

20 September 2011

Anglo Asian Mining plc ('Anglo Asian' or 'the Company')
Interim Results

Anglo Asian Mining plc, the AIM listed emerging gold producer, is pleased to announce its interim results for the six months ended 30 June 2011.

Overview

- Profit before tax up 129% to US\$14.2 million (30 June 2010: US\$6.2 million)
- Gross profit up 62.5% to US\$19.8 million (2010: US\$12.3 million)
- Revenue up 35.6% to US\$38.5 million (2010: US\$28.4 million)
- Operating cash flows before movement in working capital of US\$24.8 million (2010: US\$18.6 million)
- Gold production at Gedabek gold/copper mine for the six months to 30 June 2011 totalled 28,610 ounces of gold
- Gold production target for FY 2011 between 58,000 ounces to 60,000 ounces
- Produced gold at an average cash operating cost of US\$445 per ounce of gold including the Government of Azerbaijan's share and US\$524 per ounce of gold net of the Government of Azerbaijan's share
- Feasibility study in progress for new agitation leaching plant at Gedabek to improve total gold recovery and increase life of mine
- First sales of copper concentrate from SART operations at Gedabek recorded of US\$2.1 million
- Repaid US\$12.6 million of loans to International Bank of Azerbaijan - outstanding loans at 30 June 2011 total US\$18.0 million (2010: US\$42.1 million)
- Focussed on developing 1,962 sq km gold/copper exploration portfolio with the aim of replicating success at Gedabek and developing additional mining operations

Chairman's Statement

During the period under review we have continued our progress as a profitable gold mining company focussed in Central Asia, and have been active in developing and implementing plans to ensure the future growth and success of our flagship Gedabek gold/copper mine ('Gedabek') and two mining development Contract Areas, Gosha and Ordubad, in Azerbaijan. Additionally, we have implemented defined exploration and development programmes across each of these Contract Areas to delineate and upgrade our resource base, which currently stands at 791,000 ounces ('oz') of gold, 49,300 tonnes of copper and 7,597,000 oz of silver for all categories.

At Gedabek, the first gold mine in Azerbaijan in modern times, gold production for the six month period to 30 June 2011 totalled 28,610 oz (2010: 28,497 oz), with an average cash

operating cost of US\$445 per oz (2010: US\$324) of gold including the Government of Azerbaijan's share and US\$524 per oz (2010: US\$372) of gold net of the Government of Azerbaijan's share. This low cash operating price is up slightly on last year mainly due to the increased consumption of chemicals and reagents, an increase in employee numbers, the impact of lower grade in 2011 compared to 2010 and general inflationary increases. In terms of gold sales completed for the first half of the year, Anglo Asian sold 24,586 oz at an average of US\$1,450 per oz (2010: 24,460 oz at an average of US\$1,155). As a result of solid gold sales, combined with the buoyant gold price environment, we have achieved a profit before tax of US\$14.2 million (2010: US\$6.2 million) and operating cash flow of US\$16.2 million (2010: US\$13.1 million) for the period.

Our headline gold production figure was 28,500 oz of gold, which was slightly behind management's target of 30,000 oz of gold for the half year period. This slight drop in gold production is due to a number of factors relating to a change in the physical characteristics of the ore, whereby a change in density and structure associated more with transitional ore is affecting the leach rates and in turn gold recovery and production. Channelling has also occurred in one of the cells as a result of harsh winter conditions.

In order to address these processing difficulties, we have implemented initiatives which include two-shift drilling for blasting and have employed additional excavators to accelerate waste removal. This will open up areas of known oxide ore over the Gedabek Mine, which will deliver the leaching characteristics more suitable to the heap leach process. We have also started to crush the ore more finely to help with cyanide leaching. Waste removal has increased to approximately 6,000m³ per day; this will rise further when our contractor steps up the haulage of waste to leach pad # 4.

In terms of processing, during the first half of the year we transferred 418,526 tonnes of dry ore onto the leach pad with an average gold content of 3.34 g/t (2010: 370,000 tonnes at an average grade of 4.4 g/t). The reduced grade in 2011 is in line with expectations from the Company's mine plan.

