt at 30 June 2014 at amortised cost was US\$50.8 million. The ATB loan has a debt service cover ratio ("DSCR") covenant of 1.25. For the 6 months to 30 June 2014, a waiver was obtained reducing the DSCR to 1.1 and the actual ratio for the period was 2.9. The Company has unutilised credit facilities at 30 June 2014 of US\$0.8 million from IBA and US\$1.0 million from YapiKredi Bank Azerbaijan.

The Group reports in US dollars and a substantial proportion of its business is conducted in either US dollars or the Azerbaijan Manat ("AZN") which has been stable at AZN1 equaling approximately US\$1.27 during the period 1 January 2013 to 30 June 2014. In addition, the Company's revenues and the majority of its interest bearing debt are denominated in US dollars. The Company believes it does not have any significant exposure to foreign exchange fluctuations although the situation is kept under review.

Management

We are pleased to report that we have recently strengthened the management team of Anglo Asian. Metin Demir has joined as Director of Operations at Gedabek. Metin has over 20 years' operational experience in the mining business in progressively senior positions. Bill Morgan has also joined as our new Chief Financial Officer. Bill has over 30 years financial management experience with 12 of those years in the gold mining industry in Russia and the former Soviet Union. Additionally, Tarkan Yazici has also recently joined as Health, Safety and Environmental Manager.

Corporate and social responsibility

Our health, safety, social and environmental record remains highly important to us and we continue our efforts and to devote more resources to this area of our operations. We are therefore pleased to report that no significant accidents or incidents were reported in the period under review. However, our efforts to improve this vital area will be sustained with the aim of achieving the highest international standards.

Various initiatives were undertaken during the period under review including implementing a system to calculate and report the standard industry indicator for safety of lost time injuries ("LTIs") compared to hours worked, implementing reporting to ensure all safety issues are properly followed up and provision of improved safety signage at our mine sites.

Outlook

This has been a difficult period for the Company and despite robust production for the half year for gold, copper and silver, we were disappointed to report a loss. However, H2 2014 is looking more positive with production at Gedabek now stable at levels higher than seen at the start of the year and further actions are underway to optimise the agitation leach plant and reduce costs. As a result, we believe that the second half of the year will be more robust than the first half and we expect to report production for the full year of circa 62,000 ounces of gold and 750 tonnes of copper.

Finally, I would like to take this opportunity to thank my fellow directors, employees and our Anglo Asian shareholders for their continued support during the year and look forward to reporting on our Q3 2014 Gedabek production figures in October 2014.

Khosrow Zamani

Non-executive Chairman

22 September 2014

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Condensed consolidated income statement

Six months ended 30 June 2014

	Notes	6 months to 30 June 2014 (unaudited) US\$000	6 months to 30 June 2013 (unaudited) US\$000
Revenue		32,706	27,622
Cost of sales		(33,538)	(18,287)
Gross (loss) / profit		(832)	9,335
Other income		20	119
Administrative expenses		(3,555)	(3,281)
Other operating expense		(366)	(1,354)
Operating (loss) / profit		(4,733)	4,819
Finance income		7	-
Finance costs		(2,750)	(649)
(Loss) / profit before tax		(7,476)	4,170
Income tax	3	586	(372)
(Loss) / profit after tax		(6,890)	3,798
(Loss) / earnings per share for the period attributable to the equity holders of the parent			
		(6,890)	3,798
Basic (US cents per share)	4	(6.17)	3.41
Diluted (US cents per share)	4	(6.17)	3.38

Condensed consolidated statement of comprehensive income

Six months ended 30 June 2014

	6 months to 30 June 2014 (unaudited) US\$000	6 months to 30 June 2013 (unaudited) US\$000
(Loss) / profit for the period	(6,890)	3,798
Total comprehensive (loss) / profit for the period	(6,890)	3,798
Attributable to the equity holders of the parent	(6,890)	3,798

