

27 September 2012

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

Interim Results

Anglo Asian Mining plc, the AIM listed gold, copper and silver producer focussed in Azerbaijan, is pleased to announce its interim results for the six months ended 30 June 2012 ('H1 2012').

Overview

- Profit before tax of US\$10.5 million (H1 2011: US\$14.2 million)
- Gross profit of US\$14.2 million (H1 2011: US\$19.8 million)
- Revenue of US\$30.1 million (H1 2011: US\$38.5 million)
- Operating cashflows before movement in working capital of US\$15.5 million (H1 2011:US\$24.8 million)
- Gold and silver dore production at flagship Gedabek mine from heap leach operations totalled 21,641 ounces gold and 12,174 ounces silver for H1 2012
- Gold sales of 18,135 ounces (H1 2011: 24,586) at an average of US\$1,644 (H1 2011: US\$1,450)
- Produced gold at an average cash operating cost of US\$767 per ounce of gold, including the Government of Azerbaijan's share, at Gedabek
- Production target revised between 49,000 ounces to 51,000 ounces of gold and 26,000 ounces of silver from heap leach operations for FY 2012 from Gedabek
- New agitation leaching plant construction underway to improve gold recovery of oxides and sulphides at Gedabek initially to 85% and 69% respectively and lower production costs - commissioning expected in H1 2013
- Copper and silver production from SART operations at Gedabek totalled 253 tonnes and 60,500 ounces respectively for H1 2012
- Target of 720 dry tonnes of copper concentrate expected from SART operations in FY 2012
- Increased JORC compliant resource at Gedabek by 50% to over 1 million ounces in the Measured and Indicated categories
- Maiden JORC compliant reserve estimate of 20,312,879 tonnes at Gedabek at 1.139 g/t gold for 744,038 ounces, 0.293% copper for 59,479 tonnes, and 9.456 g/t silver for 6,175,531 ounces (as at 30 December 2011) – exceeded management's expectations
- Continuing to advance 300 sq km Gosha Contract Area with the view of building a profitable, high grade underground gold mine – development anticipated to commence H2 2013
- Notice of Discovery in 462 sq km Ordubad Contract Area - further exploration planned to advance project

- Net debt, including interest-bearing loans and borrowings less cash and cash equivalents totals US\$11.9 million at 30 June 2012 (30 June 2011: US\$ 16.6 million)

Anglo Asian CEO, Reza Vaziri said: “We are committed to improving the operational efficiency and gold recovery rates of our flagship gold mining operation, Gedabek. In this vein, earlier this year, we were delighted to report that approval had been received from the Government of Azerbaijan to build a new agitation leaching plant, which is expected to improve gold recovery rates and also to lower production costs. The new plant, which has an estimated capex of US\$52 million, is expected to process circa 100 tonnes of ore per hour and will, according to the feasibility study, increase gold recovery rates of both oxides and sulphides at Gedabek to levels of 85% and 69% respectively. We have also received confirmed availability of US\$18 million from the International Bank of Azerbaijan and in addition a letter of intent stating that, subject to internal consideration and approval, it will provide up to an additional US\$42 million to the Company for the construction of the new agitation plant. Including the US\$18 million already agreed, this would bring the total funding provided to the Company by the IBA to US\$60m. The support of the IBA is encouraging and will help us to successfully develop the new plant this year and target commissioning in H1 2013.

“In turn, we have also been highly active in exploring our other gold projects in Azerbaijan, Gosha and Ordubad, and we look forward to updating shareholders on further developments during H2 2012 as we continue to develop these with a view of bolstering our production profile in the coming years.”

Chairman’s Statement

It gives me great pleasure to report on Anglo Asian’s progress, for the first half of 2012, as a leading gold, copper and silver producer in Azerbaijan. During the period we have been developing and implementing plans to ensure the future growth of Anglo Asian in line with our long term strategy of building a multiple gold, copper, and silver mine company in Caucasia, and in-turn unlocking the Company’s intrinsic value. Not only have we been looking at increasing the life of our first producing mine, Gedabek, and establishing additional mines across our 1,962 sq km portfolio of prospective assets, but we have also focussed on evaluating our processing and mining operations to improve our production profile. To this end, we recently announced a 50% upgrade to the JORC resource at Gedabek to over 1 million ounces of gold in the Measured and Indicated classifications and maiden reserves in excess of 700,000 ounces; announced our intention to construct an agitation leaching plant at Gedabek, which is expected to significantly improve gold recoveries and reduce production costs when commissioned; submitted a production and development plan to the Government with a view to establishing a second mining operation by the end of 2013 in the Gosha Contract Area located just 50 km away from Gedabek; and

announced a notice of discovery for gold in the Ordubad Contract Area.