To ensure the long-term success of Gedabek as a leading gold/ copper mine in the Central Asian region we are continually looking at ways to improve operational efficiencies and production. One primary measure of the efficiency of the plant is the gold recovery rate, and in view of this we have entered into an agreement with mining consultants Arcardis Chile with regards to undertaking a feasibility study to assess the potential benefits of building a new agitation leaching plant. This plant would process high grade ore and additional resources that are not suitable for heap leaching, thereby improving total gold recoveries at Gedabek. Agitation leaching recovery rates for mineral extraction are typically measured at over 90% compared to circa 70% typically achieved in heap leaching. Additionally, residual gold in high grade ore that has been processed by heap leaching and left on the heap leach pad during 2009 through to the end of 2011 could be processed

through agitation leaching, again improving total metal extraction from Gedabek's orebody. We are expecting the feasibility study to be completed by October 2011 and look forward to reporting on these developments in due course.

In terms of copper production at Gedabek, our Sulphidisation, Acidification, Recycling, and Thickening ('SART') plant, which recovers copper in the form of a precipitated copper sulphide concentrate containing silver with commercial value, has seen increased production. Copper concentrate produced for the first half of the year totalled 433 tonnes, which contained 261 recovered tonnes of copper, 50,739 oz of silver and an additional 109 oz of gold. The SART plant is currently running at 75% capacity and we are on track to achieve the production budgets. The SART plant's full capacity is 1,800 tonnes of copper concentrate with copper recoveries projected to be 50-70% and silver recoveries of 4,000 – 6,000 g/t.

We recorded our first copper concentrate sales in the first half of 2011. Revenue of US\$2.1 million was generated from the Company's 87.25% share of the sale of 90 tonnes of payable copper, 29,132 oz of payable silver and 335 oz of payable gold. Subsequent to the period end, further shipments of copper concentrate have been loaded and sales will be finalised over the coming months. At the end of August 2011, there was a stockpile of copper concentrate containing approximately 383 tonnes of copper, 2,422 kg of silver and 3kg of gold. We are in discussions with our government partners and potential buyers about the sale of this stockpile and expect to sign an agreement in regards to this in the near future.

Exploration remains an important part of our focus to increase our current resource base at Gedabek of 791,000 oz of gold 49,300 tonnes of copper and 7,597,000 oz of silver for all categories and define maiden resources at Gosha and Ordubad Contract Areas to prove their economic potential and in turn develop additional mining operations.

In order to increase the life of mine at Gedabek, which currently stands at 300,000 oz of gold over a six year period, we have undertaken an advanced exploration programme comprising a two phase drilling programme. Phase 1 drilling, which was completed February 2011, comprised 61 holes over 6,000m and concentrated within the boundaries of the existing pit. The results, which are presently being assessed by a third party Qualified Person, will be announced to the market shortly. In the first quarter of 2011 we commenced Phase 2 of the exploration programme. So far 47 drill holes with a total of 7,150m of drilling have been completed and some of the assays have been received. Further drill holes have been planned as the ore body shows extensions towards the south of the mine.

Other exploration activities continue within the Gedabek Contract Area, namely at the Maarif target. To date, 1,630m of the planned 3,000m drilling programme (previously

7,000m) has been completed at Maarif, and the samples have been sent for independent assay. Priority for drilling equipment has been given to Phase 2 drilling at Gedabek, which has led to the Maarif programme being reduced for the year. Drilling was also due to take place at the Cholpan target, a highly prospective area in close proximity to the existing mine, but this has been delayed whilst further geological mapping is undertaken prior to commencing drilling. Additionally, remote sensing has been conducted across the entire Gedabek Contract Area with several potential anomalies detected for further investigations, which are planned for 2012.

It is our intention to issue an upgraded JORC resource report by the first quarter of 2012 with a JORC compliant reserve estimate to follow soon after.

At Gosha, during the period we were delighted to announce that we submitted a Notice of Discovery to the Government of Azerbaijan, following an active exploration programme in 2010, which included 3,000m of drilling and 300m of adit and sample work. We are on course to submit a Development and Production Programme in October 2011 to the Government as per the Product Sharing Agreement ('PSA') rules and we will update shareholders on the programme's approval in due course. It is the Company's intention to develop a small gold mine with production by the second half of 2012.

Exploration work continues in the Ordubad Contract Area focusing on the Agyurt deposit. The Soviet-era galleries have been re-sampled and further underground drilling is planned for 2011.