Condensed consolidated statement of financial position

	Notes	30 June 2014 (unaudited) US\$000	30 June 2013 (unaudited) US\$000	31 December 2013 (audited) US\$000
Non-current assets				
Intangible assets	5	20,472	22,103	21,157
Property, plant and equipment	6	116,976	108,570	115,634
Inventories	9	1,483	2,708	3,314
Prepayments	7	183	905	352
		139,114	134,286	140,457
Current assets				
Trade receivables and other assets	8	12,038	8,236	7,901
Inventories	9	29,333	42,070	28,742
Cash and cash equivalents		5,042	339	5,489
		46,413	50,645	42,132
Total assets		185,527	184,931	182,589
Current liabilities				
Trade and other payables	10	(17,368)	(12,672)	(7,061)
Interest bearing loans and borrowings	11	(9,000)	(331)	(2,031)
		(26,368)	(13,003)	(9,092)
Net current assets		20,045	37,642	33,040
Non-current liabilities				
Provision for rehabilitation		(7,591)	(5,641)	(7,357)
Interest bearing loans and borrowings	11	(41,800)	(46,365)	(48,990)
Deferred tax liability		(19,814)	(19,717)	(20,400)
		(69,205)	(71,723)	(76,747)
Total liabilities		(95,573)	(84,726)	(85,839)

Net assets		89,954	100,205	96,750
Equity				
Share capital	12	1,978	1,973	1,973
Share premium		32,246	32,173	32,173
Share-based payment reserve		676	770	735
Merger reserve		46,206	46,206	46,206
Retained earnings		8,848	19,083	15,663
Total equity		89,954	100,205	96,750

30 June 2014

Condensed consolidated cash flow statement

Six months ended 30 June 2014

	Notes	6 months to 30 June 2014 (unaudited) US\$000	6 months to 30 June 2013 (unaudited) US\$000
Net cash inflow generated from operating activities	13	9,412	4,753
Investing activities			
Expenditure on property, plant and equipment and mine development		(7,069)	(20,315)
Investment in exploration and evaluation assets including other intangible assets	5	(182)	(211)
Interest received		7	-
Net cash used in investing activities		(7,244)	(20,526)
Financing activities			
Proceeds from issue of shares		28	-
Proceeds from borrowings		3,028	17,945
Repayment of borrowings		(3,301)	(1,821)
Interest paid		(2,370)	(2,423)
Net cash (used in) / generated by financing activities		(2,615)	13,701
Net decrease in cash and cash equivalents		(447)	(2,072)
Cash and cash equivalents at beginning of period		5,489	2,411
Cash and cash equivalents at end of period		5,042	339

Condensed consolidated statement of changes in equity

Six months ended 30 June 2014

	Share	Share	Share-based payment	Merger	Retained	Total
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	capital US\$000	premium US\$000	reserve US\$000	reserve US\$000	earnings US\$000	equity US\$000
1 January 2014	1,973	32,173	735	46,206	15,663	96,750
Total comprehensive loss	—	—	—	—	(6,890)	(6,890)
Shares issued in lieu of cash	5	73	—	—	—	78
Options exercised during the period	—	—	(28)	—	28	—
Options forfeited during the period	—	—	(47)	—	47	—
Share based payment charge for the period	—	—	16	—	—	16
30 June 2014	1,978	32,246	676	46,206	8,848	89,954

Six months ended 30 June 2013

	Share capital US\$000	Share premium US\$000	Share-based payment reserve US\$000	Merger reserve US\$000	Retained earnings US\$000	Total equity US\$000
1 January 2013	1,973	32,173	733	46,206	15,285	96,370
Total comprehensive income	—	—	—	—	3,798	3,798
Share based payment charge for the period	—	—	37	—	—	37
30 June 2013	1,973	32,173	770	46,206	19,083	100,205

Notes to the condensed financial statements

1 Basis of preparation

The condensed consolidated financial statements of Anglo Asian Mining PLC and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 18 September 2014.

Anglo Asian Mining PLC (the "Company") is a limited liability company, incorporated and operating in England, whose ordinary shares are traded on the AIM market of the London Stock Exchange plc. The Group's principal activity is building a portfolio of mining operations within Azerbaijan.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board. The information for the half year ended 30 June 2014 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2013 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of an emphasis of matter and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated financial statements have not been audited.

