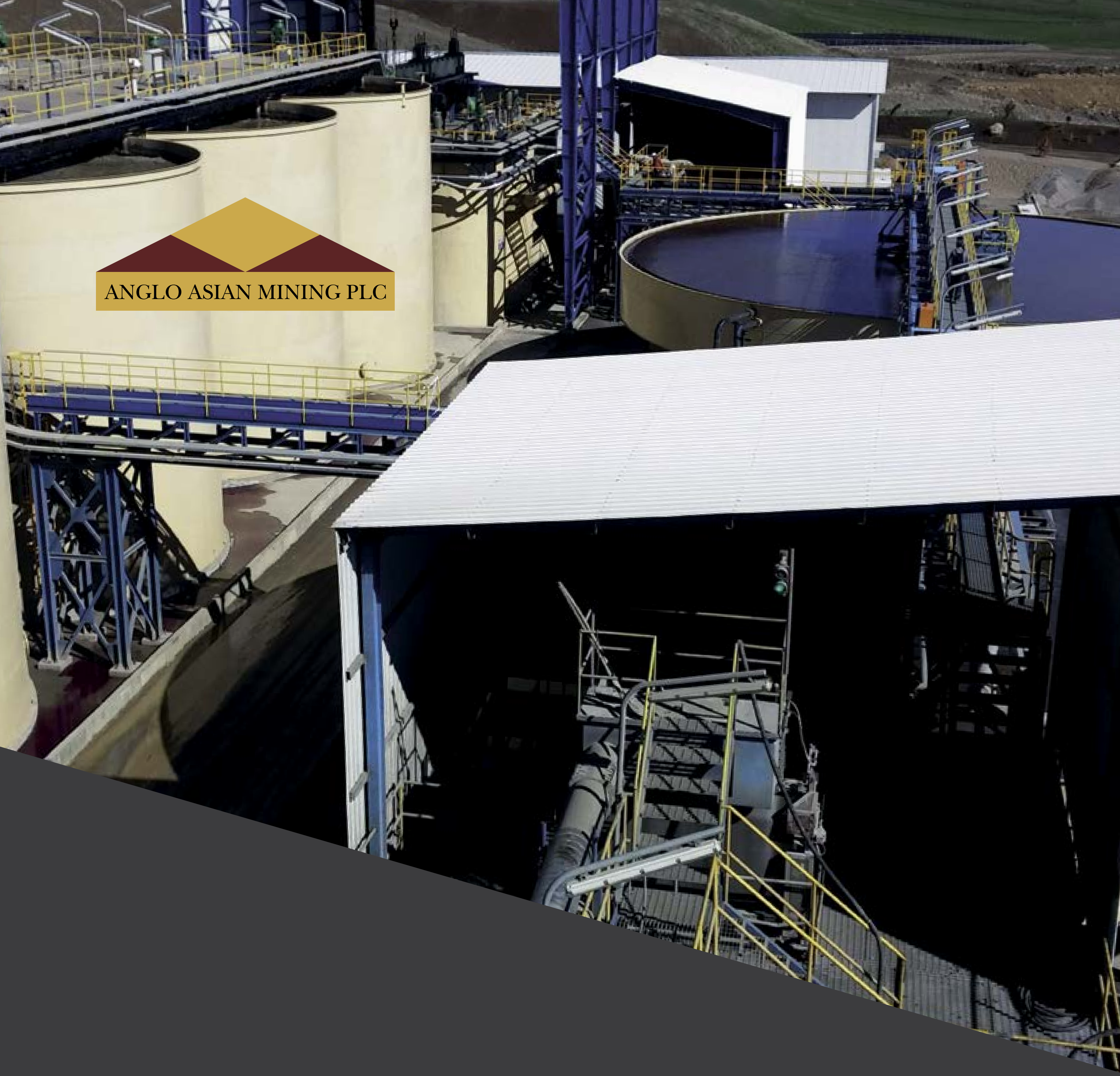

ANGLO ASIAN MINING PLC

The cash-generative gold producer in Azerbaijan

Anglo Asian Mining PLC
Annual report and accounts 2013

Anglo Asian Mining PLC is an AIM-listed, gold, copper and silver mining company with a portfolio of production and exploration assets in Azerbaijan.

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

Highlights

From the past 12 months

Profit before tax (million)

US**$1.4**

Gross profit (million)

US**$13.3**

Operating cash flow before movement in working capital (million)

US**$17.9**

Overview

- Steady production performance at flagship Gedabek gold-copper-silver mine in Azerbaijan in FY2013
- Total gold production of 52,068 ounces (2012: 50,215 ounces)
- Gold sales of 46,076 ounces (2012: 42,557 ounces) completed at an average of US$1,387 per ounce (2012: US$1,666 per ounce)
- Gold produced at an average cash operating cost net of by-product credits of US$626 per ounce (2012: US$668 per ounce) (cash costs have benefitted in 2013 from increased by-product credits and also from 2012 investment in inventories)
- Silver production in doré totalled 20,263 ounces (2012: 20,133 ounces)
- SART copper concentrate contained 327 tonnes of copper, 45,621 ounces of silver and 39 ounces of gold (2012: 502 tonnes of copper, 98,158 ounces of silver and 86 ounces of gold)
- Record copper concentrate sales totalled US$6.4 million – significant increase year-on-year (2012: US$2.1 million)

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Contents

- Sales contract entered into with Glencore Xstrata International plc for the sale of 550 wet metric tonnes of copper
- Successfully commissioned new agitation leaching plant at Gedabek in June 2013 on target and US$7 million under budget but with teething problems requiring fine tuning in the commissioning stage
- Production target to produce circa 62,000–67,000 ounces of gold for FY2014 from the agitation leaching plant and heap leach operation and including ore from Anglo Asian's second mining operation, Gosha, 50 km from Gedabek
- Continuing defined exploration and development programme to increase life of mine at Gedabek – upgraded JORC resource at Gedabek to 1.12 million ounces in the Measured and Indicated categories in October 2013
- Continuing to develop a high grade underground gold mine in the Gosha Contract Area in Azerbaijan

Financials

- Profit before tax of US$1.4 million (2012: US$28.6 million) on revenue of US$70.8 million (2012: US$73.5 million)
- Gross profit of US$13.3 million (2012: US$36.1 million)
- Operating cash flow before movement in working capital of US$17.9 million (2012: US$40.3 million)
- Net debt of US$45.5 million at 31 December 2013 (2012: US$28.3 million) calculated as aggregate of loans and borrowings less cash and cash equivalents
- Cash position of US$5.5 million as at 31 December 2013 (2012: US$2.4 million)

At a glance

Our operations

Our gold-copper-silver operations are located in Azerbaijan, which lies within the Tethyan Tectonic Belt, one of the world's most significant gold and copper bearing trends that extends from Pakistan to the Balkans, passing through Iran, Azerbaijan, Georgia and Turkey.

Anglo Asian's key operations span three Contract Areas in Azerbaijan covering 1,062 sq km. The Company also holds three additional Contract Areas covering 900 sq km in territories occupied by Armenia, which it hopes to develop when access is obtained.

The Company operates a gold, copper and silver mine in western Azerbaijan, which produced 52,068 ounces of gold in FY2013.

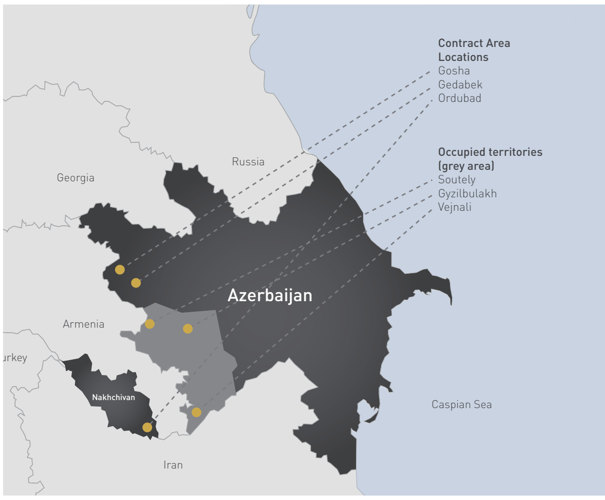
Anglo Asian successfully commissioned a new agitation leaching plant at Gedabek in June 2013, which complements the existing heap leach processing operation to help further improve the gold recoveries and production rates of the mine. Gedabek also has a SART processing facility which produces copper concentrate. For FY2013 the SART operations produced 327 tonnes of copper.

The 300 sq km Gosha Contract Area is situated 50 km north-west of Gedabek and contains at least nine mineralised zones.

Exploration and development work is on-going at Gosha with a view of establishing Anglo Asian's second gold mining operation in Azerbaijan in 2014. Gosha is being advanced with a view to developing a high grade underground gold mine, which is expected to produce circa 15,000–20,000 ounces of gold per annum once in full production. Due to the proximity of Gosha to Gedabek it is Anglo Asian's intention that gold ore produced at Gosha will be processed at the existing Gedabek plant.

The 462 sq km Ordubad Contract Area is in the Nakhchivan region and contains numerous targets.

Exploration activities are on-going at the Contract Area including a preliminary remote sensing study, adit cleaning and re-sampling of adits in two regions, Piyazbashi and Agyurt, and trenching and sampling in the Daste Bashi region.



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

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

The country has an established democratic government, which is fully supportive of international investment initiatives. Infrastructure is reasonably extensive and as Azerbaijan is an oil producing country, diesel is cheap, which also results in low costs for explosives. Low cost labour is also available.

300 sq km

licence area

- Mining and exploration rights until March 2022
- Gedabek gold/copper/silver open pit mine

52,068 oz

of gold produced

327 tonnes

of copper produced

1,250,043 oz

of gold resource
(includes inferred ore)

20,263 oz

of silver produced

744,038 oz

of gold reserves

300 sq km

licence area

- Notice of Discovery disclosed
- Concentrate produced at Gosha will be processed at the Gedabek plant
- Implementing further drilling campaigns to increase the economics of the proposed mine
- Good infrastructure, electricity and local skilled labour in close proximity

1,095 tonnes

of ore has been mined at Gosha

250 tonnes

sent to Gedabek for processing

462 sq km

licence area

- Notice of Discovery disclosed
- Further exploration underway

Chairman's statement

Khosrow Zamani, Non-executive Chairman

> It remains our strategy to continue to build a leading precious metal mining company in Azerbaijan.

