Anglo Asian Mining PLC

Annual report and accounts 2014

Anglo Asian Mining PLC is listed on AIM and has a portfolio of gold, copper and silver exploration and production properties in Azerbaijan.

The Company's extensive portfolio is located on the Tethyan Tectonic Belt, one of the world's most significant gold and copper bearing trends, which extends from Pakistan to the Balkans passing through Iran, Azerbaijan, Georgia and Turkey.

The Company's key operations span three contract areas in Azerbaijan covering 1,062 square kilometres. Three additional contract areas covering 900 square kilometres are held in territories occupied by Armenia which it hopes to develop once access is obtained.

Our properties are held under a Production Sharing Agreement with the Government of Azerbaijan.

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Highlights

year ended 31 December 2014

Financial highlights

Revenue

$68.0m

(2013:$70.8m)

Loss before taxation

$14.4m

(2013:profit of $1.4m)

Operating cash flow before movements in working capital

$10.6m

(2013:$17.9m)

Net debt calculated as aggregate of loans and borrowings

$52.4m

(2013:$45.5m)

Cash

$0.3m

(2013:$5.5m)

Operational highlights

- Strong production performance at Gedabek mine in Azerbaijan with record gold production
- Total FY 2014 gold production of 60,285 ounces (2013: 52,107 ounces)
- Gold sales of 50,615 ounces (2013: 46,077 ounces) completed at an average of $1,267 per ounce (2013: $1,387 per ounce)
- Gold produced at an average cash operating cost net of by-product credits of $971 per ounce (2013: $626 per ounce) - higher cash costs due to there being a full year cost of production of the agitation leach plant in FY 2014
- Silver production totalled 31,177 ounces (2013: 65,939 ounces) – FY 2014 lower due to changes in mineralogy of the ore
- Copper production of 784 tonnes, a 140 per cent. increase over 2013 production of 327 tonnes
- Gedabek production target to produce circa 70,000-75,000 ounces of gold for FY 2015 from the agitation leaching plant and heap leach operation, including ore from Anglo Asian's Gosha and Gadir operations
- Revised JORC reserve report announced with 20.5 million tonnes of ore grading 1.03 grammes per tonne of gold (682,000 ounces); 0.50 per cent. copper (102,000 tonnes); and 7.35 grammes per tonne of silver (4.84 million ounces)
- Gosha mine commenced operations in 2014 and Gadir scheduled to commence operations in 2015
- Construction of small scale flotation plant to increase gold and copper recoveries scheduled to be completed in quarter three 2015

Underground low loader.

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Anglo Asian Mining PLC

Our operations

The Company's main property is its Gedabek open pit mine, Azerbaijan's first gold mine in modern times. The Company also owns Gosha, an underground mine 50 kilometres from Gedabek. Gadir, an underground mine is also being developed at Gedabek. Ore mined at Gosha is processed at Gedabek.

The Company processes ore at Gedabek. Gold doré is produced by heap leach and by its agitation leaching plant. A copper and precious metals concentrate is also produced by SART (Sulphidisation, Acidification, Recycling and Thickening) processing. The Company is also constructing a small scale flotation plant to exploit Gedabek's copper resources.

Gedabek

Gedabek is the Company's main mine and the site of its processing operations. Situated at Gedabek is the Company's agitation leaching plant and its SART processing facility. In 2014, 60,285 ounces of gold, 31,177 ounces of silver and 784 tonnes of copper were produced.

Mining in the Gedabek open pit.

View of the agitation leaching plant and partially constructed small scale flotation plant.

Agitation leach tanks.

Inside of the SART plant.

Anglo Asian Mining PLC

Our operations

Gadir

Gadir is a new underground mine being developed at the Gedabek site.

Entrance to the newly developed Gadir decline.

Inside of the Gadir decline showing wall and roof supports.

Gosha

The Gosha underground mine is 50 kilometres from Gedabek and is being developed as a small high grade mine. In 2014, Gosha produced 28,891 tonnes of ore at a grade of 4.15 grammes per tonne.

Truck entering the Gosha mine.

Ore being transported underground in the Gosha mine.

Ore mined at Gosha waiting to be transported to Gedabek.

Azerbaijan

Azerbaijan is situated in south-western Asia, bordering the Caspian Sea between Iran and Russia, with a small European portion north of the Caucasus range.

It borders Armenia, Georgia, Iran, Russia and Turkey and is split into two parts by Armenia; the smaller part is called the Autonomous Republic of Nakhchivan.

The country has an established democratic government, which is fully supportive of international investment initiatives. Infrastructure is reasonably extensive. Low cost labour is also available.

Chairman's statement

Khosrow Zamani, Non-executive chairman

> "We continue to build a leading gold, copper and silver producer in Azerbaijan."

Anglo Asian is a gold, copper and silver producer with mining properties located in Azerbaijan in the prospective Tethyan Tectonic Belt, one of the world's significant copper and gold mineralised zones. Our primary focus in 2014 was the optimisation of production at, and future development of Gedabek – our gold, copper and silver mining operation located in the lower Caucasus mountains in the west of the country. We have also been developing our second gold resource, Gosha, only 50 kilometres away from Gedabek and a new underground mine, Gadir, situated on the Gedabek property.

Review of the year

We were pleased to report total gold production for 2014 of 60,285 ounces, a 16 per cent. increase over 2013 production of 52,107 ounces and copper production of 784 tonnes, a 140 per cent. increase over the 2013 production of 327 tonnes. Production of silver totalled 31,177 ounces for 2014, however this was a 53 per cent. decrease over 2013 production of 65,939 ounces due to changes in the mineralogy of the ore.

Whilst gold and copper production for the year increased substantially, the environment for mining companies globally remained poor with the effects still being felt of the sustained low gold and copper prices. Despite a strong performance in terms of production, the low global metals prices throughout the year, together with the first full year's operational cost of the agitation leach plant at Gedabek, have adversely impacted profitability for 2014. Whilst we achieved solid revenues of $68.0 million, we are disappointed to report a loss before tax of $14.4 million for the year.

To improve production and lower operating costs during 2014, the Company has been exploring a number of options to overcome the lower than expected metal recoveries from the agitation leach plant and to decrease the large cyanide usage and associated costs resulting from the high copper sulphide content of its high grade ore. A Knelson concentrator was installed in March 2014 and the use of ammonia as a reagent to improve recoveries has been introduced. The Company has also commenced heap leaching uncrushed (Run of Mine or ROM) ore during 2014. This is a low cost method to treat low grade ore which would otherwise not be economic to process.

The Gosha underground mine commenced production in the year. In 2014, it produced 28,891 tonnes of ore grading 4.15 grammes of gold per tonne. The development of the mine has been hampered due to the very narrow ore veins which make mining difficult.

Ore mined at Gosha is transported to Gedabek for processing. The Gosha mine will continue to form an important although small part of the Company's portfolio of properties. We are also developing a new underground mine, Gadir, at our Gedabek site. It is expected ore will be extracted from Gadir in the second half of 2015.

We continue to develop the greater Gedabek area with the aim of delineating further resources and reserves to increase the life of mine of the operation. We were therefore delighted to announce a revised JORC reserve report of 20.5 million tonnes of ore grading 1.03 grammes per tonne of gold (682,000 ounces); 0.50 per cent. copper (102,000 tonnes); and 7.35 grammes per tonne of silver (4.84 million ounces). Notably this demonstrated a 96 per cent. increase of copper with recoverable copper increasing by over 500 per cent. to 68,000 tonnes compared to our May 2012 ore reserve statement.

The new small scale flotation plant which is under construction.

Tailings dam showing the newly raised wall waiting to be lined.

Whilst we are still focused on increasing the production of gold of which we have 682,000 ounces in ore reserves, we are now aiming to take advantage of the significant copper content of the ore we are encountering at Gedabek. Consequently, we initiated the construction of a small scale flotation plant suited to process the high copper content ore to help increase our copper production, in tandem with gold and silver. Flotation typically has lower costs than cyanide leaching as it does not use expensive cyanide as a reagent.

In order to demonstrate how the flotation process can be used to enhance recoveries, in-house test work has shown that by applying the flotation process to the agitation leaching plant tailings, overall recoveries can be increased to approximately 80 per cent. for copper, 70 per cent. for silver and 90 per cent. for gold. The flotation process can produce a saleable copper concentrate with approximately 20 per cent. copper content.

The construction of the small scale flotation plant is due to be completed in quarter three, 2015 and if completed on target should see an additional 5,000 ounces of gold and 1,200 tonnes of copper produced for the full year 2015. This production will be from stockpiles of ore which have already been mined and therefore will incur no additional mining costs.

The Company places the highest priority on its environmental responsibilities. A key responsibility is secure storage of tailings produced at Gedabek. Accordingly in 2014, the Company embarked upon a project to approximately double the capacity of its tailing dam by raising the wall of the dam and to increase security by building a reed bed biological treatment system immediately downstream of the dam to process any seepage. This project is nearing completion and will provide adequate and secure capacity for tailings storage for the next few years.

The Company sells its product in US dollars, however it has a significant portion of costs denominated in Azerbaijan Manats. The recent 34 per cent. devaluation of the Azerbaijan Manat against the US dollar is obviously unwelcome for Azerbaijan and its people. However, we believe this will have a considerable beneficial effect for us in 2015 by reducing our operating cost by around $6.5 million in the 2015 financial year at the current US dollar to Azerbaijan Manat exchange rate.

Outlook

2015 is an important year for our Company and a time which we believe marks the start of our turnaround strategy to restore profitability. The year has started well and we were delighted to report quarter one, 2015 production figures of 17,053 ounces of gold, marking a 52 per cent. increase in gold production from quarter one 2014. This highly credible performance for quarter one, 2015 demonstrates that the initiatives undertaken during 2014 to improve production are beginning to take effect. Accordingly, we have announced a gold production target of between 70,000 to 75,000 ounces for the year to 31 December 2015, which if achieved, will mark an increase of around 16 to 24 per cent. from the full year 2014.

The construction of our small scale flotation pilot plant continues to plan with commissioning scheduled for quarter three, 2015. The successful commissioning of this plant, which will enable us to fully exploit the sulphide ore reserves at Gedabek, will add an important new source of production and revenues for Anglo Asian.

Given the improved start to 2015, and the commencement of flotation later in the year, we believe the outlook for the rest of the year is a significant improvement over 2014 and look forward to updating shareholders on our progress.

Appreciation

I would like to take this opportunity to thank our Anglo Asian employees, partners, the Government of Azerbaijan, advisers, fellow directors and shareholders for their continued support as we continue to build Anglo Asian into a leading and profitable mid-tier gold, copper and silver producer in Azerbaijan and Caucasia.

Khosrow K. Zamani

Khosrow Zamani
Non-executive chairman
27 May 2015

Strategic report

> The Group's main focus has been on several key areas to increase our gold, copper and silver production at the lowest possible cost.

Geological samples at Gedabek.

Furnace used for pouring gold doré.

The directors present their strategic report for the year ended 31 December 2014.

Principal activities

The principal activity of Anglo Asian Mining PLC is that of a holding company and a provider of support and management services to its main operating subsidiary R.V. Investment Group Services LLC. The Company, together with its subsidiaries (the "Group"), owns and operates gold, silver and copper producing properties in the Republic of Azerbaijan ("Azerbaijan"). It also explores and develops other potential gold and copper projects in Azerbaijan.

The Group has a 1,962 square kilometre portfolio of gold, silver and copper properties in Azerbaijan, at various stages of the development cycle. These include our Gedabek gold, silver and copper mine in western Azerbaijan. Our processing facilities to produce gold doré, and a copper, silver and gold concentrate, from mined ore are also located at Gedabek. Gosha, our second gold and silver mine, is located 50 kilometres away from Gedabek. Ordubad, our early stage gold-copper exploration project is located in the Nakhchivan region of Azerbaijan.

During the period under review, the Group's main focus has been on several key areas to increase our gold, copper and silver production and ensure the future success of our operations as follows:

- optimisation of the performance of our agitation leach plant to ensure maximum production at lowest possible cost;
- implementation of uncrushed ore (Run of Mine or ROM) heap leaching to provide additional low cost production from low grade ore; and
- construction of a small scale flotation plant to primarily produce copper to exploit the copper content of the ore at Gedabek and provide a path for future development of the site.

The Group has a target production for the full year to 31 December 2015 of between 70,000 to 75,000 ounces of gold.

Gedabek

Introduction

The Gedabek mining operation is located in a 300 square kilometre contract area in the lower Caucasus mountains in western Azerbaijan on the Tethyan Tectonic Belt, one of the world's most significant copper and gold bearing structures. The mine, which first poured gold in 2009, is an open-pit mining operation. In addition, in late 2014, the Group started to develop an underground mine, Gadir, on the Gedabek property.

Mineral resources

Key to the future development of the Gedabek site is our knowledge of the mineral resources and ore reserves within the contract area. In this respect, the Group was pleased to announce in November 2014 a new ore reserve estimate as of 1 September 2014. This ore reserve estimate showed an increase of approximately 3.9 million tonnes of ore, after allowing for depletion due to mining since the previous estimate. It also showed a significantly higher copper content. Table 1 shows the ore reserve estimate at 1 September 2014.

Gedabek continued

Mining operations

The principal mining operation at Gedabek is conventional open cast mining from several contiguous open pits. Ore is first drilled and blasted and then transported either to a processing facility or to a stockpile for storage. The major mining activities of drill and blasting and subsequent transportation of ore are carried out by contractors. Table 2 summarises the ore mined from the Gedabek open pit mining operations during the year ended 31 December 2014.

Gadir is being developed as an underground mine and is situated approximately one kilometre from the main open pit at the Gedabek site. A decline is being constructed to access the ore body and at 31 March 2015, approximately 350 metres of decline had been constructed. It is expected that ore will be extracted from the Gadir mine in 2015.

Processing operations

Ore mined at Gedabek is processed to produce either gold doré (an alloy of gold and silver with small amounts of impurities) or a copper and precious metal concentrate using several industrial processes. Initial processing is to leach (i.e. dissolve) the precious metal (and copper) in a cyanide solution. This is done by various methods:

1. Heap leaching of crushed ore. Crushed ore is heaped into "pads" onto which is sprayed a solution of cyanide. The solution dissolves the metals as it percolates through the ore by gravity and it is then collected.
2. Heap leaching of run of mine (ROM) ore. The process is similar to heap leaching for crushed ore except the ore is not crushed and is heaped into pads just as received from the mine without further treatment or crushing.
3. Agitation leaching. Ore is crushed and then processed through a grinding circuit. The ground ore is then placed in tanks containing a cyanide solution and agitated and the contained metal is dissolved in the solution.

Slurries produced by the above processes with dissolved metal in solution are then transferred to a resin in pulp ("RIP") plant. A synthetic resin, in the form of small spherical plastic beads designed to absorb gold selectively over copper and silver, is placed in contact with the leach slurry, or "pulp". After separation from the pulp, the gold-loaded resin is treated with a second solution, which "strips" (i.e. desorbs) the gold, plus the small amounts of absorbed copper and silver, transferring the metals from the resin back into solution. The gold and silver within this final solution are recovered by electrolysis and are then smelted to produce the doré metal, containing gold and silver.

Copper and silver (and small amounts of gold) are also produced by the Sulphidisation, Acidification, Recycling and Thickening ("SART") process. The cyanide solution after metal absorption by RIP processing is transferred to the SART plant. The pH of the solution is then changed by the addition of reagents. This recovers the copper from the solution in the form of a precipitated copper sulphide concentrate containing silver and minor amounts of gold.