The principal accounting policies adopted are consistent with those adopted in the annual accounts to 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014

- IFRS 10, IFRS 12 and IAS 27: Investment Entities (Amendments)
- IAS 32: Offsetting Financial Assets and Liabilities (Amendments)
- IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
- IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (Amendments)
- IFRIC 21: Levies

The adoption of these amendments has no impact on Group earnings or equity in the current or prior periods.

The preparation of financial information in conformity with International Financial Reporting Standards as adopted by EU (IFRS) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates.

The directors have prepared the condensed consolidated financial statements on a going concern basis after reviewing the Group's cash position for the period to 31 December 2015 and satisfying themselves the Group will have sufficient funds on hand to realise their assets and meet their obligations as and when they fall due. In making this assessment, the directors have acknowledged the challenging and uncertain market in which the Group is operating. The price of gold remains depressed and the outlook remains challenging and uncertain. Key to achieving the Group's forecast cash position, and therefore its going concern assumption, is achieving forecast production and gold price assumptions. Should there be a moderate and sustained decrease in either the production or gold price assumptions, significant doubt would be cast over the Group's short term cash position.

2 Operating segments

The Group determines and presents 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 that makes the strategic decisions. The board of directors currently considers the business from a consolidated perspective and reviews the business based on the operating and exploration assets of the Group.

Based on how the business is reviewed, the Group has two segments: mining operations and exploration sites. Both segments are located within the Republic of Azerbaijan. The mining operations segment comprises the Group's producing assets, Gedabek and Gosha, which account for all the Group's revenues, cost of sales and depreciation and amortisation.

All sales of gold and silver bullions are made to one customer, the Group's gold refinery, MKS Finance SA, based in Switzerland. Copper concentrate is sold to two customers: Industrial Minerals SA. and Glencore International AG.

Condensed consolidated income statement by operating segment 6 months ended 30 June 2014

	Mining operations US\$000	Exploration sites US\$000	Other & corporate US\$000	Total US\$000
Revenue	32,706	-	-	32,706
Cost of sales	(33,538)	-	-	(33,538)
Gross loss	(832)	-	-	(832)
Other income	-	-	20	20
Administrative expenses	(89)	-	(3,466)	(3,555)
Other operating expense	(230)	-	(136)	(366)
Operating loss	(1,151)	-	(3,582)	(4,733)
Finance income	-	-	7	7

Finance costs	(2,750)	-	-	(2,750)
Loss before tax	(3,901)	-	(3,575)	(7,476)
Income tax	21	(59)	624	586
Loss per share for the period attributable to the equity holders of the parent	(3,880)	(59)	(2,951)	(6,890)

**Condensed consolidated balance sheet by operating segment
30 June 2014**

Total assets	181,384	3,087	1,056	185,527
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Liabilities are reviewed on a consolidated basis and are therefore not reported separately.

3 Income tax

Income tax credit during the period represents the change in deferred tax liability during the period incurred by the RV Investment Group Services LLC (a wholly owned subsidiary of the Company) representative office registered in Azerbaijan.

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 is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liability decreased during the period due to increase in temporary differences from increase of unused tax losses during the period.

At the balance sheet date, the Group has unused tax losses within the Company and a subsidiary (Anglo Asian Operations Limited) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Unused tax losses may be carried forward indefinitely.