At Gedabek, gold production for the six month period to 30 June 2012 totalled 21,641 ounces (H1:2011 28,610) of gold with an average cash operating cost of US\$767 per ounce (H1 2011: US\$445) including the Government of Azerbaijan's share. In terms of gold sales completed for H1 2012, Anglo Asian sold 18,135 ounces** (H1 2011: 24,686) of gold at an average of US\$1,644 per ounce (H1 2011: US\$ 1,450). Due to an unseasonably harsh winter H1 2012, production figures were marginally below management's estimates and as a result for the six months to 30 June 2012 we are reporting a lower profit before tax of US\$10.5 million (H1 2011: US\$14.2 million), gross profit of US\$14.2 million (H1 2011: US\$19.8 million) and revenues of US\$30.1 million (H1 2011: US\$38.5 million) to that of the corresponding period in 2011. However H2 2012 is expected to be stronger in terms of production levels and operating costs at Gedabek than in H1 2012. In light of H1 2012 gold production being lower than first anticipated, we are revising our gold production target between 49,000 ounces to 51,000 ounces for FY 2012. Through Gedabek's heap leach operation, silver dore is also produced. Silver dore production for the period totalled 12,174 ounces and therefore the Company silver production target remains on track to reach 26,000 ounces by the year end.

In terms of processing, Gedabek's heap leach stacking operation has performed strongly, with the Company transferring 339,495 tonnes of dry ore onto the leach pads with an average gold content of 3.04 g/t. As a result of this improvement, which was largely seen in Q2 2012 (194,969 tonnes of dry ore with an average gold content of 3.24 g/t), this should ensure that the management's revised FY 2012 target for production of gold and silver dore is achieved. Previously reported 414,496 tons of dry ore onto the leach pads has subsequently been recalculated to 339,495 tonnes with gold content unchanged.

The Sulphidisation, Acidification, Recycling, and Thickening ('SART') plant at Gedabek produces copper in the form of a precipitated copper sulphide concentrate by-product, which also contains silver with commercial value and a small amount of gold. We have produced 253 tonnes of copper, 60,519 ounces of silver and 35 ounces of gold in the SART plant during H1 2012. In order to reduce its moisture content to improve the saleability of the copper concentrate, a dryer was ordered in Q1 2012, which has now been installed. In terms of sales, subsequent to the period end we shipped and sold copper concentrate samples to Glencore International Plc ('Glencore') for US\$1.4 million. Glencore is currently conducting test smelting of the product and if successful it is envisaged further sales will be made in the future. Anglo Asian intends to find a long term sales partner for the concentrate and will update on progress in due course. The Company's copper concentrate stockpiles total 814 tonnes of copper, and 178,000 ounces of silver.

The cash operating cost of gold produced at Gedabek has increased to US\$767, from the corresponding period in 2011 at US\$448, due to a combination of lower gold production in

H1 2012, no sales of concentrate from the SART operations in the period and a 10% increase in costs. To offset this impact, as mentioned above, we are in detailed discussion with parties such as Glencore to sell the stockpile of concentrate and H2 2012 improved production, which, if successful, will have a positive impact on cash operating costs of Gedabek and more significantly we are also investing in the agitation leaching plant which will increase production and grades and reduce cash operating costs per ounce from 2013.

Increasing Gedabek's production profile and life of mine has been a priority for the Company during H1 2012. To this end, we continue to explore the greater Gedabek area with the aim of delineating further resources and reserves. In April 2012 we were delighted to announce a resource upgrade to 48,138,979 tonnes at 0.825 g/t gold for 1,276,422 ounces of gold in the measured, indicated and inferred categories (a 61% increase from the previous JORC resource estimate dated October 2010); 0.197 % copper for 94,890 tonnes (a 93% increase); and 6.66 g/t silver for 10,305,653 ounces (a 36% increase) at a cut-off grade of 0.3 g/t gold. Using these new resource figures, CAE Mining International Ltd, Anglo Asian's mining consultants, conducted work to update the ore reserves estimation at Gedabek.

