ANGLO ASIAN MINING PLC

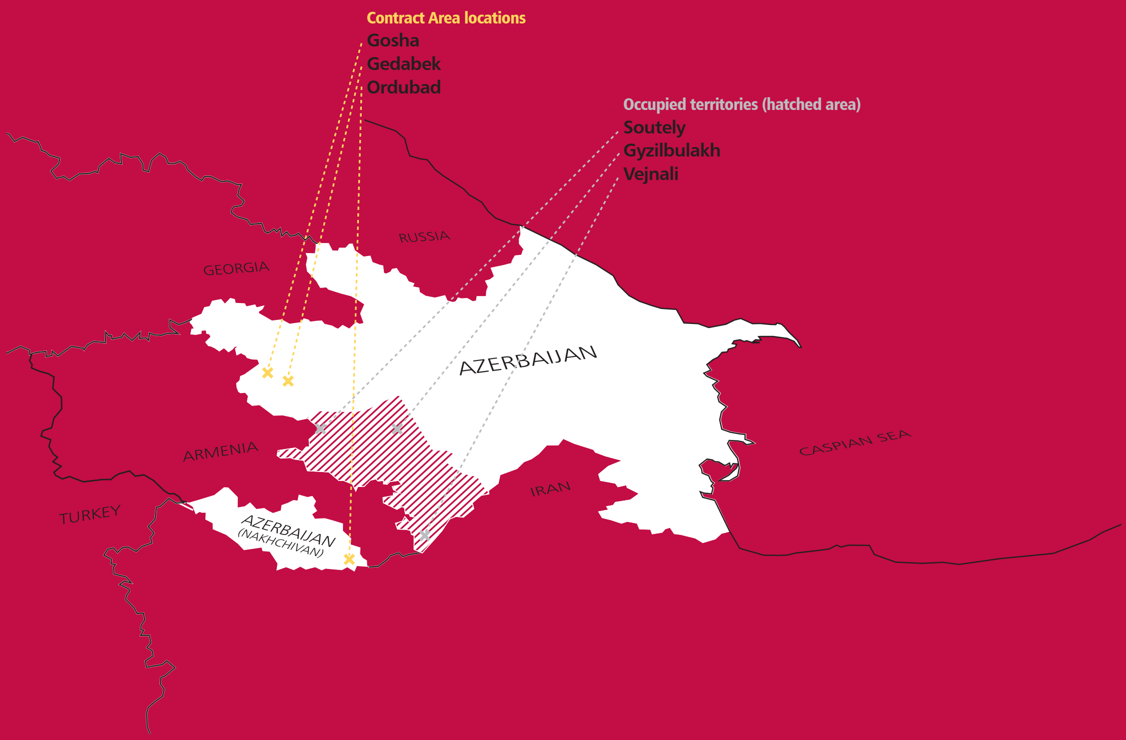
Anglo Asian Mining PLC
Annual report and accounts 2008

Production and Exploration

Anglo Asian Mining PLC is a Caucasia and central Asian focused emerging gold producer with a broad portfolio of production and exploration assets in Azerbaijan.

The Company's portfolio covers 1,962 sq km of prospective exploration assets held under a Production Sharing Agreement with the Government of Azerbaijan including the newly producing Gedabek mine, the country's first ever gold mine.

The Republic of Azerbaijan is a democratic country situated in south-western Asia.



Occupied Territories:

- Three concessions located within the disputed Nagorno-Karabakh region
- No value attributed to these concessions due to the geo-political situation

Key Contract Areas:

Gedabek

Progress

Commenced production in May 2009

First producing gold mine in Azerbaijan

Targeting 70,000 oz of gold in the first year of production

Initial six year mine life

JORC compliant resource of 702,000 oz of gold

Exploration ongoing to extend life of mine

Estimated resource

1.081m oz
gold equivalent
(702,000 oz of gold, 37,500 t of copper and 6,100,000 oz of silver)

Gosha

Progress

Located 25 km northwest of Gedabek

Exploration permit for precious and base metals until April 2011

Exploration programme underway

Ordubad

Progress

Contains six exploration targets

Exploration permits until April 2011

Exploration programme underway

Chairman's statement

We believe Gedabek, as the first operating gold mine in the country, represents a significant step for both the Company and Azerbaijan. We are actively looking to build on our first-mover advantage and create a mid-tier gold and base metal production company focused in Caucasia and central Asia.

Summary

- Development of the Gedabek gold/copper mine completed in May 2009 and opened by The President of Azerbaijan
- First gold and silver poured at the opening ceremony and first sales anticipated at the end of June 2009
- Strategy to build on first-mover advantage in the region and consolidate already strong ground position
- Full support of the Government of Azerbaijan

This is a transformational period for our Company and it gives me great pleasure to report on progress as we enter the production phase of our development cycle and consolidate our position as an emerging gold producer in Caucasia and central Asia.

We have a defined strategy in place focused on utilising our expertise and first-mover position within Azerbaijan to generate shareholder value. We have a portfolio of assets over six Contract Areas totalling 1,962 sq km (including the Contract Areas in the Occupied Territories), at various stages of development, from production to grass roots exploration. These are being advanced with the full support of the Government of Azerbaijan with funding primarily obtained from the International Bank of Azerbaijan.

Our aims are driven by a phased approach starting with the commencement of production at the Gedabek gold/copper mine in May 2009, which will create cash flow for further project development and the repayment of the debt which was raised to finance the construction of the mine and processing plant. Secondly, in tandem with gold production, we anticipate increasing the mine life and reserve figures at Gedabek by identifying additional resources within the mine's proximity. Thirdly, we plan to develop the rest of our portfolio with the aim of replicating our success at Gedabek and developing additional mining operations in Azerbaijan. Finally, we also hope to identify additional opportunities in Caucasia and central Asia to add to our existing portfolio.

Our focus during 2008 was the construction of the Gedabek gold/copper mine, which we completed in May 2009. This entailed building infrastructure and developing an open pit mine, as well as designing and building a conventional heap leach pad and processing facility for the recovery of gold, copper and silver, more details of which are in the Chief Executive's Review.

Whilst we ran slightly behind schedule due to various factors including prolonged rain in May and June 2008, which slowed activities, and the need to re-evaluate the leach pad area due to technical and geological reasons, we were delighted to announce that the President of Azerbaijan opened the mine on 26 May 2009 and first gold and silver was poured at the ceremony. The level of ore on the leach pad was less than we anticipated in May, however, we hope to gradually ramp this up to full capacity by the fourth quarter of 2009. Using the Sulphidisation, Acidification, Recycling, and Thickening ('SART') process, we expect to deliver our first copper production during the third quarter of 2009.

The open pit, heap leach operation is expected to be relatively low cost when compared to other gold mining operations. Our target is to produce in excess of 300,000 oz of gold over the current six year mine life, but we anticipate that further exploration in the proximity of the mine will increase its life. Production for the first full year is expected to be approximately 70,000 oz of gold and the current SRK published JORC compliant resource is 702,000 oz of gold, 37,500 tonnes of copper and 6,100,000 oz of silver. The combined estimate results in a gold equivalent resource of 1,081,000 oz. Capital costs for the mine totalled $28.1 million up until 31 December 2008. Further capital expenditure and developments costs were incurred during 2009 and costs incurred at Gedabek will continue to be capitalised up until the point that the mine achieves first commercial production, expected to be in the third quarter of 2009. In the announcement on 10 April 2008 it was stated that capital and working capital costs were unlikely to exceed $40 million; it is possible that due to the delayed start up that this figure may be exceeded but not materially.

Initially, our focus will remain on production at Gedabek, which will facilitate the repayment of our outstanding debt, amounting to $34.4 million of loans from the International Bank of Azerbaijan. Repayment of the debt will be carried out in tandem with our payments to the Government of Azerbaijan under the Production Sharing Agreement ('PSA'), which is described below.

While we are obviously pleased to become a producing entity, we are also aware that exploration is key to our long-term future. In line with this, we believe our portfolio contains some exciting exploration tenements which need additional evaluation to confirm existing Soviet-era data. The Tethyan belt running through Iran, Azerbaijan, Georgia and Turkey is expected to produce additional development opportunities, particularly as this area remains underexplored compared to similar copper/gold districts around the world. Accordingly, in April 2009 the Government of Azerbaijan granted the Company an extension to continue exploration for precious and base metals until 13 April 2011 on the 300 sq km Gosha and 462 sq km Ordubad Contract Areas. Exploration programmes are now planned for 2010 through which we aim to define additional resources and assess the production potential of these areas, funded out of cash flow from the Gedabek gold/copper mine.

Our relationship with the Government of Azerbaijan plays an important role in our success; its support was crucial in bringing the Gedabek project into production. We look forward to continuing to work with the Government and to realising our joint ambition of supporting the economic growth of the country. Azerbaijan is keen to attract foreign companies. Over 15 international oil companies are working in the country, including the likes of BP and Exxon Mobil which operate under similar production sharing agreements to ours, and the Government now wants to step up foreign investment in non-energy sectors. With this background, we are pleased to be amongst the first international companies to commence mining operations in the country and hope that this position will stand us in good stead for future opportunities.

1 Stacker conveying ore to the recently completed leach pad at Gedabek gold/copper mine

2 View of Gedabek village in the vicinity of Gedabek mine

With regards to our commodity focus, in the short term our attention will primarily be on gold. We believe that our financial modelling for the Gedabek project is conservative and with a competitive margin expected on production, strong cash generation is anticipated. The sale of both silver and copper will also contribute to our overall financial performance in the years to come.

There were a number of changes to the Board and management during the period. Reza Vaziri assumed the position of acting Chief Executive in October 2008, replacing Gordon Lewis who returned home to Australia to join his family. Tim Eggar stepped down from the Board in July 2008 at the same time as Richard Round stepped down from his executive duties as Finance Director to take up a position as a Non-executive Director, whilst also filling the vacancy of Chairman of the Audit Committee. Additionally, Ross Bhappu has announced his intention to step down from the 23 July 2009, the date of our Annual General Meeting. We will be looking to strengthen the Board in the near future to accelerate the development of the business and provide additional expertise.

On the technical management side, Farhang Hedjazi, our Chief Technical Officer, joined in July 2008. Farhang has over 23 years of experience in mining and processing, which includes several new projects in the region including providing management services to gold and base metal projects in Turkey and Iran. His strong metallurgical background has proved to be invaluable during the start up and commissioning phases of the mine.

Furthermore, on the management side, during 2008 the Company strengthened the team with the recruitment to our operating subsidiary, Azerbaijan International Mining Company, of Mehrdad Etemad as Senior Vice President and Abduljabbar Ahmadov as Vice President. Both Mehrdad and Abduljabbar bring a wealth of experience in the fields of general management and organisation, human resources management, procurement and public and government relations.