We continue to work closely with the Government of Azerbaijan and are pleased with the level of support it gives us. Additionally, we have a strong relationship with the International Bank of Azerbaijan ('IBA'), which is majority owned by the Government of Azerbaijan. During the first half of 2011 we repaid US\$12.6 million of our loan with the IBA, bringing the outstanding loan balance to US\$17.0 million as at 30 June 2011. Including our loan of US\$1.0 million from our CEO Reza Vaziri, the value of total outstanding loans at 30 June 2011 is US\$18.0 million (2010: US\$42.1 million). A further repayment of US\$1.0 million has been made subsequent to the balance sheet date. The next repayment to IBA of US\$0.6 million is due in March 2012, although the Company will continue to repay this loan ahead of schedule as cash flow allows.

As mentioned earlier, we have a PSA with the Government of Azerbaijan whereby until the time Anglo Asian has recovered its carried forward, unrecovered costs, the Government of Azerbaijan effectively takes 12.75% of the commercial products of each mine, with the Company taking 87.25%. We expect to continue retaining 87.25% of the commercial products until at least the end of 2011.

The Company made a profit before tax of US\$14.2 million in the period to 30 June 2010 (2010: US\$6.2 million). Revenue of US\$38.5 million (2010: US\$28.4 million) was generated from gold sales of 24,586 oz (2010: 24,360 oz) at an average price of \$1,450 per oz (2010: US\$1,155 per oz), silver sales of US\$0.8 million (2010: US\$0.3 million) and copper concentrate sales of US\$2.1 million (2010: nil).

The cost of sales for the period amounted to US\$18.7 million (2010: US\$16.1 million), resulting in a gross profit of US\$19.8 million (2010: US\$12.3 million).

Administration costs were US\$3.1 million (2010: US\$2.3 million) and finance costs were US\$1.9 million (2010: US\$3.4 million), most of which related to interest on the loans from IBA.

Net cash inflow from operating activities was US\$16.2 million (2010: US\$13.1 million). This was utilised to fund the purchase of tangible assets of US\$2.8 million, exploration expenditure of US\$2.7 million, a reduction in loans of US\$12.6 million and payment of interest of US\$1.8 million.

Current assets have increased from US\$25.8 million at 31 December 2010 to US\$31.7 million at 30 June 2011 (2010: US\$20.6 million). The increase is mostly as a result in increase of gold work in progress and finished inventory. Increased lead time on the leach pad has led to more ounces in stock and increased production cost has led to a higher cost per unit of stock, when compared to 31 December 2010. The other main factor affecting current assets is that the Company has made an advance payment of profit tax for 2011. Under the terms of the PSA, the Company must estimate its profit tax liability for the financial year and pay one-quarter of this amount within 25 days following the end of the calendar quarter in the form of an advance. Following the first quarter, an amount of US\$2.1 million was paid (2010: nil). Subsequent to the balance sheet date, a further amount of US\$2.1 million was paid. At the balance sheet date, the Company believes that it has unutilised carried-forward tax losses in its subsidiary, R.V. Investment Group Services LLC. However, the Company expects that these carried-forward tax losses will be fully exhausted within 2011 and profit tax will be assessed.

Maintaining good health, safety, social and environmental standards remains a priority to us and in line with this we have a Health, Safety, Environment and Technology Committee ('HSET') at Board level, under the chairmanship of Professor John Monhemius, one of our Non-executive Directors. This committee has the responsibility to oversee all aspects of the HSET performance of the Company and to make recommendations to the Board. During the period we appointed an experienced Health, Safety and Environment manager as a full-time member of our corporate management team. We have approximately 450 personnel working in the Company.

With the buoyant gold price set to continue and speculation that the price range of US\$1,700 to US\$1,900 will be maintained, we remain confident of the on-going profitability and success of our flagship Gedabek operation. Positive actions are being taken to ensure the smooth running of gold production for the remainder of the financial year and beyond. In addition, copper production has been increasing quarter on quarter, which will add increased profitability to our bottom line once sales of the concentrate have been finalised further. I also look forward to reporting on the development of our extensive exploration portfolio and in turn achieving our milestones towards building a multiple gold mine company.

Last but not least, I would like to thank the employees, my fellow Directors, advisors and shareholders for their continued support and I look forward to updating investors regularly on the progress of Anglo Asian, a highly profitable, cash-generative, producing gold and copper company in Azerbaijan.