Table 1 – ore reserve estimate as at 1 September 2014

	Ore reserve									
		In situ grades			Contained metal			Recovered metal		
Reserve category	In situ tonnes	Au g/t	Cu per cent.	Ag g/t	Au ounces	Cu tonnes	Ag ounces	Au ounces	Cu tonnes	Ag ounces
Proven	16,733,000	1.12	0.61	7.63	600,000	87,000	4,105,000	447,000	65,000	1,346,000
Probable	3,761,000	0.68	0.40	6.12	82,000	15,000	740,000	58,000	11,000	268,000
Total	**20,494,000**	**1.03**	**0.50**	**7.35**	**682,000**	**102,000**	**4,845,000**	**505,000**	**76,000**	**1,614,000**

Table 2 – ore mined at Gedabek for the year ended 31 December 2014

	Ore mined (tonnes)				Waste mined (tonnes)
Quarter ended	High grade	Low grade	Sulphide	Total	
31 March 2014	119,402	137,589	6,869	263,860	1,457,446
30 June 2014	151,206	208,205	11,893	371,304	1,654,284
30 September 2014	145,392	234,534	16,370	396,296	1,631,610
31 December 2014	133,929	202,451	8,425	344,805	1,275,458
Total for the year	**549,929**	**782,779**	**43,557**	**1,376,265**	**6,018,798**

Strategic report continued

Gedabek continued

Processing operations continued

Initially, gold doré was produced at Gedabek by heap leaching crushed ore. Heap leach is a low capital cost method of production traditionally used by mines when they first move into production. However, heap leaching has limitations with regards to the minimum size of the ore being leached limited to around 25 millimetres. This limitation results in only approximately 60 to 70 per cent. of the gold within the ore being recovered with leaching cycles typically extending up to one year depending on the detailed composition of the ore.

To increase gold recoveries and production, the Group constructed and commissioned in July 2013 an agitation leach plant. Compared to heap leaching, agitation leaching can deliver higher recoveries of gold without long leaching cycles. Heap leach pads also require considerable space for their construction and due to the topology of the Gedabek site, this was a constraint.

Following commissioning in 2013, the plant's performance was not as planned due to the mineralogical variation of the ore. Due to the unforeseen presence of very high copper values in the ore, recoveries of gold were not as high as anticipated and the plant's usage of cyanide was higher than planned. This was because excess cyanide was being consumed dissolving copper. Throughout 2014, the Group has therefore expended considerable effort in improving the performance of the plant. This has been aimed both at increasing metal recoveries to increase production and lowering cyanide consumption to decrease costs. A continuous Knelson concentrator was installed at the agitation leaching plant in March 2014 which enhanced gold recoveries. Using ammonia as a reagent in the process to reduce cyanide consumption has also been introduced.

Table 3 shows the amounts of ore and its average grade processed by heap and agitated leaching at Gedabek in 2014.

For the year to 31 December 2014, gold production totalled 60,285 ounces, which was an increase of 8,178 ounces in comparison to the production of 52,107 ounces in the year ended 31 December 2013.

Table 4 summarises the total gold production and sales and demonstrates the quarter-on-quarter increase in gold production and also details the copper and silver production at Gedabek.

The Group's experience of processing has shown the ore at Gedabek to be poly-metallic containing significant amounts of copper. To exploit this high copper content of the Group's ore reserves, the Group commenced construction of a small scale flotation plant in the fourth quarter 2014 whose function would be to primarily produce copper with gold and silver as by-products. It was initially envisaged that the flotation plant would act as a pilot plant to assess future full scale copper production and would initially process 379,000 tonnes of stockpiled high copper content sulphide ore to produce a copper and precious metal concentrate. However in 2015, in-house test work showed that by applying the flotation process to the agitation leach plant tailings, overall recoveries for the agitation leaching plant can be increased to 80 per cent. for copper, 70 per cent. for silver and 90 per cent.

Table 3 – amount of ore and its grade processed at Gedabek for the year ended 31 December 2014

	Amount of ore processed (tonnes)			Gold grade of ore processed (g/t)		
Quarter ended	**Heap leach pad Crushed ore**	**Heap leach pad ROM ore**	**Agitation leaching plant**	**Heap leach pad Crushed ore**	**Heap leach pad ROM ore**	**Agitation leaching plant**
31 March 2014	110,564	—	152,554	1.14	0.00	2.51
30 June 2014	154,902	95,542	159,605	1.18	0.98	2.88
30 September 2014	144,861	407,236	151,473	1.27	0.97	2.99
31 December 2014	120,390	312,374	133,470	1.44	0.97	3.41
Total for the year	**530,717**	**815,152**	**597,102**	**1.26**	**0.97**	**2.93**

Table 4 – gold, silver and copper production at Gedabek for the year ended 31 December 2014

Quarter ended	**Gold produced* ounces**	**Gold sales** ounces**	**Gold sales price $**	**Copper produced dmt†**	**Copper concentrate sales dmt†**	**Silver produced ounces**
31 March 2014	11,318	10,403	1,302	141	152	13,139
30 June 2014	15,736	13,142	1,291	228	523	8,785
30 September 2014	16,178	13,798	1,281	210	250	5,504
31 December 2014	17,053	13,272	1,201	205	391	3,749
Total for the year	**60,285**	**50,615**	**1,267**	**784**	**1,316**	**31,177**

* Including Government of Azerbaijan's share
** Excludes Government of Azerbaijan's share
† dmt = dry metric tonnes

Gedabek continued

Processing operations continued

for gold. Engineering studies determined that by the addition of an extra six large flotation cells, each of 50 cubic metres, the small scale flotation plant can be configured to treat 90 tonnes of ore per hour which is equivalent to the current throughput of the agitation leaching plant. The modified small scale flotation plant will have the flexibility to be configured for various methods of operation. It will be able to process the stockpiles of high copper content ore as initially envisaged. However, it will now also be able to be configured to treat ore feed to, or tailings from the agitation leach plant. In such configurations, the plant would no longer be a pilot but an integral part of the agitation leach plant. The small scale flotation plant is expected to be commissioned in the third quarter of 2015.

Tailings (waste) storage

The Company stores its tailings in a purpose built dam approximately 7 kilometres from its processing operations. The Company is very mindful of the importance of proper storage of tailings both for efficient operation of the plant and to fulfil its environmental responsibilities. In 2014, the Company embarked upon a project to increase the capacity and efficiency of its tailing dam. This comprised raising the existing tailings dam wall by 14 metres by the deposition of approximately 600,000 cubic metres of rock on the existing wall. This will approximately double the capacity of the dam from its current 1.6 million cubic metres. The Company is also constructing a reed bed biological treatment system on the downstream side of the dam. This is to collect and treat any seepage of solution from the dam.

Personnel and health and safety

Azerbaijan is not a country with a large mining industry and there is often a lack of suitable qualified people and therefore expatriate employees have to be hired to fill the skills gap. However, the Group is actively training and developing the skills of local people to replace expatriates. The Group has also been developing its health, safety and environment ("HSE") procedures during the year. A HSE team was recruited during 2014 and is implementing formal systems for monitoring activities alongside various other safety procedures. The Group aims to minimise the impact of its operations on the environment and takes all possible measures to increase the social welfare of its workers and to create conditions for first-rate quality and safety in work.

Exploration at Gedabek site

The main exploration activity at the Gedabek site in the period under review has been on the Gadir area. During this period nine drill holes with a total length of 3,400 metres were drilled. Further geochemical surveys were also made in the vicinity of the Gadir area.

Gosha

The Group's second mining project, the 300 square kilometre Gosha contract area, is located in western Azerbaijan, 50 kilometres north-west of Gedabek. Gosha is currently being developed as a small, high grade, underground gold mine.

During the development and early production of the Gosha mine, it became evident that the initial estimated ore vein thickness was not as expected. This not only affected the resource estimate but also resulted in changes in mining method to decrease dilution during mining. Currently, based on a non-JORC report by SRK, the Gosha resource is about 40,000 ounces of gold (140,000 tonnes of ore grading 9 grammes per tonne – all figures in situ and before dilution). This ore resource will be mined from 2015 to 2017. We are also planning for further exploration at Gosha.

A total of 28,892 tonnes of ore of average grade 4.15 grammes per tonne were mined at Gosha in the year ended 31 December 2014.

Ordubad

Our 462 square kilometre Ordubad Contract Area is located in the Nakhchivan region of Azerbaijan and contains numerous targets including Shakardara, Piyazbashi, Misdag, Agyurt, Shalala and Diakchay, which are all located within a 5 kilometre radius of each other. Development at Ordubad forms part of the Group's longer-term development portfolio as a mid-tier gold, copper and silver mining company.

Sale of Group's products

Important to the Group's success is the ability to transport its products to market and sell them without disruption.

The Group sells all of its gold doré to MKS Finance SA in Switzerland. The logistics of transport and sale are well established and gold doré shipped from Gedabek arrives in Switzerland within three to five days. The proceeds of the estimated 90 per cent. of the gold content of the doré is settled within one to two days of receipt of the doré.

The Group has not experienced any disruptions to its sale of metal due to logistics or delays in customs clearance. MKS Finance SA both refines and purchases our precious metal, all assays and a full accounting of all metal is agreed with them.

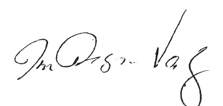
The Gedabek mine site has good road transportation links and our copper and silver concentrate is collected from the Gedabek site by the purchaser. The Group was pleased to announce in May 2014 that it had signed an exclusive three year contract with Industrial Minerals SA, a Swiss based integrated trading, mining and logistics group for the sale of its copper concentrate. The Group has again experienced no delays in the sale of its copper concentrate.

Key performance indicators

The Group has adopted certain key performance indicators ("KPIs") which enable it to measure its financial performance. These KPIs are as follows:

1. **Profit before taxation:** this is the key performance indicator used by the Group. It gives insight to cost management, production growth and performance efficiency.
2. **Net cash provided by operating activities:** this is a complementary measure to profit before taxation and demonstrates conversion of underlying earnings into cash. It provides additional insight to how we are managing costs and increasing efficiency and productivity across the business in order to deliver increasing returns.
3. **Cash cost per ounce:** cash cost per ounce of gold produced is a widely used industry metric and is a measure of how our operation compares to other producers in the industry.

The Group's performance against these indicators are discussed in the financial review.



Reza Vaziri
President and chief executive
27 May 2015

Financial review

> $64.3 million of revenue was generated from the sale of Anglo Asian's share of doré production for the year which comprised 50,615 ounces of gold and 6,802 ounces of silver at average prices of $1,267 per ounce and $20 per ounce respectively.

Group income statement
The Group generated revenues of $67,964k (2013: $70,820k) from sales of gold and silver bullion and copper concentrate.

$64,280k of the revenues (2013: $64,386k) were generated from sales of gold and silver bullion from the Group's share of the production of doré bars in 2014. Bullion sales in 2014 were 50,615 ounces of gold and 6,802 ounces of silver (2013: 46,077 ounces of gold and 19,016 ounces of silver) at an average price of $1,267 per ounce and $20 per ounce respectively (2013: $1,385 per ounce and $23 per ounce respectively). In addition, the Group generated revenue from the sale of copper concentrate of $3,684k (2013: $6,434k).

The Group incurred cost of sales of $68,500k (2013: $57,480k) and therefore reported a gross loss for 2014 of $536k (2013: gross profit of $13,340k). The increased cost of sales in FY 2014 was mainly due to higher processing costs in the agitation leach plant following high cyanide consumption and increased depreciation following the commissioning of the agitation leach plant. The cost of sales for 2014 includes a full year's cost of operating the agitation leach plant.

Accumulated mine development costs within producing mines are depreciated and amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight line method is applied. The unit of account for run of mine ("ROM") costs and for post-ROM costs is recoverable ounces of gold. 639,000 ounces of gold were used to determine depreciation of producing mines, mining rights and other intangible assets following compilation of a new reserve statement for the Group.

The Group had other income in 2014 of $632k (2013: $519k) which arose from the release of accruals and provisions. The Group incurred administration expenses of $7,202k (2013: $6,845k) and finance costs for the year of $5,462k (2013: $3,779k). The Group's administration expenses comprise the cost of the administrative staff and associated costs at the Gedabek mine site, the cost of the Baku office and the cost of maintaining the Group's listing on the AIM market. The finance costs for the year comprise interest on the credit facilities and loans, interest on letters of credit and accretion expenses on the rehabilitation provision. The Group accordingly recorded a loss before taxation for the year of $14,364k (2013: profit of $1,391k).

The Group had a taxation credit for the year of $3,436k (2013: charge of $1,055k). This comprised a current income tax charge of $nil and a deferred tax credit of $3,436k (2013: taxation charge of $1,055k comprising a current income taxation charge of $nil and a deferred taxation charge of $1,055k). The Group had no current taxation charge in 2014 as its main operating companies incurred a taxable loss for the year. The deferred taxation credit in 2014 arose primarily due to an increase in carry forward losses partially offset by lower taxation depreciation compared to accounting depreciation.

Cash cost of production
The Group produced gold at an average cash operating cost net of by-product credits in 2014 of $971 per ounce compared to $626 per ounce in 2013. The higher cash cost of production was due to there being a full year production from the agitation leach plant in 2014 compared to only 6 months in 2013. The cash operating cost of the agitation leach plant is higher than from heap leaching.

Group statement of financial position
Non-current assets decreased from $140,457k at the end of 2013 to $137,451k at the end of 2014. The main reasons for the decrease were property plant and equipment lower by $1,203k due to depreciation in the year and non-current inventory lower by $1,644k due to a decrease in ore stockpiles.

Net current assets decreased from $33,040k at the end of 2013 to $10,136k at the end of 2014. The main reasons for the decrease were a decrease in cash and cash equivalents, an increase in trade and other payables and an increase in the current portion of interest bearing loans and borrowings. The Group's cash balances at 31 December 2014 were $322k (2013: $5,489k). The current portion of interest bearing loans and borrowings increased from $2,031k to $16,675k mainly as principal repayments commence in 2015 in respect of the loans from the Amsterdam Trade Bank and the International Bank of Azerbaijan to build the agitation leach plant.

Net assets of the Group were $85,916k (2013: $96,750k). The decrease was primarily due to the loss incurred in the year.

The Group is financed by a mixture of equity and debt. The Group's total debt at 31 December 2014 was $52.8m and comprised the following:

a $37.0m term loan from the Amsterdam Trade Bank ("ATB"). The loan has a quarterly interest rate of LIBOR plus 8.25 per cent. The term of the loan is 58 months and repayment is by quarterly instalments of $2.5m which commence in February 2015, 16 months after drawdown. The final repayment is due on 25 August 2018. The Group has pledged to ATB its present and future rights against MKS Finance SA, the sole buyer of the Group's gold and silver bullion until the loan is repaid. The actual rate of interest the loan incurred in 2014 was 8.65 per cent. The loan has a debt service coverage ratio ("DSCR") covenant of 1:1.25 calculated half and full yearly from the Group's published financial statements. The Group met this DSCR for both the 6 months ended 30 June 2014 and 12 months ended 31 December 2014.

b $13.0m of loans from the International Bank of Azerbaijan ("IBA"). $11.6m of this loan is the remaining balance of the loans obtained for the construction of the agitation leach plant. Repayment starts on 31 March 2015 and ends on 31 March 2018. $1.5m of the loan is a one year working capital facility and carries an interest rate of 12 per cent. It is repayable in full on 31 December 2015. Since the year end, the amount of the facility has been increased to $2.0m.

c $0.8m due to Atlas Copco for equipment financing.

d $0.9m due to Yapi Kredi Bank for working capital financing.

e $1.2m due to Pasha Bank. $1.0m is payable in respect of the credit line ($3.1m) for financing letters of credit for cyanide purchases. $0.3m is in respect of the $2.5m credit facility obtained for the financing of the small scale flotation plant.