Additionally, Andrew Herbert joined in August 2008 as Chief Financial Officer and is now based in Azerbaijan. Andrew spent nearly three years with the TSX listed junior gold producer Avnel Gold Mining Limited, which has operations in Mali, prior to which he gained substantial international experience in other industries in Africa and Asia. We are delighted to welcome him to the team.

Having moved into production, we now employ approximately 250 personnel including local contractors and experienced operators from surrounding countries. Maintaining excellent health, social and environmental standards is a high priority for the Company. All employees have received technical and safety training and our track record in this respect remains exemplary. The Company is fully committed to working with its host community and is involved with a wide range of projects, described more fully in the Chief Executive's Review.

We report a pre-tax loss of $4,471,434 (2007: loss of $14,683,306) for the year ended 31 December 2008. However, if production at Gedabek goes to plan, we expect to announce significant turnover for the year ended 31 December 2009 and future years.

The Group continues to be faced with a number of material uncertainties that cast significant doubt over the Group's ability to continue as a going concern. These uncertainties and the Directors' considerations thereof are discussed below and in the following paragraph as well as in the Finance Review, Director's Report and in note 1 to the financial statements.

Our cash position remains constrained in the short term due to the delayed start of production and lower than anticipated levels of processed ore at this stage. The current forecasts demonstrate that the existing cash resources and available debt facilities provide sufficient funding to allow Anglo Asian to get through the period to full production and to meet all of its obligations. The Board is aware that there is the risk of further delays and technical problems which give rise to uncertainty relating to going concern. Consequently, if there are either cost overruns or delays to the production ramp up the Board will have to take steps to ensure that there is adequate funding. The International Bank of Azerbaijan has confirmed that it will provide a further $1.5 million through a working capital facility, subject to documentation, if required and Reza Vaziri (a Director and significant shareholder) has also confirmed that he would be willing to provide additional funding in such an event. Assuming no delays or technical problems, the projected cash flows in the fourth quarter of 2009 will put the Company in a strong position to pay back the debt quickly and generate further cash.

When I look back at 2008, I am very pleased at the progress our Company has made. Having taken the decision to move Gedabek into production, the team's energy and commitment has enabled Anglo Asian to make the transition into a producing company. We believe that there is significant potential to discover more reserves within and beyond the Gedabek Contract Area, with the Gosha and Ordubad Contract Areas being of particular interest due to their perceived prospectivity. We want to build on our first-mover advantage in the region and consolidate our already strong ground position.

Finally, I would like to thank all those involved with the Company for their efforts and support and I look forward to updating shareholders regularly on the progress of what is now a producing entity.

Khosrow Zamani
Non-executive Chairman
22 June 2009

Chief Executive's review

We reached a major milestone at the end of May 2009, becoming a new gold producer, having completed the construction of the Gedabek gold/copper mine and processing plant. Our next step is to reinforce our early success by extending the mine life at Gedabek and developing additional resources within the Gedabek Contract Area and our other two key Contract Areas, Gosha and Ordubad, using cash generated from the mine.

Summary

- Production at Gedabek for the first full year expected to be approximately 70,000 oz of gold
- Anticipate increasing the mine life and reserve figures at Gedabek by identifying additional resources within the mine's proximity
- Focused on developing 1,962 sq km gold/copper exploration portfolio with the aim of replicating success at Gedabek and developing additional mining operations

Our key operations span three Contract Areas covering 1,062 sq km: Gedabek, Ordubad and Gosha. We also hold three additional Contract Areas covering 900 sq km in territories occupied by Armenia which we hope to develop when access is obtained.

Gedabek

The Company holds mining and exploration rights for a minimum period of 15 years from 26 February 2007 in the Gedabek Contract Area, which is 55 km from Azerbaijan's second biggest city, Ganja. In addition to Gedabek, the area contains eight other prospective properties: Gyzildzhadag, Bittibulag, Maarif, Ertep, Geyer, Shekerbey, Gumlu and Aitalin.

Our focus during 2008 has been the construction of the open pit mine at Gedabek, as well as a conventional heap leach pad and processing facility for the recovery of gold, copper and silver. The current JORC compliant resource base stands at 15.6 million tonnes of ore grading 1.4 g/t gold, 0.24% copper and 12.2 g/t silver in the indicated and inferred categories, of which there are JORC compliant probable reserves of 311,000 oz of gold, 1,959,000 oz of silver and 17,425,000 lbs of copper. The current mine life is based on the JORC compliant probable reserves. Importantly, the ore body remains open in several directions. With approximately 130,000 tonnes of ore derived from historical workings at the site stockpiled at the plant, representing one and a half months of production, we were able to commence the first feed to the leach pad in March 2009 and the first gold was poured at the end of May 2009, as well as silver as a by-product of the process. Commercial production is expected to commence in the third quarter of 2009.

Our aim is to produce approximately 70,000 oz of gold in the 12 months to June 2010, with additional credits for the copper and silver. This remains our target, despite levels of processed ore during May 2009 being lower than we hoped due to teething problems with the materials handling machinery. New parts for the machinery have been ordered, which are expected to alleviate these problems and enable us to ramp up production to full capacity by the end of the fourth quarter.

The mine will initially process higher grade ore, the grade being expected to decrease over the life of the mine. Importantly the stripping ratio is low (1.5:1) as the ore body is fairly horizontal and shallow. During its initial six year life, we expect to produce 310,000 oz of gold. However, with additional exploration we anticipate increasing the mining reserve, which currently stands at 7.7Mt at 1.8g/t gold, 0.29% copper and 15.91g/t silver, and potentially process additional high grade material as the geology of the deposit becomes better understood. In the longer term we may move to an underground mining operation, utilising some of the existing infrastructure and adits, if our exploration activities demonstrate the resource to increase at depth. As it currently stands, we believe the open pit design only exploits half the total resource.

In terms of processing, the plant consists of a heap leach pad which is used to dissolve the gold, copper and silver after the ore has been crushed in the crusher at the processing plant. Gold and some silver will be recovered conventionally to produce gold dore, after which copper will be recovered using the SART process. The leach pad, Barren Leach Solution ('BLS') pond and Pregnant Leach Solution ('PLS') pond were completed in January 2009. The Adsorption, Desorption, Refinery ('ADR') and SART building and covering were completed in mid February 2009. The installation of the remaining equipment, piping and electronics for the ADR and SART plants is near completion. We expect copper to be produced in the near future.

The Company is planning to export its gold and approximately half its silver output to Switzerland to be processed and refined. Under the terms of the PSA, the revenue is shared between the Company and the Government of Azerbaijan at the processing point. In the near term, the Company anticipates selling gold and silver at spot rates but will consider and evaluate hedging strategies once we are confident of stable and consistent production from the Gedabek mine. Options for how the remaining silver and the copper will be sold are still being evaluated.

In order to accommodate the volume of ore to be leached over the projected mine life and to cater for any future extension, the Company and its consultant CQA commenced studies for the expansion of the heap leach operations at Gedabek. Expansion of the current leach pad location is constrained by the potential for land slip in the area and the Company considers that its capacity will not be adequate for the ultimate life of mine. Investigations of other locations in the immediate vicinity of the mine are underway.

We are using our own diesel-powered generators for power. Water supply is readily available from nearby streams. The mine is constructed to the highest environmental standards and we have a highly active community policy aimed at enfranchising the local community and assisting in their economic advancement.

We will be continuing exploration work at Maarif, one of the mining properties on the Gedabek Contract Area. This will include further drilling as well as geological and geophysical testing followed by analysis and interpretation of the results. It is expected that we will be able to give an update of our progress by the end of 2009.

1 SART and ADR buildings at the recently completed Gedabek mine

2 Heap leach pad at Gedabek mine

PSA

Anglo Asian has a PSA with the Government of Azerbaijan, which gives the Company exclusive rights to explore and extract all minerals from a number of Contract Areas. The PSA also provides exclusive rights to the Soviet-era data covering these Contact Areas. Under the terms of the PSA, which is modelled on Azerbaijan's internationally recognised oil industry practices, the Government is entitled to 51% of profits. One of our subsidiaries, RV Investment Group Services LLC, is entitled to recover costs (capital, operational and financing costs) up to the value of 75% of the revenue. Up until the time we have recovered all our costs, the Government of Azerbaijan effectively takes 12.75% (being 51% of the balancing 25%) of revenue. Following this its share depends on profitability.

Gosha

The 300 sq km Gosha Contract Area represents exciting upside potential for the Company. We were therefore very pleased to be granted a two year extension by the Government of Azerbaijan to continue exploration in this area, together with Ordubad, for precious and base metals until 13 April 2011.

Through our original Contract Area deal, we have access to a significant amount of data generated in the Soviet-era from these Contract Areas. Using this in tandem with additional data collected by ourselves, we have planned extensive exploration programmes through which we aim to define new resources.

The Gosha Contract Area, situated 50 km north-west of Gedabek, contains the Gosha prospect as well as the Itkirlan and Munduglu prospects. Previous plans envisaged that the Gosha prospect would be exploited by open pit mining. However recent studies indicate that any development at this property is now likely to be by way of underground mining.

During 2008, preliminary investigation work was carried out at Gosha to outline a comprehensive exploration strategy that will be carried out during 2009. This will include further drilling work and some underground tunnelling. It is expected that the Company will be in a position to announce an update on progress and results at Gosha by the end of 2009.

Ordubad

The 462 sq km Ordubad Contract Area in the Nakhchivan region contains numerous targets including Shakardara, Piyazbashi, Misdag, Agyurt, Shalala and Diakchay, which are all located within a 5 km radius. Exploration work will be centred primarily on the three copper prospects at Agyurt, Shalala and Diakchay, which we believe also have the potential to contain gold and molybdenum. The remaining properties in the Contract Area are Yashiling, Goyhundur, Keleki and Kotam. As noted above, we were recently granted a two year extension to continue exploration in this area for precious and base metals until 13 April 2011.

May 2009
First gold pour at Gedabek

What we achieved

On 26 May 2009, His Excellency Ilham Aliyev, President of Azerbaijan, formerly opened the Gedabek gold/copper mine at a ceremony where the first gold and silver was poured. The Company expects that copper production will commence in the near future.

The mine is a low-cost open pit, heap leach operation targeting 300,000 oz of gold in the first six years of mine life. Anglo Asian intends to expand on this mine life through further exploration programmes.

The opening of the mine was a historic moment as Gedabek is Azerbaijan's first ever producing gold/copper mine.

Chief Executive's review continued

I believe that Anglo Asian has many advantages including the low-cost nature of the mine, which should enable us to pay off our debt in a relatively short timeframe, and our excellent relationship with the Government of Azerbaijan, which we hope will help us advance our leading position in the country. Our strategy is to exploit our first-mover advantage in the region and build a mid-tier gold and base metal production company focused on Caucasia and central Asia.

2009–2010
Looking forward

Exploration and development

It is the Company's intention to target the surrounding areas around the Gedabek mine in order to extend the current six year mine life and resource base. In particular, targeted exploration activity will be undertaken in Maarif, a prospective mining property within the Gedabek contract area. Further exploration at the Gosha and Ordubad contract areas is underway.