Khosrow Zamani

Non-executive Chairman

Interim consolidated income statement

For the 6 months ended 30 June 2011

	Notes	Unaudited Six months to 30 June 2011 US\$	Unaudited Six months to 30 June 2010 US\$
Revenue		38,527,107	28,400,909
Cost of sales		(18,743,741)	(16,149,858)
Gross profit		19,783,366	12,251,051
Administrative expenses		(3,105,133)	(2,273,163)
Other operating expense		(583,445)	(334,696)
Operating profit		16,094,788	9,643,192
Finance costs		(1,938,335)	(3,408,929)
Profit before tax		14,156,453	6,234,263
Income tax expense	3	(5,817,411)	—
Profit after tax		8,339,042	6,234,263
Profit per share for the period attributable to the equity holders of the parent		8,339,042	6,234,263
Basic cents per share	4	7.51	5.69
Diluted cents per share	4	7.36	5.61

Interim consolidated statement of comprehensive income

For the 6 months ended 30 June 2011

	Unaudited Six months to 30 June 2011 US\$	Unaudited Six months to 30 June 2010 US\$
Profit for the period	8,339,042	6,234,263
Other comprehensive income	—	—
Total comprehensive profit for the period	8,339,042	6,234,263
Attributable to the equity holders of the parent	8,339,042	6,234,263

Interim consolidated balance sheet

As at 30 June 2011

	Notes	Unaudited As at 30 June 2011 US\$	Audited As at 31 December 2010 US\$	Unaudited As at 30 June 2010 US\$
Non-current assets				
Intangible assets	5	33,903,822	34,469,441	36,356,328
Property, plant and equipment	6	40,843,964	43,290,670	47,065,817
Non-current prepayments		172,601	284,461	350,284
		74,920,387	78,044,572	83,772,429
Current assets				
Trade receivables and other assets	7	8,106,682	4,322,094	4,831,166
Inventories	8	22,180,233	16,354,968	14,405,616
Cash and cash equivalents		1,408,998	5,110,851	1,328,431
		31,695,913	25,787,913	20,565,213
Total assets		106,616,300	103,832,485	104,337,642
Current liabilities				
Trade and other payables		(10,396,577)	(9,263,458)	(11,270,735)
Interest bearing loans and borrowings	9	(7,141,997)	(10,641,996)	(15,053,329)
		(17,538,574)	(19,905,454)	(26,324,064)
Net current assets/(liabilities)		14,157,339	5,882,459	(5,758,851)
Non-current liabilities				
Provision for rehabilitation		(1,397,378)	(1,363,970)	(2,018,892)
Interest bearing loans and borrowings	9	(10,897,666)	(19,983,674)	(27,081,874)
Deferred tax liability		(10,378,345)	(4,560,934)	-
		(22,673,389)	(25,908,578)	(29,100,766)
Total liabilities		(40,211,963)	(45,814,032)	(55,424,830)
Net assets		66,404,337	58,018,453	48,912,812
Equity				
Share capital	10	1,967,704	1,957,424	1,944,991
Share premium account		32,133,847	32,101,124	32,024,407
Share-based payment reserve		642,216	638,377	625,066
Merger reserve		46,206,390	46,206,390	46,206,390
Accumulated loss		(14,545,820)	(22,884,862)	(31,888,042)
Total equity		66,404,337	58,018,453	48,912,812

Interim consolidated cash flows statement

For the six months ended 30 June 2011

	Notes	Unaudited Six months to 30 June 2011 US\$	Unaudited Six months to 30 June 2010 US\$
Net cash inflow generated from operating activities	11	16,200,374	12,997,854
Investing activities			
Expenditure on property, plant and equipment and mine development		(2,822,501)	(7,285,202)
Expenditure on intangible assets		(2,733,586)	(1,021,703)
Net cash used in investing activities		(5,556,087)	(8,306,905)
Financing activities			
Shares issued in lieu of cash and for options exercised		43,003	95,650
Proceeds from borrowings		—	3,099,598
Repayment of borrowings		(12,588,000)	(3,947,731)
Interest paid		(1,801,143)	(3,419,583)
Net cash used in financing activities		(14,346,140)	(4,172,066)
Net (decrease)/ increase in cash and cash equivalents		(3,701,853)	518,883
Cash and cash equivalents at beginning of period		5,110,851	809,548
Cash and cash equivalents at end of period		1,408,998	1,328,431