Khosrow Zamani
Non-executive Chairman
27 May 2013

In summary

- Our flagship Gedabek gold, copper and silver mine in western Azerbaijan ('Gedabek') produced 52,068 ounces of gold in FY2013
- We have reported a small profit of US$1.4 million before tax (2012: US$28.6 million)
- 2014 has already seen evidence of stabilisation of the gold price as the market finds a comfortable trading range and this is predicted to continue, a welcome relief following the volatile prices witnessed over the past few years

Anglo Asian has a progressive portfolio of assets which includes our flagship Gedabek gold, copper and silver mine in western Azerbaijan ('Gedabek') which produced 52,068 ounces of gold in FY2013, a second development gold project, Gosha, only 50 km away from Gedabek which is moving into production this year, and a third gold exploration project, Ordubad, also in Azerbaijan. With the above multi-stage portfolio, it remains our strategy to continue to build a leading precious metal mining company in Azerbaijan.

This has been a difficult period for gold companies, Anglo Asian being no exception. We have all had to adapt to the substantial reduction in the gold price experienced in 2013, with prices dropping from highs of US$1,880 in 2012 to lows of US$1,199 in 2013, which has had a knock-on effect on both revenue and profits. In light of this, in terms of financials for the period, we have reported a small profit of US$1.4 million before tax (2012: US$28.6 million). We achieved revenues of US$70.8 million (2012: US$73.5 million), and a gross profit of US$13.3 million (2012: US$36.1 million). These results are on the back of average gold prices of US$1,387 (2012: US$1,666), stable gold and copper concentrate production from Gedabek and record copper sales of US$6.4 million. While the market remains somewhat depressed, 2014 has already seen evidence of stabilisation of the price as the market finds a comfortable trading range and this is predicted to continue, a welcome relief following the volatile prices witnessed over the past few years.

The year under review has been focused on capacity building and implementing plans to ensure the future growth of Anglo Asian. This has been centred on increasing efficiencies in production at Gedabek to enable gold production levels in excess of 60,000 ounces for FY2014 and beyond; increasing the life of mine of Gedabek through defined exploration and development programmes aimed to increase the reserve and resource base, which currently stands at 744,038 ounces and 1,123,767 ounces of gold, respectively; and progressing our second mining project, Gosha, which we have now developed with a view to transporting the high grade ore to Gedabek and, in turn, increasing our gold annual production by the end of 2014. With the above developments in mind, I believe the Anglo Asian team has laid the foundations for the future.

Gedabek, which is located in western Azerbaijan on the mineralised Tethyan Tectonic Belt, one of the world's significant copper and gold bearing belts, is currently an open pit, agitation leaching plant and heap leach operation. In terms of gold production for the period, while there was a year-on-year increase at Gedabek in 2013 to 52,068 ounces from 50,025 ounces in 2012, we are disappointed that the figure came in under management's expectations as a result of the weather conditions and processing issues due to the change in the ore mineralogy that made it less amenable to agitation leaching resulting in lower recoveries in Q4 2013. The main focus for Anglo Asian in 2013 was the successful commissioning of our new agitation leaching plant in June 2013. This enabled us to achieve gold sales of 46,076 ounces at an average price of US$1,387 and silver sales of 19,016 ounces at an average price of US$25. The reason for the difference in sales and product produced is two-fold. Firstly, the government of Azerbaijan takes title to 12.75% of all metals produced due to the Product Sharing Agreement (as outlined later in this statement), and secondly, there is a time lag from production to sales. Q1 2014 gold

New Agitation Leaching Plant Commissioned June 2013

production totalled 11,312 ounces with gold sales of 10,403 ounces at an average of US$1,303 per ounce, and we are currently on track to deliver our revised FY2014 gold production target of 62,000–67,000 ounces of gold.

Importantly we also produce copper in the form of a precipitated copper sulphide concentrate by-product, which also contains silver with commercial value and a small amount of gold, from our Sulphidisation, Acidification, Recycling, and Thickening ('SART') plant at Gedabek. The plant is one of the largest of its kind in the industry and production from the plant for FY2013 totalled 327 tonnes of copper, 45,621 ounces of silver and 39 ounces of gold. As previously mentioned, we were pleased with the FY2013 copper concentrate sales, which totalled US$6.4 million, a significant increase from the US$2.1 million reported for FY2012. During Q4 2013 we entered into a sales contract with Glencore Xstrata International plc ('Glencore') for the sale of 550 wet metric tonnes ('WMT') of this concentrate. Under the terms of the agreement, Glencore agreed to purchase a total of 550 WMT of copper concentrate product during December 2013 and January 2014. These sales will see our copper concentrate product continuing to add to our bottom line and, in turn, increasing our profitability for FY2014. In Q1 2014, production from SART totalled 141t of copper, together with 9,249 ounces of silver and 6 ounces of gold and we had stockpiles of 152 wet metric tonnes ('WMT') of copper concentrate product. In terms of sales of these stockpiles, we have recently signed an agreement with the Swiss company Industrial Minerals (SA), for the sale of our full copper concentrate production over the next three years.

As mentioned, a key focus of 2013 for the Company was the review of Gedabek's mining operations with a view to implementing initiatives and development plans to improve the production profile of the mine both in the near term, and increasing the life of mine to ensure its future production success. Construction of the new agitation leaching plant, which had an expected CAPEX of US$52 million, was completed US$7 million under budget and on target with full commissioning in June 2013. The new plant was set up initially to treat 100 tonnes of ore per hour to increase both gold oxide and sulphide recovery to 85% and 69%, respectively, and positively impact gold production for the second half of 2013. We achieved this and in Q3 2013 we recorded quarterly gold production of 20,242 ounces and Q4 2013 gold production of 14,329 ounces, as a direct result of the new agitation leaching plant, however this was achieved with much higher than expected processing and operating costs which management are working through to resolve through fine tuning at the plant. It is our intention to continue to improve gold production, with lower grade ore being processed through the original heap leaching process.

Whilst we are facing teething problems at the agitation leaching plant which have resulted in higher than expected rates of cyanide consumption and increased processing costs, we also continue to explore the greater Gedabek area with the aim of delineating further resources and reserves to increase the life of mine of the operation. Following the completion of 26,842 metres of drilling (99 holes) as part of an on-going exploration programme, we were delighted to announce in October 2013 an updated resource of 44,644,658 tonnes at 0.783 g/t of gold for 1,123,767 ounces in the Measured and Indicated categories.

Looking ahead, the Company is committed to improving the performance of the agitation leaching plant and also establishing a second mining operation in Azerbaijan. As mentioned, Gosha is located 50km away from Gedabek and is currently being advanced with a view to developing a high grade underground gold mine, which is expected to produce circa 15,000–20,000 ounces of gold per annum once in full production. Due to the proximity of Gosha to Gedabek it is our intention that gold ore produced at Gosha will be processed at our existing Gedabek plant, and, post period end, we reported that 1,095 tonnes of ore had been mined at Gosha, with 250 tonnes with an average grade of 12 g/t sent to Gedabek. Looking ahead, we are aiming to process 58,000 tonnes of mined ore from Gosha at Gedabek at an average grade of 6 g/t during FY2014, which is expected to contribute circa 10,000 ounces of gold to our production figure for the year.

Further exploration works in Ordubad resulted in the issuance of a notice of discovery for two gold deposits, Piyazbashi and Agyurt. The Company will continue the exploration work to seek more mineral potential in this area.

In terms of our corporate activity for the period, we continue to work closely with the Government of Azerbaijan. As previously mentioned, we have a Production Sharing Agreement in place with the Government of Azerbaijan based on the established Azeri oil industry model. Up until the time we have recovered all of our carried forward, unrecovered costs, the Government of Azerbaijan effectively takes 12.75% of commercial products of any mine we bring into production, with Anglo Asian taking 87.25%. We expect to continue retaining 87.25% of the commercial products based on costs incurred to date and, with the construction of the agitation leaching plant, this level of recovery is expected to continue for 2014.

Chairman's statement continued

We also have strong relations with the International Bank of Azerbaijan ('IBA'), which is majority owned by the Government of Azerbaijan, and have various financing agreements in place with the bank. As at 31 December 2013, the Company's net debt totalled US$45.5 million (2012: US$28.3 million) inclusive of cash of US$5.5 million (2012: US$2.4 million). This increase in net debt was due to an additional loan agreement undertaken with the IBA to finance the new agitation leaching plant at Gedabek, which as mentioned had an estimated CAPEX of US$52 million. The new IBA loan was then partially refinanced with the Amsterdam Trade Bank N.V. ('ATB') and the amount of these loans at 31 December 2013 were US$11.5 million and US$36.7 million with IBA and ATB respectively, and cash in the bank was US$5.5 million at 31 December 2013. Despite higher than expected operating costs in the agitation leaching plant, due to issues with the ore type and recovery rates, the Company is not expecting to breach the debt service coverage ratio ('DSCR') covenant with ATB, although as a precaution has received a waiver against this covenant for the period to 30 June 2014. The DSCR ratio required is 1.25, the waiver reduces the required threshold to 1.1 in the interim reporting period of 2014. In January 2013, the Company also entered into an arrangement with industrial group Atlas Copco for the financing of underground mining equipment for the Gosha gold project for US$3.8 million (representing 85% of the equipment value) with a one-off 1% arrangement fee and 8.47% annual interest fee, to be paid in eight quarterly instalments starting April 2013. US$2.8 million was outstanding at 31 December 2013.

As a company we are committed to maintaining high health, safety, social and environmental standards. We have a Health, Safety, Environment and Technology Committee ('HSET') established at Board level, which is under the chairmanship of Professor John Monhemius, one of our Non-executive Directors. This committee has the responsibility to oversee all aspects of the HSET of the Company and to make recommendations to the Board. We are saddened to have to report that during Q2 2013 there was a fatality at Gedabek, the first since the mine was opened. This tragic incident was due to a contractor's haulage truck overturning on 5 April 2013, fatally injuring the driver. Control measures for fleet transport were reinforced following this accident and these now include radar gun speed measurements, in-vehicle cameras, road patrolling and maintenance enforcement.

In Q2 2013 an action plan and audit report was submitted to the International Cyanide Management Institute ('ICMI') – Cyanide Code. Corrective actions were implemented as required by the Audit review for the Cyanide Code and the process is on-going. Various other environmental measures were implemented in the year including planting of 883 trees, profiling and landscaping of disturbed terrain, and regular monthly campaigns for surface and groundwater monitoring and on-going vehicle monitoring. The goal of the company is to strive towards zero harm and much work has been done to instil a culture of safety whereby employees understand that they have a duty to take care of themselves and their co-workers. In Q3 2013 the lost time injury ('LTI') rate was zero at a time of increased hours and productivity as a result of expansion. A total of 156 LTI-free days were recorded and this pleasing trend continued into Q4 2013 where, zero LTIs were again maintained, bringing a record of 248 LTI-free days since the last reported incident on 26 April 2013.