Anglo Asian is placed in the enviable position of being the country's only producing mining company, therefore enabling it to exploit its first mover advantage in terms of identifying additional projects.

During 2008, work undertaken at Ordubad included a limited drilling programme at Diakchay mining property. The programme and analysis of results is ongoing. The Company plans to make an update on the results of the drilling programme by the end of 2009.

Occupied Territories

Access to the three Contract Areas within the Occupied Territories awaits the resolution of the dispute with Armenia.

Labour and safety

We have good relationships with our labour force. As well as employing a local management team and Azeri mining and earthworks contractors, we also employ experienced operations personnel from surrounding countries including Turkey and Iran. In order to accommodate our staff of approximately 250 we have built a permanent mine camp at Gedabek using local labourers.

We adhere to very strict health and safety guidelines and accordingly our health and safety record remains excellent. We recognise that safe operations depend not only on technically sound plant and equipment, but also on each employee's competence and their strict compliance with all requirements in the area of health, safety and public health regulations, and on ensuring conditions are such that the Company's operations are performed safely. We can report that there were no major or serious accidents during 2008 and to date in 2009.

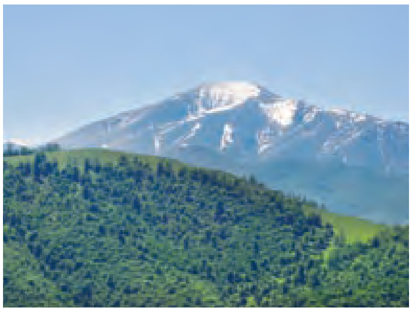
Training, welfare and environment

The Company maintains high environmental standards. It has carried out several community development projects during the year. In conjunction with USAID, we have provided seminars and training on beekeeping and have a pilot programme in place to give soft loans to beekeeping families to start in business. The Company has also set up an internet café in Gedabek and provided training to local people on how to use the internet. This facility is free of charge to the local population. In addition, Anglo Asian has provided the expertise and material to enable two villages local to the Gedabek mine to obtain fresh water, as well as repairing a bridge in one of the villages.

The Company remains committed to the welfare of the local community and will continue to work closely with the local population to identify worthwhile development projects.

Reza Vaziri
President and Chief Executive
22 June 2009

Finance review


1 View of Gedabek surrounding area

Summary

- Pre-tax loss of $4,471,434 (2007: loss of $14,683,306)
- Anticipate full repayment of current debt, amounting to $34.4 million of loans from the International Bank of Azerbaijan, by the second quarter of 2013
- If required by the Company, the International Bank of Azerbaijan has agreed to provide an additional $1.5 million working capital facility subject to official approval by the Board of the Group

Introduction

The Group reported a loss for 2008 of $4,471,434 (2007: loss of $14,683,306). The operating loss resulted from administration expenses of $4,526,090 (2007: loss of $4,935,566) offset by net interest income of $54,656 (2007: $218,365). The net interest income in the period arose from the interest received on deposits. There were no impairment write downs on tangible or intangible assets in the year (2007: $6,692,218).

The administrative expenses have been incurred solely in Azerbaijan, although a portion of these relate to costs associated with maintaining a listing in London. The London office was closed during 2007 to reduce the cost base.

The Group has prepared its consolidated accounts for 2008 in accordance with International Financial Reporting Standards ('IFRS') adopted by the EU.

As there was no operating income generated by the Group, the tax charge for the period was $nil and an additional deferred tax asset was created in the form of losses to carry forward in both the UK and Azerbaijan. Following the pouring of first gold in May 2009 the Company now expects to generate revenue over the coming months. The deferred tax assets are not recognised in the balance sheet.

Exploration and evaluation expenditures of $352,344 (2007: $2,035,970) were incurred and capitalised in the year.

The Group retained cash balances of $738,722 (2007: $6,810,902) at the year end.

The Board reviews and agrees policies for managing financial risks.

During the year the Group drew down $16,084,353 (2007: $nil) to fund capital expenditure and continued operating costs and $3,251,869 (2007: $nil) in the form of letters of credit to fund further capital expenditure from its $25 million agreed credit facility with the International Bank of Azerbaijan.

At 31 December 2008 the Group had undrawn credit facilities of $5,663,778 (2007: $nil) and on 20 May 2009 it agreed a further $9.4 million facility with the International Bank of Azerbaijan which the Company has now fully utilised. The International Bank of Azerbaijan has confirmed that it will provide a further $1.5 million through a working capital facility subject to documentation, should this be required by the Company.

Going concern

The Directors' assumption over the projected gold, copper and silver prices, discount rates, mine operating costs, levels of production and date of commencement of production from the Gedabek development are crucial to the Group meeting its forecast cash flows for period to 30 June 2010. Due to the advanced nature of the development there is a significant reduction in the risk of cost overruns compared with the prior year, but should the operating costs increase significantly, production be delayed or the revenues fall short of expectations, there may be insufficient cash flows for the Group to sustain its day-to-day operations without seeking and relying on further financing, which may or may not be available.

For these reasons a material uncertainty exists which may cast significant doubt on the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

After making enquiries, the Directors have formed a judgement, which assumes at the time of approving the financial statements, that there is a reasonable expectation that the Group can access adequate resources to continue in operation and continue as a going concern for the foreseeable future. These resources include: the anticipated revenues from the projected gold, silver and copper production at Gedabek; existing cash balances; existing debt facilities; and the Group's ability to raise further funds through either debt or equity should market prices for gold fall, production levels fall or be delayed or if operating costs increase.

The current forecasts demonstrate that the existing cash resources and available debt provide sufficient funds to complete the construction of the mine at Gedabek and to commence production. The Board is aware of the difficulties involved in accurately forecasting mine operating costs, the price of gold and levels of production, as well as the risk of delays in production. If there are either cost overruns, reduced revenues or delays which result in a funding shortfall then the Board will have to take steps to ensure that there is adequate funding for the 12 month period subsequent to the date of the approval of these financial statements. The major shareholders on the Board have confirmed that they would be willing to provide additional funding in such an event. As detailed in note 27, the Group has obtained written confirmation from the International Bank of Azerbaijan regarding an increase in funding. If required the Board also consider that further working capital facilities could be negotiated with the International Bank of Azerbaijan in the future.

For these reasons the Directors continue to adopt the going concern basis of preparing the financial statements.

Commodity price risk

Since the year end the Company has commenced production but has yet to enter commercial production. Anglo Asian currently does not hold any financial instruments to hedge the commodity price risk on its expected future production, however anticipates that it will do so once production increases. The Board will review this exposure and the requirement for hedging activities on an ongoing basis.

Foreign currency risk

The Group reports in US Dollars and a large proportion of its business is conducted 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.

Liquidity/interest rate risk

During the year the Group obtained new credit facilities totalling $25 million from the International Bank of Azerbaijan, with a fixed rate interest of 15%. In addition the Group obtained letters of credit totalling $3,251,869. The interest on each of the letters of credit was a combination of a fixed portion of 5% and a variable portion which was based on either US Dollar LIBOR or Euro LIBOR, dependent on the currency of the letter of credit, and a mark-up of between 2% and 2.5%. The Group has not used any interest rate swaps or other instruments to manage its interest rate profile during 2008 but will review this requirement on a periodic basis.

Board approval 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. During the year it had entered into short-term deposits which included overnight, weekly and monthly up to 12 months, however it held no short-term deposits as at the year end.

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 volatile in the current year however the deposits held by the Group have been low during the year and so any impact is minimal. The Group is exposed to fluctuations in commodity prices now that production has commenced.

Operational risk

There is exposure to delay in the construction programme and the resulting timing of production and sale of minerals. Operating costs for commercial production are not yet known and remain subject to variation from those forecast by the Directors. The Group will monitor progress on delays and costs on a regular basis.

Andrew Herbert
Chief Financial Officer
22 June 2009

Board of Directors

Mr Khosrow Zamani
NON-EXECUTIVE CHAIRMAN, AGE 66 Appointed 1 June 2007
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 a MSc in Engineering from the USA and a Master of Business Operations and Management from the UK. He is currently a member of the Board of Directors of several banks and financial services and private equity funds active in CIS, central Asia and Caucasia.

Mr Reza Vaziri
PRESIDENT
CHIEF EXECUTIVE, AGE 56 Appointed 29 September 2008
Reza Vaziri has been actively involved in business in Azerbaijan since just after its independence. Since RVIG, now Anglo Asian's subsidiary, signed a Production Sharing Agreement with the Government of Azerbaijan, Reza has been focused on developing the Company's key gold/copper/silver resources with the objective of establishing Anglo Asian as 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 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 along side such Directors as: James Baker III, Jahangir Hajiyev and Henry Kissinger. Reza resides in Baku, London and Washington, DC.

Mr Richard Round FCCA
FINANCE DIRECTOR, AGE 51 Resigned 23 July 2008
NON-EXECUTIVE DIRECTOR Appointed 23 July 2008
Richard Round is a fellow of the Chartered Association of Certified Accountants. He began his career with British Coal in 1977. In 1987 Richard joined Ferrum Holdings plc, becoming group Finance Director in 1993. In 1995 Richard became Finance Director of Consolidated Supply Management Limited, an international oilfield logistics group operating primarily in Latin America and the Former Soviet Union, including Azerbaijan and Kazakhstan. In 2001, Richard became Financial Director for the Mining (Scotland) Group, the largest opencast coal mining company in the UK, before joining Anglo Asian as Finance Director in September 2005. Richard has also been Finance Director for Cambrian Mining PLC and is now Chief Financial Officer of Lubel Coal Company Limited.

Dr Ross Bhappu
NON-EXECUTIVE DIRECTOR, AGE 49
Dr Ross Bhappu is a partner with Resource Capital Funds with extensive experience in the mining industry working for both senior and junior mining companies. Prior to joining Resource Capital Funds in early 2001, he served as Chief Executive Officer of GTN Copper Corporation, Director of business development for Newmont Mining Corporation and held various technical and commercial roles with Cyprus Minerals Company. Ross holds a PhD in Mineral Economics from the Colorado School of Mines and BS and MS degrees in Metallurgical Engineering from the University of Arizona.

Governor John H Sununu
NON-EXECUTIVE DIRECTOR, AGE 69
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.

Directors' report

The Directors submit their report and the financial statements of Anglo Asian Mining PLC for the year ended 31 December 2008.

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 operating subsidiary. Together with its subsidiaries (see note 16 on page 28) it is involved in the exploration and development of gold and copper projects in Azerbaijan and the operation of the Gedabek mine in Azerbaijan.

Review of developments and future prospects

The Group's financial performance for the year was in line with Directors' expectations. The Group loss after taxation for the year ended 31 December 2008 amounted to $4,471,434 (2007: $14,683,306).