Interim consolidated statement of changes in equity

For the six months ended 30 June 2011

Notes	Share capital US\$	Share premium US\$	Share-based payment reserve US\$	Merger Reserve US\$	Accumulated loss US\$	Total Equity US\$
At 1 January 2011	1,957,424	32,101,124	638,377	46,206,390	(22,884,862)	58,018,453
Total comprehensive income	—	—	—	—	8,339,042	8,339,042
Shares issued	10,280	32,723	—	—	—	43,003
Share based payment charge for the period	—	—	3,839	—	—	3,839
At 30 June 2011	1,967,704	32,133,847	642,216	46,206,390	(14,545,820)	66,404,337

For the six months ended 30 June 2010

Notes	Share capital US\$	Share premium US\$	Share-based payment reserve US\$	Merger Reserve US\$	Accumulated loss US\$	Total Equity US\$
At 1 January 2010	1,934,363	31,939,385	621,802	46,206,390	(38,122,305)	42,579,635
Total comprehensive income	—	—	—	—	6,234,263	6,234,263
Shares issued	10,628	85,022	—	—	—	95,650
Share based payment charge for the period	—	—	3,264	—	—	3,264
At 30 June 2010	1,944,991	32,024,407	625,066	46,206,390	(31,888,042)	48,912,812

Notes to the financial statements

1. Basis of preparation

Anglo Asian Mining is a public company listed on the Alternative Investment Market (AIM). Its principal activity is building a portfolio of mining operations within Azerbaijan. The impact on seasonality or cyclicity on operations is not regarded as significant to the interim financial statements.

The financial information has 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 2011 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 2010 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006.

The financial information has not been audited and has been prepared on the historical cost basis. The principal accounting policies adopted are consistent with those adopted in the annual accounts to 31 December 2010.

The interim report was approved by the Board of Directors on 19 September 2011.

The Directors have prepared the consolidated financial statements on a going concern basis after reviewing the Group's cash position for the period to 30 September 2012 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.

2. Operating segments

The operations of the Group are all located within Azerbaijan. The Group has one producing asset: its gold, silver and copper mine in Gedabek. The Company produces gold-silver dore bullions and copper concentrate. Gold-silver bullions are sold to the Group's gold refinery, MKS Finance SA, based in Switzerland. Copper concentrate is sold to Seagate Minerals & Metals. The management of the Group does not segment the business when evaluating its performance.

3. Taxation

Corporation tax is calculated at 32% (as stipulated in the PSA for RV Investment Group Services LLC in Azerbaijan, the entity that contributes the most significant portion of profit before tax) of the estimated assessable profit for the year. According to the terms of the PSA, the Group's subsidiary, RV Investment Group Services LLC, should submit a profit tax return for provisional profit tax in the first quarter of the year when it expects a taxable profit. In May 2011, the Company made the first quarterly provisional profit tax payment of \$2.1 million, representing one-quarter of the estimated 2011 profit tax payable at the end of each quarter. At the balance sheet date, RV Investment Group Services LLC estimates it has unutilised tax losses which will be fully utilised in the second half of 2011 and corporation tax will be assessable for 2011.

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 set off 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.

At the balance sheet date, the Group has unused tax losses within the Parent and 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.

Profit tax charged during the period represents the change in deferred tax liability during the period incurred by RV Investment Group Services LLC representative office registered in Azerbaijan.

4. Earnings per ordinary share

	Unaudited 6 months to 30 June 2011 US\$	Unaudited 6 months to 30 June 2010 US\$
Earnings per ordinary share		
Profit after tax	8,339,042	6,234,263
Basic earnings per share	7.51	5.69
Diluted earnings per share	7.36	5.61
	Number	Number
Weighted average number of shares:		
For basic earnings per share	110,993,882	109,592,494
For diluted earnings per share	113,178,337	111,211,011