The Group had a deferred taxation liability at 31 December 2014 of $16,964k (2013: $20,400k).

Group cash flow statement

Operating cash inflow before movements in working capital was $10,567k (2013: $17,934k). The main source of operating cash flow was the profit before taxation, finance costs and amortisation and depreciation of $10,129k (2013: $17,506k).

Working capital generated cash of $4,254k (2013: $2,694k) due to a decrease in trade and other receivables of $3,694k (2013: $1,157k) and an increase in trade and other payables of $3,902k (2013: decrease of $2,451k) partially offset by an increase in inventories of $3,342k (2013: decrease of $3,988k).

Income tax paid was $nil (2013: $800k) as the Group incurred taxable losses for the year.

Net cash provided by operating activities in 2014 was $14,821k compared to $19,828 in 2013. This lower cash generated from operations in the year was due to the reduced profitability of the Group partially offset by cash generated from working capital of $4,254k.

Expenditure on property, plant and equipment and mine development was $16,270k (2013: $31,494k). The main items of expenditure in 2014 were the small scale flotation plant, construction of a reed bed for the tailings dam and capitalisation of deferred stripping costs.

Exploration and evaluation expenditure of $608k (2013: $308k) was incurred and capitalised. This arose due to exploration at the Gedabek and Ordubad mining properties.

Production sharing agreement ("PSA")

Under the terms of the PSA in place with the Government of Azerbaijan, the Group and the Government of Azerbaijan share commercial products of each mine. Until the time the Group has recovered all its carried forward, unrecovered costs, the Government of Azerbaijan effectively takes 12.75 per cent. of commercial products of each mine, with the Group taking 87.25 per cent. (being 75 per cent. for capital and operating costs plus 49 per cent. of the remaining 25 per cent. balance). The Group will not have recovered all its costs incurred by the end of 2015 and the ratio of sharing commercial products for the Gedabek mine of 87.25 per cent. for the Group and 12.75 per cent. for the Government of Azerbaijan will continue throughout 2015.

Once all prior year costs are recovered, the Group can continue with cost recovery of up to 75 per cent. of the value of commercial products, before the remaining product revenues are shared between the Company and the Government of Azerbaijan in a 49 per cent. to 51 per cent. ratio. The Group can recover the following costs:

- all direct operating expenses of the Gedabek mine;
- all exploration expenses incurred on the Gedabek Contract Area;
- all capital expenditure incurred on the Gedabek mine;
- an allocation of corporate overheads – currently, overheads are apportioned to Gedabek according to the ratio of direct capital and operating expenditure at the Gedabek Contract Area compared with direct capital and operational expenditure at the Gosha and Ordubad Contract Areas; and
- An imputed interest rate of US Dollar LIBOR + 4 per cent. per annum on any unrecovered costs.

Going concern

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2016 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the directors have acknowledged the challenging and uncertain market conditions the Group is operating in. In 2014, the price of gold averaged $1,266 per ounce with a high of $1,382 per ounce and a low of $1,144 per ounce. 2015 has seen a continuation of the depressed gold price which has continued the low margins experienced in 2014.

Financial review continued

Going concern continued

The Group has commenced making payments on the principal of its debt in 2015. Until the date of this annual report, the Group has made all payments of interest and principal on time. However, in order to ensure that the Group can meet all principal repayments for the remainder of 2015, it has negotiated with the International Bank of Azerbaijan ("IBA") to defer some principal repayments due in 2015. IBA will defer two thirds of the principal repayments due in June and September which total $1,544,000 to 2016. The amount of principal deferred totals $1,029,000. In addition, a principal shareholder of the Group has committed to provide a loan facility of $4 million at an interest rate of 10 per cent. per annum to the Group for the period 20 May 2015 to 8 January 2016. At the date of this annual report, $2 million of the facility had been utilised.

The Group is forecasting to meet its debt service cover ratio ("DSCR") for the six months to 30 June 2015. For the full year to 31 December 2015 and subsequent years the Group can comfortably meet the debt service cover ratio of 1.25 as specified in the loan agreement with the Amsterdam Trade Bank.

Key to achieving the Group's forecast cash position, and therefore its going concern assumption are the following:

- achieving the forecast production of its gold production operations, principally its heap and agitation leaching;
- its gold price assumption; and
- the small scale flotation plant being commissioned on time and achieving its planned performance.

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. Under this circumstance, the Group would look to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The directors believe that the Group's assumptions are neither overly aggressive or overly conservative and appropriate rigour and diligence has been performed by the directors in approving the assumptions. The directors believe all assumptions are prepared on a realistic basis using the best available information.

Should the Group's small scale flotation plant not be commissioned on time or not achieve the forecast performance, the Group may not achieve sufficient cash generation to make repayment of all loan principal due in the first half of 2016. In these circumstances, the Group would look to establish credit lines either from commercial banks or its principal shareholder to cover any shortfall.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the financial statements within the Chairman's statement on pages 4 to 5 and within the strategic report on pages 6 to 9. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in this financial review. In addition, note 23 to the consolidated financial statements includes the Group's objectives, details of its financial instrument exposures to credit risk and liquidity risk.

After making due enquiry, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the annual report and financial statements.

Principal risks and uncertainties

Commodity price risk

The Group's revenues are exposed to fluctuations in the price of gold, silver and copper. The Group does not currently hedge the commodity price risk on its expected future production.

Foreign currency risk

The Group reports in US Dollars and a large proportion of its costs are incurred in US Dollars. It also conducts business in Australian Dollars, Azerbaijan Manats and UK Sterling. The Group does not currently hedge its exposure to other currencies although it will review this periodically if the volume of non US Dollar transactions increases significantly. Also, the fact that both revenue of the Group and the Group's interest bearing debt are settled in US Dollars is a key mitigating factor that helps to avoid significant exposure to foreign currency risk. Information on the carrying value of monetary assets and liabilities denominated in foreign currency and the sensitivity analysis of foreign currency is disclosed in note 25 to the financial statements.

Liquidity and interest rate risk

The Group has not used any interest rate swaps or other instruments to manage its interest rate profile during 2014 but will review this requirement on a periodic basis. Interest rates on current loans are fixed except for three month LIBOR embedded in interest on the ATB loan. Information on the exposure to changing interest rates is disclosed in note 22 to the financial statements.

The approval of the board of directors is required for all new borrowing facilities. At the year end the Group's only interest rate exposure was on cash held in the bank.

Market risk

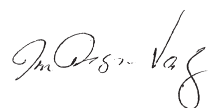
Exposure to interest rate fluctuations is minimal as the Group currently has no floating rate debt. Interest rates on UK Sterling and US Dollar deposits have been at historic lows during the current year. The levels of deposits held by the Group have also been low therefore any impact of changing rates is minimal.

The Group is exposed to fluctuations in commodity prices and all fluctuations have a direct impact on the operating profit of the Group. The Group does not hedge this commodity price exposure and actively monitors all changes in the commodity prices to understand the impact on the business. The Group remains open to the possibility of hedging to mitigate this commodity price risk and the policy of hedging is reviewed periodically.

Operational risk

There is exposure to levels of production as a result of unforeseen operational problems or machinery malfunction and therefore operating costs and profits for commercial production may remain subject to variation. The Group monitors production on a daily basis and has robust procedures in place to effectively manage these risks.

By order of the board of directors



Reza Vaziri
President and chief executive
27 May 2015

William Morgan
Chief financial officer
27 May 2015

Board of directors

Mr Khosrow Zamani *

Non-executive chairman, age 72

Khosrow Zamani was director of the southern Europe and central Asia department of the International Finance Corporation ("IFC"), the private sector lending arm of the World Bank, from March 2000 to July 2005. He was responsible for the IFC investment programme and strategy in 15 countries across the region. Whilst a director at IFC, Khosrow was instrumental in building the IFC investment portfolio in the region with several new initiatives, particularly in central Asia and Caucasia. He oversaw the IFC portfolio of more than $2 billion, diversified across the financial, oil and gas, mining and manufacturing sectors. Mr Zamani has over 30 years of experience in investment and project finance and banking in emerging markets. He holds an MSc in Engineering from the United States of America and a master of business operations and management from the United Kingdom. He is currently a non-executive board member and chairman of the corporate governance committee of Sekerbank A.S., a publicly listed commercial bank in Turkey, a non-executive board member and chairman of the compensation committee of Komercijalna Bank, Serbia and a non-executive board member of Borusan Makina in Turkey.

Mr Reza Vaziri

President and chief executive, age 62

Reza Vaziri has been actively involved in business in the Republic of Azerbaijan since just after its independence. Since R.V. Investment Group Services LLC, now Anglo Asian's subsidiary, signed a Production Sharing Agreement with the Government of the Republic of Azerbaijan, Reza has been focused on developing Anglo Asian Mining PLC into a significant gold producer in the Caucasia and central Asia region. Prior to his business career, Reza held a number of high-ranking positions in the pre-revolutionary Iranian government. He was the head of the Foreign Relations Office at the Ministry of the Imperial Court of Iran. At the time of the revolution, he was chief of the office of political and international affairs. Reza holds a law degree from the national university of Iran. As founder and co-chairman for life of the board of directors of the US–Azerbaijan Chamber of Commerce with James A Baker IV, Reza dedicates much of his time furthering business relations between the two countries. Reza serves alongside such directors as James Baker III, Zbigniew Brezinski, Governor John Sununu and Henry Kissinger. Reza resides in Baku, London and Washington, DC.

Mr Richard Round *

Non-executive director, age 57

Richard Round began his career with British Coal in 1977. Richard has since held a number of finance director roles in various public and private mining, energy, engineering and oil and gas service groups including Ferrum Holdings plc, Consolidated Supply Management Limited, Mining (Scotland) Group, Cambrian Mining PLC, Lubel Coal Company Limited, Novera Energy plc, Aquamarine Power and also Anglo Asian Mining PLC where he stepped down in July 2008 and took up the position of non-executive director. Richard has recently been appointed as chief executive of Green Highland Renewables, a hydropower developer based in Scotland.

Governor John H Sununu

Non-executive director, age 75

Governor John Sununu received a PhD from Massachusetts Institute of Technology and taught engineering at Tufts University for 16 years. He served three terms as the Governor of New Hampshire before President George H W Bush appointed him chief of staff in 1989, a position that he held until March 1992. After his tenure as chief of staff, he co-hosted CNN's Crossfire, ran an engineering firm and then, in 2004, served as the visiting Roy M and Barbara Goodman family professor of practice in public service at the Kennedy School of Government at Harvard University. John is a former partner in Trinity International Partners, a private financial firm, and currently serves as president of JHS Associates Ltd.

Professor John Monhemius *

Non-executive director, age 72

Emeritus professor John Monhemius held the Roy Wright Chair in mineral and environmental engineering at the Royal School of Mines, Imperial College, London until 2004, when he retired from full-time academic work. From 2000 to 2004, he was dean of the Royal School of Mines. He has more than 40 years of experience of academic and industrial research and development in hydrometallurgy and environmental control in mining and metallurgical processes, particularly in the management of toxic wastes and effluents, and he has acted as a consultant to many large mining and chemical companies. Professor Monhemius has published over 130 papers of scientific literature and he has supervised more than 30 PhD students. From 1986–96, he was a co-founder and director of Consort Research Ltd, a consultancy specialising in gold and base metal ore processing, and he is a former director of Obtala Resources plc.

* Independent non-executive director.

Directors' report
year ended 31 December 2014

Annual report and financial statements
The directors present their annual report together with the audited Group financial statements on pages 23 to 57.

Principal activities
The Group's principal activity during the year was the production of gold and silver doré and copper concentrate from the Gedabek and Gosha mines in western Azerbaijan.

Business review and future prospects
A review of the activities of the business throughout the year and up to 27 May 2015 is set out in the chairman's statement on pages 4 and 5 and the strategic report on pages 6 to 9 which includes information on the Group's risks, uncertainties and performance indicators. These sections are incorporated in this directors' report by reference.

Dividends
The directors do not recommend a dividend for the year (2013: $nil) and the loss for the year has been deducted from retained earnings.

Capital structure
Details of the Company's authorised and issued share capital, together with the movements for the years ended 31 December 2013 and 2014 are set out in note 23 – ''Equity'' of the Group financial statements. The Company has one class of ordinary share and they carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. All issued ordinary shares are fully paid.

There are no specific restrictions on the size of a holding or on the transfer of the ordinary shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's ordinary shares that may result in restrictions on the transfer of securities or on voting rights.

Certain directors own ordinary shares in the Company and certain parties own 3 per cent. or more of the ordinary shares in the Company. These holdings are set out in the ''Directors' interests'' and ''Substantial shareholders'' sections of this directors' report. No person has any special rights of control over the Company's share capital.

There is no scheme in place for employees to acquire ordinary shares in the Company. Certain employees and directors have been granted options to acquire ordinary shares. Details of the share options granted are set out in note 24 – ''Share-based payment'' of the Group financial statements.

With regard to the appointment and replacement of directors, the Company is governed by its articles of association, the Companies Act 2006 and related legislation. It also complies with the United Kingdom Corporate governance code as far as practicable. The articles of association themselves may be amended by special resolution of the shareholders. The powers of the directors are described in the corporate governance statement on page 21.

Under its articles of association, the Company has authority to issue 600 million ordinary shares.

There are no agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are also no agreements to which the Company is a party which provide for compensation for loss of office or employment that occurs because of a takeover bid.

Directors
The directors who served throughout the year and up to 27 May 2015 are set out on page 13.

John Monhemius retires by rotation at the next annual general meeting and, being eligible, offers himself for re-election.

Secretary
Fisher Secretaries Limited
Acre House
11/15 William Road
London NW1 3ER
United Kingdom

Registered office
7 Devonshire Square
Cutlers Gardens
London EC2M 4YH
United Kingdom

Directors' interests

The beneficial interests of the directors who held office at 31 December 2014 and their connected parties in the share capital of the Company at 31 December were as follows:

	2014 Number of ordinary shares	2013 Number of ordinary shares
John Monhemius	**205,556**	55,556
Richard Round	**153,958**	153,958
John Sununu	**10,674,540**	10,674,540
Reza Vaziri	**32,796,830**	32,796,830
Khosrow Zamani	**793,184**	793,184

All directors' interests are beneficially held.

Directors' insurance

The Company has made qualifying third-party provision for the benefit of its directors during the year and which remains in force at the date of this report.

Substantial shareholders

The Company has been notified of the following interests of 3 per cent. or more in its issued share capital as at 27 May 2015:

	2015	
	Number of ordinary shares	**per cent.**
Reza Vaziri	**32,796,830**	**29.37**
Khagani Bashirov	**12,772,758**	**11.44**
John Sununu	**10,674,540**	**9.56**
Limelight Industrial Developments	**4,038,600**	**3.62**

Going concern

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2016 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the directors have acknowledged the challenging and uncertain market conditions the Group is operating in. In 2014, the price of gold averaged $1,266 per ounce with a high of $1,382 per ounce and a low of $1,144 per ounce. 2015 has seen a continuation of the depressed gold price which has continued the low margins experienced in 2014.

The Group has commenced making payments on the principal of its debt in 2015. Until the date of this annual report, the Group has made all payments of interest and principal on time. However, in order to ensure that the Group can meet all principal repayments for the remainder of 2015, it has negotiated with the International Bank of Azerbaijan ("IBA") to defer some principal repayments due in 2015. IBA will defer two thirds of the principal repayments due in June and September which total $1,544,000 to 2016. The amount of principal deferred totals $1,029,000. In addition, a principal shareholder of the Group has committed to provide a loan facility of $4 million at an interest rate of 10 per cent. per annum to the Group for the period 20 May 2015 to 8 January 2016. At the date of this annual report, $2 million of the facility had been utilised.