In future when the mine is operational, relevant Key Performance Indicators ("KPIs") will be given for the business, as currently it is still in the development phase with no applicable KPIs except expenditure on the mine.

The record of the business during the year and an indication of likely further developments may be found in the Chairman's Statement, (page 2) the Chief Executive's Review (page 4) and the Finance Review (page 7).

On 20 April 2009 the Group was granted two-year extensions for the exploration licences at both Gosha and Ordubad to enable the continued development at these two projects until 13 April 2011.

Business review

The financing risks are discussed on pages 2 and 3 of the Chairman's Statement. Other risks are discussed in the Finance Review on pages 7 and 8.

Share capital

Details of the movements in share capital during the period are set out in note 22 to the consolidated financial statements.

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. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRS as adopted by the EU. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company 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 financial statements 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 International Financial Reporting Standards, 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 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.

Directors
The current Directors and their biographies are set out on page 9.

Directors' interests
The Directors in office during the year and their interests in ordinary shares of the Company at 31 December 2008 and 31 December 2007 were:

Directors	**31 December 2008 number of shares**	31 December 2007 number of shares
Khosrow Zamani (appointed 1 June 2007)	**133,834**	20,000
Reza Vaziri	**30,689,278**	29,111,208
Gordon Lewis (resigned 30 September 2008)	**—**	—
Richard Round	**132,872**	—
Ross Bhappu	**—**	—
Tim Eggar (resigned 23 July 2008)	**—**	45,564
John Sununu	**9,836,300**	9,631,400

A total of 3,100,041 shares were issued during the year to the Directors, Resource Capital Fund III L.P. and Numis Securities Limited in lieu of salaries and fees, bringing the total number of ordinary shares with voting rights to 102,721,921 at 31 December 2008.

The interests of the Directors, financial advisers and staff in options to subscribe for ordinary shares of the Company were:

	Exercise price (p)	Latest exercise date	As at 1 January 2008	Granted during the year	Forfeited in the year	Lapsed in the year	**As at 31 December 2008**
Directors							
Khosrow Zamani	16.5	1 June 2017	100,000	—	—	—	**100,000**
	12.0	27 July 2017	500,000	—	—	—	**500,000**
	4.8	4 December 2018	—	550,000	—	—	**550,000**
Gordon Lewis	42.5	1 July 2016	1,487,577	—	(1,487,577)	—	**—**
	12.0	27 July 2017	1,400,000	—	(1,400,000)	—	**—**
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**
Ross Bhappu	42.5	12 April 2016	123,965	—	—	—	**123,965**
Tim Eggar	77.0	26 July 2015	743,788	—	(743,788)	—	**—**
Others							
	77.0	26 July 2008	991,718	—	—	(991,718)	**—**
	77.0	26 July 2008	991,718	—	—	(991,718)	**—**
	97.0	11 August 2015	247,925	—	—	—	**247,925**
	42.5	12 April 2016	59,503	—	—	—	**59,503**
	8.9	1 August 2018	—	200,000	—	—	**200,000**
	4.8	4 December 2018	—	1,300,000		—	**1,300,000**
			8,174,953	2,050,000	(3,631,365)	(1,983,436)	**4,610,152**

All options can be exercised at various dates up to 4 December 2018.

Directors indemnities
The Company has made qualifying third party indemnity provision for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Chief Executive Officer's Review on pages 2 to 6. The financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in the Finance Review on pages 7 and 8. In addition note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As highlighted in note 21 to the financial statements, the Group meets its day-to-day working capital requirements through a loan from the International Bank of Azerbaijan. The current economic conditions create uncertainty, particularly the availability of bank finance in the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. As detailed in note 27 the Group has obtained written confirmation of an increase in funding from the International Bank of Azerbaijan subject to Anglo Asian Mining PLC Board approval. If necessary the Group will open negotiations regarding a further increase in the credit facility with the bank in due course, but at this stage has not deemed this necessary.

Going concern continued

However, the Group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that a new facility or extension to existing facility may not be forthcoming on acceptable terms.

The Directors' assumption over the projected gold and silver prices, discount rates, mine operating costs, levels of production and date of commencement of production from the Gedabek development are crucial to the Group meeting its forecast cash flows for the 12 month period subsequent to the date of the approval of these financial statements. Due to the advanced nature of the development there is a significant reduction in the risk of cost overruns compared with the prior year but, should the operating costs increase significantly, production be delayed or the revenues fall short of expectations, there may be insufficient cash flows for the Group to sustain its day-to-day operations without seeking and relying on further financing, which may or may not be available.

For these reasons a material uncertainty exists which may cast significant doubt on the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

After making enquiries, the Directors have formed a judgement which assumes, at the time of approving the financial statements, that there is a reasonable expectation that the Group can access adequate resources to continue in operation and remain in existence for the foreseeable future. These resources include the anticipated revenues from the projected gold, silver and copper production at Gedabek, existing cash balances, existing debt facilities and the Group's ability to raise further funds through either debt or equity, should market prices for gold fall, production levels fall or be delayed or if operating costs increase. The current forecasts demonstrate that the existing cash resources and available debt facilities provide sufficient funds to complete the construction of the mine at Gedabek and to commence production. The Board is aware of the difficulties involved in accurately forecasting mine operating costs, the price of gold and levels of production, as well as the risk of delays in production. If there are either cost overruns, reduced revenues or delays which result in a funding shortfall, then the Board will have to take steps to ensure that there is adequate funding for the 12 month period subsequent to the date of the approval of these financial statements. The major shareholders on the Board have confirmed that they would be willing to provide additional funding in such an event. As detailed in note 27 the Group has obtained written confirmation from the International Bank of Azerbaijan regarding an increase in funding. If required the Board also consider that further working capital facilities could be negotiated with the International Bank of Azerbaijan in the future.

For these reasons the Directors continue to adopt the going concern basis of preparing the financial statements.

Charitable and political contributions

There were no charitable or political contributions made during the year.

Substantial shareholdings

The Company has been informed that on 10 June 2009 the following shareholders held substantial holdings in the issued ordinary shares of the Company:

Shareholders	Number of ordinary shares	Holding %
Reza Vaziri	30,689,278	29.84
Khagani Bashirov	18,087,758	17.61
John Sununu	9,875,430	9.60
Resource Capital Fund III L.P.	6,417,856	6.24
Limelight Industrial Developments Limited	4,038,600	3.93

The number of shares in issue at this date was 102,839,002.

Payment policy

It is the Group's policy to pay suppliers in accordance with agreed terms, provided the supplier has also complied with agreed terms and conditions. The average creditor days is 35 (2007: 30).

Disclosure of information to auditors

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

- so far as the Director is aware there is no relevant audit information of which the Company's auditors are unaware; and
- 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 information is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Annual General Meeting

The Company will hold its next Annual General Meeting on 23 July 2009 at which this report and financial statements will be presented. Notification of the meeting has been sent along with this report.

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Andrew Herbert
Company Secretary
22 June 2009

Corporate governance

Introduction
Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance ("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 applies the Code.

The Board
The Board of Directors 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 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 which require Board attention arise. 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 their implementation by the Executive team.

The Board considers one of the Non-executive Directors other than the Chairman to be independent.

Audit Committee
The Audit Committee comprises Richard Round and John Sununu and is scheduled to meet at least twice a year. The external auditors attend the meetings and the Chief Executive and Chief Financial Officer attend by invitation. 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 auditors of the Group.

Remuneration Committee
The Remuneration Committee currently 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 Nomination Committee currently 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.

Shareholder relations
The Company meets with its institutional shareholders and analysts as appropriate and encourages communication with private shareholders via the Annual General Meeting ("AGM"). In addition, the Company uses the annual report and accounts, interim statement and website (www.aamining.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 auditors.

The Group does not currently have an internal audit function due to the small size of the administrative function.

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 auditors' report

To the members of Anglo Asian Mining PLC

We have audited the Group financial statements of Anglo Asian Mining PLC for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, and the related notes 1 to 28. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Anglo Asian Mining PLC for the year ended 31 December 2008. That report is modified by the inclusion of an emphasis of matter.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The Directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the EU are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Principal Activity and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Emphasis of matter – going concern

Without qualifying our opinion we draw attention to the disclosures made in note 1 of the financial statements concerning the Group's ability to continue as a going concern which would depend upon the Gedabek development being completed to budget and on time, production continuing through 2009 and revenues meeting expectations, or alternatively, on obtaining additional financing, which may or may not be available. These considerations, together with the other matters set out in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern as it is not practicable to determine or quantify them.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
22 June 2009

Consolidated income statement
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Administrative expenses		**(4,526,090)**	(4,935,566)
Write down of capitalised intangible assets	8	**—**	(6,692,218)
Write down of assets held for sale	9	**—**	(3,273,887)
Operating loss	5	**(4,526,090)**	(14,901,671)
Finance income	10	**54,656**	218,365
Finance costs	11	**—**	—
Loss before tax		**(4,471,434)**	(14,683,306)
Income tax expense	12	**—**	—
Loss for the year		**(4,471,434)**	(14,683,306)
Loss per share			
Basic (cents per share)	13	**(4.41)**	(14.80)
Diluted (cents per share)	13	**(4.41)**	(14.80)

The Group's loss relates to continuing operations in both years.

Consolidated statement of recognised income and expense
For the year ended 31 December 2008

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Loss for the year	**(4,471,434)**	(14,683,306)
Total recognised income and expense for the year	**(4,471,434)**	(14,683,306)

Consolidated balance sheet
As at 31 December 2008

	Notes	2008 US$	2007 US$
Non-current assets			
Intangible assets	14	**50,080,034**	49,727,700
Property, plant and equipment	15	**28,927,611**	1,242,048
		79,007,645	50,969,748
Current assets			
Trade and other receivables	17	**2,161,494**	444,514
Cash and cash equivalents	18	**738,722**	6,810,902
		2,900,216	7,255,416
Total assets		**81,907,861**	58,225,164
Current liabilities			
Trade and other payables	19	**(11,370,718)**	(1,332,491)
		(11,370,718)	(1,332,491)
Net current (liabilities)/assets		**(8,470,502)**	5,922,925
Non-current liabilities			
Borrowings	20	**(17,396,890)**	—
		(17,396,890)	—
Total liabilities		**(28,767,608)**	(1,332,491)
Net assets		**53,140,253**	56,892,673
Equity			
Share capital	22	**1,851,516**	1,792,015
Share premium account	23	**30,911,013**	30,387,514
Share-based payment reserve	23	**1,321,840**	1,852,752
Merger reserve	23	**46,206,390**	46,206,390
Accumulated loss	23	**(27,150,506)**	(23,345,998)
Total equity		**53,140,253**	56,892,673

The financial statements were approved by the Board of Directors and authorised for issue on 22 June 2009. They were signed on its behalf by:

Reza Vaziri
Chief Executive

Consolidated cash flow statement

For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Net cash used in operating activities	24	**(2,159,826)**	(4,308,710)
Investing activities			
Interest received		**54,656**	218,365
Purchase of property, plant and equipment		**(20,672,394)**	(421,470)
Expenditure on intangible assets		**(212,900)**	(2,035,970)
Net proceeds from sale of property, plant and equipment		**—**	7,004,585
Net cash (used in)/generated from investing activities		**(20,830,638)**	4,765,510
Financing activities			
Proceeds from borrowings		**16,084,353**	—
Proceeds from long-term letters of credit		**1,312,537**	—
Interest paid		**(478,606)**	—
Net cash generated from financing activities		**16,918,284**	—
Net (decrease)/increase in cash and cash equivalents		**(6,072,180)**	456,800
Cash and cash equivalents at beginning of year		**6,810,902**	6,354,102
Cash and cash equivalents at end of year		**738,722**	6,810,902

Notes to the consolidated financial statements
For the year ended 31 December 2008

1. Going concern
The Directors' assumption over the projected gold and silver prices, discount rates, mine operating costs, levels of production and date of commencement of production from the Gedabek development are crucial to the Group meeting its forecast cash flows for period to 30 June 2010. Due to the advanced nature of the development there is a significant reduction in the risk of cost overruns compared with the prior year, but should the operating costs increase significantly, production be delayed or the revenues fall short of expectations, there may be insufficient cash flows for the Group to sustain its day-to-day operations without seeking and relying on further financing, which may or may not be available.