We have approximately 555 personnel working in the Company and we recognise that mining is a hazardous environment and we continue to seek improvements.

2013 has been a year of transition and investment for Anglo Asian. The commissioning of our agitation leaching plant at Gedabek was a significant milestone for the Company and an investment made in order to improve gold recoveries and reduce operating costs. The plant will enable us to deliver on these long-term objectives; however, due to initial teething problems at the plant we were disappointed not to be able to meet our FY2013 gold production target. Our proactive and highly experienced management team are addressing the issues and post-period end, have installed a continuous Knelson concentrator, which has already improved gold recoveries to more than 80% by pre-treating the ore to isolate the copper sulphides that have been limiting the recovery of gold.

The complexity of the ore at Gedabek necessitated the installation of a Resin in Pulp plant ('RIP') instead of the industry standard Carbon in Leach ('CIL') technology. RIP is new technology in the gold industry and this, together with the complexity of the ore, has resulted in a longer than expected period of commissioning, with fine tuning required. The technical team have been working to optimise the plant settings for the type of ore we have and by the end of Q1 2014 progress is being made going into Q2 2014.

With these improvements we are on track to meet our new FY2014 target of between 62,000 to 67,000 ounces gold production, of which 10,000 ounces will come from our second project, Gosha, where significant progress was made over the period, with the first 250 tonnes of the 1,095 tonnes of ore mined to date having been processed at Gedabek, only 50 km away.

With record copper sales of US$6.4 million during the period, and with our Gedabek initiatives in place with noticeable results starting to flow through, we look forward to the year ahead as we continue to maximise value for shareholders. I would like to take this opportunity to thank our Anglo Asian employees, partners, the Government of Azerbaijan, both ATB and IBA, advisers, fellow Directors and shareholders for their continued support as we continue to build the Company into a leading mid-tier gold, copper, silver producer in Azerbaijan and Caucasia.

Khosrow Zamani
Non-executive Chairman

Strategic report

> Copper revenue for FY2013 reached record levels having completed sales worth US$6.4 million.

Reza Vaziri
President and Chief Executive
27 May 2013

In summary

- We have been focused on developing and implementing growth plans to ensure the future success of our mining operations and increasing our gold, copper and silver production profile
- For the 12 month period to 31 December 2013, gold production (at Gedabek) totalled 52,068 ounces, which was an increase of 2,043 ounces in comparison to FY2012
- With regards to silver production from our heap and agitation leaching operations at Gedabek a total of 20,263 ounces was produced during FY2013

The Strategic Report is a new statutory requirement under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is intended to provide fair and balanced information that enables the directors to be satisfied that they have complied with Section 172 of the Companies Act 2006 which sets out the Directors' duty to promote the success of the Company.

The Directors present their Strategic Report for the year ended 31 December 2013.

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 R.V. Investment Group Services LLC ('RVIG'). The Company together with its subsidiaries (together referred to as the 'Group') is involved in the exploration and development of gold and copper projects in the Republic of Azerbaijan and the operation of the Gedabek mine in the Republic of Azerbaijan.

Chief Executive review

Anglo Asian has a large 1,962 sq km portfolio of gold/copper assets in Azerbaijan, at various stages of the development cycle. This includes our flagship Gedabek gold/copper mine in western Azerbaijan which produced 52,068 ounces of gold in 2013; Gosha, our second gold development project located 50km away from Gedabek, which is set to move into full production during 2014; and Ordubad, our early stage gold-copper exploration project, which is located in the Nakhchivan region of Azerbaijan.

During the period under review we have been focused on developing and implementing growth plans to ensure the future success of our mining operations and increasing our gold, copper and silver production profile with the near-term target for FY2014 of between 62,000 to 67,000 ounces of gold and copper production of 595 tonnes.

The following summary table of gold production and prices outlines quarter-on-quarter gold production at Gedabek for FY2013.

Table 1

Quarter ended	Gold produced (including Government of Azerbaijan's share (ounce))	Weighted average gold sale price (US$)
31 March 2013	8,585	1,638
30 June 2013	8,912	1,438
30 September 2013	20,242	1,328
31 December 2013	14,329	1,280
Total for FY2013	**52,068**	**1,387**

Strategic report continued

Mining operations

Gedabek

The Gedabek mining operation is located in a 300 sq km Contract Area in western Azerbaijan on the Tethyan Tectonic Belt, one of the world's significant copper and gold bearing structures.

The mine, which first poured gold in 2009, is an open-pit mining operation which utilises both heap leach and agitation leaching processing facilities for gold and silver production and a SART processing plant to produce copper.

For the 12 month period to 31 December 2013, gold production totalled 52,068 ounces, which was an increase of 2,043 ounces in comparison to FY2012. For the period Anglo Asian completed gold sales of 46,076 ounces Au at an average of US$1,387 per ounce.

With regards to silver production from our heap and agitation leaching operations at Gedabek a total of 20,263 ounces was produced during FY2013.

As previously disclosed, to improve gold recovery and production at Gedabek the Company undertook a pre-feasibility study and constructed and commissioned a new agitation leaching plant in June 2013. The rationale for extending Gedabek's processing facilities from the original heap leaching operations was that compared to heap leaching, agitation leaching of milled ore can deliver higher recoveries, with the immediate production of gold. Heap leach operations are traditionally a low-cost processing route that many mining operations, including Gedabek, adopt when they first move into production due to the low-capital construction costs; however, heap leaching has limitations with regards to the size of ore being leached (-25mm). This limitation results in gold recoveries of circa 70%, with leaching cycles extending typically up to a year, depending on the ore mineralogy.

A further need for the agitation leaching plant was due to the lack of space caused by the topology of the Gedabek mine area. This would have necessitated costly investment for huge earthwork removal, or building new leach pads too far away from the mine with energy and associated logistics costs to transfer the ore to the leach pads and returning the solution to Gedabek.

The new agitation leaching plant, since its commissioning, is processing high grade oxide ore and additional sulphidic ore resources that were not suitable for Gedabek's heap leaching operation and will also process spent ore from the leach heaps to further improve total gold recoveries. The plant has been initially treating 100 tonnes of ore per hour, which can increase to up to 150 tonnes per hour with upgrades and under optimal conditions, with an expected average of 120 tonnes per hour. Gold recovery rates were initially estimated at 85% for oxide material and 69% for sulphide material. In September 2013 we had achieved 82% recovery in terms of oxide gold and we are also carrying out additional testing to see if these recovery rates can be further improved.

In line with our mining plan, since the beginning of 2014 our agitation leaching plant has continued to process and produce the majority of the gold and silver at Gedabek, with the heap leach processing operation supporting. As mentioned in our Q1 2014 operations update, whilst the new agitation leaching plant has helped increase our gold recoveries and indeed production potential at Gedabek, there have been teething problems where we have experienced difficulties with recovery rates of gold from the high-copper sulphide ore, which is often associated with deeper mining. Accordingly we have adapted the agitation leaching plant and fitted a Knelson concentrator in March 2014 to help with this. Early results have shown some enhanced gold recovery from high-copper sulphide ore along with some reduced cyanide consumption per ounce of gold.

The technical team has been fine tuning the plant to optimise the settings for the ore we have at Gedabek and at the end of Q1 2014 progress in this regard is evident. The RIP plant is new technology in the industry and it threw up some early teething problems, which has necessitated fine tuning of the plant to get the most efficient recovery of gold. This resulted in lower production than expected at the end of 2013 and into Q1 2014.

In terms of processing, Gedabek's heap leaching operation performed in line with management's expectation with 576,748 tonnes of dry ore stacked onto the leach pad with an average gold content of 1.31 g/t (FY2012: 753,601 tonnes of dry ore with an average gold grade of 3.03g/t). The reduced amount of ore and lower grade was in accordance with our mining plan for FY2013 which took into account the commissioning of the new agitation leaching plant (see table 2 below).

Table 2

	Heap leach operation		Agitation leach plant (AGL)	
Quarter ended	Dry ore transferred to the leach pad (tonnes)	Average grade (g/t)	Dry ore transferred to the AGL plant (tonnes)	Average grade (g/t)
31 March 2013	186,555	1.35	—	—
30 June 2013	200,658	1.34	33,368	4.43
30 September 2013	122,841	1.20	160,724	3.97
31 December 2013	66,694	1.36	156,553	3.32
Total for FY2013	**576,748**	**1.31**	**350,645**	**3.73**

Between June 2013 and 31 December 2013, 350,645 tonnes of ore were processed through the agitation leaching plant at an average gold grade of 3.73 g/t.

In addition to gold and silver production, our Gedabek mining operation also produces copper concentrate from our Sulphidisation, Acidification, Recycling and Thickening ('SART') plant, which recovers copper in the form of precipitated copper sulphide concentrate containing silver and minor amounts of gold. For FY2013 copper concentrate production totalled 327 tonnes Cu, 45,621 ounces Ag and 39 ounces Au (2012: 502t Cu, 98,158 ounces Ag and 86 ounces Au). Our copper production for FY2013 was significantly below that of FY2012, but we have now made operational improvements in the SART plant and put in place a new dedicated SART management team and our FY2014 copper concentrate production target is 595t.

Copper revenue for FY2013 reached record levels having completed sales worth US$6.4 million. During 2013 sales agreements for copper were reached with Seagate Minerals and Metals Inc in July for 750 wet metric tonnes ('WMT') of copper concentrate and in December we entered into a new sales contract with Glencore Xstrata International plc ('Glencore') for the sale of 550 WMT. Additionally, we have recently signed a three year contract with International Minerals SA to take all of our copper concentrate production over this term. Now that we have sales contracts in place, we see our copper concentrate production and sales helping to add to our bottom line for FY2014 and beyond and in turn increasing our profitability.

Gedabek exploration and development

Increasing Gedabek's production profile and life of mine remains a priority for the Company and so we have an active on-going exploration and development programme aimed at increasing the resource and reserve base at Gedabek.

Our reserve base remains as per 7 June 2012 at 20,312,879 tonnes at 1.139 g/t gold for 744,038 ounces, 0.293% copper for 59,479 tonnes, and 9.456 g/t silver for 6,175,531 ounces.