The Group is forecasting to meet its debt service cover ratio ("DSCR") for the six months to 30 June 2015. For the full year to 31 December 2015 and subsequent years the Group can comfortably meet the debt service cover ratio of 1.25 as specified in the loan agreement with the Amsterdam Trade Bank.

Key to achieving the Group's forecast cash position, and therefore its going concern assumption are the following:

- achieving the forecast production of its gold production operations, principally its heap and agitation leaching;
- its gold price assumption; and
- the small scale flotation plant being commissioned on time and achieving its planned performance.

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. Under this circumstance, the Group would look to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The directors believe that the Group's assumptions are neither overly aggressive or overly conservative and appropriate rigour and diligence has been performed by the directors in approving the assumptions. The directors believe all assumptions are prepared on a realistic basis using the best available information.

Directors' report continued

year ended 31 December 2014

Going concern continued

Should the Group's small scale flotation plant not be commissioned on time or not achieve the forecast performance, the Group may not achieve sufficient cash generation to make repayment of all loan principal due in the first half of 2016. In these circumstances, the Group would look to establish credit lines either from commercial banks or its principal shareholder to cover any shortfall.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the financial statements within the Chairman's statement on pages 4 to 5 and within the strategic report on pages 6 to 9. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in this financial review. In addition, note 23 to the consolidated financial statements includes the Group's objectives, details of its financial instrument exposures to credit risk and liquidity risk.

After making due enquiry, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the annual report and financial statements.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2. the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Corporate governance

A report on corporate governance and compliance with provisions of the United Kingdom Corporate governance code is set out on page 21.

Annual general meeting

The Company will hold its annual general meeting for 2015 on 29 June 2015. Notification of the meeting has been included in this annual report.

Listing

The Company's ordinary shares have been traded on London's Alternative Investment Market (AIM) since 29 July 2005. SP Angel Corporate Finance LLP is the Company's nominated adviser and broker. The closing mid-market share price at 31 December 2014 was 6.625p (2013: 17.75p).

Relations with shareholders

Communications with shareholders are considered important by the directors. The directors regularly speak to investors and analysts during the year. Press releases have been issued throughout the year and since the balance sheet date in relation to the progress of the Group. A website, www.angloasianmining.com, is regularly updated and contains a wide range of information about the Group.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the relevant matters affecting the performance of the Group. This is mainly achieved through informal meetings which the directors believe is the most appropriate method given the current number of Group employees.

Internal controls

The board of directors acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and for reviewing its effectiveness. The procedures which include, inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The directors do not believe an internal audit function is practicable in a company of this size.

Donations
The Group has made charitable donations during the year of $nil (2013: $nil). Political donations of $nil (2013: $nil) were made.

Research and development
There was no expenditure on research and development during the year (2013: $nil).

Related party transactions
Related party transactions are disclosed in note 26 to the Group financial statements.

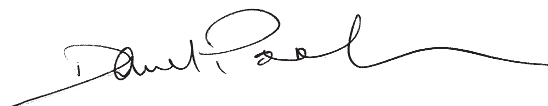
Subsequent events
Events subsequent to 31 December 2014 are disclosed in note 27 to the Group financial statements.

Financial risk management
The Group's operations expose it to financial risks that include liquidity risk, credit risk, foreign exchange risk and interest rate risk. The Group does not enter into any derivative transactions, and it is the Group's policy that no trading in such financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, foreign exchange risk and interest rate risk. Further details are provided in note 22 of the Group financial statements.

Supplier payment policy
It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms. The Company is a holding company and therefore has few suppliers.

By order of the board of directors



Fisher Secretaries Limited
Company secretary
27 May 2015

Report on directors' remuneration
year ended 31 December 2014

Unaudited information

Policy on the executive director's remuneration

The Company operates within a competitive environment and its performance depends on the individual contributions of the directors and employees.

The executive director's remuneration packages may include:

i) basic annual salary; and

ii) health insurance for the executive and his family.

The executive director's remuneration is reviewed once per year. In deciding upon appropriate levels of remuneration the remuneration committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance.

Directors' contracts

The executive director currently has an employment contract which may be terminated by the Company with up to 12 months' notice. No other payments are made for compensation for loss of office.

The remuneration of the non-executive directors is determined by the board of directors within the limits set out in the articles of association. Non-executive directors currently have employment contracts which may be terminated by the director or the Company with 3 months' notice. No other payments are made in compensation for loss of office.

Audited information

Directors' emoluments

Amounts paid by the Group in respect of directors' services are as follows.

Year ended 31 December 2014	**Consultancy $**	**Fees $**	**Benefits $**	**Total $**
John Monhemius	**5,003**	**53,460**	**—**	**58,463**
Richard Round	**—**	**53,460**	**—**	**53,460**
John Sununu	**—**	**78,292**	**—**	**78,292**
Reza Vaziri	**474,141**	**53,460**	**42,000**	**569,601**
Khosrow Zamani	**—**	**131,862**	**—**	**131,862**
	479,144	**370,534**	**42,000**	**891,678**

Directors' fees and consultancy fees for 2014 were paid in cash.

Year ended 31 December 2013	Consultancy $	Fees $	Benefits $	Total $
John Monhemius	15,870	50,845	—	66,715
Richard Round	—	50,845	—	50,845
John Sununu	—	74,274	—	74,274
Reza Vaziri	493,160	50,845	42,000	586,005
Khosrow Zamani	—	125,094	—	125,094
	509,030	351,903	42,000	902,933

Directors' fees and consultancy fees for 2013 were paid in cash.

Audited information continued

Share option scheme

The Group has initiated a share option scheme for its employees. This was set up in order to reward employees for the performance of the Company on a long term basis and to enable the Company to continue to attract a high calibre of management and operational personnel. Details of share options issued under the scheme are set out in note 24 – ''Share-based payment'' of the Group financial statements.

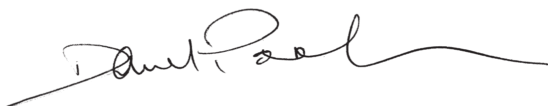
Details of share options for directors who served during the year are as follows:

	Exercise price pence	Latest exercise date	1 January 2014	Exercised during the year	31 December 2014
Khosrow Zamani	16.5	1 June 2017	100,000	—	100,000
	12.0	27 July 2017	500,000	—	500,000
Richard Round	77.0	26 July 2015	432,900	—	432,900
	42.5	12 April 2016	495,859	—	495,859
	12.0	27 July 2017	600,000	—	600,000
John Monhemius	11.5	14 August 2019	150,000	(150,000)	—

During the year ended 31 December 2014, a gain of $6,848 (2013: $nil) was realised by a director as a result of the exercise of share options.

The Company's share price has ranged from 17.75p at 31 December 2013 to a high of 25.75p and a low of 6.375p during the year ended 31 December 2014 with a closing price of 6.625p at 31 December 2014.

By order of the board of directors



Fisher Secretaries Limited
Company secretary
27 May 2015

Statement of directors’ responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the rules of the Alternative Investment Market of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and have elected to prepare the financial statements of the parent company (the “Company”) in accordance with United Kingdom Generally Accepted Accounting Principles (“UK GAAP”).

In the case of the Group’s IFRS financial statements, the directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing the Group financial statements the directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard (“IAS”) 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance;
- state whether they have been prepared in accordance with IFRS;
- prepare the accounts on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so; and
- make judgements and estimates that are reasonable and prudent.

In the case of the Company’s UK GAAP financial statements, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK GAAP; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting frameworks, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report and the directors’ report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board of directors

Khosrow Zamani
Non-executive chairman
27 May 2015

Corporate governance

Introduction
Although the rules of the Alternative Investment Market do not require the Company to comply with the United Kingdom corporate governance code (the "Code"), the Company fully supports the principles set out in the Code and will attempt to comply wherever possible, given both the size and resources available to the Company. Details are provided below of how the Company complies with the Code.

The board of directors
The board of directors ("the Board") currently comprises one executive director and four non-executive directors, one of whom is the chairman. The roles of chairman and chief executive are split in line with the recommended policy.

The Board meets regularly throughout the year and receives a board pack comprising individual reports from the executive director together with any other material deemed necessary for the Board to discharge its duties. The Board also conducts telephone board meetings as issues arise which require board attention. It is the Board's responsibility to formulate, review and approve the Group's strategy, budgets and major items of expenditure. The Board sets the Group's objectives and policies and monitors the implementation by the executive team.

The Board considers two of the non-executive directors other than the chairman to be independent.

Audit committee
The Board has an audit committee which comprises Richard Round and John Sununu and is scheduled to meet at least twice a year. The external auditor attends the meetings and the chief executive and chief financial officer are invited. It is the audit committee's role to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control requirements of the Code, whilst maintaining an appropriate relationship with the independent auditor of the Group.

Remuneration committee
The Board has a remuneration committee which comprises Khosrow Zamani and John Sununu and meets as required. It is the remuneration committee's role to establish a formal and transparent policy on executive remuneration and to set remuneration packages for individual directors.

Nomination committee
The Board has a nomination committee which comprises Khosrow Zamani and John Sununu. It is the role of the nomination committee to review and consider the Board structure and composition and it meets as required to consider and make recommendations on the appointment of directors to the Board.

Health, Safety, Environment and Technology Committee
The Board has a health, safety, environment and technology committee which comprises John Monhemius and Reza Vaziri and meets as required. The committee's primary function is to assist the Board in fulfilling its oversight responsibilities in the following areas:

- health, safety, environmental and technological issues relating to the Company;
- the Company's compliance with corporate policies that provide processes, procedures and standards to follow in accomplishing the Company's goals and objectives relating to health, safety and environmental issues, to ensure that the Company's operations and work practices comply as far as is practicable with the best international standards; and
- the management of risk related to health, safety, environmental and technological issues.

Shareholder relations
The Company meets with its institutional shareholders and analysts as appropriate and encourages communication with private shareholders via the annual general meeting. In addition, the Company uses the annual report and financial statements, interim statement and website, (www.angloasianmining.com), to provide further information to shareholders.

Internal control and risk management
The Board is responsible for the system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material misstatement or loss. For each year, on behalf of the Board, the audit committee reviews the effectiveness of these systems. This is achieved primarily by considering the risks potentially affecting the Group and discussions with the external auditor.

The Group does not currently have an internal audit function due to the small size of the Group and limited resources available.

A comprehensive budgeting process is completed once a year and is reviewed by the Board and where appropriate revised forecasts are prepared and also reviewed by the Board. The Group's results, as compared against budget, are reported to the Board on a monthly basis and discussed in detail at each meeting of the Board.

The Group maintains appropriate insurance cover in respect of legal actions against the directors as well as against material loss or claims against the Group and the Board reviews the adequacy of the cover regularly.

Independent auditor's report

to the members of Anglo Asian Mining PLC

We have audited the financial statements of Anglo Asian Mining PLC for the year ended 31 December 2014 which comprise the Group income statement, Group statement of comprehensive income, Group statement of financial position, Group cash flow statement, Group statement of changes in equity, Company balance sheet and the related notes set out on pages 27 to 57. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Steven Dobson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 May 2015

Notes:

1. The maintenance and integrity of the Anglo Asian Mining PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group income statement

year ended 31 December 2014

	Notes	2014 $000	2013 $000
Revenue	6	**67,964**	70,820
Cost of sales	8	**(68,500)**	(57,480)
Gross (loss)/profit		**(536)**	13,340
Other income	7	**632**	519
Administrative expenses		**(7,202)**	(6,845)
Other operating expense	7	**(1,803)**	(1,878)
Operating (loss)/profit	8	**(8,909)**	5,136
Finance income	6	**7**	34
Finance costs	10	**(5,462)**	(3,779)
(Loss)/profit before tax		**(14,364)**	1,391
Income tax	11	**3,436**	(1,055)
(Loss)/profit attributable to the equity holders of the parent		**(10,928)**	336
(Loss)/earnings per share attributable to the equity holders of the parent			
Basic (US cents per share)	12	**(9.79)**	0.30
Diluted (US cents per share)	12	**(9.77)**	0.30

Group statement of comprehensive income

year ended 31 December 2014

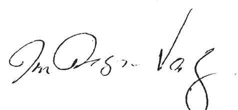
	2014 $000	2013 $000
(Loss)/profit for the year	**(10,928)**	336
Total comprehensive (loss)/income	**(10,928)**	336
Attributable to the equity holders of the parent	**(10,928)**	336

Group statement of financial position

31 December 2014

	Notes	**2014 $000**	2013 $000
Non-current assets			
Intangible assets	13	**20,045**	21,157
Property, plant and equipment	14	**114,431**	115,634
Inventory	16	**1,670**	3,314
Other receivables	17	**1,305**	352
		137,451	140,457
Current assets			
Inventory	16	**33,355**	28,742
Trade and other receivables	17	**5,350**	7,901
Cash and cash equivalents	18	**322**	5,489
		39,027	42,132
Total assets		**176,478**	182,589
Current liabilities			
Trade and other payables	19	**(12,216)**	(7,061)
Interest-bearing loans and borrowings	20	**(16,675)**	(2,031)
		(28,891)	(9,092)
Net current assets		**10,136**	33,040
Non-current liabilities			
Provision for rehabilitation	21	**(8,624)**	(7,357)
Interest-bearing loans and borrowings	20	**(36,083)**	(48,990)
Deferred tax liability	11	**(16,964)**	(20,400)
		(61,671)	(76,747)
Total liabilities		**(90,562)**	(85,839)
Net assets		**85,916**	96,750
Equity			
Share capital	23	**1,978**	1,973
Share premium account		**32,246**	32,173
Share-based payment reserve		**670**	735
Merger reserve	23	**46,206**	46,206
Retained earnings		**4,816**	15,663
Total equity		**85,916**	96,750

The Group financial statements were approved by the board of directors and authorised for issue on 27 May 2015. They were signed on its behalf by:



Reza Vaziri
Chief Executive

Group cash flow statement

year ended 31 December 2014

	Notes	2014 $000	2013 $000
(Loss)/profit before tax		**(14,364)**	1,391
Adjustments for:			
Finance income		**(7)**	(34)
Finance costs	10	**5,462**	3,779
Depreciation of property, plant and equipment	14	**17,318**	10,682
Amortisation of mining rights and other intangible assets	13	**1,720**	1,688
Share-based payment expense	24	**16**	45
Shares issued in lieu of cash payment		**50**	—
Write down of unrecoverable inventory	16	**372**	383
Operating cash flow before movements in working capital		**10,567**	17,934
Decrease in trade and other receivables		**3,694**	1,157
(Increase)/decrease in inventories		**(3,342)**	3,988
Increase/(decrease) in trade and other payables		**3,902**	(2,451)
Cash provided by operations		**14,821**	20,628
Income taxes paid		**—**	(800)
Net cash provided by operating activities		**14,821**	19,828
Investing activities			
Expenditure on property, plant and equipment and mine development		**(16,270)**	(31,494)
Investment in exploration and evaluation assets including other intangible assets		**(608)**	(308)
Interest received		**7**	34
Net cash used in investing activities		**(16,871)**	(31,768)
Financing activities			
Proceeds from issuance of shares		**28**	—
Proceeds from borrowings	20	**8,662**	60,951
Repayments of borrowings	20	**(6,982)**	(40,746)
Interest paid		**(4,825)**	(5,187)
Net cash (outflow)/inflow from financing activities		**(3,117)**	15,018
Net (decrease)/increase in cash and cash equivalents		**(5,167)**	3,078
Cash and cash equivalents at the beginning of the year	18	**5,489**	2,411
Cash and cash equivalents at the end of the year	18	**322**	5,489

Group statement of changes in equity

year ended 31 December 2014

	Notes	Share capital $000	Share premium $000	Share-based payment reserve $000	Merger reserve $000	Retained earnings $000	Total equity $000
1 January 2013		1,973	32,173	732	46,206	15,285	96,369
Profit for the year		—	—	—	—	336	336
Share options exercised	24	—	—	(42)	—	42	—
Share-based payment charge	24	—	—	45	—	—	45
31 December 2013		1,973	32,173	735	46,206	15,663	96,750
Loss for the year		—	—	—	—	(10,928)	(10,928)
Share options exercised		2	26	(28)	—	28	28
Shares issued	23	3	47	—	—	—	50
Fair value of forfeited options		—	—	(53)	—	53	—
Share-based payment charge	24	—	—	16	—	—	16
31 December 2014		**1,978**	**32,246**	**670**	**46,206**	**4,816**	**85,916**

Notes to the Group financial statements

year ended 31 December 2014

1 General information

Anglo Asian Mining PLC (the "Company") is a company incorporated in England and Wales under the Companies Act 2006. The address of its registered office is set out in Company information on page 61 of this annual report. The Company's ordinary shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company is a holding company. The principal activities and place of business of the Company and its subsidiaries (the "Group") are set out in note 5, the chairman's statement on pages 4 and 5 and the strategic report on pages 6 to 9 of this annual report.