For these reasons a material uncertainty exists which may cast significant doubt on the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

After making enquiries, the Directors have formed a judgement, which assumes at the time of approving the financial statements, that there is a reasonable expectation that the Group can access adequate resources to continue in operation and remain in existence for the foreseeable future. These resources include the anticipated revenues from the projected gold, silver and copper production at Gedabek, existing cash balances, existing debt facilities and the Group's ability to raise further funds through either debt or equity, should market prices for gold fall, production levels fall or be delayed or if operating costs increase. The current forecasts demonstrate that the existing cash resources and available debt provide sufficient funds to complete the construction of the mine at Gedabek and to commence production. The Board is aware of the difficulties involved in accurately forecasting mine operating costs, the price of gold and levels of production, as well as the risk of delays in production. If there are either cost overruns, reduced revenues or delays which result in a funding shortfall then the Board will have to take steps to ensure that there is adequate funding for the 12 month period subsequent to the date of the approval of these financial statements. The major shareholders on the Board have confirmed that they would be willing to provide additional funding in such an event. As detailed in note 27 the Group has obtained written confirmation from the International Bank of Azerbaijan regarding an increase in funding. If required the Board also consider that further working capital facilities could be negotiated with the International Bank of Azerbaijan in the future.

For these reasons the Directors continue to adopt the going concern basis of preparing the financial statements.

2. General information
Anglo Asian Mining PLC is a public limited Company incorporated in the UK under the Companies Act 1985. The address of the registered office and principal place of business are given on the inside back cover. The Company's ordinary shares are traded on the AIM of the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 10 to 12.

These financial statements are presented in US Dollars. Foreign operations are included in accordance with the policies set out in note 3.

3. Significant accounting policies
Basis of preparation
These financial statements, for the year ended 31 December 2008 and 31 December 2007, are prepared in accordance with IFRS as adopted by the EU. The financial statements have also been prepared in accordance with International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The principal accounting policies are set out below.

New standards and interpretations not applied
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)/IAS 27 (amended)	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
IFRS 2 (amended)	"Share-based Payment – Vesting Conditions and Cancellations"
IFRS 3 (revised 2008)	"Business Combinations"
IFRS 8	"Operating Segments"
IAS 1 (revised 2007)	"Presentation of Financial Statements"
IAS 23 (revised 2007)	"Borrowing Costs"
IAS 27 (revised 2008)	"Consolidated and Separate Financial Statements"
IAS 32 (amended)/IAS 1 (amended)	"Puttable Financial Instruments and Obligations Arising on Liquidation"
IFRIC 12	"Service Concession Arrangements"
IFRIC 15	"Agreements for the Construction of Real Estate"
IFRIC 16	"Hedges of a Net Investment in a Foreign Operation"

Improvements to IFRS (May 2008)
The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. Significant accounting policies continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Foreign currencies

The individual financial statements of each group company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US Dollars, the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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 balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are not recognised in respect of timing differences relating to tax losses where there is insufficient evidence that the asset will be recovered. Unrecognised deferred tax assets are reassessed at each balance sheet 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 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 by the balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

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".

3. Significant accounting policies continued

Intangible assets continued

Exploration and evaluation assets continued

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.

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

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.

Tangible assets

Mining properties and leases include the cost of acquiring and developing mining properties and mineral rights.

Mining properties are depreciated down to their residual values using the unit of production method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date that the mining property is capable of commercial production. When there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, a write down to the recoverable amount is charged to the income statement.

Land and properties in the course of construction are carried at cost, less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated down to their residual values at varying rates, on a straight line basis over their estimated useful lives or the life of mine, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings. Residual values and estimated useful lives are reviewed at least annually.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

Property, plant and equipment

Buildings and plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all depreciable property, plant and equipment at rates calculated to write off the cost of each asset over its expected useful life as follows:

Leasehold improvements	Over the life of lease
Plant, equipment and motor vehicles	25% decreasing balance
Office and computer equipment	25% decreasing balance
Temporary buildings	25% decreasing balance

The cost of maintenance, repairs and replacement of minor items of property, plant and equipment are charged to the income statement as incurred. Renewals and asset improvements are capitalised.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the financial statements. Any resulting gains or losses are included in the income statement.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

3. Significant accounting policies continued

Restoration, rehabilitation and environmental costs continued

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out on page 21.

Assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and completion should be expected within one year from the date of classification.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently carried at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other payables

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

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.

Bank borrowings

Interest bearing bank 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 accruals basis and charged to the 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.

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.

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 income statement.

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 adjusted, 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.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Impairment of tangible and intangible assets

The assessment of tangible and intangible assets for any internal and external indications of impairment involves judgement. Each reporting period, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

3. Significant accounting policies continued

Deferred tax assets

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is 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.

Commercial production

The evaluation and expenditure and mining rights are to be written off over the life of mine using a unit of production basis once it has been determined that the date of commercial production has been reached. The Directors will use judgement in determining the full capacity of the mine and the current production levels to determine when it is close to full capacity and therefore classified as in commercial production.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment value in use

Determining whether the projects are impaired requires an estimation of the value in use 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.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Group is the Black-Scholes pricing model.

Provision for restoration, rehabilitation and environmental costs

Costs arising from site restoration works, and the decommissioning of plant, discounted to their present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. The provision is based on estimates prepared by external consultants. Management uses its judgement and experience to provide for these costs. The ultimate costs of site restoration and decommissioning are uncertain, and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

4. Segment information

The operations of the Group comprise one reportable segment with the primary and secondary segments identical, being the exploration and development of gold and copper projects in Azerbaijan.

Operations in Azerbaijan comprise of exploration and development projects for gold and copper at eight development properties in three separate mining areas.

The unallocated entries in the segment note relate to activities in the UK which comprise of administration and treasury functions carrying out general expense processing, remuneration of Directors and monitoring and placing of Group deposits.

4. Segment information continued

The following table presents losses and certain asset and liability information regarding the Group's reportable segment for the years ended 31 December 2008 and 2007:

	2008		2007	
	Azerbaijan US$	**Consolidated US$**	Azerbaijan US$	Consolidated US$
Segment result	**(2,320,438)**	**(2,320,438)**	(10,935,400)	(10,935,400)
Unallocated expenses		**(2,205,652)**		(3,966,271)
Group operating loss		**(4,526,090)**		(14,901,671)
Net interest income		**54,656**		218,365
Loss before taxation		**(4,471,434)**		(14,683,306)
Tax expense		**—**		—
Loss for the year		**(4,471,434)**		(14,683,306)
Assets and liabilities				
Segment assets	**81,241,018**	**81,241,018**	51,159,754	51,159,754
Unallocated assets		**666,843**		7,065,410
Total assets		**81,907,861**		58,225,164
Segment liabilities	**27,321,600**	**27,321,600**	68,958	68,958
Unallocated liabilities		**1,446,009**		1,263,533
Total liabilities		**28,767,609**		1,332,491
Other segment information				
Capital expenditure:				
Property, plant and equipment	**28,283,097**	**28,323,869**	421,470	421,470
Intangible assets	**352,334**	**352,334**	2,035,970	2,035,970
Depreciation	**634,745**	**636,477**	205,340	209,172
Write down of intangible assets	**—**	**—**	6,692,210	6,692,210
Share-based payment expense	**—**	**136,014**	—	486,515
Write down of assets held for sale	**—**	**—**	—	3,273,887
(Loss)/gain on disposal of non-current assets	**(1,829)**	**(1,829)**	—	4,575

5. Operating loss

	Notes	**Year ended 31 December 2008 US$**	Year ended 31 December 2007 US$
Operating loss is stated after charging:			
Depreciation on property, plant and equipment – owned	15	**636,477**	209,172
Impairment of intangible assets	8, 14	**—**	6,692,218
Share-based payment charge	25	**136,014**	486,515
Loss on disposal of fixed assets	15	**1,829**	—
The analysis of auditors' remuneration is as follows:			
Fees payable to the Company's auditors for the audit of the Group's annual accounts		**107,050**	93,746
The audit of the Company's subsidiaries pursuant to legislation		**4,000**	4,000
Total audit fees		**111,050**	97,746
Tax services		**28,305**	23,700
Total non-audit services		**28,305**	23,700

The audit fees for the parent company were $22,210 (2007: $19,856).

6. Remuneration of Directors

Year ended 31 December 2008	**Salary US$**	**Bonus US$**	**Consultancy US$**	**Fees US$**	**Pension US$**	**Benefits US$**	**Total US$**
Ross Bhappu[(a)]	—	—	—	—	—	—	—
Tim Eggar[(b)]	—	—	—	**22,683**	—	—	**22,683**
Gordon Lewis[(c)]	**251,456**	**110,110**	—	—	**20,646**	**53,004**	**435,216**
Richard Round	**48,716**	—	—	**16,047**	**1,888**	—	**66,651**
John Sununu	—	—	—	**33,033**	—	—	**33,033**
Khosrow Zamani	—	—	—	**91,758**	—	—	**91,758**
Reza Vaziri	—	—	**286,286**	**25,692**	—	—	**311,978**
Total	**300,172**	**110,110**	**286,286**	**189,213**	**22,534**	**53,004**	**961,319**

(a) Fees of $25,692 in relation to the services of Ross Bhappu as a Non-executive Director for the period ended 31 December 2008 are payable to RCF Management LLC, a Company related to but not controlled by Ross Bhappu.

(b) The fees payable to Tim Eggar have terminated from 23 July 2008, the date of his resignation.