Following the completion of a 99 hole, 26,842 metre drilling programme in Q1 2013, we were delighted to announce an updated Measured and Indicated JORC compliant resource at Gedabek of 44,644,658t at 0.783 g/t of Au for 1,123,767 ounces Au, and a total JORC compliant resource (including Inferred ore) of 51,591,901t at 0.754 g/t Au for 1,250,043 ounces Au, 0.155% Cu for 80,036t Cu and 5.915 g/t Ag for 9,811,719 ounces Ag (at a cut-off grade of 0.3 g/t Au).

Importantly, the Measured and Indicated gold resources (including mined ore) increased by circa 20% over the resource announced in March 2012, with an increase in ore tonnage from 37.1 million tonnes to 44.6 million tonnes at an average grade of 0.78 g/t. Also it should be noted that the updated resource did not include the 145,000 ounces of gold extracted from Gedabek between 1 January 2012 and 31 August 2013, which resulted in the production of 81,500 ounces of gold, with the remainder contained in stockpiled ore (see table 3 below).

The updated resource also increased our geological knowledge and confidence in the quantity and quality of the mineral resources and ore reserves within the current economic open pit limit at Gedabek. It also increased the mineral resources of the southern regions and led to the discovery of extensions of the gold, copper and silver mineralisation in the west, north-west and northern regions around the existing pit.

In order to further test the mineralisation at Gedabek around the greater area, a current 3,000m drilling programme continues to verify high grade gold discovery just 400m north of the Gedabek operating mine area. In January 2014, we were delighted to announce initial drill results which highlighted stand-out drill results such as 1m of 207.1 g/t Au.

Core hole AIMCDD86 ('hole 86'), to the north-west of the Gedabek mine, was drilled to a depth of 650m earlier in 2013. In a zone between 250m and 350m there was evidence of intense alteration accompanied by high grade gold mineralisation. To test the continuity of this mineralisation, an additional hole (AIMCDD106) was drilled 20m east of hole 86 to a depth of 349m in October 2013. There are two zones of significance in core hole 106. The upper zone of mineralisation has 5m of 95 g/t Ag (3.1 g/t opt Ag) at 234m to 238m and a lower zone that contains 41m at 7.6g/t of Au from 296m to 337m. Within this lower zone, 1m of 101 g/t Ag (3.3 g/t opt Ag) with 78.7 g/t Au (2.5 g/t opt Au) occurs at 313 metres.

Table 3 – Gedabek mineralisation

	Tonnage	Grades			Products		
Classification	t	Au g/t	Cu %	Ag g/t	Au oz	Cu t	Ag oz
Measured	20,381,748	0.948	0.249	7.962	620,900	50,721	5,217,687
Indicated	24,262,874	0.645	0.104	4.994	502,867	25,174	3,895,325
Measured and Indicated	44,644,658	0.783	0.170	6.349	1,123,767	75,895	9,113,012
Inferred	6,947,244	0.565	0.060	3.128	126,277	4,141	698,706
Total	**51,591,901**	**0.754**	**0.155**	**5.915**	**1,250,043**	**80,036**	**9,811,719**

Mining operations continued

Gedabek exploration and development continued

This new area, 400m from the current pit, is informally called the Gadiz mineralisation; however, should the deposit be extended, it will be likely be renamed Gedabek North. The newly completed core hole in this area (AIMCDD107) was drilled 20m to the south of AIMCDD86 to a target depth of approximately 445m.

Two other core holes (108 and 109) are now being drilled to the west of hole AIMCDD86 for an additional 900m. We had intended to drill these holes during 2013 but had an immediate need for core data in Pit 4 for the 2014 mine development plan. From experience, we have found that drilling closer spaced holes at Gedabek is more effective for deposit delineation than wider spaced drilling due to the pod-like nature of the high mineralisation zones over the 1,500m of potential extension to the east. Validation of this mineral discovery immediately north of the current open pit working at Gedabek supports the theory that Gedabek is part of a much larger mineralisation system. While the full extent of this discovery is unknown, an aggressive exploration programme in 2014 will determine how much additional resource will be available to extend the mine life at Gedabek. A geophysical programme is scheduled to commence in Q2 of 2014 and will assist in the optimisation of drill hole targets.

The apparent high grade nature of this significant new discovery would certainly enhance our ability to optimise the reprocessing of spent heap leach tailings through the agitation leach plant by blending. We look forward to continued success for the potential exploitation of this new find.

Gosha

Our second mining project, the 300 sq km Gosha Contract Area, is located in western Azerbaijan, 50 km north-west of Gedabek. We are currently developing Gosha as a small, high grade, underground gold mine to produce gold at an average rate of 15,000 to 20,000 ounces per annum for a period of at least five years. It is our intention to extract the ore from Gosha, transport it, and utilise our flagship Gedabek mining operations processing facilities to treat it. We will continue to review the best method of treating the Gosha ore.

During 2013 significant progress has been made in the development of the mine at Gosha, which contains three main prospects: Gosha, Itkirlan and Munduglu. A development work programme and budget was submitted to the Government of Azerbaijan on 4 December 2012 with a view to moving to production by 2014, whilst at the same time implementing further drilling campaigns in order to increase the economics of the proposed mine. Underground mining equipment was purchased, and service and infrastructure building work commenced in H2 2013, including developing access roads, workshop, offices, a laboratory and building upgrade work. The mine production programme was focused on developing 1,975 metres of production and haulage galleries to produce 30,000 tonnes of ore, with an average grade of 15.6g/t of gold and 38.6g/t of silver, together with 35,500 tonnes of waste. We successfully intercepted the ore vein at Gosha in September 2013 and a trial batch of 100 tonnes of ore was mined on 4 September 2013.

At the end of Q1 2014, a total of 1,095 tonnes of ore had been mined at Gosha and 250 tonnes at an average grade of 12 g/t Au had been sent to Gedabek for processing. We are targeting 58,000 tonnes of mined ore from Gosha for 2014 at an average grade of 6 g/t Au, which is expected to contribute circa 10,000 ounces of gold production to Anglo Asian's FY2014 production target.

Ordubad

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

Our new agitation leaching plant
at Gedabek

- The new agitation leaching plant, since its commissioning, is processing high grade oxide ore and additional sulphidic ore resources that were not suitable for Gedabek's heap leaching operation and will also process spent ore from the leach heaps to further improve total gold recoveries. The plant has been initially treating 100 tonnes of ore per hour, which can increase to up to 150 tonnes per hour with upgrades and under optimal conditions, with an expected average of 120 tonnes per hour. Gold recovery rates were initially estimated at 85% for oxide material and 69% for sulphide material. In September 2013 we had achieved 82% recovery in terms of oxide gold and we are also carrying out additional testing to see if these recovery rates can be further improved.

Financial review

US$64,385,546 of the revenues were generated from the sale of Anglo Asian's share of the production of doré bars for the year which comprised 46,075 ounces of gold and 19,016 ounces of silver at an average price of US$1,387 per ounce and US$25 per ounce respectively.

Sean Duffy
Chief Financial Officer
27 May 2013

In summary

- Remaining debt at 31 December 2013 stands at US$51,021,424 (2012: US$30,759,749) of which US$11,501,231 is due to IBA, US$36,696,644 is due to ATB and US$2,823,549 is due to Atlas Copco
- Net assets of the Group were US$96,750,031 (2012: US$96,369,154)

Anglo Asian generated revenues of US$70,819,908 (2012: $73,521,389) as a result of gold, silver and copper concentrate sales from the Gedabek mine.

US$64,385,546 of the revenues (2012: US$71,446,844) were generated from the sale of Anglo Asian's share of the production of doré bars for the year which comprised 46,075 ounces of gold and 19,016 ounces of silver (2012: 42,557 ounces of gold and 16,342 ounces of silver) at an average price of US$1,387 per ounce and US$25 per ounce respectively (2012: US$1,666 per ounce and US$32 per ounce). In addition, Anglo Asian generated revenue from the sale of copper concentrate of US$6,434,362 (2012: US$2,074,545).

The Group incurred mining cost of sales of US$57,479,823 (2012: US$37,445,377) and therefore reported a gross profit of US$13,340,085 for 2013 (2012: US$36,076,012). The increased cost of sales in FY2013 was mainly due to higher processing costs in the agitation leaching plant following high cyanide consumption and increased depreciation following the commissioning of the agitation leaching plant.

The Group incurred administration expenses of US$6,845,018 (2012: US$5,915,352) and finance costs for the year of US$3,779,895 (2012: US$1,510,085). The Group recorded profit before tax for the year of US$1,390,617 (2012: US$28,550,979). The finance costs for the year comprises interest on the credit facilities and loans, interest on letters of credit and accretion expenses on the rehabilitation provision.

During 2013, the Group repaid its original loan with IBA of US$1.8 million and took further loans from IBA and the ATB as detailed below.

In October 2013, the Group entered into a loan facility agreement ('Facility Agreement') with the Amsterdam Trade Bank N.V. ('ATB'). Under the terms of the Facility Agreement, ATB agreed to provide a committed term loan facility of US$37 million to Azerbaijan International Mining Company LLP ('AIMC') a wholly owned subsidiary of Anglo Asian. The proceeds were used to reduce the Company's existing loan facility with the International Bank of Azerbaijan ('IBA') which was used for the construction of an agitation leaching plant at its flagship gold, copper and silver mine, Gedabek, and to pay certain fees and expenses in relation to the arrangement of the ATB facility. The ATB facility has a term of 58 months and attracts a quarterly interest rate of LIBOR plus 8.25%. The first repayment instalment commences on the 25th day of the 16th month from the draw down date and the outstanding amount shall be repaid in equal quarterly instalments. The Company's existing loan facility with the IBA stood at US$11.5 million at 31 December 2013 after the ATB drawdown was applied. This loan continues to attract 12% interest per annum payable quarterly.