As a result, we were delighted to announce in June 2012 a maiden JORC compliant ore reserve report, which significantly exceeded our previous internal estimate of recoverable ounces of gold at Gedabek and which has increased the life of mine. A total mineable reserve of 20,312,879 tonnes at 1.139 g/t gold for 744,038 ounces, 0.293% copper for 59,479 tonnes, and 9.456 g/t silver for 6,175,531 ounces as at 30 December 2011 was calculated, of which 532,607 ounces of gold are recoverable, a significant increase over the previous internal estimate of 311,000 ounces announced in 2007, prior to the construction of the Gedabek mine. Importantly, in addition to the 532,607 ounces of recoverable gold in the ground, we have an estimated 90,000 ounces of gold that was not recovered by the heap leach process, in the spent ore which is currently stacked on the leach pads. In due course, this ore will be reprocessed through the new agitation leach plant, described below, to recover the major part of this "lost" gold.

An extensive 30,000m drilling programme is also underway of which 10,500m has been drilled to date, targeting an extension of the existing mine at Gedabek with the aim of further increasing the mineral reserves and resources as part of our on-going exploration and development programme. Recent drilling indicates significant potential to continue upgrading and increasing the size of the Gedabek deposit, and we look forward to updating the market on these results in due course.

Furthermore, as mentioned, to ensure the long-term success of Gedabek as a producing entity we have been actively evaluating our processing and mining operations to improve the recovery rate of gold and obtain the best return for shareholders in the future. Gedabek is currently an open pit mining operation, which utilises a conventional heap leach process

and a resin adsorption recovery plant. In May 2012, following a pre-feasibility study carried out by mining consultants, Arcadis Chile Limited, we announced our intention to construct an agitation leaching plant at Gedabek. The plant, which will have a capacity to treat 100 tph of ore and it is anticipated will be commissioned in H1 2013, has an estimated capital cost of US\$52 million, including construction of the tailings dam and all related infrastructure.

The heap leach process required less capital than the proposed agitation leaching plant to establish when the mine was first constructed. However, heap leaching has limitations with regards to the size of ore being leached (-25mm), which results in gold recoveries of circa 70% with leaching cycles extending up to typically a year depending on the ore mineralogy. In comparison, agitation leaching of milled ore can deliver higher recoveries with the immediate production of gold. The agitation leaching plant will process high grade ore and additional resources that are not suitable for Gedabek's current heap leaching processing operation, together with spent ore from the leach heaps to further improve total gold recoveries. Agitation leaching recovery rates have been initially estimated at 85% for oxide material and 69% for sulphide material, although the Company is carrying out further tests to see if these recovery rates can be further improved.

In terms of financing of the plant, in May 2012, the International Bank of Azerbaijan ('IBA') provided a US\$7.5 million loan. So far we have drawn down US\$5.9 million of this loan. Post period end we agreed a further US\$10.5 million loan with the IBA and received a letter of intent stating that, subject to internal consideration and approval, it will provide up to an additional US\$42 million to the Company for the construction of the new agitation plant. Including the US\$18 million already agreed, this would bring the total funding provided to the Company by the IBA to US\$60m. The loans already agreed have an annual interest rate of 12% and can be drawn down in tranches of up to US\$1,500,000. Repayment will be within 36 months in equal quarterly instalments starting two years from the date that each tranche of funds is drawn down. There is no penalty for early repayment.

As mentioned earlier in my statement, Anglo Asian's strategy is to build a multiple mining operation company focussed in Caucasia. To this end, we were delighted to report in May 2012 that the Ministry of Ecology and Natural Resources gave us approval for our Development and Production Programme of the 300 sq km Gosha Gold Deposit in Azerbaijan, 50 km away from Gedabek. We are aiming to commence the development of Gosha in H1 2013, and plan to establish a small, profitable, high grade underground gold mine, producing gold at an average rate of 10,000 to 15,000 ounces per annum for a period of five years. At the same time as the Development and Production programme, we plan to implement further drilling campaigns at Gosha in order to increase the economics of the proposed mine. An update on the agreed date for the commencement of the Development and Production Programme at Gosha will be given in due course.

At our third project, Ordubad, we were pleased to report a Notice of Discovery for gold at the property in April 2012. The Notice of Discovery is a requirement set out in the Company's Production Share Agreement ('PSA') signed with the Government of Azerbaijan, which needs to be in place before the technical and economical evaluation of a deposit in terms of a Development and Production Programme can take place. We plan to release further information concerning the results of the studies and exploration work in due course and further exploration work is now planned with a view to confirming a small gold deposit with production potential.