(c) Pension fees payable to Gordon Lewis were accrued but not paid in to a scheme. Mr Lewis resigned from his position on 30 September 2008.

Directors' fees, pensions and bonuses amounting to $443,382 included above were paid in shares.

6. Remuneration of Directors continued

Year ended 31 December 2007	Salary US$	Bonus US$	Consultancy US$	Fees US$	Pension US$	Benefits US$	Total US$
Ross Bhappu[(a)]	—	—	—	—	—	—	—
Tim Eggar	—	—	—	44,040	—	—	44,040
Gordon Lewis[(b)]	389,072	97,915	—	—	30,000	40,097	557,084
Graham Mascall[(c)]	—	—	—	60,192	—	—	60,192
Richard Round[(b)]	113,572	40,036	—	—	19,733	4,525	177,866
John Sununu	—	—	—	36,072	—	—	36,072
Khosrow Zamani	—	—	—	49,358	—	—	49,358
Reza Vaziri	—	—	308,042	28,025	—	—	336,067
Total	502,644	137,951	308,042	217,687	49,733	44,622	1,260,679

(a) Fees of $28,025 in relation to the services of Ross Bhappu as a Non-executive Director for the period ended 31 December 2007 are payable to RCF Management LLC, a Company related to but not controlled by Ross Bhappu.

(b) There were two Directors in a defined contribution scheme during the period (2006: three).

(c) The fees payable to Graham Mascall have now terminated.

Directors' fees amounting to $191,503 included above were paid in shares.

7. Staff numbers and costs

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

	Year ended 31 December 2008 number	Year ended 31 December 2007 number
Management and administration	**35**	31
Processing and exploration	**37**	82
Mine operations	**171**	—
Total	**243**	113

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Wages and salaries	**3,067,930**	2,890,828
Share-based payments	**136,014**	486,515
Social security costs	**547,412**	243,695
Pension costs	**48,575**	49,733
	3,799,931	3,670,771
Less: salary costs capitalised as exploration, evaluation development and fixed asset expenditure	**(1,840,445)**	(799,318)
Total employee costs	**1,959,486**	2,871,453

8. Other expenses

There were no impairment charges taken against capitalised intangible expenditure during the current year. However an analysis of the expenses taken in the prior year is provided below:

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Write down of capitalised exploration and evaluation expenditure	**—**	1,692,218
Write down of mining rights	**—**	5,000,000
	—	6,692,218

9. Assets classified as held for sale

In its 2007 interim results, the Group announced a write down of the CIL plant of $3,273,887 as discussions with interested parties showed that the full carrying value of the plant ($10,273,887) was unlikely to be recovered through a sale.

On 15 October 2007 the Group entered into an agreement with Celtic Resources Holdings PLC, a gold producer, to dispose of its CIL plant for a gross consideration of $7,500,000 (less expenses) previously being classified under assets held for sale. The CIL plant constituted a processing plant, including crushing equipment, three grinding mills and carbon in leach gold treatment equipment.

10. Finance income

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Interest receivable from short-term bank deposits	**54,656**	218,365

11. Finance costs

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Bank interest	**825,910**	—
Interest capitalised during period	**(825,910)**	—
Interest expense	**—**	—

Interest costs of $825,910 were incurred on two credit facilities with the International Bank of Azerbaijan of up to $5 million and $20 million respectively. The interest levied on both of the credit facilities is 15% per annum. The credit facilities were provided for the purpose of constructing and developing the Gedabek gold mine. The Group has capitalised all of the interest paid during the year as the loan facility was used solely for the financing of capital expenditure (refer note 15).

12. Taxation

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
UK corporation tax		
– current year	**—**	—
– prior year	**—**	—
Foreign tax		
– current year	**—**	—
– prior year	**—**	—
Total current income tax	**—**	—
Deferred tax	**—**	—
Total tax	**—**	—

Corporation tax is calculated at 28.5% (which represents a weighted average for the year) (2007: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Group tax charge for the year can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Loss before tax	**(4,471,434)**	(14,683,306)
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	**1,274,359**	4,404,991
Expenses not deductible for tax purposes	**(126,103)**	(2,804,154)
Unrecognised tax losses	**(1,148,256)**	(1,685,700)
Other	**—**	84,863
Total tax	**—**	—

Deferred taxation

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

At the balance sheet date, the Group has unused tax losses of $18,220,551 (2007: $4,369,449) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Unused tax losses may be carried forward indefinitely.

Factors that may affect future current and total tax charges

The unrecognised deferred tax asset may affect the future current and total tax charges if the recoverability of the deferred tax assets is considered likely in future periods.

13. Loss per share

The statutory loss per share of 4.41 cents (2007: 14.80 cents) has been based on a weighted average number of shares in issue of 101,280,008 (2007: 99,224,823) and a loss of $4,471,434 (2007: loss of $14,683,306).

Basic and dilutive EPS are the same because the only outstanding share options are anti-dilutive as the Group has made a loss.

14. Intangible assets

Evaluation and exploration expenditure

	Piyazbashi US$	Maarif US$	Misdag/ Agyurt US$	Shalala US$	Diakchay US$	Gedabek US$	Gosha US$	Total US$
Cost								
As at 1 January 2007	2,111,286	—	580,932	58,663	39,264	4,310,114	358,427	7,458,686
Additions	—	—	—	—	—	1,940,527	95,443	2,035,970
Provision for impairment	(1,111,286)	—	(580,932)	—	—	—	—	(1,692,218)
As at 31 December 2007	1,000,000	—	—	58,663	39,264	6,250,641	453,870	7,802,438
Additions	—	160,328	25,039	11,915	—	—	155,052	352,334
Provision for impairment	—	—	—	—	—	—	—	—
As at 31 December 2008	**1,000,000**	**160,328**	**25,039**	**70,578**	**39,264**	**6,250,641**	**608,922**	**8,154,772**

Mining rights	
Cost	
As at 1 January 2007	46,925,262
Provision for impairment	(5,000,000)
As at 31 December 2007	41,925,262
Provision for impairment	—
As at 31 December 2008	**41,925,262**
Total intangible assets	
As at 31 December 2007	49,727, 700
As at 31 December 2008	**50,080,034**

Intangible assets are deemed to have a useful economic life equivalent to that of the life of the mine.

On the 20 April 2009 the Group was granted two year extensions for the exploration licences at both Gosha and Ordubad to enable the continued exploration at these two Contract Areas until 13 April 2011.

15. Property, plant and equipment

	Temporary buildings US$	Plant and equipment US$	Motor vehicles US$	Office equipment US$	Leasehold improvements US$	Assets under construction US$	Total US$
Cost							
As at 1 January 2007	84,286	116,452	127,852	361,502	364,628	161,649	1,216,369
Additions	215,521	19,028	290	44,961	73,080	68,590	421,470
As at 31 December 2007	299,807	135,480	128,142	406,463	437,708	230,239	1,637,839
Development – Gedabek	—	—	—	—	—	3,841,318	3,841,318
Capitalisation of interest	—	—	—	—	—	825,910	825,910
Additions	2,723	10,477,866	260,201	613,072	649	12,302,130	23,656,641
Disposals	—	—	—	(4,850)	—	—	(4,850)
As at 31 December 2008	**302,530**	**10,613,346**	**388,343**	**1,014,685**	**438,357**	**17,199,597**	**29,956,858**
Accumulated depreciation and impairment							
As at 1 January 2007	(8,429)	(32,580)	(49,254)	(84,202)	(12,154)	—	(186,619)
Charge for year	(25,449)	(23,345)	(13,064)	(65,371)	(81,943)	—	(209,172)
As at 31 December 2007	(33,878)	(55,925)	(62,318)	(149,573)	(94,097)	—	(395,791)
Charge for year	(80,887)	(251,659)	(53,948)	(147,740)	(102,243)	—	(636,477)
Depreciation on disposals	—	—	—	3,021	—	—	3,021
As at 31 December 2008	**(114,765)**	**(307,584)**	**(116,266)**	**(294,292)**	**(196,340)**	**—**	**(1,029,247)**
Carrying amount							
As at 31 December 2007	265,929	79,555	65,824	256,890	343,611	230,239	1,242,048
As at 31 December 2008	**187,765**	**10,305,762**	**272,077**	**720,393**	**242,017**	**17,199,597**	**28,927,611**

The capital commitments by the Group have been disclosed in note 26.

16. Subsidiary undertakings

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 5 in the Company's financial statements.

17. Trade and other receivables

	As at 31 December 2008 US$	As at 31 December 2007 US$
Prepayments	**480,376**	332,203
Advances	**1,051,173**	—
VAT refund due	**629,945**	1,554
Other receivables	**—**	110,757
	2,161,494	444,514

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

18. Cash and cash equivalents and short term deposits

	As at 31 December 2008 US$	As at 31 December 2007 US$
Cash and cash equivalents	**738,722**	6,810,902

Cash and cash equivalents comprise cash held by the Group 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.

19. Trade and other payables

	As at 31 December 2008 US$	As at 31 December 2007 US$
Trade creditors	**2,514,042**	76,263
Letters of credit due in less than one year	**1,939,332**	—
Other payables and accruals	**6,917,345**	1,256,228
	11,370,719	1,332,491

Trade creditors and other payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade creditors are non-interest bearing and the creditor days were 35 (2007: 30). The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Letters of credit totalling $3,251,869 were obtained from several European banks and guaranteed by the International Bank of Azerbaijan during the year to finance fixed asset additions. Interest is payable at 5% fixed to the International Bank of Azerbaijan on the notional amounts as well as the European banks charging floating rates of USD or EURO LIBOR plus 2% to 2.5%.

20. Borrowings

	As at 31 December 2008 US$	As at 31 December 2007 US$
Loans repayable in more than one year	**16,084,353**	—
Letters of credit due in more than one year	**1,312,537**	—
	17,396,890	—

During the year the Group obtained a credit facility with the International Bank of Azerbaijan of $5 million repayable after three years, expiring on 14 January 2011, with an interest rate of 15%. Repayments in equal monthly instalments are due from February 2010.

The International Bank of Azerbaijan has also agreed a credit facility of $20 million at an all inclusive interest rate of 15%. The facility agreement is four years from 15 February 2008 with a two year grace period to repay the monies loaned. In 2010 $8 million is due to be repaid in equal quarterly instalments, and $5 million and $7 million are repayable in March and June 2011 respectively. There is no penalty for early repayment.

As at 31 December 2008 the Group had undrawn facilities of $5,663,778 (2007: $nil) after consideration of the letters of credit which are guaranteed by the International Bank of Azerbaijan (see note 19).

On the 20 May 2009 the Group obtained further funding from the International Bank of Azerbaijan for the amount of $9.4 million at an interest rate of 15%. Repayment is scheduled in nine quarterly instalments (first eight tranches of US$1,044,000 and a ninth tranche of US$1,048,000) with the first instalment due in March 2011 and then every three months to March 2013.