The amount of the loans with the International Bank of Azerbaijan ('IBA') and the Amsterdam Trade Bank ('ATB') were US$11.5 million and US$36.7 million respectively and cash in the bank was US$5.5 million at 31 December 2013. In January 2013, the Company entered into an arrangement with industrial group Atlas Copco for the financing of underground equipment for the Gosha gold project for US$3.8 million (representing 85% of the equipment value) with a one-off 1% arrangement fee and 8.47% annual interest fee, to be paid in eight quarterly instalments starting April 2013. Including this loan, the net debt, being interest bearing loans and borrowings less cash and cash equivalents stood at

New Agitation Leaching Plant Commissioned June 2013

US$45.5 million at 31 December 2013. The latest management cash flow forecasts for the six months to 30 June 2014 show that the DSCR covenant with ATB against the loan of US$37.0 million will be met, despite this, as a precaution, a waiver has been issued by ATB for the reporting period to 30 June 2014 reducing the required DSCR level from 1.25 to 1.1. An action plan has been submitted to ATB detailing the recovery to 31 December 2014 which includes installation of the new Knelson concentrator, new production management and Gosha ore adding to production. Additionally the SART plant is performing well due to new dedicated management and improvements at the plant. A much more favourable cyanide contract is also in place which will help reduce processing costs for the remainder of 2014. The first principal repayment to ATB is due on 25 February 2015.

Remaining debt at 31 December 2013 stands at US$51,021,424 (2012: US$30,759,749) of which US$11,501,231 is due to IBA, US$36,696,644 is due to ATB and US$2,823,549 is due to Atlas Copco.

The Group held cash balances at 31 December 2013 of US$5,488,773 (2012: US$2,410,730) and inventories at cost of US$28,741,822 (2012: US$36,427,632).

Net assets of the Group were US$96,750,031 (2012: US$96,369,154).

During the year exploration and evaluation expenditure of US$220,945 (2012: US$1,415,766) was incurred and capitalised.

The Group paid corporation tax during the year of US$800,000 (2012: US$2,593,713). The Company has booked a deferred tax liability of US$1,055,115 in 2013 (2012: US$6,883,330) bringing the total deferred tax liability provision to US$20,400,014 (2012: US$19,344,899).

Production Sharing Agreement ('PSA')

Under the terms of the PSA in place with the Government of Azerbaijan, the Company and the Government of Azerbaijan share commercial products of each mine. Until the time Anglo Asian has recovered all its carried forward, unrecovered costs, the Government of Azerbaijan effectively takes 12.75% of commercial products of each mine, with the Company taking 87.25% (being 75% for capital and operating costs plus 49% of remaining 25% balance). The Company will not have recovered all its costs incurred by the end of 2013 and the ratio of sharing commercial products for Gedabek mine of 87.25% to Anglo Asian and 12.75% to the Government of Azerbaijan will continue throughout 2014.

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

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

Going concern

The Directors have prepared the consolidated financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2015 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the Directors have acknowledged the challenging and uncertain market the Group is operating in. Over 2013 gold prices varied between US$1,199/oz and US$1,694/oz and 2014 has seen the depressed market continue, making budgeting difficult and reducing margins. Further, with the Agitation Leaching Plant experiencing initial commissioning inefficiencies due to inconsistent feed grades and Gedabek suffering inclement weather over Q4 2013 and Q1 2014 the outlook remains challenging and uncertain.

Whilst the Group is forecasting to meet its required Debt Service Cover Ratio of 1.25 in the six months to 30 June 2014 the Group approached ATB Bank for a waiver to reduce the required ratio to 1.1 in this period as a precaution. ATB have provided this waiver. Breaching a covenant can ultimately result in the full loan balance being called upon immediately. The Group submitted a plan to ATB Bank outlining a number of actions it has taken, including the recent employment of a new Operations Director and Plant Manager, new SART management team and the installation of a Knelson concentrator which has already shown improvements. The Group does not need to make any principal repayments until 25 February 2015 and continues to forecast all interest and principal payments over the going concern period. Loans were previously paid ahead of their scheduled repayment dates in

Financial review continued

Going concern continued
2012 and 2013 and as a consequence, the Directors believe that the Group is well placed to manage its capital risks successfully under the current uncertain economic outlook.

Key to achieving the Group's forecast cash position, and therefore its going concern assumption, is achieving the forecast production and gold price assumptions. Should there be a moderate and sustained decrease in either the production or gold price assumptions, significant doubt would be cast over the Group's short term cash position. Under this circumstance, the Group would look to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The Group's assumptions are neither overly aggressive nor overly conservative and appropriate rigour and diligence has been performed by the Directors in approving the assumptions. This includes benchmarking forecast price assumptions against a range of broker forecasts and having an internal Qualified Person review and sign off on the mine plan and production estimates. The Directors therefore believe all assumptions are prepared on a realistic basis, using the best information available.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the financial statements under Chairman's Statement on pages 4 to 6 and this Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 12 to 14. In addition, note 23 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 its exposures to credit risk and liquidity risk.

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

Depreciation/amortisation
As described in note 3 of the annual report, the accumulated mine development costs within producing mines are depreciated/amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight line method is applied. The unit of account for run of mine ('ROM') costs and for post-ROM costs are recoverable ounces of gold. An amount of 621,170 ounces of recoverable gold has been used to determine depreciation/amortisation on accumulated mine development costs. It is expected that as a result of the updated JORC compliant reserve report that is due to be published in H2 2014, the Group will revise its estimate of recoverable gold which it uses to determine depreciation/amortisation on accumulated mine development costs.

Principal risks and uncertainties
Commodity price risk
The Group's revenues are exposed to fluctuations in the price of gold, silver and copper. Anglo Asian currently does not hold any financial instruments to hedge the commodity price risk on its expected future production; however the Board will review this exposure and the requirement for hedging activities on an on-going 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. Also, the fact that both revenue of the Group and Group's interest bearing debt are settled in US Dollars is a key mitigating factor that helps to avoid significant exposure on foreign currency risk. Information on the carrying value of monetary assets and liabilities denominated in foreign currency and the sensitivity analysis of foreign currency is disclosed in note 23 to the financial statements.

Liquidity/interest rate risk
The Group has not used any interest rate swaps or other instruments to manage its interest rate profile during 2013 but will review this requirement on a periodic basis. Interest rates on current loans are fixed except for three month LIBOR embedded in interest with ATB. Information on the exposure to changing interest rates is disclosed in note 23 to the financial statements.

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 at historic lows during the current year. The levels of deposits held by the group have also been low therefore any impact of changing rates is minimal.

The Group is exposed to fluctuations in commodity prices and all fluctuations have a direct impact on the operating profit of the Group.

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

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

By order of the Board

Reza Vaziri
President and Chief Executive

Sean Duffy
Chief Financial Officer
27 May 2014

Board of Directors

Mr. Khosrow Zamani

Non-executive Chairman, Age 71

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 US$2 billion, diversified across the financial, oil and gas, mining and manufacturing sectors. Mr Zamani has over 30 years of experience in investment and project finance and banking in emerging markets. He holds an MSc in Engineering from the USA and a Master of Business Operations and Management from the UK. He is currently a non-executive board member and chairman of the Corporate Governance Committee of Sekerbank A.S., a publicly listed commercial bank in Turkey, a non-executive board member and chairman of the compensation committee of Komercijalna Bank, Serbia and a non-executive board member of Borusan Makina in Turkey.

Mr. Reza Vaziri

President and Chief Executive, Age 61

Reza Vaziri has been actively involved in business in the Republic of Azerbaijan since just after its independence. Since RVIG, now Anglo Asian's subsidiary, signed a Production Sharing Agreement with the Government of the Republic of Azerbaijan (the 'Government'), Reza has been focused on developing Anglo Asian Mining plc (the 'Company') 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 alongside such Directors as James Baker III, Zbigniew Brezinski, Governor John Sununu and Henry Kissinger. Reza resides in Baku, London and Washington, DC.

Mr. Richard Round FCCA

Non-executive Director, Age 56

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

Governor John H Sununu

Non-executive Director, Age 74

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

Professor John Monhemius

Non-executive Director, Age 71

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

Directors' report

The Directors submit their report and the consolidated financial statements of Anglo Asian Mining PLC for the year ended 31 December 2013.

Review of developments and future prospects

The record of the business during the year and an indication of likely further developments can be found in the Chairman's Statement on pages 4 to 6 and the Strategic Report on pages 7 to 10.

The Group's net profit after taxation for the year ended 31 December 2013 amounted to US$335,502 (2012: US$19,367,245).

Business Review

A business overview is discussed on pages 4 to 6 of the Chairman's Statement. Other risks are discussed in the Finance Review on page 14.

Share capital

Details of the movements in share capital during the period are set out in the consolidated statement of changes in equity in the consolidated financial statements.

Directors

The current Directors and their biographies are set out on page 15.

Directors' interests

The Directors in office during the year and their interests in ordinary shares of the Company at 31 December 2013 and 31 December 2012 were:

Directors	**31 December 2013 Number of shares**	31 December 2012 Number of shares
Khosrow Zamani	**793,184**	793,184
Reza Vaziri	**32,796,830**	32,796,830
Richard Round	**153,958**	153,958
John Sununu	**10,674,540**	10,674,540
John Monhemius	**55,556**	55,556

Total number of ordinary shares with voting rights equalled 111,397,307 as at 31 December 2013 (2012: 111,397,307). No shares were issued during the year (2012: 350,000 shares issued).

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 2013	Granted during the year	Exercised during the year	Forfeited in the year	Lapsed in the year	**As at 31 December 2013**
Directors								
Khosrow Zamani	16.5	1 June 2017	100,000	—	—	—	—	**100,000**
	12.0	27 July 2017	500,000	—	—	—	—	**500,000**
Richard Round	77.0	26 July 2015	432,900	—	—	—	—	**432,900**
	42.5	12 April 2016	495,859	—	—	—	—	**495,859**
	12.0	27 July 2017	600,000	—	—	—	—	**600,000**
John Monhemius	11.5	14 August 2019	150,000	—	—	—	—	**150,000**
Others								
	97.0	11 August 2015	247,925	—	—	—	—	**247,925**
	35.4	19 October 2021	225,000	—	—	(150,000)	—	**75,000**
	45.5	27 September2022	350,000	—	—	—	—	**350,000**
	22.25	10 December 2023	—	50,000	—	—	—	**50,000**
			3,101,684	50,000	—	(150,000)	—	**3,001,684**

All options can be exercised at various dates up to 10 December 2023.

Directors' indemnities

The Group 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 Directors have prepared the consolidated financial statements on a going concern basis after reviewing the Group's cash position for the period to 31 December 2015 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the Directors have acknowledged the challenging and uncertain market the Group is operating in. Over 2013 gold prices varied between $1,199/oz and $1,694/oz and 2014 has seen the depressed market continue, making budgeting difficult and reducing margins. Further, with the agitation leaching plant experiencing initial commissioning inefficiencies due to inconsistent feed grades and Gedabek suffering inclement weather over Q4 2013 and Q1 2014 the outlook remains challenging and uncertain.