5. Intangible assets

Evaluation and exploration assets

	Gedabek US\$	Gosha US\$	Ordubad US\$	Total US\$
Cost:				
As at 1 January 2010	746,957	771,039	1,298,097	2,816,093
Additions	1,285,318	1,753,680	410,472	3,449,470
As at 31 December 2010	2,032,275	2,524,719	1,708,569	6,265,563
Additions	1,387,688	1,091,772	170,847	2,650,307
As at 30 June 2011	3,419,963	3,616,491	1,879,416	8,915,870
<i>Mining rights and other intangible assets</i>				
	Mining rights US\$	Other intangible assets US\$	Total US\$	
Cost:				
As at 1 January 2010	41,925,262	314,245	42,239,507	
Additions	—	27,544	27,544	
As at 31 December 2010	41,925,262	341,789	42,267,051	
Additions	—	83,279	83,279	
As at 30 June 2011	41,925,262	425,068	42,350,330	
Accumulated depreciation and impairment				
As at 1 January 2010	(6,293,360)	(17,145)	(6,310,505)	
Charge for the year	(7,682,138)	(70,530)	(7,752,668)	
As at 31 December 2010	(13,975,498)	(87,675)	(14,063,173)	
Charge for the period	(3,266,602)	(32,603)	(3,299,206)	
As at 30 June 2011	(17,242,100)	(120,278)	(17,362,378)	
Carrying amount				
As at 31 December 2010	27,949,764	254,114	28,203,878	
As at 30 June 2011	24,683,162	304,790	24,987,952	

6. Property, plant and equipment

	Temporary buildings US\$	Plant and Equipment US\$	Producing mines US\$	Motor Vehicles US\$	Office equipment US\$	Leasehold improvements US\$	Assets under Construction US\$	Total US\$
Cost								
As at 1 January 2010	302,757	6,023,811	39,414,228	432,938	1,242,469	438,357	5,242,676	53,097,236
Capitalisation of interest	—	—	—	—	—	—	81,843	81,843
Additions	—	818,692	2,685,583	122,207	608,563	11,738	4,019,310	8,266,093
Transfer to producing mines	—	—	6,398,124	—	—	—	(6,398,124)	—
Decrease in Rehabilitation Provision	—	—	(243,557)	—	—	—	—	(243,557)
As at 31 December 2010	302,757	6,842,503	48,254,378	555,145	1,851,032	450,095	2,945,705	61,201,615
Additions	—	237,011	—	19,936	209,051	—	2,468,363	2,934,361
Transfer to producing mines	—	—	458,613	—	—	—	(458,613)	—
As at 30 June 2011	302,757	7,079,514	48,712,991	575,081	2,060,083	450,095	4,955,455	64,135,976
Accumulated depreciation and impairment								
As at 1 January 2010	(152,602)	(1,119,602)	(2,566,134)	(200,833)	(508,271)	(251,135)	—	(4,798,577)
Charge for year	(37,845)	(915,420)	(11,692,141)	(116,269)	(295,078)	(55,614)	—	(13,112,367)
As at 31 December 2010	(190,447)	(2,035,022)	(14,258,275)	(317,102)	(803,349)	(306,749)	—	(17,910,944)
Charge for period	(20,168)	(497,519)	(4,630,313)	(53,412)	(151,525)	(28,131)	—	(5,381,068)
As at 30 June 2011	(210,615)	(2,532,541)	(18,888,588)	(370,514)	(954,874)	(334,880)	—	(23,292,012)
Carrying amount								
As at 31 December 2010	112,310	4,807,481	33,996,103	238,043	1,047,682	143,346	2,945,705	43,290,670
As at 30 June 2011	92,142	4,546,973	29,824,403	204,567	1,105,209	115,215	4,955,455	40,843,964

7. Trade receivables and other assets

	Unaudited As at 30 June 2011 US\$	Audited As at 31 December 2010 US\$
Gold held on behalf of the Government of Azerbaijan	1,421,794	1,533,403
Receivable for copper concentrate of the Government of Azerbaijan	308,478	—
VAT refund due	1,808,072	1,457,609
Trade receivables	404,171	240,664
Prepayments	242,203	235,445
Advances	1,760,884	845,858
Advance payment for profit tax	2,161,080	—
Other receivables	—	9,115
	8,106,682	4,322,094

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

The VAT refund due at 30 June 2011 and 31 December 2010 relates to VAT paid on purchases.

The Group trade receivable relates to its copper concentrate sales that took place in the period. In 2011, the Group had its first sale of copper concentrate. Sale of copper is recognized when risk and title is substantially transferred to the buyer and metal content of concentrate and value are reasonably measurable.