2 Basis of preparation

The Group's annual report is for the year ended 31 December 2014 and includes the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group financial statements have been prepared using accounting policies set out in note 4 which are consistent with all applicable IFRSs and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. For these purposes, IFRSs comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that have been endorsed by the European Union.

The Group financial statements have been prepared under the historical cost convention except for the treatment of share based payments. The Group financial statements are presented in United States Dollars ("$") and all values are rounded to the nearest thousand except where otherwise stated. In the Group financial statements "£" and "pence" are references to the United Kingdom pound sterling.

As set out in the directors' report on page 15, the board of directors assessed the ability of the Group to continue as a going concern and these financial statements have been prepared on a going concern basis.

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2016 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the directors have acknowledged the challenging and uncertain market conditions the Group is operating in. In 2014, the price of gold averaged $1,266 per ounce with a high of $1,382 per ounce and a low of $1,144 per ounce. 2015 has seen a continuation of the depressed gold price which has continued the low margins experienced in 2014.

The Group has commenced making payments on the principal of its debt in 2015. Until the date of this annual report, the Group has made all payments of interest and principal on time. However, in order to ensure that the Group can meet all principal repayments in the remainder of 2015, it has negotiated with the International Bank of Azerbaijan ("IBA") to defer some principal repayments due in 2015. IBA will defer two thirds of the principal repayments due in June and September which total $1,544,000 to 2016. The amount of principal deferred totals $1,029,000. In addition, a principal shareholder of the Group has committed to provide a loan facility of $4 million at an interest rate of 10 per cent. per annum to the Group for the period 20 May 2015 to 8 January 2016. At the date of this annual report, $2 million of the facility had been utilised.

The Group is forecasting to meet its debt service cover ratio ("DSCR") for the six months to 30 June 2015. For the full year to 31 December 2015 and subsequent years the Group can comfortably meet the debt service cover ratio of 1.25 as specified in the loan agreement with the Amsterdam Trade Bank.

Key to achieving the Group's forecast cash position, and therefore its going concern assumption are the following:

- achieving the forecast production of its gold production operations, principally its heap and agitation leaching;
- its gold price assumption; and
- the small scale flotation plant being commissioned on time and achieving its planned performance.

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. Under this circumstance, the Group would look to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The directors believe that the Group's assumptions are neither overly aggressive or overly conservative and appropriate rigour and diligence has been performed by the directors in approving the assumptions. The directors believe all assumptions are prepared on a realistic basis using the best available information.

Should the Group's small scale flotation plant not be commissioned on time or not achieve the forecast performance, the Group may not achieve sufficient cash generation to make repayment of all loan principal due in the first half of 2016. In these circumstances, the Group would look to establish credit lines either from commercial banks or its principal shareholder to cover any shortfall.

2 Basis of preparation continued

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the financial statements within the Chairman's statement on pages 4 to 5 and within the strategic report on pages 6 to 9. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in this financial review. In addition, note 23 to the consolidated financial statements includes the Group's objectives, details of its financial instrument exposures to credit risk and liquidity risk.

After making due enquiry, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the annual report and financial statements.

3 Adoption of new and revised standards

a) New and amended standards and interpretations

A number of new standards and amendments became effective from 1 January 2014.

- IFRS 10 'Consolidated Financial Statements' and 'IAS 27 Separate Financial Statements'
  The new standard provides additional guidance to assist in the determination of which entities are controlled and are required to be consolidated. This standard replaces the portion of IAS 27 'Consolidated and Separate Financial Statements' that addresses the accounting for consolidated financial statements.
- IFRS 11 'Joint Arrangements' and 'IAS 28 Investment in Associates and Joint Ventures'
  The new standard replaces IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non-monetary Contributions by Venturers'.
- IFRS 12 'Disclosure of Involvement With Other Entities'
  The new standard covers the disclosures that were previously required in consolidated financial statements under IAS 27 'Consolidated and Separate Financial Statements' as well as those included in IAS 31 'Interests in Joint Ventures' and IAS 28 'Investments in Associates'.
- Amendments to IAS 32 'Financial Instruments: Presentation'
  Offsetting Financial Assets and Financial Liabilities.
- Amendments to IAS 36 'Impairment of Assets'
  Recoverable Amount Disclosures for Non-Financial Assets.
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'
  Novation of derivatives and continuation of hedge accounting.
- IFRIC 21 Levies.
- Improvements to IFRSs – 2010-2012 Cycle: Amendments to IFRS 13 'Short–term receivables and payables'.
- Improvements to IFRSs – 2011-2013 Cycle: Amendments to IFRS 1 'Meaning of "effective IFRSs"'.

None of these standards and amendments impact the Group financial statements.

b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments' which reflects all phases of the financial instruments project and replaces IAS 39 'Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9.' The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

3 Adoption of new and revised standards continued

b) Standards issued but not yet effective continued

IFRS 14 'Regulatory Deferral Accounts'

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group have defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 'Share-based Payment'

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition;
- a performance target must be met while the counterparty is rendering service;
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- a performance condition may be a market or non-market condition; and
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 'Business Combinations'

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 'Operating Segments'

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross margins) used to assess whether the segments are 'similar';
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 'Property, Plant and Equipment and IAS 38 Intangible Assets'

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 'Related Party Disclosures'

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

3 **Adoption of new and revised standards** continued

b) Standards issued but not yet effective continued

Annual improvements 2011-2013 Cycle

These improvements were effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 'Business Combinations'

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 'Fair Value Measurement'

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 'Investment Property'

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests'

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 'Agriculture: Bearer Plants'

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27 'Equity Method in Separate Financial Statements'

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group’s consolidated financial statements.

4 Significant accounting policies

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary beings when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred to the buyer.

The following criteria are also met in specific revenue transactions:

Gold bullion and copper concentrate sales

Revenue from gold bullion sales is recognised when the significant risks and rewards of ownership have transferred to the buyer and selling prices and assay results are known or can be reasonably estimated. Assay results determine the content of gold and silver in doré, the price of which is determined based on market quotations of each metal. Silver in doré which is produced together with gold, is treated as a by-product and recognised in sales revenue.

Contractual terms for the Group's sale of gold, silver and copper in concentrate (metal in concentrate) allow for a price adjustment based on final assay results of the metal in concentrate to determine the final content. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the spot price at the date of shipment, with a subsequent adjustment made upon final determination.

Contractual terms with third parties for the sale of metal in concentrate specify a provisional selling price based on the average prevailing spot prices at date of shipment to the customer. Final selling price is based on average prevailing spot prices during a specified future period after shipment to the customer (the "quotation period"). Sales revenue for the sale of metal in concentrate is recognised at final selling price.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest rate method.

c) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the Group income statement on a straight line basis over the lease term.

The Group had no finance leases during 2014 and 2013.

4 Significant accounting policies continued

d) Taxation

i) Current and deferred income taxes

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Group financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

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, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the Group 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 are not recognised in respect of temporary differences relating to tax losses where there is insufficient evidence that the asset will be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Group income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

ii) Value-added taxes ("VAT")

The Group pays VAT on purchases made in both the Republic of Azerbaijan and the United Kingdom. Under both jurisdictions, VAT paid is refundable. Azerbaijani jurisdiction permits offset of an Azerbaijani VAT credit against other taxes payable to the state budget.

e) Transactions with related parties

For the purposes of these Group financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

It is the nature of transactions with related parties that they cannot be presumed to be carried out on an arm's length basis.

f) Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the Group income statement in the period in which they are incurred.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the 'probable economic benefits' test. Any related borrowing costs are therefore generally recognised in the Group income statement in the period they are incurred.

g) Intangible assets

i) Exploration and evaluation assets

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as intangible assets as part of exploration and evaluation assets.

Exploration and evaluation assets are carried forward during the exploration and evaluation stage and are assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

In circumstances where a property is abandoned, the cumulative capitalised costs relating to the property are written off in the period. No amortisation is charged prior to the commencement of production.

4 Significant accounting policies continued

g) Intangible assets continued

i) Exploration and evaluation assets continued

Once commercially viable reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to assets under construction.

Upon transfer of Exploration and evaluation costs into Assets under construction, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within Assets under construction.

When commercial production commences, exploration, evaluation and development costs previously capitalised are amortised over the commercial reserves of the mining property on a units-of-production basis.

Exploration and evaluation costs incurred after commercial production start date in relation to evaluation of potential mineral reserves and resources that is expected to result in increase of reserves are capitalised as Evaluation and exploration assets within intangible assets. Once there is evidence that reserves are increased, such costs are tested for impairment and transferred to Producing mines.

ii) Mining rights

Mining rights are carried at cost to the Group less any provisions for impairments which result from evaluations and assessments of potential mineral recoveries and accumulated depletion. Mining rights are depleted on the units-of-production basis over the total reserves of the relevant area.

iii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Group income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Group income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Group income statement when the asset is derecognised.

h) Property, plant and equipment and mine properties

Development expenditure is net of proceeds from all but the incidental sale of ore extracted during the development phase.

Upon completion of mine construction, the assets initially charged to assets in the course of construction are transferred into 'Plant and equipment, motor vehicles and leasehold improvements' or 'Producing mines'. Items of 'Plant and equipment, motor vehicles and leasehold improvements' and 'Producing mines' are stated at cost, less accumulated depreciation and accumulated impairment losses.

During the production period expenditures directly attributable to the construction of each individual asset are capitalised as 'Assets' in the course of construction up to the period when asset is ready to be put into operation. When an asset is put into operation it is transferred to 'Plant and equipment, motor vehicles and leasehold improvements' or 'Producing mines'. Additional capitalised costs performed subsequent to the date of commencement of operation of the asset are charged directly to 'Plant and equipment, motor vehicles and leasehold improvements' or 'Producing mines', i.e. where the asset itself was transferred.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

i) Depreciation and amortisation

Accumulated mine development costs within producing mines are depreciated and amortised on a units-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight line method is applied. The unit of account for run of mine ("ROM") costs and for post-ROM costs is recoverable ounces of gold. The units-of-production rate for the depreciation and amortisation of mine development costs takes into account expenditures incurred to date.

The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine.

4 Significant accounting policies continued

h) Property, plant and equipment and mine properties continued

i) Depreciation and amortisation continued

Other plant and equipment such as mobile mine equipment is generally depreciated on a straight line basis over their estimated useful lives as follows:

- Temporary buildings – eight years (2013: eight years)
- Plant and equipment – eight years (2013: eight years)
- Motor vehicles – four years (2013: four years)
- Office equipment – four years (2013: four years)
- Leasehold improvements – eight years (2013: eight years)

An item of property, plant and equipment, and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Group income statement when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation and amortisation are reviewed at each reporting date and adjusted prospectively if appropriate.

ii) Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

i) Impairment of tangible and intangible assets

The Group conducts annual internal assessments of the carrying values of tangible and intangible assets. The carrying values of capitalised exploration and evaluation expenditure, mine properties and property, plant and equipment are assessed for impairment when indicators of such impairment exist or at least annually. In such cases an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into cash-generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Group evaluating its non-financial assets on a geographical or licence basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the Group income statement so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less cost to sell and value in use).

Impairment losses related to continuing operations are recognised in the Group income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding the intangibles referred to above, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of other comprehensive income. Impairment losses recognised in relation to indefinite life intangibles are not reversed for subsequent increases in its recoverable amount.

j) Fair value measurement

The Group measures financial instruments such as bank borrowings at fair value at each balance sheet date. Fair value disclosures for financial instruments measured at fair value or where fair value is disclosed, are summarised in the following notes:

- Note 17 – 'Trade and other receivables'
- Note 18 – 'Cash and cash equivalents'
- Note 19 – 'Trade and other payables'
- Note 20 – 'Interest bearing loans and borrowings'

4 Significant accounting policies continued

j) Fair value measurement continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market place for the asset or the liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a re-occurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as set out above.

k) Provisions

i) General

Provisions are recognised when (a) the Group has a present obligation (legal or constructive) as a result of a past event and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

ii) Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

The obligation generally arises when the asset is installed or the ground or environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in the Group income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the Group income statement.

If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the Group is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognised immediately in the Group income statement. Also, rehabilitation obligations that arose as a result of the production phase of a mine should be expensed as incurred.

4 Significant accounting policies continued

l) Financial assets

i) Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits as well as trade and other receivables.

ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset) is derecognised when:

- the rights to receive cash flows from the asset have expired; and
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

m) Financial liabilities

i) Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, contractual provisions and loans and borrowings.

4 Significant accounting policies continued

m) Financial liabilities continued

ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade and other payables and contractual provisions

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Loans and borrowings

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis and charged to the Group income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Group income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance costs in the Group income statement.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in the Group income statement.

n) Non-current prepayments

Advances made to suppliers for fixed asset purchases are recognised as non-current prepayments until the time when fixed assets are supplied.

o) Inventories

Metal in circuit consists of in-circuit material at properties with milling or processing operations and doré awaiting refinement, all valued at the lower of average cost and net realisable value. In-process inventory costs consist of direct production costs (including mining, crushing and processing and site administration costs) and allocated indirect costs (including depreciation, depletion and amortisation of producing mines and mining interests).

Ore stockpiles consist of stockpiled ore, ore on surface and crushed ore, all valued at the lower of average cost and net realisable value. Ore stockpile costs consist of direct production costs (including mining, crushing and site administration costs) and allocated indirect costs (including depreciation, depletion and amortisation of producing mines and mining interests).

Inventory costs are charged to operations on the basis of ounces of gold sold. The Group regularly evaluates and refines estimates used in determining the costs charged to operations and costs absorbed into inventory carrying values based upon actual gold recoveries and operating plans.

Finished goods consist of doré bars that have been refined and assayed and are in a form that allows them to be sold on international bullion markets and metal in concentrate. Finished goods are valued at the lower of average cost and net realisable value. Finished goods costs consist of direct production costs (including mining, crushing and processing; site administration costs; and allocated indirect costs, including depreciation, depletion and amortisation of producing mines and mining interests).