Whilst the Group is forecasting to meet its required Debt Service Cover Ratio of 1.25 in the six months to 30 June 2014 the Group approached ATB Bank for a waiver to reduce the required ratio to 1.1 in this period as a precaution. ATB have provided this waiver. Breaching a covenant can ultimately result in the full loan balance being called upon immediately. The Group submitted a plan to ATB Bank outlining a number of actions it has taken, including the recent employment of a new Operations Director and Plant Manager, new SART management team and the installation of a Knelson concentrator which has already shown improvements. The Group does not need to make any principal repayments until 25 February 2015 and continues to forecast all interest and principal payments over the going concern period. Loans were previously paid ahead of their scheduled repayment dates in 2012 and 2013 and as a consequence, the Directors believe that the Group is well placed to manage its capital risks successfully under the current uncertain economic outlook.

Key to achieving the Group's forecast cash position, and therefore its going concern assumption, is achieving the forecast production and gold price assumptions. Should there be a moderate and sustained decrease in either the production or gold price assumptions, significant doubt would be cast over the Group's short term cash position. Under this circumstance, the Group would look to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The Group's assumptions are neither overly aggressive nor overly conservative and appropriate rigour and diligence has been performed by the Directors in approving the assumptions. This includes benchmarking forecast price assumptions against a range of broker forecasts and having an internal Qualified Person review and sign off on the mine plan and production estimates. The Directors therefore believe all assumptions are prepared on a realistic basis, using the best information available.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the Chairman's Statement on pages 4 to 6 and the Strategic Report on pages 7 to 10. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 12 to 14. In addition, note 23 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 its exposures to credit risk and liquidity risk.

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

Research and development

There were no research and development expenses incurred during the year (2012: US$nil).

All exploration related activities are disclosed in note 13 to the consolidated financial statements.

Substantial and significant shareholdings

As at 27 May 2014 the Company had been informed of the following holdings of 3% or more of the Company's issued share capital:

Shareholders	Number of ordinary shares	Holding %
Reza Vaziri	32,796,830	29.37
Khagani Bashirov	12,772,758	11.44
John Sununu	10,674,540	9.56
Limelight Industrial Developments	4,038,600	3.62

The number of shares in issue at this date was 111,683,972.

Directors' report continued

Financial instruments
Financial instruments are disclosed in note 23 to the consolidated financial statements.

Disclosure of information to auditor
Having made enquiries of fellow Directors, each Director confirms that so far as each Director is aware, there is no relevant audit information of which our auditor is unaware and each Director has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that our auditor is aware of that information.

Annual General Meeting
The Company will hold its next Annual General Meeting on 30 June 2014 at which this report and consolidated financial statements will be presented. Notification of the meeting has been sent along with this report.

Related party transactions
Related party transactions are disclosed in note 28 to the consolidated financial statements.

Auditor
Ernst & Young LLP was appointed as auditor of the Company for the year ended 31 December 2013. Ernst & Young LLP has expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Corporate governance
A report on corporate governance and compliance with provisions of the UK Corporate Governance code is set out on page 20.

Subsequent events
Subsequent events are disclosed in note 29 to the consolidated financial statements.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and have elected to prepare the financial statements of the Company (the parent company) in accordance with UK Generally Accepted Accounting Principles ('UK GAAP').

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

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

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

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

Statement of Directors' responsibilities continued

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Sean Duffy
Company Secretary
27 May 2014

Corporate governance

Introduction
Although the rules of AIM do not require the Company to comply with the UK Corporate Governance Code (the 'Code'), the Company fully supports the principles set out in the Code and will attempt to comply wherever possible, given both the size and resources available to the Company. Details are provided below of how the Company complies with the Code.

The Board
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 the recommended policy.

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

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

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

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

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

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

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

Shareholder relations
The Company meets with its institutional shareholders and analysts as appropriate and encourages communication with private shareholders via the Annual General Meeting ('AGM'). In addition, the Company uses the annual report and accounts, interim statement and website (www.angloasianmining.com) to provide further information to shareholders.

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

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

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

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

Independent auditor's report

to the members of Anglo Asian Mining PLC

We have audited the consolidated financial statements of Anglo Asian Mining PLC for the year ended 31 December 2013 which comprise the Consolidated statement of profit and loss, Consolidated statement of other comprehensive income, Consolidated statement of financial position, Consolidated statement of cash flows, Consolidated statement of changes in equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 18, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

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

Opinion on the consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Anglo Asian Mining PLC for the year ended 31 December 2013.

Steven Dobson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 May 2014

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

Consolidated statement of profit or loss

for the year ended 31 December 2013

	Notes	**Year ended 31 December 2013 US$**	Year ended 31 December 2012 US$
Revenue	5	**70,819,908**	73,521,389
Cost of sales	7	**(57,479,823)**	(37,445,377)
Gross profit		**13,340,085**	36,076,012
Other income	6	**518,803**	423,386
Administrative expenses		**(6,845,018)**	(5,915,352)
Other operating expense	6	**(1,877,579)**	(759,420)
Operating profit	7	**5,136,291**	29,824,626
Finance income	5	**34,221**	236,438
Finance costs	10	**(3,779,895)**	(1,510,085)
Profit before tax		**1,390,617**	28,550,979
Income tax expense	11	**(1,055,115)**	(9,183,734)
Profit for the period attributable to the equity holders of the parent		**335,502**	19,367,245
Earnings per share for the period attributable to the equity holders of the parent			
Basic earnings per share (cents per share)	12	**0.30**	17.41
Diluted earnings per share (cents per share)	12	**0.30**	17.26

Consolidated statement of other comprehensive income

for the year ended 31 December 2013

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Profit for the year	**335,502**	19,367,245
Total comprehensive income for the year	**335,502**	19,367,245
Attributable to the equity holders of the parent	**335,502**	19,367,245

Consolidated statement of financial position
as at 31 December 2013

	Notes	As at 31 December 2013 US$	As at 31 December 2012 US$
Non-current assets			
Intangible assets	13	**21,156,928**	22,828,092
Property, plant and equipment	14	**115,634,038**	87,877,035
Non-current inventory	18	**3,313,626**	—
Non-current prepayments	15	**352,522**	2,683,673
		140,457,114	113,388,800
Current assets			
Trade receivables and other assets	17	**7,901,036**	10,482,147
Inventories	18	**28,741,822**	36,427,632
Cash and cash equivalents	19	**5,488,773**	2,410,730
		42,131,631	49,320,509
Total assets		**182,588,745**	162,709,309
Current liabilities			
Trade and other payables	20	**(7,060,607)**	(11,612,591)
Interest-bearing loans and borrowings	21	**(2,031,141)**	(1,820,999)
		(9,091,748)	(13,433,590)
Net current assets		**33,039,883**	35,886,919
Non-current liabilities			
Provision for rehabilitation	22	**(7,356,669)**	(4,622,916)
Interest-bearing loans and borrowings	21	**(48,990,283)**	(28,938,750)
Deferred tax liability	11	**(20,400,014)**	(19,344,899)
		(76,746,966)	(52,906,565)
Total liabilities		**(85,838,714)**	(66,340,155)
Net assets		**96,750,031**	96,369,154
Equity			
Share capital	24	**1,973,129**	1,973,129
Share premium account		**32,172,575**	32,172,575
Share-based payment reserve		**734,794**	731,870
Merger reserve	24	**46,206,390**	46,206,390
Retained earnings		**15,663,143**	15,285,190
Total equity		**96,750,031**	96,369,154

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 May 2014. They were signed on its behalf by:

Reza Vaziri
Chief Executive

Consolidated statement of cash flows
for the year ended 31 December 2013

	Notes	**Year ended 31 December 2013 US$**	Year ended 31 December 2012 US$
Net cash provided by operating activities	25	**19,828,254**	24,917,609
Investing activities			
Expenditure on property, plant and equipment and mine development		**(31,493,772)**	(46,918,313)
Investment in exploration and evaluation assets including other intangible assets		**(308,204)**	(1,645,147)
Interest received		**34,221**	147,400
Net cash used in investing activities		**(31,767,755)**	(48,416,060)
Financing activities			
Purchase of own shares		**—**	38,326
Proceeds from borrowings	21	**60,951,478**	29,326,689
Repayments of borrowings	21	**(40,746,387)**	(11,220,000)
Interest paid		**(5,187,548)**	(2,174,428)
Net cash provided in financing activities		**15,017,543**	15,970,587
Net increase/(decrease) in cash and cash equivalents		**3,078,043**	(7,527,864)
Cash and cash equivalents at the beginning of the year	19	**2,410,730**	9,938,594
Cash and cash equivalents at the end of the year	19	**5,488,773**	2,410,730

Consolidated statement of changes in equity
for the year ended 31 December 2013

	Notes	Share capital US$	Share premium US$	Share-based payment reserve US$	Merger reserve US$	Retained earnings/ (accumulated loss) US$	Total equity US$
At 1 January 2012		1,967,704	32,139,674	648,789	46,206,390	(4,094,621)	76,867,936
Profit for the year		—	—	—	—	19,367,245	19,367,245
Total comprehensive income		—	—	—	—	19,367,245	19,367,245
Shares issued	24	5,425	32,901	—	—	—	38,326
Options exercised during the year	26	—	—	(12,566)	—	12,566	—
Share-based payment charge during the year	26	—	—	95,647	—	—	95,647
At 31 December 2012		1,973,129	32,172,575	731,870	46,206,390	15,285,190	96,369,154
Profit for the year		—	—	—	—	335,502	335,502
Total comprehensive income		—	—	—	—	335,502	335,502
Shares issued	24	—	—	—	—	—	—
Fair value of forfeited options		—	—	(42,451)	—	42,451	—
Share-based payment charge during the year	26	—	—	45,375	—	—	45,375
At 31 December 2013		**1,973,129**	**32,172,575**	**734,794**	**46,206,390**	**15,663,143**	**96,750,031**

Notes to the consolidated financial statements

for the year ended 31 December 2013

1. Going concern

The Directors have prepared the consolidated financial statements on a going concern basis after reviewing the Group's cash position for the period to 31 December 2015 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the Directors have acknowledged the challenging and uncertain market the Group is operating in. Over 2013 gold prices varied between $1,199/oz and $1,694/oz and 2014 has seen the depressed market continue, making budgeting difficult and reducing margins. Further, with the agitation leaching plant experiencing initial commissioning inefficiencies due to inconsistent feed grades and Gedabek suffering inclement weather over Q4 2013 and Q1 2014 the outlook remains challenging and uncertain.