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. A corresponding liability to the Government of Azerbaijan is included in trade and other payables.

Receivable for copper concentrate of the Government of Azerbaijan represents the portion allocated to the government of Azerbaijan from joint sale of copper concentrate carried out by Group. The same amount was recognised as payable to the government.

In accordance with the terms of the PSA the Group has started payment of profit tax in advance on a quarterly basis. No profit tax liability was incurred at 30 June 2011. Final profit tax liability will be determined at year end and any overpayment or underpayment for actual profit tax liability will be settled in March 2012 as per the PSA.

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

8. Inventories

	As at 30 June 2011 US\$	As at 31 December 2010 US\$
At cost		
Finished goods – bullion	999,830	833,314
Finished goods – metal in concentrate	2,268,665	1,370,286
Metal in circuit	13,516,727	11,114,620
Ore stockpiles	1,971,176	409,995
Spare parts and consumables	3,423,835	2,626,753
	22,180,233	16,354,968

Following the sale of 234 dry metric tons in the first half of 2011, the balance of copper concentrate at 30 June 2011 was approximately 706 dry metric tons (31 December 2010: 483 dry metric tons).

The increase in the value of ore stockpiles is due to an increased stockpile of lower grade ore which is accumulated from inception to date for usage in the future.

9. Interest-bearing loans and borrowings

	Unaudited As at 30 June 2011 US\$	Audited As at 31 December 2010 US\$
Loans from IBA	17,041,000	29,627,007
Loan from Reza Vaziri	998,663	998,663
Total interest bearing loans and borrowings	18,039,663	30,625,670
Loans repayable in less than one year	7,141,997	10,641,996
Loans repayable in more than one year	10,897,666	19,983,674

Loans with the International Bank of Azerbaijan carry an interest rate of 15% per annum. There is no penalty for early repayment on any of the loans from International Bank of Azerbaijan.

In the 6 months to 30 June 2011, the Group had made repayments to the International Bank of Azerbaijan of \$12.6 million.

Total interest accrued on interest bearing loans during the period was \$1.8 million.

10. Equity

	shares	US\$
Ordinary shares issued and fully paid:		
At 1 January 2010	108,945,949	1,934,363
Issued to directors in lieu of salary, fees and expenses	684,691	10,868
Issued to a trade creditor in lieu of cash payment	66,667	1,004
Exercise of stock options	700,000	11,189
At 31 December 2010	110,397,307	1,957,424
Exercise of stock options	650,000	10,280
At 30 June 2011	111,047,307	1,967,704

11. Notes to the cash flow statement

	Unaudited Six months to 30 June 2011 US\$	Unaudited Six months to 30 June 2010 US\$
Profit before tax	14,156,453	6,234,263
Adjustments for:		
Finance costs	1,938,339	3,408,929
Depreciation of property, plant and equipment	5,381,068	5,629,993
Amortization of mining rights and other intangible assets	3,299,206	3,287,054
Share-based payment expense	3,839	3,264
Operating cash flows before movements in working capital	24,778,905	18,563,503
Increase in trade and other receivables	(1,426,639)	(994,481)
Increase in inventories	(5,825,267)	(4,129,592)
Increase/(decrease) in trade and other payables	834,455	(441,576)
	18,361,454	12,997,854
Income tax paid	(2,161,080)	—
Cash generated from operations	16,200,374	12,997,854
Net cash generated from operating activities	16,200,374	12,997,854

12. 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

- a) Mr Reza Vaziri, a director of the company, retains an indirect interest in the lease of the office in Baku, Azerbaijan. The cost of the lease in the period was \$46,384 (comparative period ended 30 June 2010: \$45,765).
- b) In January 2011, Khosrow Zamani, a Non-executive Chairman of the Company, exercised 550,000 stock options.
- c) During the period \$118,443 (comparative period ended 30 June 2010: \$119,109) was paid to Mr Reza Vaziri for consultancy services.
- d) During the period, \$39,618 (comparative period ended 30 June 2010: \$39,618) of interest was accrued on the loan of \$998,663 from Mr Reza Vaziri.
- e) During the period, \$6,343 (comparative period ended 30 June 2010: \$5,054) was paid to Professor John Monhemius, a director of the company, for consultancy services.

****ENDS*****

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