Spare parts and consumables consist of consumables used in operations, such as fuel, chemicals, reagents and spare parts, valued at the lower of average cost and replacement cost and, where appropriate, less a provision for obsolescence.

p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, or value of services received net of any issue costs.

q) Deferred stripping costs

The removal of overburden and other mine waste materials is often necessary during the initial development of a mine site, in order to access the mineral ore deposit. The directly attributable cost of this activity is capitalised in full within mining properties and leases, until the point at which the mine is considered to be capable of commercial production. This is classified as expansionary capital expenditure, within investing cash flows.

The removal of waste material after the point at which a mine is capable of commercial production is referred to as production stripping.

When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the Group income statement as operating costs in accordance with the principles of IAS 2 'Inventories'.

4 Significant accounting policies continued

q) Deferred stripping costs continued

Where production stripping activity both produces inventory and improves access to ore in future periods the associated costs of waste removal are allocated between the two elements. The portion which benefits future ore extraction is capitalised within stripping and development capital expenditure. If the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. Components are specific volumes of a mine's orebody that are determined by reference to the life of mine plan.

In certain instances significant levels of waste removal may occur during the production phase with little or no associated production.

All amounts capitalised in respect of waste removal are depreciated using the unit of production method based on the ore reserves of the component of the orebody to which they relate.

The effects of changes to the life of mine plan on the expected cost of waste removal or remaining reserves for a component are accounted for prospectively as a change in estimate.

r) Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and accrued but unused annual leave, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

s) Retirement benefit costs

The Group does not operate a pension scheme for the benefit of its employees but instead makes contributions to their personal pension policies. The contributions due for the period are charged to the Group income statement.

t) Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based Payment'. IFRS 2 has been applied to all grants of equity instruments.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been applied based on management's best-estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The vesting conditions assumptions are reviewed during each reporting period to ensure they reflect current expectations.

u) Significant accounting judgements, estimates and assumptions

The preparation of the Group financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Group financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the Group financial statements is described below.

i) Ore reserves and resources

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources, based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation and depreciation and amortisation charges.

ii) Exploration and evaluation expenditure (note 13)

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee ('JORC') resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the consolidated statement of profit or loss in the period when the new information becomes available.

4 Significant accounting policies continued

u) Significant accounting judgements, estimates and assumptions continued

iii) Inventory (note 16)

Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

The ounces of gold sold are compared to the remaining reserves of gold for the purpose of charging inventory costs to operations.

iv) Impairment of tangible and intangible assets (notes 13 and 14)

The assessment of tangible and intangible assets for any internal and external indications of impairment involves judgement. Each reporting period, the Group assesses whether there are indicators of impairment, if indicated then a formal estimate of the recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. Determining whether the projects are impaired requires an estimation of the recoverable value of the individual areas to which value has been ascribed. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the projects and a suitable discount rate in order to calculate present value.

v) Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from Assets under construction to Producing mines and Property, plant and equipment. Some of the criteria will include, but are not limited to, the following:

- the level of capital expenditure compared to the construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form (within specifications); and
- ability to sustain ongoing production of metal.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. This is also the point at which the depreciation/amortisation recognition commences.

vi) Mine rehabilitation provision (note 21)

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the Group statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 'Property, Plant and Equipment'.

vii) Recovery of deferred tax assets (note 11)

Judgement is required in determining whether deferred tax assets are recognised within the Group statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

5 Segment information

The Group determines 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. The board of directors currently considers consolidated financial information for the entire Group and reviews the business based on the Group income statement and Group statement of financial position in their entireties. Accordingly the Group has only one operating segment, mining operations. The mining operations comprise the Group's major producing asset, the Gedabek mine which accounts for all the Group's revenues and the majority of its cost of sales, depreciation and amortisation. The Group's mining operations are all located within Azerbaijan and therefore all within one geographic segment.

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

Notes to the Group financial statements continued

year ended 31 December 2014

6 Revenue

The Group's revenue consists of gold and silver bullion and copper concentrate sold to third-party customers. Revenue from sales of gold and silver bullion was $64,145,000 and $135,000 respectively (2013: $63,907,000 and $479,000). Revenue from sales of copper concentrate was $3,684,000 (2013: $6,434,000).

Finance income of $7,000 in 2014 represents cash deposit interest received during the year (2013: $34,000).

7 Other operating income and expense

Other operating income relates to the income generated as a result of release of accruals and provisions during 2014 and 2013.

Other operating expenses consist of metal refining costs, foreign currency exchange loss and miscellaneous operating expenses. Foreign currency exchange loss for the year ended 31 December 2014 comprised $137,000 (2013: $295,000).

8 Operating (loss)/profit

	Notes	**2014 $000**	2013 $000
Operating (loss)/profit is stated after charging:			
Depreciation on property, plant and equipment – owned	14	**17,318**	10,682
Amortisation of mining rights and other intangible assets	13	**1,720**	1,687
Employee benefits and expenses	9	**10,882**	10,138
Net foreign currency exchange loss		**137**	342
Inventory expensed during the year		**35,879**	36,960
Operating lease expenses		**431**	360
Fees payable to the Company's auditor for:			
The audit of the Group's annual accounts		**190**	229
The audit of the Group's subsidiaries pursuant to legislation		**119**	119
Total audit services		**309**	348
Amounts paid to auditor for other services:			
Tax compliance services		**15**	14
Tax advice services		**13**	—
Audit related assurance services – half year review		**20**	—
Total non-audit services		**48**	14
Total		**357**	362

There were no non-cancellable operating lease and sublease arrangements during 2014 and 2013.

The audit fees for the parent company were $107,000 (2013: $147,000).

9 Staff numbers and costs

The average number employed by the Group (including directors) during the year, analysed by category, was as follows:

	2014 Number	2013 Number
Management and administration	**54**	49
Exploration	**41**	39
Mine operations	**491**	467
	586	555

The aggregate payroll costs of these persons were as follows:

	2014 $000	2013 $000
Wages and salaries	**9,363**	8,998
Share-based payments	**16**	45
Social security costs	**2,100**	1,979
	11,479	11,022
Less: salary costs capitalised as exploration, evaluation development, fixed asset and inventory expenditure	**(597)**	(884)
	10,882	10,138

9 Staff numbers and costs continued

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, is set out below in aggregate:

	2014 $	2013 $
Short-term employee benefits	**1,384,320**	1,261,672
Share-based payment	**65,757**	45,375
	1,450,077	1,307,047

The key management personnel of the Group comprise the chief executive officer, the vice president, Government affairs, the senior vice president, Azerbaijan International Mining Company Limited, the vice president technical services and the chief financial officer. The disclosure of the remuneration of the directors as required by the Companies Act 2006 is given in the Report on directors' remuneration on pages 18 to 19.

10 Finance cost

	2014 $000	2013 $000
Interest charged on interest-bearing loans and borrowings	**4,882**	5,244
Finance charges on letters of credit	**111**	123
Unwinding of discount on provisions	**469**	306
Interest capitalised during the period	**—**	(1,894)
	5,462	3,779

Interest on interest-bearing loans and borrowings represents charges incurred on credit facilities with the International Bank of Azerbaijan, the Amsterdam Trade Bank, Yapi Kredi Bank Azerbaijan, Pashabank and Atlas Copco Customer Finance AB.

Where a portion of the loans has been used to finance the construction and purchase of assets of the Group ('qualifying assets'), the interest on that portion of the loans has been capitalised up until the time the assets were substantially ready for use. For the year ended 31 December 2014, $nil (2013: $1,894,000) interest was capitalised (note 14).

11 Taxation

Corporation tax is calculated at 32 per cent. (as stipulated in the production sharing agreement for R.V. Investment Group Services LLC ("RVIG") in the Republic of Azerbaijan, the entity that contributes the most significant portion of profit or loss before tax in the Group financial statements) of the estimated assessable profit or loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Deferred income taxes arising in RVIG are recognised and fully disclosed in these Group financial statements. RVIG's unutilised tax losses at 31 December 2014 were $24,888,000 (2013: $5,108,000).

The major components of the income tax expense for the year ended 31 December are:

	2014 $000	2013 $000
Current income tax		
Current income tax charge	**—**	—
Deferred tax		
Relating to origination and reversal of temporary differences	**3,436**	(1,055)
Income tax credit/(expense) for the year	**3,436**	(1,055)

11 Taxation continued

Deferred income tax at 31 December relates to the following:

	Statement of financial position		Income statement	
	2014 $000	2013 $000	2014 $000	2013 $000
Deferred income tax liability				
Property, plant and equipment – accelerated depreciation	**(20,253)**	(16,779)	**(3,474)**	(6,143)
Non-current prepayments	**(418)**	(113)	**(305)**	766
Trade and other receivables	**(360)**	(1,324)	**964**	(18)
Inventories	**(9,770)**	(8,819)	**(951)**	1,639
Deferred income tax liability	**(30,801)**	(27,035)		
Deferred income tax asset				
Trade and other payables and provisions*	**2,952**	1,751	**1,201**	(703)
Asset retirement obligation*	**2,760**	2,354	**406**	874
Interest-bearing loans and borrowings*	**161**	895	**(734)**	895
Carry forward losses**	**7,964**	1,635	**6,329**	1,635
Deferred income tax asset	**13,837**	6,635		
Deferred income tax credit/(expense)			**3,436**	(1,055)
Net deferred income tax liability	**(16,964)**	(20,400)		

* Deferred income tax assets have been recognised for the trade and other payables and provisions, asset retirement obligation and interest bearing loans and borrowings based on local tax basis differences expected to be utilised against future taxable profits.

** Deferred income tax assets have been recognised for the carry-forward of unused tax losses to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses can be utilised. The probability that taxable profits will be available in the future is based on forward looking budgets and business plans of the Group.

A reconciliation between the accounting (loss)/profit and the total taxation (benefit)/charge for the year ended 31 December is as follows:

	2014 $000	2013 $000
(Loss)/profit before tax	**(14,364)**	1,391
Theoretical tax charge at statutory rate of 32 per cent. for RVIG*	**(4,596)**	445
Effects of different tax rates for certain Group entities (28 per cent.)	**130**	61
Tax effect of items which are not deductible or assessable for taxation purposes:		
– losses in jurisdictions that are exempt from taxation	**5**	6
– non-deductible expenses	**1,078**	609
– non-taxable income	**(53)**	(66)
Income tax (credit)/expense for the year	**(3,436)**	1,055

* This is the local tax rate applicable in accordance with local legislation.

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 assets and liabilities have been offset for deferred taxes recognised for RVIG since there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority. The Group intends to settle its current tax assets and liabilities on a net basis in the Republic of Azerbaijan.

At 31 December 2014, the Group had unused tax losses available for offset against future profits of $31,723,000 (2013: $15,259,000). Unused tax losses in the Republic of Azerbaijan at 31 December 2014 were $24,888,000 (2013: $5,108,000). No deferred tax assets have been recognised in respect of jurisdictions other than the Republic of Azerbaijan due to the uncertainty of future profit streams.

12 (Loss)/earnings per share

The calculation of basic and diluted earnings per share is based upon the retained loss for the financial year of $10,928,000 (2013: retained profit of $336,000).

The weighted average number of ordinary shares for calculating the basic loss (2013: profit) and diluted loss (2013: profit) per share after adjusting for the effects of all dilutive potential ordinary shares relating to share options are as follows:

	2014	2013
Basic	**111,667,479**	111,397,307
Diluted	**111,808,003**	112,233,035

For instruments that could potentially dilute basic earnings per share in the future see note 24 – "share-based payment" which shows 2,501,684 share options that could be dilutive in the future.

13 Intangible assets

	Exploration & evaluation Ordubad $000	Mining rights $000	Other intangible assets $000	Total $000
Cost				
1 January 2013	2,684	41,925	673	45,282
Additions	221	—	87	308
Reclassification	—	—	(292)	(292)
31 December 2013	2,905	41,925	468	45,298
Additions	608	—	—	608
31 December 2014	**3,513**	**41,925**	**468**	**45,906**
Amortisation and impairment*				
1 January 2013	—	22,260	193	22,453
Charge for the year	—	1,649	39	1,688
31 December 2013	—	23,909	232	24,141
Charge for the year	—	1,697	23	1,720
31 December 2014	**—**	**25,606**	**255**	**25,861**
Net book value				
31 December 2013	2,905	18,016	236	21,157
31 December 2014	**3,513**	**16,319**	**213**	**20,045**

* 639,000 ounces of gold were used to determine depreciation of producing mines, mining rights and other intangible assets following compilation of a new reserve statement for the Group (2013: 621,000 ounces).

14 Property, plant and equipment

	Plant and equipment, motor vehicles and leasehold improvements $000	Producing mines $000	Assets under construction $000	Total $000
Cost				
1 January 2013	12,712	75,062	39,072	126,846
Capitalisation of interest (note 10)	—	—	1,894	1,894
Additions	6,287	4,506	23,032	33,825
Transfer to producing mines	—	53,244	(53,244)	—
Transfer from other intangible assets	—	292	—	292
Increase in provision for rehabilitation	—	2,428	—	2,428
31 December 2013	18,999	135,532	10,754	165,285
Additions	410	11,877	3,029	15,316
Transfer to producing mines	—	11,690	(11,690)	—
Increase in provision for rehabilitation	—	799	—	799
31 December 2014	**19,409**	**159,898**	**2,093**	**181,400**
Depreciation and impairment*				
1 January 2013	6,636	32,333	—	38,969
Charge for the year	1,684	8,998	—	10,682
31 December 2013	8,320	41,331	—	49,651
Charge for the year	2,441	14,877	—	17,318
31 December 2014	**10,761**	**56,208**	**—**	**66,969**
Net book value				
31 December 2013	10,679	94,201	10,754	115,634
31 December 2014	**8,648**	**103,690**	**2,093**	**114,431**

* 639,000 ounces of gold were used to determine depreciation of producing mines, mining rights and other intangible assets following compilation of a new reserve statement for the Group (2013: 621,000 ounces).

Upon commencement of production from Gosha during 2014, accumulated development costs and construction in progress assets of Gosha totalling $7,736,000 were transferred from the category of assets under construction to the category of producing mines. In addition, upon the completion of a new storage pond facility at Gedabek, accumulated expenses of $3,954,000 were transferred from the category of assets under construction to the category of producing mines.

As a result of the recoverable amount analysis performed during the year, no impairment losses were recognised by the Group.

The capital commitments by the Group have been disclosed in note 25.

The Group performs an impairment analysis at each balance sheet date to ascertain that the carrying value of the Group's property plant and equipment is in excess of its fair value less cash to dispose ("FVLCD"). The determination of FVLCD is most sensitive to the following key assumptions:

- Production volumes
- Commodity prices
- Discount rates
- Foreign exchange rates
- Capital and operating costs

Production volumes: In calculating the FVLCD, the production volumes incorporated into the cash flow models were 509,100 ounces of gold and 73,513 ounces of copper. Estimated production volumes are based on detailed life of mine plans. Production volumes are dependent on a number of variables such as the recoverable quantities, the cost of the necessary infrastructure to recover the reserves, the production costs, the contractual duration of the mining rights and the selling prices of the quantities extracted.

Commodity prices: Forecast precious metal and commodity prices are based on management estimates. Estimated long-term gold and copper prices of $1,250 (2013: $1,300 per ounce) and $6,600 per tonne (2013: $6,600 per tonne) respectively have been used to estimate future revenues.

14 Property, plant and equipment continued

Discounts rates: In calculating the FVLCD, a real post-tax discount rate of 13.54 per cent. was applied to the post tax cash flows expressed in real terms. This discount rate is derived from the Group's post-tax weighted average cost of capital ("WACC"). The WACC takes into account both equity and debt.