Whilst the Group is forecasting to meet its required Debt Service Cover Ratio of 1.25 in the six months to 30 June 2014 the Group approached ATB Bank for a waiver to reduce the required ratio to 1.1 in this period as a precaution. ATB have provided this waiver. Breaching a covenant can ultimately result in the full loan balance being called upon immediately. The Group submitted a plan to ATB Bank outlining a number of actions it has taken, including the recent employment of a new Operations Director and Plant Manager, new SART management team and the installation of a Knelson concentrator which has already shown improvements. The Group does not need to make any principal repayments until 25 February 2015 and continues to forecast all interest and principal payments over the going concern period. Loans were previously paid ahead of their scheduled repayment dates in 2012 and 2013 and as a consequence, the Directors believe that the Group is well placed to manage its capital risks successfully under the current uncertain economic outlook.

Key to achieving the Group's forecast cash position, and therefore its going concern assumption, is achieving the forecast production and gold price assumptions. Should there be a moderate and sustained decrease in either the production or gold price assumptions, significant doubt would be cast over the Group's short term cash position. Under this circumstance, the Group would look to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The Group's assumptions are neither overly aggressive nor overly conservative and appropriate rigour and diligence has been performed by the Directors in approving the assumptions. This includes benchmarking forecast price assumptions against a range of broker forecasts and having an internal Qualified Person review and sign off on the mine plan and production estimates. The Directors therefore believe all assumptions are prepared on a realistic basis, using the best information available.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the Chairman's Statement on pages 4 to 6 and the Strategic Report on pages 7 to 10. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 12 to 14. In addition, note 23 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 its exposures to credit risk and liquidity risk.

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

2. General information

Anglo Asian Mining PLC (the 'Company') is a public limited company incorporated and operating in the UK under the Companies Act 2006. The Group's ordinary shares are traded on the Alternative Investment Market ('AIM') of the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 7 to 10.

These consolidated 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

The consolidated financial statements of the Group are presented as required by the Companies Act 2006 and were approved for issue on 27 May 2014. These consolidated financial statements, for the year ended 31 December 2013 and 31 December 2012, are prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the EU. The consolidated financial statements have also been prepared in accordance with International Financial Reporting Interpretations Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention unless described otherwise in the accounting policy below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

3. Significant accounting policies continued

Changes in accounting policies, new standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following new amendment to the standards adopted by the Group on 1 January 2013:

IAS 16 'Property, Plant and Equipment'
The improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory and became effective for financial years beginning on or after 1 January 2013. The application of IAS 16 did not impact the Group's financial position or performance.

IAS 19 'Employee Benefits'
The most fundamental change of the numerous amendments made to IAS 19 is to remove the so-called 'corridor approach' and to require the recognition of all actuarial gains and losses from the re-measurement of the defined benefit obligation and the fair values of the plan assets in other comprehensive income in the current period. The application of IAS 19 did not impact the Group's financial position or performance.

IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'
IFRIC 20 now clarifies when an entity should recognise production phase waste removal (stripping) costs (production stripping costs) incurred in relation to a surface mining operation, as an asset. Such an asset will be referred to as a stripping activity asset. The interpretation is effective for annual reporting periods beginning on or after 1 January 2013 and has impacted the way in which the Group accounts for production stripping costs.

The Group's surface mining operations have been concentrated on Gedabek mine since start of production phase in 2009. The Group had previously accounted for production stripping costs using the life–of-mine average strip ratio approach (explained above).

There was no deferred stripping balance related to Gedabek as at 1 January 2012.

The adoption of IFRIC 20 resulted in recognition of deferred stripping asset in amount of US$2,877,584 as at 31 December 2013 and had no impact on the Group's financial position at the transition date of 1 January 2012 and results of its operations, cash flows and earnings per share for the year ended 31 December 2012.

IFRS 13 'Fair Value Measurement'
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values – in particular its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 1 'First-Time Adoption of International Financial Reporting Standards' (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters;
- IFRS 7 'Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements'; and
- IAS 1 'Financial Statement Presentation' – presentation of items of other comprehensive income the amended standard became effective for financial years beginning on or after 1 July 2012. The amendment requires the grouping of items in other comprehensive income based on whether they will be potentially reclassifiable to profit or loss at a future point of time or whether they will never be reclassified.

New standards and amendments issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below are those that the Group reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 'Financial Instruments'
The standard has been issued as the IASB completes each phase of its project to replace IAS 39. The first elements of IFRS 9 were issued in November 2009 and October 2010 to replace the parts of IAS 39 that relate to the classification and measurement of financial instruments. In November 2013 an amendment was issued to address hedge accounting and to remove the previously determined effective date of 1 January 2015. Instead, the IASB proposes to set the effective date of IFRS 9 when it completes the impairment phase of the project. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

3. Significant accounting policies continued

New standards and amendments issued, but not yet effective continued

IFRS 10 'Consolidated Financial Statements'

The new standard provides additional guidance to assist in the determination of which entities are controlled and are required to be consolidated. This standard replaces the portion of IAS 27 'Consolidated and Separate Financial Statements' that addresses the accounting for consolidated financial statements. The IASB implementation date is for periods beginning on or after 1 January 2013 whereas the standard becomes mandatory in the EU only for annual periods beginning on or after 1 January 2014. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected.

IFRS 11 'Joint Arrangements'

The new standard replaces IAS 31 'Interests in Joint Ventures' and SIC 13 Jointly Controlled Entities – 'Non-monetary Contributions by Venturers'. The IASB implementation date is for periods beginning on or after 1 January 2013 whereas the standard becomes mandatory in the EU only for annual periods beginning on or after 1 January 2014. The standard defines contractually agreed sharing of control of an arrangement and the accounting for joint operations and joint ventures. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected.

IFRS 12 'Disclosure of Involvement With Other Entities'

The new standard covers the disclosures that were previously required in consolidated financial statements under IAS 27 'Consolidated and Separate Financial Statements' as well as those included in IAS 31 'Interests in Joint Ventures' and IAS 28 'Investments in Associates'. The IASB implementation date is for periods beginning on or after 1 January 2013 whereas the standard becomes mandatory in the EU only for annual periods beginning on or after 1 January 2014.

The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected.

IAS 19 'Employee Benefits – Defined Benefit Plans: Employee Contributions'

The amendment to the standard was issued in November 2013 and becomes effective for financial years beginning on or after 1 July 2014. The amendment provides guidance in respect of the accounting for employee contributions set out in the formal terms of a defined benefit plan. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected.

IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'

The amendments clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. The amendments are not effective until annual periods beginning on or after 1 January 2014 with retrospective application. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected.

IAS 36 'Impairment of Assets – Recoverable Amount Disclosures'

The amendment to the standard was issued in May 2013 and becomes effective for financial years beginning on or after 1 January 2014. The amendment removes the requirement to disclose recoverable amounts when there has been no impairment or reversal of impairment. Further to that, the disclosure requirements have been aligned with those under US GAAP for impaired assets. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected.

Significant accounting judgements, estimates and assumptions

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

Ore reserves and resources

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

3. Significant accounting policies continued

Significant accounting judgements, estimates and assumptions continued

Exploration and evaluation expenditure (note 13)
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee ('JORC') resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the consolidated statement of profit or loss in the period when the new information becomes available.

Inventories (note 18)
Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale.

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

Stockpile tonnages are verified by periodic surveys.

Impairment of tangible and intangible assets (note 13 and 14)
The assessment of tangible and intangible assets for any internal and external indications of impairment involves judgement. Each reporting period, the Group assess whether there are indicators of impairment, if indicated than a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. Determining whether the projects are impaired requires an estimation of the 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.

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

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

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

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Mine rehabilitation provision (note 22)
The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the consolidated statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 'Property, Plant and Equipment'.

Recovery of deferred tax assets (note 11)
Judgement is required in determining whether deferred tax assets are recognised on the consolidated statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

3. Significant accounting policies continued

Revenue recognition

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

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

The following criteria are also met in specific revenue transactions:

Gold bullion and copper concentrate sales

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

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

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on average prevailing spot prices during a specified future period after shipment to the customer (the 'quotation period').

The provisionally priced sales of metal in concentrate contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. Accordingly the embedded derivative, which does not qualify for hedge accounting, is recognised at fair value, with subsequent changes in the fair value recognised in profit or loss each period until final settlement, and presented as 'Other income'. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for gold and copper.

Interest revenue

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

Leases

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

Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight line basis over the lease term.

The Group had no finance leases during 2013 and 2012.

Taxation

Current and deferred income taxes

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

Deferred tax assets are not recognised in respect of temporary differences relating to tax losses where there is insufficient evidence that the asset will be recovered. Unrecognised deferred tax assets are reassessed at each consolidated statement of financial position 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 consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the consolidated statement of financial position date.

3. Significant accounting policies continued

Taxation continued

Value-added taxes ('VAT')

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

Transactions with related parties

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

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

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

Borrowing costs

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

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

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.

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

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

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

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

Mining rights

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

Notes to the consolidated financial statements continued
for the year ended 31 December 2013

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Property, plant and equipment and mine properties
Development expenditure is net of proceeds from all but the incidental sale of ore extracted during the development phase.

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

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

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

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

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

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

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

- Temporary buildings – eight years (2012: eight years)
- Plant and equipment – eight years (2012: eight years)
- Motor vehicles – four years (2012: four years)
- Office equipment – four years (2012: four years)
- Leasehold improvements – eight years (2012: eight years)

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

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

3. Significant accounting policies continued

Property, plant and equipment and mine properties continued

Major maintenance and repairs

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

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

Impairment of tangible and intangible assets

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

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

Impairment losses related to continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

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

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

Provisions

General

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

Rehabilitation provision

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

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

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

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

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

3. Significant accounting policies continued

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

Trade and other receivables

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

Derecognition

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

3. Significant accounting policies continued

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Trade and other payables and contractual provisions

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

Loans and borrowings

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

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

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

Derecognition

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

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

Non-current prepayments

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

Inventories

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

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

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

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

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

3. Significant accounting policies continued

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.

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

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

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

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

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

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

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

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 consolidated statement of profit or loss.

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

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

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

4. Segment information

The Group determines and presents operating segments based on the information that is internally provided to the Group's chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors that makes the strategic decisions. The Board currently considers the business from a consolidated perspective and reviews the business based on the operating and exploration assets of the Group.