We continue to work closely with the Government of Azerbaijan and are pleased with the level of support it gives us. We also maintain a strong relationship with the IBA, which is majority owned by the Government of Azerbaijan. During the first half of 2012 we repaid US\$2.1 million of our initial loan with the IBA, bringing the outstanding loan balance to US\$11 million as at 30 June 2012. Subsequently, the Group repaid a further US\$4.5 million of this loan to IBA on 12 September 2012. As mentioned earlier we have agreed a further US\$18 million loan with the IBA to help fund the new agitation leaching plant to improve gold recoveries at Gedabek. US\$5.9 million of this has been drawn down to date. There is potential to increase the loan with the IBA to US\$60 million to fully fund the agitation leaching plant project.

The PSA with the Government of Azerbaijan sees the Government effectively taking 12.75% of the commercial products of each mine, with the Company taking 87.25%, until Anglo Asian has recovered all its carried forward, unrecovered costs.

The Company made a profit before tax of US\$10.5 million in the period to 30 June 2012 (H1 2011: US\$14.2 million). Revenue of US\$30.1 million (H1 2011: US\$38.5 million) was generated from gold sales of 18,135 oz (H1 2011: 24,586 oz) at an average price of US\$1,644 per oz (H1 2011: US\$1,450 per oz).

The cost of sales for the period amounted to US\$15.9 million (H1 2011: US\$18.7 million), resulting in a gross profit of US\$14.2 million (H1 2011: US\$19.8 million).

Administration costs were US\$2.7 million (H1 2011: US\$3.1 million) and finance costs were US\$0.9 million (H1 2011: US\$1.9 million), most of which related to interest on loans from the IBA.

Net cash inflow from operating activities was US\$8.1 million (H1 2011: US\$16.2 million). This contributed to the funding of the purchase of tangible assets (including mine development and agitation plant work in progress) of US\$13.5 million, exploration expenditure of US\$2.7 million, a reduction in loans of US\$2.1 million and payment of interest of US\$0.8 million.

Current assets have increased from US\$41.0 million at 31 December 2011 to US\$46.1 million at 30 June 2012 (30 June 2011: US\$31.7 million) mainly as a result of an increase in inventories, which is due to a combination of increased lead time of gold being transferred to the leach pad at Gedabek and the increase in stock of metal concentrate. The gold bullion receivable on behalf of the Government of Azerbaijan, US\$5.5 million, relates to the bullion held in the accounts of the Group for which the Government of Azerbaijan is the beneficial holder. The Group holds the Government's share and from time to time transfers the product to the Government of Azerbaijan at the Government's request. A corresponding liability is included in trade and other payables.

In terms of corporate policy, maintenance of international levels of health, safety, social and environmental standards remain a key priority for us and we have a Health, Safety, Environment and Technology Committee ('HSET') established 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 reporting period there were no serious work related injuries or environmental incidents and various safety and environmental initiatives were undertaken. We have approximately 450 personnel working in the Company.

We have carried out a series of activities to improve Health and Safety including implementation of a fire safety and evacuation system, daily supervision and induction/training for operational and project areas including personal protective equipment (PPE) compliance training. In the period we have appointed an ICMI-Cyanide Code Auditor, installed monitoring wells for groundwater and conducted environmental monitoring campaigns for soil, surface water and groundwater. A full Waste Management plan is underway to maintain, reduce, reuse and recycle waste generated. ESIA activities are being undertaken for the Agitation Leaching Project and Tailings Management Facility. Hydrology, Soil, Safety and Social, areas have been assessed by international and local consultants.

Whilst the first half of the year has been busy in terms of production, processing and exploration developments at Gedabek, the second half is also proving to be highly productive and we are confident that we will achieve our revised gold production target of between 49,000 ounces to 51,000 ounces at Gedabek. We will also remain committed to building the new agitation leaching plant to improve future gold recoveries at the Gedabek mine and to continue exploration and development work to increase our resource and reserve base. In addition we are also focussed on developing a new mining operation at Gosha and with the intention of bringing a second mining operation on line in late 2013. With these developments in mind, I believe we can generate value uplift for investors during the rest of the year and into 2013.

Finally, I would like to extend my gratitude and thanks to my fellow Directors, the Government of Azerbaijan, the IBA, advisors, employees and shareholders for their continued support and I look forward to updating investors regularly on the progress of Anglo Asian, as a highly profitable, cash-generative, producing gold, copper and silver company in Azerbaijan.