Foreign exchange rates: The only significant exchange foreign exchange rate in the cash flow model is the US dollar to Azerbaijan Manat rate. A rate of US$1 equals 0.7845 Manat (2013: US$1 equals 0.7845 Manat) has been used in the cash flow model.

Capital and operating costs: In calculating the cash flow model, the significant capital and operating costs are the additional future capital cost to be incurred over the life of the mine and the cash cost per ounce of producing gold. For 2014, these costs were $40 million and $750 to $794 per ounce respectively.

Management believes that, other than the volume of gold production, there are no changes which are reasonably possible in any of the other assumptions discussed above, which would lead to impairment. At 31 December 2014, the recoverable amount of the Group's assets exceeded its carrying amount by $20 million. It is estimated that a 10 per cent. reduction in gold production, after incorporating any consequential effects of changes on the other variables used to measure the recoverable amount, would cause impairment of approximately $4 million.

15 Subsidiary undertakings

Anglo Asian Mining PLC is the parent and ultimate parent of the Group.

The Company's subsidiaries at 31 December 2014 are as follows:

Name	Country of incorporation	Primary activity	Percentage of holding per cent.
Anglo Asian Operations Limited	England and Wales	Holding company	100
Holance Holdings Limited	British Virgin Islands	Holding company	100
Anglo Asian Cayman Limited	Cayman Islands	Holding company	100
R.V. Investment Group Services LLC	Delaware, USA	Mineral development	100
Azerbaijan International Mining Company Limited	Cayman Islands	Mineral development	100

There has been no change in subsidiary undertakings since 1 January 2014.

16 Inventory

Non-current assets	2014 $000	2013 $000
Cost		
Ore stockpiles	**1,670**	3,314

Current assets		
Cost		
Finished goods – bullion	**3,211**	1,844
Finished goods – metal in concentrate	**150**	471
Metal in circuit	**18,559**	13,035
Ore stockpiles	**1,602**	4,579
Spare parts and consumables	**9,833**	8,813
Total current inventories	**33,355**	28,742
Total inventories at the lower of cost and net realisable value	**35,025**	32,056

The Group has capitalised mining costs related to high grade sulphide ore stockpiled during the year. Such stockpiles are expected to be utilised as part of agitation leaching process. Inventory is recognised at the lower of cost or net realisable value.

Write down of unrecoverable inventory of $372,000 (2013: $384,000) was recognised during the year as other operating expense.

17 Trade and other receivables

Non-current assets	2014 $000	2013 $000
Advances for fixed asset purchases	**1,143**	352
Loans	**162**	—
	1,305	352

17 Trade and other receivables continued

Current assets	2014 $000	2013 $000
Gold held due to the Government of Azerbaijan	**2,557**	1,413
VAT refund due	**828**	792
Other tax receivable	**275**	456
Trade receivables	**8**	169
Prepayments and advances	**1,634**	4,093
Loans	**48**	–
Advance payment for profit tax	**–**	978
	5,350	7,901

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

The VAT refund due at 31 December 2014 and 2013 relates to VAT paid on purchases.

Gold bullion held and transferable to the Government is bullion held by the Group due to the Government of Azerbaijan. 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. A corresponding liability to the Government is included in trade and other payables shown in note 19.

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

18 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and held by the Group within financial institutions that are available immediately. The carrying amount of these assets approximates their fair value.

The Group's cash on hand and cash held within financial institutions at 31 December 2014 (including short-term cash deposits) comprised $76,000 and $246,000, respectively (2013: $175,000 and $5,314,000).

The Group's cash and cash equivalents are mostly held in US Dollars.

19 Trade and other payables

	2014 $000	2013 $000
Accruals and other payables	**5,342**	4,843
Trade creditors	**4,106**	553
Gold held due to the Government of Azerbaijan	**2,557**	1,413
Payable to the Government of Azerbaijan from copper concentrate joint sale	**211**	252
	12,216	7,061

Trade creditors primarily comprise amounts outstanding for trade purchases and ongoing costs. Trade creditors are non-interest bearing and the creditor days were 22 (2013: 25). Accruals and other payables mainly consist of accruals made for accrued but not paid salaries, bonuses, related payroll taxes and social contributions, as well as services provided but not billed to the Group by the end of the reporting period. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Amount payable to the Government of Azerbaijan from copper concentrate joint sale represents the portion of cash received from the customer for the Government's portion from the joint sale of copper concentrate.

20 Interest-bearing loans and borrowings

	2014 $000	2013 $000
Loans from International Bank of Azerbaijan	**13,026**	11,501
Loans from Amsterdam Trade Bank	**36,783**	36,697
Loans from Atlas Copco	**789**	2,823
Loans from Yapi Kredi Bank	**922**	—
Loans from Pashabank	**1,238**	—
Total interest-bearing loans and borrowings	**52,758**	51,021
Loans repayable in less than one year	**16,675**	2,031
Loans repayable in more than one year	**36,083**	48,990

Prior to 31 December 2013, the Group had borrowed US$49.5 million from the International Bank of Azerbaijan ("IBA") under a series of loan agreements. The interest rate for each agreement is 12 per cent. Repayment of the principal begins two years from the withdrawal date for each loan contract. The loans due to IBA were partially repaid in 2013 by the proceeds of a refinancing loan obtained from the Amsterdam Trade Bank ("ATB"). The gross amount of the loan agreements outstanding with IBA at 31 December 2013 was $11.5 million. They are repayable between 31 March 2015 and 30 June 2018.

During 2013, the Group entered into a loan agreement with ATB for $37.0 million for the purpose of refinancing its loans from IBA. The interest rate is 8.25 per cent. per annum plus the three months LIBOR rate. The loan principal repayments start in February 2016 which is 16 months subsequent to loan principal drawdown. According to the terms of a pledge agreement signed with ATB, the Group has pledged to ATB its present and future claims against MKS Finance SA, the Group's sole buyer of gold doré until termination of the loan agreement.

During 2014, the Group opened a credit facility with the International Bank of Azerbaijan in the amount of $1,500,000 with an interest rate of 12 per cent. for a one year period. As of 31 December 2014, this credit facility was fully utilised. This facility was increased by $2 million subsequent to 31 December 2014. The Group entered into loan agreements with Yapi Kredi Bank Azerbaijan on 17 November 2014 and 19 November 2014 for amounts of $550,000 and $450,000 respectively, with a 14 per cent. interest rate for a one year period. An amount of $78,000 was repaid during 2014 in respect of these loan agreements. On 4 July 2014, the Group entered into a credit facility to finance letters of credit with Pashabank in the amount of $3,059,000 (AZN 2,400,000) for the financing of cyanide purchases. This credit facility is valid until 7 January 2016. As of 31 December 2014, $988,000 was payable to Pashabank in respect of this credit facility. The Group also entered into a credit facility to finance a letter of credit with Pashabank in the amount $2,500,000 with 6 per cent. interest for the unused portion of, and 6.8 per cent. plus one month LIBOR for the used portion of the credit facility. The purpose of this credit facility was to finance the construction of the small scale flotation plant. As of 31 December 2014, $250,000 was utilised from this credit facility from the Pashabank. The Group has repaid $1,879,340 of its loan from Atlas Copco during 2014.

21 Provision for rehabilitation

	2014 $000	2013 $000
1 January	**7,357**	4,623
Change in estimate	**221**	2,239
Accretion expense	**469**	306
Effect of passage of time and changes in discount rate	**577**	189
31 December	**8,624**	7,357

The Group has a liability for restoration, rehabilitation and environmental costs arising from its mining operations. Estimates of the cost of this work including reclamation costs, close down and pollution control are made on an ongoing basis, based on the estimated life of the mine. This represents the net present value of the best estimate of the expenditure required to settle the obligation to rehabilitate any environmental disturbances caused by mining operations. The undiscounted liability for rehabilitation at 31 December 2014 was $8,892,000 (2013: $8,638,000). The undiscounted liability was discounted using a risk free rate adjusted to the risks specific to the liability of 4.77 per cent. (2013: 6.33 per cent.). Expenditures on restoration and rehabilitation works are expected between 2021 and 2022.

22 Financial instruments

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, loans and letters of credit. The main purpose of these financial instruments is to finance the Group operations. The Group has other financial instruments, such as trade and other receivables and trade and other payables, which arise directly from its operations. Surplus cash within the Group is put on deposit, the objective being to maximise returns on such funds whilst ensuring that the short-term cash flow requirements of the Group are met.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are capital risk, market risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. Financial instruments affected by market risk include bank loans and overdrafts, accounts receivable, accounts payable and accrued liabilities.

The sensitivity has been prepared for the years ended 31 December 2014 and 2013 using the amounts of debt and other financial assets and liabilities held as at those reporting dates.

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Group has sufficient capital to fund ongoing production and exploration activities, with capital requirements reviewed by the Board on a regular basis. Capital has been sourced through share issues on the Alternative Investment Market, part of the London Stock Exchange, and loans from the International Bank of Azerbaijan, Amsterdam Trade Bank ("ATB") and other banks in Azerbaijan. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risk and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs.

The Group is not subject to externally imposed capital requirements other than the limit for financial indebtedness with ATB which is that the Group will not incur financial indebtedness of more than $30,000,000 without written prior approval from ATB. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 70 per cent. The Group defines net debt as interest-bearing loans and borrowings less cash and cash equivalents.

	2014 $000	2013 $000
Interest-bearing loans and borrowings (note 20)	**52,758**	51,021
Less cash and cash equivalents (note 18)	**(322)**	(5,489)
Net debt	**52,436**	45,532
Equity	**85,916**	96,750
Capital and net debt	**138,352**	142,282
Gearing ratio (per cent.)	**38**	32

Interest rate risk

The Group's cash deposits, letters of credit, borrowings and interest-bearing loans are at a fixed rate of interest except for three month LIBOR embedded in interest with ATB.

The Group manages the risk by maintaining fixed rate instruments, with approval from the directors required for all new borrowing facilities.

The Group has not used any interest rate swaps or other instruments to manage its interest rate profile during 2014 and 2013.

22 Financial instruments continued

Interest rate sensitivity analysis

Interest rate sensitivity of the Group from reasonably possible movement in the three month LIBOR rate is limited to $187,000 (2013: $185,000) negative and positive impact on the Group's profit before tax. Assumed movement is based on 0.5 per cent. increase or decrease in LIBOR on interest bearing loans from ATB.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial liabilities. Included in note 20 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2014

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Interest-bearing loans and borrowings	**—**	**5,014**	**15,705**	**40,714**	**—**	**61,433**
Trade and other payables	**458**	**11,758**	**—**	**—**	**—**	**12,216**
	458	**16,772**	**15,705**	**40,714**	**—**	**73,649**

Year ended 31 December 2013

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Interest-bearing loans and borrowings	—	1,704	5,048	57,842	—	64,594
Trade and other payables	1,664	5,313	—	—	—	6,977
	1,664	7,017	5,048	57,842	—	71,571

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the consolidated statement of financial position date.

The Group has adopted a policy of only dealing with creditworthy banks and has cash deposits held with reputable financial institutions. Trade receivables consist of amounts due to the Group from sales of gold and silver. All sales of gold and silver bullion are made to MKS Finance SA, a Switzerland-based gold refinery, and copper concentrate to Industrial Minerals SA and Glencore International AG. Due to the nature of the customers, the board of directors does not feel that a significant credit risk exists for receipt of revenues. The board of directors continually reviews the possibilities of selling gold to alternative customers and also the requirement for additional measures to mitigate any potential credit risk.

Foreign currency risk

The presentational currency of the Group is United States Dollars. The Group is exposed to currency risk due to movements in foreign currencies relative to the US Dollar affecting foreign currency transactions and balances.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December are as follows:

	Liabilities		*Assets*	
	2014 $000	2013 $000	**2014 $000**	2013 $000
UK Sterling	**330**	53	**31**	69
Azerbaijan Manats	**4,127**	3,679	**1,439**	1,851
Other	**160**	160	**—**	2

22 Financial instruments continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the United Kingdom (UK Sterling), the currency of the European Union (Euro) and the currency of the Republic of Azerbaijan (Azerbaijan Manat).

The following table details the Group's sensitivity to a 5.73 per cent., 6.23 per cent. and 35 per cent. (2013: 7.5 per cent., 9.41 per cent. and 1.37 per cent.) increase and decrease in the United States Dollar against United Kingdom Sterling, Euro and Azerbaijan Manat, respectively. These are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for respective change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the United States Dollar strengthens by the mentioned rates against the relevant currency. Weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be reversed.

	UK Sterling impact		Azerbaijan Manat impact		Euro impact	
	2014 $000	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Effect on (loss)/profit before tax	**17**	1	**941**	25	**10**	15

Market risk

The Group's activities primarily expose it to the financial risks of changes in gold, silver and copper prices which have a direct impact on revenues. The board of directors monitors both the spot and forward price of these regularly.

A 10 per cent. decrease in gold price would result in a reduction in revenue of $6,415 and a 10 per cent. increase in gold price would have the equal and opposite effect. A 10 per cent. decrease in silver price would result in a reduction in revenue of $14 and a 10 per cent. increase in silver price would have an equal and opposite effect. A 10 per cent. decrease in copper price would result in a reduction in revenue of $330 and a 10 per cent. increase in copper price would have an equal and opposite effect.

Fair value of the Group's interest bearing loans and borrowings

The Group has estimated the fair value of its interest bearing loans and borrowings at $57.8 million which equals the carrying value of those liabilities in its balance sheet. This valuation has been carried out using level 3 valuation techniques (significant unobservable inputs).

23 Equity

	2014		2013	
	Number	**£**	Number	£
Authorised				
Ordinary shares of 1 pence each	**600,000,000**	**6,000,000**	600,000,000	6,000,000

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

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options

The Group has a share option scheme under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (note 24).

Merger reserve

The merger reserve was created in accordance with the merger relief provisions under Section 612 of the Companies Act 2006 (as amended) relating to accounting for Group reconstructions involving the issue of shares at a premium. In preparing Group consolidated financial statements, the amount by which the base value of the consideration for the shares allotted exceeded the aggregate nominal value of those shares was recorded within a merger reserve on consolidation, rather than in the share premium account.

Retained earnings

Retained earnings represent the cumulative profit/(loss) of the Group attributable to the equity shareholders.

24 Share-based payment

The Group operates a share option scheme for directors and senior employees of the Group. The vesting periods are up to three years. Options are exercisable at a price equal to the closing quoted market price of the Group's shares on the date of the board of directors approval to grant options. Options are forfeited if the employee leaves the Group and the options are not exercised within three months from leaving date.

The number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year were as follows:

	2014		2013	
	Number	**WAEP Pence**	Number	WAEP Pence
1 January	**3,001,684**	**38**	3,101,684	34
Granted during the year	**300,000**	**15**	50,000	22
Forfeited during the year	**(350,000)**	**46**	(150,000)	35
Exercised during the year	**(150,000)**	**11**	—	—
31 December	**2,801,684**	**36**	3,001,684	38

The following share options were exercisable at 31 December 2014:

	2014		2013	
	Number	**WAEP Pence**	Number	WAEP Pence
	2,501,684	**39**	2,701,684	38

The weighted average remaining contractual life of the share options outstanding at 31 December 2014 was 2 years (2013: 5 years) and the range of their exercise prices was 12 pence to 97 pence (2013: 11.5 pence to 97 pence).

The weighted average fair value of the share options granted during the year was £0.06 (US$0.10) (2013: £0.11 (US$0.18)).