4 (Loss) / earnings per ordinary share

6 months to 30 June 2014 (unaudited) US\$000	6 months to 30 June 2013 (unaudited) US\$000
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(Loss) / earnings per ordinary share		
(Loss) / profit for the period	(6,890)	3,798
Basic (loss) / earnings per share (US cents)	(6.17)	3.41
Diluted (loss) / earnings per share (US cents)	(6.17)	3.38

	Number	Number
Weighted average number of shares		
For basic earnings per share	111,652,120	111,397,307
For diluted earnings per share	111,652,120	112,281,370

5 Intangible assets

Exploration and evaluation assets

	Ordubad US\$000
Cost	
1 January 2013	2,684
Additions	220
31 December 2013	2,904
Additions	182
30 June 2014	3,086

Mining rights and other intangible assets

	Mining rights US\$000	Other intangible assets US\$000	Total US\$000
Cost			
1 January 2013	41,925	673	42,598
Additions	-	87	87
Reclassification	-	(292)	(292)
31 December 2013 and 30 June 2014	41,925	468	42,393

Amortization and impairment

1 January 2013	(22,260)	(193)	(22,453)
Charge for the year	(1,648)	(39)	(1,687)
31 December 2013	(23,908)	(232)	(24,140)
Charge for the period	(855)	(12)	(867)
30 June 2014	(24,763)	(244)	(25,007)
Carrying amount			
31 December 2013	18,017	236	18,253
30 June 2014	17,162	224	17,386

6 Property, plant and equipment

Temporary buildings US\$000	Plant and equipment US\$000	Producing mines US\$000	Motor Vehicles US\$000	Office equipment US\$000	Leasehold improvements US\$000	Assets under construction US\$000	Total US\$000
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Cost								
1 January 2013	324	8,472	74,738	979	2,806	455	39,072	126,846
Capitalisation of interest	-	-	-	-	-	-	1,894	1,894
Additions	-	5,680	4,506	21	539	48	23,032	33,826
Transfer to producing mines	-	-	53,244	-	-	-	(53,244)	-
Transfer from evaluation and exploration assets	-	-	292	-	-	-	-	292
Increase in provision for rehabilitation	-	-	2,428	-	-	-	-	2,428
31 December 2013	324	14,152	135,208	1,000	3,345	503	10,754	165,286
Additions	-	30	6,378	48	134	-	617	7,207
Transfer to producing mines	-	-	11,243	-	-	-	(11,243)	-
30 June 2014	324	14,182	152,829	1,048	3,479	503	128	172,493
Depreciation and impairment								
1 January 2013	(269)	(4,097)	(32,064)	(620)	(1,508)	(411)	-	(38,969)
Charge for year	(30)	(1,284)	(8,968)	(129)	(267)	(5)	-	(10,683)
31 December 2013	(299)	(5,381)	(41,032)	(749)	(1,775)	(416)	-	(49,652)
Charge for period	(8)	(945)	(4,640)	(68)	(196)	(8)	-	(5,865)
30 June 2014	(307)	(6,326)	(45,672)	(817)	(1,971)	(424)	-	(55,517)
Carrying amount								
31 December 2013	25	8,771	94,176	251	1,570	87	10,754	115,634
30 June 2014	17	7,856	107,157	231	1,508	79	128	116,976

7 Non-current prepayments

Non-current prepayments represent outstanding advances made to suppliers for fixed asset purchases. US\$183,000 (31 December 2013: US\$352,000). Advance payments were made to suppliers for equipment purchases for Gedabek and Gosha mining properties.

8 Trade receivables and other assets

	30 June 2014 (unaudited) US\$000	31 December 2013 (audited) US\$000
Gold bullion held and transferable to the Government to satisfy obligations	6,296	1,414
VAT refund due	269	792
Other tax receivable	651	456
Trade receivables	112	169
Prepayments and advances	3,733	4,093
Advance payment for profit tax	977	977
	12,038	7,901

The carrying amount of trade and other receivables approximates the fair value.

The VAT refunds due at 30 June 2014 and 31 December 2013 relate to VAT paid on purchases.

The gold bullion receivable on behalf of the Government of Azerbaijan relates to bullion held in the account of the Group for which the Government of Azerbaijan is the beneficial holder. 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 of Azerbaijan as per the Government's request. A corresponding liability to the Government of Azerbaijan is included in trade and other payables (see note 10).

In accordance with the terms of the production sharing agreement, the Group is paying profit tax in advance on a quarterly basis. The advance payment for profit tax represents the amount paid in excess of actual profit tax liability incurred during the year ended 31 December 2013.