On 12 June 2009 written confirmation was received from the International Bank of Azerbaijan that it was willing to lend the Group an additional $1.5 million subject to official approval by the Board of the Group.

Letters of credit totalling $1,312,537 are due after more than year (see note 19).

21. 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 Group has not used derivative financial instruments during 2008 or the prior year. The Board will review the need for the use of derivative financial instruments in the future.

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 note 23. The Group has sufficient capital to fund on-going production and exploration activities, with capital requirements reviewed by the Board on a regular basis. Capital has been sourced through share issues on the AIM, part of the London Stock Exchange and loans from the International Bank of Azerbaijan. In managing its capital, the Group's primary objective once production has commenced 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.

Interest rate risk management

The Group is exposed to interest rate risk as funds have been borrowed by the Group at both fixed and floating interest rates. The Group also has cash and cash equivalents which earn interest. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, with approval from the Board 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 2008.

Interest rate risk profile of financial assets

The following table sets out the carrying amount, by maturity of the Group's financial instruments that are exposed to interest rate risk:

Year ended 31 December 2008

Floating rate	**Within 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	**738,722**	**—**	**738,722**

Year ended 31 December 2007

Floating rate	Within 1 year	More than 1 year	Total
Cash and cash equivalents	6,810,902	—	6,810,902

Interest rate risk profile of financial liabilities

The following table sets out the carrying amount, by maturity of the Group's financial liabilities. All loans are at a fixed rate of interest:

Year ended 31 December 2008

Fixed rate	**Within 1 year**	**More than 1 year**	**Total**
Borrowings	**—**	**16,084,353**	**16,084,353**
Letters of credit	**76,998**	**—**	**76,998**
Floating rate			
Letters of credit	**1,862,334**	**1,312,537**	**3,174,871**

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the balance sheet date. For floating rate cash deposits, the analysis is prepared assuming the amount of deposits outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would decrease/increase by $12,180 (2007: decrease/increase by $20,825). This is mainly attributable to the Group's exposure to interest rates on its floating rate letters of credit.

All borrowings have been made at fixed interest rates other than the letters of credit which carry interest based on USD and EURO LIBOR. All interest payable has been capitalised (see note 11) and as such the effect of the interest expense of $15,874 (2007: $nil) included in the above sensitivity will have a direct effect on the carrying value of fixed assets within the balance sheet rather than expense through the income statement.

21. Financial instruments continued

Liquidity risk management

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.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

There are no significant concentrations of credit risk within the Group as currently the Group has yet to commence commercial production. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

The Group has adopted a policy of only dealing with creditworthy banks. Trade receivables consist of a large number of advances spread across diverse industries and geographical areas. Once commercial production commences the Board will regularly review the creditworthiness of customers and assess the need for mitigating actions such as insurance or hedging if deemed necessary.

Foreign currency risk management

The presentational currency of the Group is US 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 the reporting date are as follows:

	Liabilities		Assets	
	2008 US$	2007 US$	**2008 US$**	2007 US$
UK Sterling	**108,350**	223,308	**52,543**	162,009
Azerbaijan Manats	**1,587,612**	17,108	**1,000,944**	67,451
Other	**120,842**	3,867	**37,857**	—

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of United Kingdom (UK Sterling) and the currency of Azerbaijan (Azerbaijan Manats).

The following table details the Group's sensitivity to a 20% (2007: 10%) increase and decrease in the US Dollar against the relevant foreign currencies. 20% (2007: 10%) is the sensitivity rate 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 a 20% (2007: 10%) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US Dollar strengthens 20% (2007: 10%) against the relevant currency. For a 20% (2007: 10%) weakening of the US 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 Manats impact	
	2008 US$	2007 US$	**2008 US$**	2007 US$
Profit/(loss)	**11,161**	6,132	**117,334**	(5,034)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Interest rates on UK Sterling and US Dollar deposits are relatively low and the impact of a fluctuation in the interest rate on interest earned on the Group's short term deposits is likely to be minimal.

Once commercial production commences and the Group begins to generate revenues it will be exposed to fluctuations in the market price of gold, silver and copper. The Board monitor both the spot and forward price of these regularly and once production commences will review the requirement to enter into derivative financial instruments in order to manage its exposure to such commodity price risk.

22. Share capital

	As at 31 December 2008 £	As at 31 December 2007 £
Authorised: 600,000,000 ordinary shares of 1p each	**6,000,000**	6,000,000
	US$	US$
Issued and fully paid: 102,721,921 ordinary shares of 1p each (2007: 99,621,880 ordinary shares of 1p each)	**1,851,516**	1,792,015

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

22. Share capital continued

Share options

The Group has granted options to subscribe for the Company's shares (note 25).

23. Reconciliation of changes in equity

	Share capital US$	Share Premium US$	Share-based payment reserve US$	Merger reserve US$	Accumulated loss US$	Total equity US$
At 1 January 2007	1,782,605	30,279,301	1,366,237	46,206,390	(8,662,692)	70,971,841
Shares issued	9,410	108,213	—	—	—	117,623
Share-based payment	—	—	486,515	—	—	486,515
Loss for the year	—	—	—	—	(14,683,306)	(14,683,306)
At 31 December 2007	1,792,015	30,387,514	1,852,752	46,206,390	(23,345,998)	56,892,673
Shares issued	59,501	523,499	—	—	—	583,000
Share-based payment charge for period	—	—	136,014	—	—	136,014
Forfeited share options reserve transfer	—	—	(666,926)	—	666,926	—
Loss for the year	—	—	—	—	(4,471,434)	(4,471,434)
At 31 December 2008	**1,851,516**	**30,911,013**	**1,321,840**	**46,206,390**	**(27,150,506)**	**53,140,253**

Share capital

This represents the amount subscribed for shares at nominal value including those shares issued in respect of services received.

Share premium

The excess of the amount subscribed for share capital over the nominal value of these shares, including those issued in respect of services received net of share issue expenses constitutes the share premium.

Share-based payment reserve

This reserve is used to record the value of equity benefits provided to Directors and senior employees of the Group from time to time as part of the consideration paid. See note 25 for further details.

Merger reserve

The merger reserve was created in accordance with the merger relief provisions under Section 131 of the Companies Act 1985 (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.

Accumulated loss

Accumulated loss represents the cumulative loss of the Group attributable to the equity shareholders.

24. Notes to the cash flow statement

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Operating loss	**(4,526,090)**	(14,901,671)
Adjustments for:		
Depreciation of property, plant and equipment	**636,477**	209,172
Gain on disposal of property, plant and equipment	**—**	(4,585)
Share-based payment expense	**136,014**	486,515
Write down of fixed asset held for sale	**—**	3,273,887
Shares issued in exchange for salaries and fees	**583,000**	117,623
Impairment of intangible asset	**—**	6,692,218
Operating cash flows before movements in working capital	**(3,170,598)**	(4,126,841)
Increase in trade and other receivables	**(1,716,980)**	(273,907)
Increase in trade and other payables	**2,727,752**	92,038
Cash used in operations	**(2,159,826)**	(4,308,710)
Income taxes paid	**—**	—
Net cash used in operating activities	**(2,159,826)**	(4,308,710)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and short term deposits with a maturity of three months or less.

25. Share-based payments

Equity-settled share options

The Company operates a share option scheme for Directors and senior employees of the Company as well as its financial adviser and nominated adviser and broker from the listing in 2005. Options are granted at a price agreed at the time of the grant. The vesting periods are up to three years. Options are exercisable at a price equal to the closing quoted market price of the Company's shares on the date of the Board 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. Details of the share options outstanding during the year are as follows.

	2008		2007	
	Number of Share Options	**Weighted average exercise price pence**	Number of share options	Weighted average exercise price pence
Outstanding at beginning of year	**8,174,953**	**48**	7,888,961	60
Granted during the year	**2,050,000**	**5**	2,600,000	12
Lapsed during the year	**(1,983,436)**	**77**	—	—
Forfeited during the year	**(3,631,365)**	**35**	(2,314,008)	48
Exercised during the year	**—**	**—**	—	—
Outstanding at 31 December	**4,610,152**	**23**	8,174,953	48
Exercisable at 31 December	**1,967,045**	**42**	3,882,423	72

The options outstanding at 31 December 2008 had a weighted average exercise price of 0.23 pence and a weighted average remaining contractual life of nine years. In the year ended 31 December 2008, options were granted on 31 July and 2 December. The aggregate of the estimated fair values of the options granted on those dates is £38,185 ($76,840). In 2007 options were granted on 1 June and 27 July. The aggregate of the estimated fair values of the options granted on those dates is £612,700 ($1,115,113).

The inputs into the Black-Scholes model are as follows:

Granted on 1 August 2008	
Weighted average share price	0.09
Weighted average exercise price	0.09
Expected volatility	49%
Expected life	2 years
Risk free rate	4.75%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous two years. 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 weighted average fair value of options granted on 1 August 2008 is £0.03.

Granted on 4 December 2008	
Weighted average share price	0.05
Weighted average exercise price	0.05
Expected volatility	63%
Expected life	2 years
Risk free rate	4.25%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous two years. 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 weighted average fair value of options granted on 4 December 2008 is £0.02.

Granted on 21 July 2007	
Weighted average share price	0.12
Weighted average exercise price	0.12
Expected volatility	64%
Expected life	2 years
Risk free rate	4.50%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous two years. 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 weighted average fair value of options granted on 21 July 2007 is £0.05.

Granted on 1 June 2007	
Weighted average share price	0.16
Weighted average exercise price	0.16
Expected volatility	64%
Expected life	2 years
Risk free rate	4.50%

25. Share-based payments continued

Equity-settled share options continued

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous two years. 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 weighted average fair value of options granted on 1 June 2007 is £0.06.

Total share-based payment expense recognised by the Group

The Group recognised total expenses of $136,014 and $486,515 related to equity-settled share-based payment transactions in 2008 and 2007 respectively.

The cumulative amount recognised in equity relating to share-based payments at the balance sheet date was $1,321,840 (2007: $1,852,752).

26. Contingencies and commitments

Obligations under the PSA ("Production Sharing Arrangement") – the PSA contains various provisions relating to the obligations of the R.V. Investment Group Services LLC ("RVIG") including carrying out certain tasks by certain dates.

The Directors believe that RVIG is in compliance with the requirements of the PSA.

Environmental liability – RVIG is required to comply with the clauses contained in the PSA relating to environmental damage. The Directors believe RVIG is substantially in compliance with the environmental clauses contained in the PSA.

There were no operating lease commitments at 31 December 2008.

There were no capital commitments at 31 December 2008.

27. Events after the balance sheet date

The following subsequent events relate to the period from 31 December 2008 to the date of approval of the financial statements on 22 June 2009.