Share options are valued using the Black-Scholes model. The assumptions used to value the share options issued in the years ended 31 December are as follows:

	2014	2013
Weighted average share price (pence)	**15**	22
Weighted average exercise price (pence)	**15**	22
Expected volatility for six months' vesting period option (per cent.)	**—**	81
Expected volatility for one year's vesting period option (per cent.)	**58**	—
Expected volatility for two years' vesting period option (per cent.)	**58**	—
Expected life for six months' vesting period option (years)	**2**	2
Risk-free rate (per cent.)	**1.43**	0.82

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous one and two years for share options with one and two year vesting periods, respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expense related to equity-settled share-based payment transactions for the year ended 31 December 2014 of $16,000 (2013: $45,000).

25 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 year ended 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 Gosha Mining Property in February 2011 and submitted the development programme to the Government according to the PSA requirements, which was approved in 2012. In April 2012 the Group announced a discovery on the Ordubad Group of Mining Properties and submitted the development programme to the Government for review and approval according to the PSA requirements.

The mining licence on Gedabek expires in March 2022, with the option to extend the licence by ten years conditional upon satisfaction 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.

Based on the pledge agreement signed on 24 July 2013 the Group is a guarantor for one of its suppliers, Azerinterpartlayish-X MMC, for a loan taken from the International Bank of Azerbaijan in amount of $500,000 for 36 months.

There were no significant operating lease or capital lease commitments at 31 December 2014 (2013: $nil).

26 Related party transactions

Trading transactions

During the years ended 31 December 2013 and 2014, there were no trading transactions between Group companies.

Other 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.

a) Reza Vaziri had an indirect interest in the lease of the Company's office in Baku, the Republic of Azerbaijan. The office in Baku was sold during the year ended 31 December 2014. The cost of the lease for the year ended 31 December 2014 was $48,000 (2013: $94,000).

b) Shares issued to directors are disclosed in the Report on directors' remuneration on pages 18 and 19.

c) Remuneration paid to directors is disclosed in the Report on directors' remuneration on pages 18 and 19.

d) During the year ended 31 December 2014, total payments of $1,182,000 (2013: $2,589,000) were made for equipment and spare parts purchased from Proses Muhendislik Danismanlik Inshaat ve Tasarim Anonim Shirket, the entity in which the Chief Technical Officer of Azerbaijan International Mining Company has a direct ownership interest.

   At 31 December 2014 there is an advance payment in relation to the above related party transaction of $65,000 (2013: $66,000).

All of the above transactions were made on arm’s length terms.

27 Subsequent events

The following subsequent events relate to the period from 31 December 2014 to the date of approval of the Group financial statements on 27 May 2015.

Devaluation of the Azerbaijan Manat

On 21 February 2015, the Azerbaijan Manat (“AZN”) was devalued against the US Dollar and other major currencies by approximately 34 per cent. The exchange rates before and after devaluation were AZN 0.786 and AZN 1.050 to $1, respectively. In light of this devaluation, the Group has taken precautionary measures it considered necessary in order to support the sustainability and development of its business in the foreseeable future.

Loan from major shareholder

On 22 May 2015, Reza Vaziri, President and chief executive officer of the Company agreed to provide a loan facility to the Company. The principal terms of the loan were as follows:

- Facility up to $4 million.
- Term of loan is until 8 January 2016.
- Interest of 10 per cent. per annum payable in full at the end of the term.
- Early repayment allowed with approval of both the Company and Reza Vaziri.

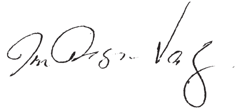
The Company intends to use the loan for working capital purposes.

Company balance sheet

31 December 2014

	Notes	2014 $000	2013 $000
Non-current assets			
Tangible assets	3	**71**	—
Investments	4	**1,325**	1,325
Debtors – amounts falling due after one year	6	**162**	—
		1,558	1,325
Current assets			
Debtors – amounts falling due within one year	6	**18,453**	19,127
Cash at bank and in hand	7	**125**	895
		18,578	20,022
Creditors: trade creditors and accruals	8	**(605)**	(852)
Net current assets		**17,973**	19,170
Net assets		**19,531**	20,495
Share capital and reserves			
Called up share capital	10, 11	**1,978**	1,973
Share premium account	11	**32,246**	32,173
Accumulated loss	11	**(14,693)**	(13,651)
Capital employed		**19,531**	20,495

These financial statements were approved by the board of directors on 27 May 2015 and were signed on its behalf by:



Reza Vaziri
Chief Executive

Notes to the Company financial statements

year ended 31 December 2014

1 Significant accounting policies

a) Basis of preparation

The parent company financial statements of Anglo Asian Mining PLC (the "Company") are presented as required by the Companies Act 2006 and were approved for issue on 27 May 2015.

The financial statements are prepared under the historical cost convention and are prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006 and the Company has taken the exemption under FRS 1 not to present a cash flow statement.

The Company has taken advantage of the exemption in paragraph 2D of FRS 29 'Financial Instruments: Disclosures' and has not disclosed information required by that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 'Financial Instruments: Disclosures'.

The Company has taken advantage of the exemption under FRS 8 not to disclose transactions with wholly owned subsidiaries.

b) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost included costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on cost in annual instalments over the estimated useful lives of assets which are reviewed annually. The tangible assets mainly represented by office and computer equipment are depreciated on a straight line basis over four years.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

c) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Impairment is tested annually by comparing the net assets of the underlying subsidiary to the carrying value of the investment, with any shortfall provided for during the period.

d) Leased assets

Rentals where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the period of the lease.

e) Debtors

Debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Company will not be able to recover the balances in full.

f) Deferred taxation

Deferred tax assets are not recognised in respect of timing differences relating to tax losses where there is insufficient evidence that the asset will be recovered.

g) Share-based payments

The Company has applied the requirements of FRS 20 'Share-based Payment' from 1 January 2006. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006. Application of this standard has been applied retrospectively.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes pricing model. The expected lives used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2 Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is $1,081,000 (2013: $1,509,000).

3 Tangible assets

	Office equipment $000
Cost	
1 January 2014	95
Additions	71
31 December 2014	**166**
Accumulated depreciation	
1 January and 31 December 2014	**95**
Net book value	
31 December 2013	—
31 December 2014	**71**

4 Investments

	2014 $000	2013 $000
Shares in subsidiary undertakings		
Anglo Asian Operations Limited	**1,325**	1,325

5 Subsidiaries

Anglo Asian Mining PLC is the parent and ultimate parent of the Group.

The Company's subsidiaries at 31 December 2014 are as follows:

Name	Country of incorporation	Primary activity	Percentage of holding Per cent.
Anglo Asian Operations Limited	England and Wales	Holding company	100
Holance Holdings Limited	British Virgin Islands	Holding company	100
Anglo Asian Cayman Limited	Cayman Islands	Holding company	100
R.V. Investment Group Services LLC	Delaware, USA	Mineral development	100
Azerbaijan International Mining Company Limited	Cayman Islands	Mineral development	100

There has been no change in subsidiary undertakings since 1 January 2014.

6 Debtors

	2014 $000	2013 $000
Amounts falling due after one year		
Loans	**162**	—

	2014 $000	2013 $000
Amounts falling due within one year		
Prepayments	**28**	22
Loans	**48**	196
HMRC	**—**	4
Amounts owed by subsidiary undertakings	**18,377**	18,905
	18,453	19,127

Notes to the Company financial statements continued
year ended 31 December 2014

7 Cash

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

There are no restrictions over the access to, and use of, the Company's bank and cash balances, other than those that customarily relate to periodic short-term deposits.

8 Creditors

	2014 $000	2013 $000
Amounts falling due within one year		
Trade creditors	**147**	32
Accruals	**429**	820
HMRC	**29**	—
	605	852

9 Deferred taxation

	2014 $000	2013 $000
The elements of unrecognised deferred taxation are as follows:		
Tax losses	**2,187**	2,104
Unrecognised deferred tax asset	**2,187**	2,104

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses as there is insufficient evidence that the asset will be recovered. None of the assets are recognised. The asset would be recovered if suitable taxable profits were generated in future periods.

10 Called up share capital

	2014		2013	
	Number	**£**	Number	£
Authorised				
Ordinary shares of 1 pence each	**600,000,000**	**6,000,000**	600,000,000	6,000,000

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

11 Reconciliation of shareholders' funds and movements on reserves

	Share capital $000	Share premium account $000	Accumulated loss $000	Shareholders' funds $000
1 January 2014	1,973	32,173	(13,651)	20,495
Loss for the year	—	—	(1,082)	(1,082)
Shares issued	5	73	—	78
Share-based payment	—	—	40	40
31 December 2014	**1,978**	**32,246**	**(14,693)**	**19,531**

12 Share-based payments

Equity-settled share option scheme

Details of the Company's equity-settled share option scheme are given in note 26 to the Group financial statements.

13 Subsequent events

No significant events took place during the period after the balance sheet date.

14 Auditor's remuneration

The Company paid $107,000 (2013: $147,000) to its auditor in respect of the audit of the financial statements of the Company. Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of Anglo Asian Mining PLC because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

Letter to shareholders

Anglo Asian Mining PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5227012)

Directors
Khosrow Zamani (Non-executive chairman)
John Monhemius
Richard Round
John Sununu
Reza Vaziri

Registered office
7 Devonshire Square
Cutlers Gardens
London EC2M 4YH

3 June 2015

To the holders of ordinary shares and, for information only, to the holders of share options of Anglo Asian Mining PLC (the "Company").

Dear shareholder
Accompanying this letter you will find the Company's annual report and accounts for the year to 31 December 2014 together with the attached notice of the Annual General Meeting to be held on 29 June 2015 (the "Meeting") and a form of proxy. This letter is to explain the background to some of the resolutions to be put to shareholders at the Meeting.

Resolution 3 – Re-election of the Director retiring by rotation
Under the Company's articles of association, one third of the directors of the board of directors (or, if the number of directors is not three or a multiple of three, the number nearest to and not exceeding one third) must retire at each Annual General Meeting and may offer themselves for re-election to the board of directors. This year John Monhemius is retiring in accordance with the Company's articles of association and is seeking re-election at the Meeting.

Resolution 4 – Authority to allot shares
This ordinary resolution deals with the renewal of the directors' authority to allot new Ordinary Shares during the course of the year in order to facilitate the business of the Company and renews the equivalent authority granted at last year's Annual General Meeting which expires at the end of the Meeting.

The current ABI guidelines state that ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of the Company's issued share capital, but on the basis that any authority to allot shares exceeding one-third of the Company's issued share capital can only be used to allot shares pursuant to a fully pre-emptive rights issue.

In accordance with these guidelines, resolution 4 proposes that directors be granted authority to allot shares in the capital of the Company up to a maximum amount representing the guideline limit of two-thirds of the Company's issued ordinary share capital as at 27 May 2015 (the latest practicable date prior to publication of this letter). Of this amount, half can only be allotted pursuant to a rights issue.

The authority will expire on the earlier of: (i) the conclusion of the next Annual General Meeting; and (ii) 30 June 2016 (being six months after the Company's accounting reference date).

Resolution 5 – Disapplication of statutory pre-emption rights
This resolution is a special resolution that renews the authority given at last year's Annual General Meeting and which seeks to give the directors the authority to allot securities for cash on a pre-emptive basis within the limits of the authority set out in resolution 4 and on a non pre-emptive basis up to a maximum of 10 per cent. of the issued ordinary share capital of the Company. The directors believe that it is in the best interests of the shareholders that the directors should have the right to allot relevant securities for cash on a pre-emptive basis and a limited authority to allot relevant securities for cash on a non-pre-emptive basis.

Action to be taken
Whether or not you intend to be present at the Meeting, you are requested to complete the reply-paid form of proxy in accordance with its instructions and return it to the address given on the form of proxy.

Recommendation
The directors consider all the resolutions to be put to the Meeting to be in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. Accordingly the directors unanimously recommend that you vote in favour of the proposed resolutions, as they intend to do in respect of their own beneficial shareholdings.

We look forward to as many of you as possible attending the Meeting.

Yours faithfully

Khosrow Zamani
Non-executive chairman

Notice of annual general meeting of shareholders

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of the shareholders of Anglo Asian Mining plc (the "Company") will be held on 29 June 2015 at 11.00 am at the offices of Squire Patton Boggs (UK) LLP, 7 Devonshire Square, Cutlers Gardens London EC2M 4YH for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution:

Ordinary resolutions

1 THAT the consolidated financial statements and the reports of the board of directors and of the auditors for the year ended 31 December 2014 be received;

2 THAT Ernst & Young LLP be re-appointed as the auditors of the Company and that the board of directors be authorised to fix their remuneration;

3 THAT John Monhemius be re-elected as a director, having retired by rotation in accordance with the Company's articles of association;

4 THAT the directors be hereby authorised generally and unconditionally pursuant to Section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act):

(a) up to an aggregate nominal amount of £372,279*; and

(b) up to an aggregate nominal amount of £744,559** (including within such limit any equity securities issued under paragraph (a) above) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any matter.

The authority granted by this resolution shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 June 2016, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this authority had not expired.

Special resolution

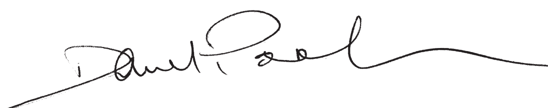
5 THAT subject to the passing of resolution 4 above the directors be hereby empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (as defined by Section 560 of the Act) wholly for cash and/or to sell or transfer shares held by the Company in treasury ("Treasury Shares") as the directors deem appropriate (in the case of allotments, pursuant to the authority conferred by resolution 4 above) as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment (or, in the case of Treasury Shares, the sale or transfer) of equity securities:

(a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange or otherwise; and

(b) otherwise than pursuant to sub-paragraph (a) of this resolution up to an aggregate nominal amount of £111,683†,

and provided that this authority shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the Company's next annual general meeting or, if earlier, 30 June 2016 save that the Company may, at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted (or in the case of Treasury Shares, sold or transferred) after such expiry and the Directors may allot (or in the case of Treasury Shares, sell or transfer) equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

By order of the board of directors



Fisher Secretaries Limited
Acre House
11/15 William Road
London NW1 3ER
United Kingdom
3 June 2015

* Calculated as one third of the nominal value of the total issued ordinary share capital (i.e. 111,683,972 shares of an aggregate nominal value £1,116,839.72).
** Calculated as two thirds of the nominal value of the total issued ordinary share capital (£1,116,839.72).
† 10 per cent. of the ordinary issued share capital of the Company (£1,116,839.72).

Notes

Notice of annual general meeting of shareholders continued

1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise any of their rights to attend, speak and vote on their behalf at the AGM. A proxy need not be a member of the Company. Where more than one proxy is appointed, each proxy must be appointed for different shares. A proxy form is enclosed. Completion and return of a proxy form will not preclude a member from attending and voting at the AGM should he subsequently decide to do so. To be effective, the proxy form and any power of attorney or other such instrument (if any) under which it is signed or a notarially certified copy of such power of attorney must be deposited at the offices of Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU not later than 11am on 26 June 2015.

2 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company at 6.00pm on 26 June 2015 shall be entitled to vote in respect of shares registered in their name at that time. Changes to the register of members after 6.00pm on 26 June 2015 shall be disregarded in determining the rights of any person to attend or vote at the AGM.

Company information

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Registered office
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Website
www.angloasianmining.com

Company number
5227012
Registered in England and Wales

VAT registration number
872 3197 09

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Bankers – Azerbaijan
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consultancy, design and production by
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design-portfolio.co.uk @WeAre_DP
Design Portfolio plants ten trees for each of its corporate report projects, in association with Trees for Cities.

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