Khosrow Zamani

Non-executive Chairman

Interim consolidated income statement

For the 6 months ended 30 June 2012

**Unaudited
Six months to
30 June**

Unaudited
Six months to
30 June

	Notes	2012 US\$	2011 US\$
Revenue		30,106,071	38,527,107
Cost of sales		(15,917,090)	(18,743,741)
Gross profit		14,188,981	19,783,366
Other income		107,727	—
Administrative expenses		(2,698,427)	(3,105,133)
Other operating expense		(400,466)	(583,445)
Operating profit		11,197,815	16,094,788
Finance income		147,400	—
Finance costs		(885,162)	(1,938,335)
Profit before tax		10,460,053	14,156,453
Income tax expense	3	(3,853,004)	(5,817,411)
Profit after tax		6,607,049	8,339,042
Profit per share for the period attributable to the equity holders of the parent		6,607,049	8,339,042
Basic cents per share	4	5.95	7.51
Diluted cents per share	4	5.80	7.36

Interim consolidated statement of comprehensive income

For the 6 months ended 30 June 2012

	Unaudited Six months to 30 June 2012 US\$	Unaudited Six months to 30 June 2011 US\$
Profit for the period	6,607,049	8,339,042
Total comprehensive profit for the period	6,607,049	8,339,042
Attributable to the equity holders of the parent	6,607,049	8,339,042

Interim consolidated balance sheet

	Notes	Unaudited As at 30 June 2012 US\$	Audited As at 31 December 2011 US\$	Unaudited As at 30 June 2011 US\$
Non-current assets				
Intangible assets	5	23,655,981	28,837,939	33,903,822
Property, plant and equipment	6	55,604,284	43,549,670	40,843,964
Non-current prepayments	7	4,745,649	292,290	172,601
		84,005,914	72,679,899	74,920,387
Current assets				
Trade receivables and other assets	8	8,765,746	3,770,996	8,106,682
Inventories	9	34,293,283	27,301,183	22,180,233
Cash and cash equivalents		3,052,910	9,938,594	1,408,998
		46,111,939	41,010,773	31,695,913
Total assets		130,117,853	113,690,672	106,616,300
Current liabilities				
Trade and other payables		(13,948,419)	(8,807,760)	(10,396,577)
Interest bearing loans and borrowings	10	(10,996,412)	(11,307,412)	(7,141,997)
		(24,944,831)	(20,115,172)	(17,538,574)
Net current assets		21,167,108	20,895,601	14,157,339
Non-current liabilities				
Provision for rehabilitation		(1,948,731)	(2,424,995)	(1,397,378)
Interest bearing loans and borrowings	10	(3,971,572)	(1,821,000)	(10,897,666)
Deferred tax liability		(15,706,790)	(12,461,569)	(10,378,345)
		(21,627,093)	(16,707,564)	(22,673,389)
Total liabilities		(46,571,924)	(36,822,736)	(40,211,963)
Net assets		83,545,929	76,867,936	66,404,337
Equity				
Share capital	11	1,973,129	1,967,704	1,967,704
Share premium account		32,172,575	32,139,674	32,133,847
Share-based payment reserve		681,407	648,789	642,216
Merger reserve		46,206,390	46,206,390	46,206,390
Retained earnings/Accumulated loss		2,512,428	(4,094,621)	(14,545,820)
Total equity		83,545,929	76,867,936	66,404,337

Interim consolidated cash flow statement

For the six months ended 30 June 2012

	Notes	Unaudited Six months to 30 June 2012 US\$	Unaudited Six months to 30 June 2011 US\$
Net cash inflow generated from operating activities	12	8,054,704	16,200,374
Investing activities			
Expenditure on property, plant and equipment and mine development		(13,861,918)	(2,822,501)
Investment in exploration and evaluation assets including other intangible assets	(5)	(2,312,050)	(2,733,586)
Interest received		147,400	—
Net cash used in investing activities		(16,026,568)	(5,556,087)
Financing activities			
Shares issued in lieu of cash and for options exercised		38,326	43,003
Proceeds from borrowings		3,971,572	—
Repayment of borrowings		(2,100,755)	(12,588,000)
Interest paid		(822,963)	(1,801,143)
Net cash generated/(used) in financing activities		1,086,180	(14,346,140)
Net decrease in cash and cash equivalents		(6,885,684)	(3,701,853)
Cash and cash equivalents at beginning of period		9,938,594	5,110,851
Cash and cash equivalents at end of period		3,052,910	1,408,998