The Group does not consider any trade and other receivables as past due or impaired.

9 Inventories

Cost

	30 June 2014 (unaudited) US\$000	31 December 2013 (audited) US\$000
Current inventories		
Finished goods – bullion	1,858	1,845
Finished goods – metal in concentrate	340	471
Metal in circuit	10,851	13,034
Ore stockpiles	6,275	4,579
Spare parts and consumables	10,009	8,813
Total current inventories	29,333	28,742
Non-current inventories		
Ore stockpiles	1,483	3,314
Total inventories	30,816	32,056

Current ore stockpiles consist of high-grade and low-grade oxide ore that are expected to be processed during the 12 months subsequent to 30 June 2014.

Non-current ore stockpiles consist of low-grade oxide ore and high-grade sulphide ore that are expected to be processed more than 12 months after the 30 June 2014.

During the 6 months to 30 June 2014, the Group wrote-off US\$nil (30 June 2013: US\$698,000) of the accumulated balance of unrecoverable wet copper concentrate product.

Inventory is recognised at lower of cost or net realisable value.

10 Trade and other payables

The increase in trade and other payables from US\$7,061,000 at 31 December 2013 to US\$17,368,000 at 30 June 2014 includes an increase of US\$4,882,000 in gold bullion held and transferrable to the Government of Azerbaijan to satisfy obligations. A corresponding receivable from the Government of Azerbaijan is included in trade receivables and other assets (see note 8).

11 Interest-bearing loans and borrowings

Amortised cost

	30 June 2014 (unaudited) US\$000	31 December 2013 (audited) US\$000
Loans from International Bank of Azerbaijan	12,216	11,501
Loans from Amsterdam Trade Bank	36,739	36,696
Loans from Atlas Copco	1,845	2,824
Total interest bearing loans and borrowings	50,800	51,021
Loans repayable in less than one year	9,000	2,031
Loans repayable in more than one year	41,800	48,990

Total interest bearing loans and borrowings	50,800	51,021
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Loans from the International Bank of Azerbaijan (“IBA”) carry an interest rate of 12 per cent. per annum. There is no penalty for early repayment on any of the loans from IBA. The balance of the loan with IBA for plant construction is US\$11,595,000 as of 30 June 2014 (31 December 2013: US\$11,595,000). In addition, the Group has obtained a credit line facility from IBA in the amount of US\$1,500,000 in May 2014, which was partially used with an amount outstanding at 30 June 2014 of US\$706,000. The credit line was provided at an annual interest rate of 12 per cent. for six months and was fully repaid on 17 July 2014.

The loan payable to Amsterdam Trade Bank (“ATB”) obtained for refinancing the loan from IBA in 2013 was US\$37,000,000 as at 30 June 2014. Interest rate per the agreement with ATB is 8.25 per cent. per annum plus three months LIBOR rate. According to the terms of the loan agreement with ATB, the loan principal repayments start 16 months subsequent to loan principal drawdown. Starting December 2013, the Group’s cash proceeds from gold sales have been credited to the Company’s current account at ATB. The amount of cash held on current account at ATB comprised US\$4,230,000 as of 30 June 2014 (31 December 2013: US\$765,000). According to the terms of the pledge agreement signed with ATB, the Group has pledged to ATB its present and future rights and claims against MKS Finance SA, the sole buyer of the Group’s gold doré until termination of the loan agreement.

The Group obtained a US\$1,025,000 short-term loan from YapiKredi Bank at an annual interest rate of 16 per cent. on 9 January 2014 and fully repaid it on 21 January 2014.

The Group obtained a US\$640,000 short-term loan from YapiKredi Bank at an annual interest rate of 16 per cent. on 18 March 2014 and fully repaid it on 14 May 2014.

The Company repaid US\$961,000 to Atlas Copco during the first half of 2014 and the balance at 30 June 2014 was US\$1,845,000.

Total interest accrued on interest bearing loans during the period was US\$2,403,000 (30 June 2013: US\$2,424,000).