On the 20 May 2009 the Group obtained further funding from the International Bank of Azerbaijan for the amount of $9.4 million at an interest rate of 15% repayable. Repayment is scheduled in nine quarterly instalments (first eight tranches of $1,044,000 and a ninth tranche of $1,048,000) with the first instalment due in March 2011 and then every three months to March 2013.

On the 12 June 2009 written confirmation was received from the International Bank of Azerbaijan that it was willing to lend the Group an additional $1.5 million subject to official approval by the Board of the Group.

On the 20 April 2009 the Group was granted two year extensions for the exploration licences at both Gosha and Ordubad to enable the continued exploration at these two Contract Areas until 13 April 2011.

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

Trading transactions

During the years 2008 and 2007, there were no trading transactions between group companies and related parties who are not members of the Group.

Other related party transactions

a) Mr Reza Vaziri retains an indirect interest in the lease of the office in Baku, Azerbaijan. The cost of the lease in the year was $89,438 (2007: $93,904).

b) Shares issued to Directors are disclosed in the Directors' Report.

c) During the year $286,286 was paid to Mr Reza Vaziri for consultancy services.

Remuneration of key management personnel

The remuneration of the Directors, who are the only key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Short term employee benefits	**920,943**	1,210,946
Post-employment benefits	**20,646**	49,733
Share-based payment	**122,850**	482,998
	1,064,439	1,743,677

Independent auditors’ report

To the members of Anglo Asian Mining PLC

We have audited the parent company financial statements of Anglo Asian Mining PLC for the year ended 31 December 2008 which comprise the balance sheet and the related notes 1 to 16. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Anglo Asian Mining PLC for the year ended 31 December 2008. That report is modified by the inclusion of an emphasis of matter.

This report is made solely to the Company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors’ 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 auditors

The Directors’ responsibilities for preparing the annual report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors’ responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors’ Report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors’ remuneration and other transactions is not disclosed.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company’s affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors’ Report is consistent with the parent company financial statements.

Emphasis of matter – going concern and amounts owed by subsidiary undertakings

Without qualifying our opinion we draw attention to the disclosures made in note 1 of the financial statements concerning the Company’s ability to continue as a going concern and the recoverability of amounts owed by subsidiary undertakings, which are both dependent on the performance of the Gedabek mine and consequently on the ability of the Group to continue as a going concern. These conditions along with other matters set out in note 1 indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern and the recoverability of amounts owed by subsidiary undertakings. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern as it is not practicable to determine or quantify them.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
22 June 2009

Company balance sheet
As at 31 December 2008

	Notes	2008 US$	2007 US$
Fixed assets			
Tangible assets	3	**200,587**	164,801
Investments	4	**1,325,007**	1,325,007
		1,525,594	1,489,808
Current assets			
Debtors – amounts falling due within one year	6	**24,383,365**	18,615,802
Cash at bank and in hand	7	**379,252**	6,750,721
		24,762,617	25,366,523
Creditors – amounts falling due within one year	8	**(1,440,194)**	(1,248,559)
Net current assets		**23,322,424**	24,117,964
Net assets		**24,848,017**	25,607,772
Capital and reserves			
Called up share capital	10	**1,851,516**	1,792,015
Share premium account	11	**30,911,013**	30,387,514
Accumulated loss	11	**(7,914,512)**	(6,571,757)
Capital employed		**24,848,017**	25,607,772

These financial statements were approved by the Board of Directors on 22 June 2009 and were signed on its behalf by:

Reza Vaziri
Chief Executive

Notes to the Company financial statements

For the year ended 31 December 2008

1. Significant accounting policies and going concern

1a. Going concern

As detailed in note 1 to the Group accounts on page 19, there is a material uncertainty which may cast significant doubt on the Group's, and therefore the Company's, ability to continue as a going concern. As a consequence the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. In addition, these uncertainties could result in the subsidiaries being unable to discharge their liabilities to the Company which at 31 December 2008 amounted to $24,296,487. For the reasons set out in note 1 to the Group accounts, the Directors have formed a judgement which assumes at the time of approving these financial statements that the amounts owed by the subsidiary undertakings will be recoverable and that it is appropriate to continue to adopt the going concern basis.

1b. Significant accounting policies

Basis of preparation

The parent company financial statements of Anglo Asian Mining PLC (the "Company") are presented as required by the Companies Act 1985 and were approved for issue on 22 June 2009.

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 230 of the Companies Act 1985 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 in paragraph 36 of FRS 8 "Related Party 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.

Tangible fixed assets

Tangible fixed 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. Borrowing costs attributable to assets under construction are recognised as an expense when incurred.

Depreciation is provided on cost in annual instalments over the estimated useful lives of assets which are reviewed annually. The rates of depreciation are as follows:

Office and computer equipment	25% decreasing balance

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.

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 short fall provided for during the period.

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.

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.

1. Significant accounting policies and going concern continued

1b. Significant accounting policies continued

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.

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 $1,478,769 (2007: $5,429,807).

3. Tangible fixed assets

	Office equipment US$	Assets under construction US$	Total US$
Cost			
As at 1 January 2008	20,070	154,615	174,685
Additions	40,772	—	40,772
Disposals	(6,275)	—	(6,275)
As at 31 December 2008	**54,567**	**154,615**	**209,182**
Accumulated depreciation			
As at 1 January 2008	(9,884)	—	(9,884)
Charge for year	(1,732)	—	(1,732)
Accumulated depreciation on disposals	3,021	—	3,021
As at 31 December 2008	(8,595)	—	(8,595)
Net book value			
As at 31 December 2007	10,186	154,615	164,801
As at 31 December 2008	**45,972**	**154,615**	**200,587**

4. Investments

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Shares in subsidiary undertakings		
Anglo Asian Operations Limited	**1,325,007**	1,325,007

Notes to the Company financial statements continued

For the year ended 31 December 2008

5. List of subsidiaries

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

Details of the Company's subsidiaries at 31 December 2008 are as follows:

Name	Country of incorporation	Primary activity	Percentage of holding %
Anglo Asian Operations Limited	Great Britain	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

6. Debtors

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Amounts falling due within one year		
Prepayments	**85,877**	89,694
HMRC	**1,001**	1,544
Other debtors	**—**	24,048
Amounts owed by subsidiary undertakings	**24,296,487**	18,500,516
	24,383,365	18,615,802

7. Cash

Cash and cash equivalents comprise cash held by the Group 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

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Amounts falling due within one year		
Trade creditors	**99,514**	61,422
Other creditors	**—**	22,738
Accruals	**1,340,680**	1,164,399
	1,440,194	1,248,559

9. Deferred taxation

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
The elements of unrecognised deferred taxation are as follows:		
Tax losses	**1,204,961**	896,407
Unrecognised deferred tax asset	**1,204,961**	896,407

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. Share capital

	2008		2007	
	Number	**£**	Number	£
Authorised				
Ordinary shares of 1p each	**600,000,000**	**6,000,000**	600,000,000	6,000,000
	Number	**US$**	Number	US$
Allotted and fully paid				
At the beginning of the year	**99,621,880**	**1,792,015**	99,171,800	1,782,605
At the end of the year	**102,721,921**	**1,851,516**	99,621,880	1,792,015

11. Reconciliation of shareholders' funds and movements on reserves

	Share capital US$	Share premium account US$	Accumulated loss US$	Shareholders' funds US$
As at 1 January 2008	1,792,015	30,387,514	(6,571,757)	25,607,772
Loss for the year	—	—	(1,478,769)	(1,478,769)
Share issues	59,501	523,499	—	583,000
Share-based payment	—	—	136,014	136,014
As at 31 December 2008	**1,851,516**	**30,911,013**	**(7,914,512)**	**24,848,017**

12. Share-based payments

Equity-settled share option scheme

Details in relation to the Company's equity-settled share option scheme is given in note 25 to the consolidated financial statements.

13. Subsequent events

There were no subsequent events in the period from 31 December 2008 to the date of approval of these financial statements on 22 June 2009.

Notes to the Company financial statements continued

For the year ended 31 December 2008

14. Auditor's remuneration

The Company paid $22,210 (2007: $19,856) to its auditors in respect of the audit of the financial statements of the Company.

Fees paid to Deloitte 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.

15. Related parties

Information in relation to related parties is given in note 28 to the consolidated financial statements.

16. Staff numbers and costs

The average numbers of persons employed by the Company (including Directors) during the year analysed by category was as follows:

	Year ended 31 December 2008 number	Year ended 31 December 2007 number
Management and administration	**2**	5

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2008 US$	Year ended 31 December 2007 US$
Wages and salaries	**844,815**	311,691
Social security costs	**9,100**	31,122
Pension costs	**48,574**	19,733
Total employee costs	**902,489**	362,546

Corporate information

AZERBAIJAN OFFICE (PRINCIPAL PLACE OF BUSINESS)
16 H.Aleskerov str.
Baku
Republic of Azerbaijan

SECRETARY AND REGISTERED OFFICE
Mr Andrew Herbert
7 Devonshire Square
Cutlers Gardens
London EC2M 4YH
United Kingdom

COMPANY NUMBER
05227012
Registered in England and Wales

VAT REGISTRATION NUMBER
872 3197 09

BANKERS – UNITED KINGDOM
Anglo Irish Bank
10 Old Jewry
London EC2R 8DN
United Kingdom

BANKERS – AZERBAIJAN
International Bank of Azerbaijan
Street 67
Nizami
Baku
Azerbaijan

SOLICITORS – UNITED KINGDOM
Hammonds
7 Devonshire Square
Cutlers Gardens
London EC2M 4YH
United Kingdom

SOLICITORS – AZERBAIJAN
MGB Law Offices
340 Nizami Street
ISR Plaze, 3rd Floor
Baku
Azerbaijan
AZ1000

AUDITORS
Deloitte LLP
2 New Street Square
London EC4A 3BZ
United Kingdom

NOMINATED ADVISER AND BROKER
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT
United Kingdom

FINANCIAL PR ADVISERS
St Brides Media and Finance Limited
Chaucer House
38 Bow Lane
London EC4M 9AY
United Kingdom

REGISTRAR
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

For further information please visit www.aamining.com or contact:

Reza Vaziri	Anglo Asian Mining PLC	Tel: +994 12 596 3350
Andrew Herbert	Anglo Asian Mining PLC	Tel: +994 12 596 3350
John Harrison	Numis Securities Limited, as Nominated Adviser	Tel: +44 (0)20 7260 1000
James Black	Numis Securities Limited, as Corporate Broker	Tel: +44 (0)20 7260 1000
Hugo de Salis	St Brides Media & Finance Ltd	Tel: +44 (0)20 7236 1177
Felicity Edwards	St Brides Media & Finance Ltd	Tel: +44 (0)20 7236 1177

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ANGLO ASIAN MINING PLC

Anglo Asian Mining PLC
16 H. Aleskerov Str. Baku
Republic of Azerbaijan
TEL +994 (12) 596 3350
FAX +994 (12) 596 3354
www.aamining.com