Interim consolidated statement of changes in equity

For the six months ended 30 June 2012

	Notes	Share capital US\$	Share premium US\$	Share-based payment reserve US\$	Merger Reserve US\$	Retained earnings US\$	Total Equity US\$
At 1 January 2012		1,967,704	32,139,674	648,789	46,206,390	(4,094,621)	76,867,936
Total comprehensive income		—	—	—	—	6,607,049	6,607,049
Shares issued		5,425	32,901	—	—	—	38,326
Share based payment charge for the period		—	—	32,618	—	—	32,618
At 30 June 2012		1,973,129	32,172,575	681,407	46,206,390	2,512,428	83,545,929

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

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 2012 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 2011 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 2011, except for the adoption of the following new amendment to the existing standard as of 1 January 2012:

- IFRS 7 Financial Instruments: Disclosure (Amendments)

The adoption of this amendment 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 interim report was approved by the Board of Directors on 26 September 2012.

The Directors have prepared the consolidated financial statements on a going concern basis after reviewing the Group's cash position for the period to 31 December 2013 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 MKS Finance SA, based in Switzerland. Copper concentrate is sold to Seagate Minerals & Metals and Glencore International AG. The management of the Group does not segment the business when evaluating its performance.

3. Deferred tax

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 within 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 increased during the period due to increase in temporary differences from increase of inventory balance and increase in non-current assets during the period.

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 current tax for the period and 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 2012 US\$	Unaudited 6 months to 30 June 2011 US\$
Earnings per ordinary share		
Profit	6,607,049	8,339,042
Basic earnings per share	5.95	7.51
Diluted earnings per share	5.80	7.36
	Number	Number
Weighted average number of shares:		
For basic earnings per share	111,091,538	110,993,882
For diluted earnings per share	114,573,991	113,178,337

5. Intangible assets

Exploration and evaluation assets

	Gedabek US\$	Gosha US\$	Ordubad US\$	Total US\$
Cost:				
As at 1 January 2011	2,032,275	2,524,719	1,708,569	6,265,563
Additions	2,914,644	1,576,621	465,071	4,956,336
Transfer to property, plant and equipment	—	(4,101,340)	—	(4,101,340)
As at 31 December 2011	4,946,919	—	2,173,640	7,120,559
Additions	1,761,844	—	320,436	2,082,280
Transfer to property, plant and equipment	(6,708,763)	—	—	(6,708,763)
As at 30 June 2012	—	—	2,494,076	2,494,076

Mining rights and other intangible assets

	Mining rights US\$	Other intangible assets US\$	Total US\$
Cost:			
As at 1 January 2011	41,925,262	341,789	42,267,051
Additions	—	101,412	101,412
As at 31 December 2011	41,925,262	443,201	42,368,463
Additions	—	229,770	229,770
As at 30 June 2012	41,925,262	672,971	42,598,233
Amortization and impairment			
As at 1 January 2011	(13,975,498)	(87,675)	(14,063,173)
Charge for the year	(6,517,353)	(70,557)	(6,587,910)
As at 31 December 2011	(20,492,851)	(158,232)	(20,651,083)
Charge for the period	(761,644)	(23,601)	(785,245)
As at 30 June 2012	(21,254,495)	(181,833)	(21,436,328)
Carrying amount			
As at 31 December 2011	21,432,411	284,969	21,717,380
As at 30 June 2012	20,670,767	491,138	21,161,905