12 Share capital

	shares	US\$000
Ordinary shares issued and fully paid:		
1 January and 31 December 2013	111,397,307	1,973
Exercise of stock options	150,000	3
Shares issued in lieu of cash payment	136,665	2
30 June 2014	111,683,972	1,978

13 Cash flow statement

	6 months to 30 June 2014 (unaudited) US\$000	6 months to 30 June 2013 (unaudited) US\$000
(Loss) / profit before tax	(7,476)	4,170
Adjustments for:		
Finance income	(7)	-
Finance costs	2,750	649
Depreciation of property, plant and equipment	5,865	4,364
Amortisation of mining rights and other intangible assets	867	624
Decrease in rehabilitation provision	-	(48)
Write down of unrecoverable inventory	-	698
Share-based payment expense	66	37
Operating cash flow before movements in working capital	2,065	10,494
Decrease in trade and other receivables	745	4,103

Decrease / (increase in inventories)	1,240	(9,047)
Increase in trade and other payables	5,362	3
<i>Cash generated from operations</i>	9,412	5,553
Income tax paid	-	(800)
<i>Net cash generated from operating activities</i>	9,412	4,753

14 Contingencies and commitments

The Group undertakes its mining operations in the Republic of Azerbaijan pursuant to the provisions of the agreement on the exploration, development and production sharing for the prospective gold mining areas: Gedabek, Gosha, Ordubad Group (Piazbashi, Agyurt, Shakardara, Kiliyaki), Soutely, Kyzilbulag and Vejnali deposits dated 20 August 1997 (the "PSA"). The PSA contains various provisions relating to the obligations of the R.V. Investment Group Services LLC ("RVIG"), a wholly owned subsidiary of the Company, with regards to the exploration and development programme, preparation and timely submission of reports to the Government, compliance with environmental and ecological requirements, etc. The directors believe that RVIG is in compliance with the requirements of the PSA. The Group has submitted a development and production programme to the Ministry of Ecology and Natural Resources of the Government of Azerbaijan in accordance with the PSA requirements.

The mining licence of Gedabek expires in March 2022, with options to extend the licence by ten years conditional upon satisfaction by RVIG of certain requirements stipulated in the PSA.

RVIG is also required to comply with the clauses contained in the PSA relating to environmental damage. The directors believe RVIG is substantially in compliance with the environmental clauses contained in the PSA.

There were no operating lease commitments at 30 June 2014.

On 22 August 2013, the Group entered into a non-cash credit line agreement in the amount of US\$3,000,000 for letter of credits with YapiKredi Bank Azerbaijan. A pledge agreement was signed with YapiKredi Bank Azerbaijan for guarantee of letters of credit opened under the above mentioned agreement. According to this pledge agreement, movable equipment for the amount of US\$4,852,000 was pledged to guarantee letters of credit opened under the agreement.

15 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.

Trading transactions

During the period, there were no trading transactions between group companies and related parties who are not members of the Group.

Other related party transactions

- Mr Reza Vaziri, a director of the Company, retains an indirect interest in the lease of the Company's office in Baku, Azerbaijan. The cost of the lease in the period was US\$47,000 (30 June 2013: US\$47,000).
- During the period US\$164,000 (30 June 2013: US\$151,000) was paid to Mr Reza Vaziri for consultancy services.
- During the period US\$5,000 (30 June 2013: US\$6,000) was paid to Professor John Monhemius, a director of the company, for consultancy services.

- d) Total payments in the 6 months to 30 June 2014 of US\$700,000 (6 months to 30 June 2013: US\$1,625,000) were made for equipment and spare parts purchased from Proses Muhendislik Danismanlik Inshaat veTasarim Anonim Shirket ("PMDI"), the entity in which the chief technical officer of Azerbaijan International Mining Company has a direct ownership interest. There is an outstanding advance payment to PMDI of US\$87,000 at 30 June 2014 (31 December 2013: US\$66,000). The chief technical officer of Azerbaijan International Mining Company left the Group subsequent to the 30 June 2014.

****ENDS****

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President and chief executive

Professor John Monhemius
Non-executive director

Mr Richard Round
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