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 2011	302,757	6,842,503	48,254,378	555,145	1,851,032	450,095	2,945,705	61,201,615
Additions	13,599	427,426	—	201,801	729,893	5,010	6,336,454	7,714,183
Transfer to producing mines	—	—	4,921,316	—	—	—	(4,921,316)	—
Transfer from evaluation and exploration assets	—	—	—	—	—	—	4,101,340	4,101,340
Increase in rehabilitation asset	—	—	967,865	—	—	—	—	967,865
As at 31 December 2011	316,356	7,269,929	54,143,559	756,946	2,580,925	455,105	8,462,183	73,985,003
Capitalisation of interest	—	—	—	—	—	—	31,245	31,245
Additions	—	125,418	68,513	79,380	—	—	9,104,004	9,377,315
Transfer to producing mines	—	—	2,842,657	—	—	—	(2,842,657)	—
Transfer from evaluation and exploration assets	—	—	—	—	—	—	6,708,763	6,708,763
Decrease in rehabilitation asset	—	—	(559,077)	—	—	—	—	(559,077)
As at 30 June 2012	316,356	7,395,347	56,495,652	836,326	2,580,925	455,105	21,463,538	89,543,249
Depreciation and impairment*								
As at 1 January 2011	(190,447)	(2,035,022)	(14,258,275)	(317,102)	(803,349)	(306,749)	—	(17,910,944)
Charge for year	(38,744)	(981,599)	(10,962,382)	(135,999)	(349,181)	(56,484)	—	(12,524,389)
As at 31 December 2011	(229,191)	(3,016,621)	(25,220,657)	(453,101)	(1,152,530)	(363,233)	—	(30,435,333)
Charge for period	(19,772)	(420,496)	(2,756,715)	(86,828)	(192,231)	(27,590)	—	(3,503,632)
As at 30 June 2012	(248,963)	(3,437,117)	(27,977,372)	(539,929)	(1,344,761)	(390,823)	—	(33,938,965)
Carrying amount								
As at 31 December 2011	87,165	4,253,308	28,922,902	303,845	1,428,395	91,872	8,462,183	43,549,670
As at 30 June 2012	67,393	3,958,230	28,518,280	296,397	1,236,164	64,282	21,463,538	55,604,284

* New reserves available to the Group upon issuance of JORC-compliant reserve report in 2012 were used for the depreciation of assets based on unit of production method. The new depreciation base was applied from January 2012.

7. Non-current prepayments

Non-current prepayments represent advances made to suppliers for fixed asset purchases. US\$4,526,358 (30 June 2011: US\$ nil) advance payments were made to suppliers for construction of new agitation leaching plant.

8. Trade receivables and other assets

	Unaudited As at 30 June 2012 US\$	Audited As at 31 December 2011 US\$
Gold held on behalf of the Government of Azerbaijan	5,489,061	1,168,185
VAT refund due	1,214,098	978,442
Trade receivables	—	93,330
Prepayments	289,072	257,677
Advances	1,141,301	1,273,362
Advance payment for profit tax	632,214	—
	8,765,746	3,770,996

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

The VAT refund due at 30 June 2012 and 31 December 2011 relates 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 government's request. A corresponding liability to the Government of Azerbaijan is included in trade and other payables.

In accordance with the terms of the PSA the Group is paying profit tax in advance on a quarterly basis.

Advance payment for profit tax represents amount paid in excess of actual profit tax liability incurred during the six month period ending at 30 June 2012. 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 2013 as per the PSA.

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

9. Inventories

	As at 30 June 2012 US\$	As at 31 December 2011 US\$
At cost		
Finished goods – bullion	1,504,222	1,151,566
Finished goods – metal in concentrate	4,743,957	3,258,156
Metal in circuit	17,997,268	18,434,070
Ore stockpiles	3,514,032	—
Spare parts and consumables	6,533,804	4,457,391
	34,293,283	27,301,183

459 dry metric tons of copper concentrate were produced during the period with total value of US\$1,485,801. No copper concentrate was sold during the period. US\$2,797,801 (31 December 2011: US\$ 1,141,758 was allocated and written off) and US\$716,231 (31 December 2011: US\$ nil) was allocated to ore stockpiles for low grade ore and sulphide ore stockpiles, respectively. The Group has started capitalization of cost allocated to sulphide ore upon authorization of new agitation plant. Inventory is recognized at lower of cost or net realizable value.

10. Interest-bearing loans and borrowings

	Unaudited As at 30 June 2012 US\$	Audited As at 31 December 2011 US\$
Loans from IBA	14,967,984	13,128,412
Total interest bearing loans and borrowings	14,967,984	13,128,412
Loans repayable in less than one year	10,996,412	11,307,412
Loans repayable in more than one year	3,971,572	1,821,000

Loans with the International Bank of Azerbaijan carry an interest rate of 12% per annum. There is no penalty for early repayment on any of the loans from International Bank of Azerbaijan.

The IBA agreed to finance the initial phase of the Group's new agitation leaching plant construction by opening credit lines as requested at an interest rate of 12% per annum for facilities used. Credit line agreements were signed for total amount of US\$7,500,000 with the IBA as of 30 June 2012. US\$3,971,572 (30 June 2011: US\$ nil) was withdrawn from these credit lines as of 30 June 2012 for financing construction of the new agitation leaching plant.

In the 6 months to 30 June 2012, the Group had made repayments to the International Bank of Azerbaijan of US\$2,100,755 (30 June 2011: USD12,588,000).

Total interest accrued on interest bearing loans during the period was US\$822,961 (30 June 2011: US\$1,799,073).

11. Equity

	shares	US\$
Ordinary shares issued and fully paid:		
At 1 January 2011	110,397,307	1,957,424
Exercise of stock options	650,000	10,280
At 31 December 2011	111,047,307	1,967,704
Exercise of stock options	350,000	5,425
At 30 June 2012	111,397,307	1,973,129

12. Notes to the cash flow statement

	Unaudited Six months to 30 June 2012 US\$	Unaudited Six months to 30 June 2011 US\$
Profit before tax	10,460,054	14,156,453
Adjustments for:		
Finance income	(147,400)	—
Finance costs	885,162	1,938,339
Depreciation of property, plant and equipment	3,503,632	5,381,068
Amortization of mining rights and other intangible assets	785,245	3,299,206
Share-based payment expense	32,618	3,839
Operating cash flows before movements in working capital	15,519,311	24,778,905
Increase in trade and other receivables	(41,661)	(1,426,639)
Increase in inventories	(6,992,100)	(5,825,267)
Increase in trade and other payables	809,150	834,455
	9,294,700	18,361,454
Income tax paid	(1,239,996)	(2,161,080)
Cash generated from operations	8,054,704	16,200,374
Net cash generated from operating activities	8,054,704	16,200,374

13. 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 announced a discovery on Ordubad Mining Property in April 2012 and is in process of preparation of development programme to the Government according to the PSA requirements.

The mining licence on 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 2012.

The Group has started construction of the new agitation plant in the period, to allow increased recovery rates. Commissioning of the plant is expected to take place in the first half of 2013. Total expected capital expenditures on construction of this plant are estimated at US\$52 million. Contractual commitments of the Group on purchases and services related to the construction of the new plant comprised US\$11,327,214 as of 30 June 2012. Payments to suppliers on construction of the new plant are made from credit lines with the IBA.

On 20 January 2012 the Group entered into non-cash credit line agreement of US\$3,000,000 for letters of credit with Yapi Kredi Bank Azerbaijan. A pledge agreement was signed with Yapi Kredi 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\$5,392,800 was pledged to guarantee letters of credit opened under the agreement.

14. 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 US\$46,848 (30 June 2011: US\$46,384).
- b) During the period US\$115,954 (30 June 2011: US\$118,443) was paid to Mr Reza Vaziri for consultancy services
- c) 350,000 shares were issued to Andrew Herbert, former Chief Financial Officer of the Group from exercise of stock options during the period.
- d) Equipment and spare parts of the amount of US\$21,875 (30 June 2011: US\$6,146) were bought from Proses Muhendislik Danismanlik Inshaat ve Tasarim Anonim Shirket of which the Chief Technical Officer of Azerbaijan International Mining Company, representative office in Azerbaijan Republic (AIMC) has a direct ownership interest
- e) During the period US\$4,685 (30 June 2011: US\$6,343) was paid to Professor John Monhemius, a director of the company, for consultancy services.

15. Subsequent events

The following subsequent events relate to the period from 30 June 2012 to the date of approval of the interim financial statements on 26 September 2012.

On 9 August 2012, copper concentrate samples were shipped for sale to Glencore International AG with a total estimated value of US\$1,404,181 (including the Government of Azerbaijan's share).

On 12 September 2012 the Group repaid US\$4,544,000 of the loan to the IBA. The Group has signed with the IBA credit line agreements for an additional US\$10.5 million for the financing of the construction of the new agitation leaching plant. Total amount of new borrowings withdrawn from the IBA during the subsequent period for this construction comprised US\$5.9 million.

** The Company has a Production Sharing Agreement ('PSA') in place with the Government of Azerbaijan which governs how the production of each of the Company's Contract Areas under the PSA is divided between the Company and the Government of Azerbaijan. Currently, the Company takes ownership of 87.25% of the production at Gedabek, which accounts for the difference between the total gold produced at Gedabek and the amount of gold sold by the Company. It should also be noted that there will always be short-term timing differences between gold production and sales.

Competent Person Statement

The technical information contained in this announcement and the Updated Ore Reserves Report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Guillermo Turner-Saad of CAE Mining International Ltd. Mr Turner-Saad is a Fellow of The Australasian Institute of Mining and Metallurgy and he has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and a 'qualified person' as defined in the Guidance Note for Mining, Oil and Gas Companies, June 2009, of the London Stock Exchange.

****ENDS****

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