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

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

Year ended 31 December 2013	Mining operations US$	Exploration sites US$	Other/ corporate US$	**Total US$**
Sales	70,819,908	—	—	**70,819,908**
Cost of sales	(57,479,823)	—	—	**(57,479,823)**
Gross profit	13,340,085	—	—	**13,340,085**
Other income	—	—	518,803	**518,803**
Administration expenses	(62,528)	—	(6,782,490)	**(6,845,018)**
Other operating expenses	(1,331,337)	—	(546,242)	**(1,877,579)**
Operating profit	11,946,220	—	(6,809,929)	**5,136,291**
Finance income	—	—	34,221	**34,221**
Finance costs	(3,779,895)	—	—	**(3,779,895)**
Profit before tax	8,166,325	—	(6,775,708)	**1,390,617**
Income tax expense	(2,517,970)	(70,702)	1,533,557	**(1,055,115)**
Profit for the period attributable to the equity holders of the parent	5,648,355	(70,702)	(5,242,151)	**335,502**
Total assets as of 31 December 2013	178,615,831	2,904,534	1,068,380	**182,588,745**

Year ended 31 December 2012	Mining operations US$	Exploration sites US$	Other/ corporate US$	Total US$
Sales	73,521,389	—	—	73,521,389
Cost of sales	(37,445,377)	—	—	(37,445,377)
Gross profit	36,076,012	—	—	36,076,012
Other income	146,830	—	276,556	423,386
Administration expenses	(33,399)	—	(5,881,953)	(5,915,352)
Other operating expenses	(512,530)	—	(246,890)	(759,420)
Operating profit	35,676,913	—	(5,852,287)	29,824,626
Finance income	—	—	236,438	236,438
Finance costs	(1,510,085)	—	—	(1,510,085)
Profit before tax	34,166,828	—	(5,615,849)	28,550,979
Income tax expense	(9,851,999)	(453,045)	1,121,310	(9,183,734)
Profit for the period attributable to the equity holders of the parent	24,314,829	(453,045)	(4,494,539)	19,367,245
Total assets as of 31 December 2012	157,615,070	2,683,589	2,410,650	162,709,309

Liabilities are reviewed on a consolidated basis and therefore not reviewed separately.

5. Revenue

The Group's revenue consists of gold bullion and copper concentrate sold to the third-party customers. Revenue from sales of gold and silver content in gold bullion was US$ 63,906,406 and US$479,140 respectively (2012: US$70,931,739 and US$515,105). Revenue from sales of copper concentrate was US$6,434,362 (2012: US$2,074,545).

Finance income of US$34,221 in 2013 represents cash deposit interest received during the year (2012: US$236,438).

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for the year ended 31 December 2013

6. Other operating expenses and income
Other operating income relates to the income generated as a result of release of accruals/provisions during 2013 and 2012.

Other operating expenses consist of metal refining costs, foreign currency exchange loss and miscellaneous operating expenses. Foreign currency exchange loss comprised US$294,896 in 2013 (2012: $nil).

7. Operating profit

	Notes	**Year ended 31 December 2013 US$**	Year ended 31 December 2012 US$
Operating profit is stated after charging:			
Depreciation on property, plant and equipment – owned	14	**10,681,744**	8,533,526
Amortisation of mining rights and other intangible assets	13	**1,687,004**	1,802,647
Employee benefits and expenses	9	**10,138,790**	8,504,967
Net foreign currency exchange loss		**341,807**	264,851
Inventory expensed during the year		**36,959,636**	16,664,441
Operating lease expenses		**360,289**	328,491
The analysis of auditor's remuneration is as follows:			
Fees payable to the Group's auditor for the audit of the Group's annual accounts		**129,100**	139,625
The audit of the Group's subsidiaries pursuant to legislation		**118,800**	118,800
Total audit fees		**247,900**	258,425
Amounts paid to auditor for other services:			
Tax services		**9,000**	9,000
Audit related assurance services		**5,000**	5,000
Total non-audit services		**14,000**	14,000

There were no non-cancellable operating lease and sublease arrangements during 2013 and 2012.

The audit fees for the parent company were US$49,900 (2012: US$40,300).

8. Remuneration of Directors

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

Directors' fees and consultancy fees for 2013 included above were paid in cash. No gain was realised by Directors as a result of options exercising during 2013 (2012: $nil).

Year ended 31 December 2012	Consultancy US$	Fees US$	Benefits US$	Total US$
Richard Round	—	51,620	—	51,620
John Sununu	—	75,425	—	75,425
Khosrow Zamani	—	127,032	—	127,032
Reza Vaziri	371,111	51,620	42,000	464,731
John Monhemius	14,400	51,620	—	66,020
Total	385,511	357,317	42,000	784,828

Directors' fees and consultancy fees for 2012 included above were paid in cash.

9. Staff numbers and costs

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

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
Management and administration	**49**	54
Exploration	**39**	31
Mine operations	**467**	481
Total	**555**	566

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Wages and salaries	**8,998,214**	7,989,312
Share-based payments	**45,375**	95,647
Social security costs	**1,978,943**	1,861,739
	11,022,532	9,946,698
Less: salary costs capitalised as exploration, evaluation development, fixed asset and inventory expenditure	**(883,742)**	(1,441,731)
Total employee costs	**10,138,790**	8,504,967

Remuneration of key management personnel

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

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Short-term employee benefits	**1,261,672**	772,809
Share-based payment	**45,375**	95,647
	1,307,047	868,456

10. Finance costs

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Interest charged on interest-bearing loans and borrowings	**5,244,133**	1,786,596
Finance charges on letters of credit and accretion expenses	**429,507**	243,265
Interest capitalised during the period	**(1,893,745)**	(519,776)
Total finance cost	**3,779,895**	1,510,085

Interest on interest-bearing loans and borrowings represents charges incurred on credit facilities with the International Bank of Azerbaijan ('IBA'), the Amsterdam Trade Bank N.V. ('ATB') and Atlas Copco Customer Finance AB.

Where a portion of the loans has been used to finance the construction and purchase of assets of the Group ('qualifying assets'), the interest on that portion of the loans has been capitalised up until the time the assets were substantially ready for use. US$1,893,745 (2012: US$519,776) of interest on new loans from IBA obtained for construction of the Agitation Leach Plant in Gedabek was capitalised in 2013 (note 14).

Notes to the consolidated financial statements continued

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11. Taxation

Corporation tax is calculated at 32% (as stipulated in the PSA for RVIG in the Republic of Azerbaijan, the entity that contributes most significant portion of profit before tax in the Group consolidated financial statements) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Deferred income taxes arising in RVIG are recognised and fully disclosed in these consolidated financial statements. RVIG's unutilised tax losses comprised US$5,108,117 as of 31 December 2013 (2012: $nil).

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

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Current income tax:		
Current income tax charge	**—**	2,300,404
Deferred tax:		
Relating to origination and reversal of temporary differences	**1,055,115**	6,883,330
Income tax expense reported in the consolidated statement of profit or loss	**1,055,115**	9,183,734

Deferred income tax at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated income statement of profit and loss	
	As at 31 December 2013 US$	As at 31 December 2012 US$	**Year ended 31 December 2013 US$**	Year ended 31 December 2012 US$
Deferred income tax liability:				
Property, plant and equipment – accelerated depreciation	**(16,778,988)**	(10,635,606)	**(6,143,382)**	(4,088,926)
Non-current prepayments	**(112,807)**	(878,554)	**765,747**	(785,021)
Trade and other receivables	**(1,323,542)**	(1,305,818)	**(17,724)**	(812,494)
Inventories	**(8,819,502)**	(10,458,306)	**1,638,804**	(2,904,614)
Deferred tax liability	**(27,034,839)**	(23,278,284)		
Deferred income tax asset:				
Trade and other payables and provisions*	**1,751,238**	2,454,052	**(702,814)**	1,004,390
Asset retirement obligation*	**2,354,134**	1,479,333	**874,801**	703,335
Interest-bearing loans and borrowings*	**894,856**	—	**894,856**	
Carry forward losses**	**1,634,597**	—	**1,634,597**	—
Deferred tax asset	**6,634,825**	3,933,385		
Deferred income tax expense			**(1,055,115)**	(6,883,330)
Net deferred tax liability	**(20,400,014)**	(19,344,899)		

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

** Deferred tax assets have been recognised for the carry-forward of unused tax losses to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses can be utilised.

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Profit before tax	**1,390,617**	28,550,979
Theoretical tax charge at statutory rate of 32% for RVIG*	**444,997**	9,136,313
Effects of different tax rates for certain Group entities (28%)	**60,536**	44,170
Tax effect of items which are not deductible or assessable for taxation purposes:		
– losses in jurisdictions that are exempt from taxation	**5,847**	3,768
– non-deductible expenses	**609,752**	456,120
– non-taxable income	**(66,017)**	(163,976)
Unrecognised deferred tax assets	**—**	—
Benefit from unrecognised deferred tax assets of previous years	**—**	(292,661)
Income tax expense for the year	**1,055,115**	9,183,734

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

11. Taxation continued

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

At the balance sheet date, the Group has unused tax losses of US$15,258,788 (2012: US$7,913,323) available for offset against future profits. Unused tax losses in the Republic of Azerbaijan were US$5,108,117 (2012: $nil) in 2013. No deferred tax assets have been recognised in respect of jurisdictions other than the Republic of Azerbaijan due to the uncertainty of future profit streams.

12. Earnings per share

The basic earnings per share of 0.30 cents (2012: 17.41 cents) has been based on a weighted average number of shares in issue of 111,397,307 (2012: 111,238,129) and a net profit of US$335,502 (2012: net profit of US$19,367,245).

Dilutive earnings per share of 0.30 cents for 2013 (2012: 17.26 cents) has been based on 112,233,035 (2012: 112,219,871), the weighted average number of shares determined based on the dilutive effects of 835,728 (2012: 981,742) share options exercisable as of 31 December 2013.

13. Intangible assets

Exploration and evaluation assets

	Gedabek US$	Ordubad US$	Total US$
Cost			
As at 1 January 2012	4,946,919	2,173,640	7,120,559
Additions	905,817	509,949	1,415,766
Transfer to property, plant and equipment (note 14)	(5,852,736)	—	(5,852,736)
As at 31 December 2012	—	2,683,589	2,683,589
Additions	—	220,945	220,945
As at 31 December 2013	**—**	**2,904,534**	**2,904,534**

Mining rights and other intangible assets

	Mining rights US$	Other intangible assets US$	Total US$
Cost			
As at 1 January 2012	41,925,262	443,201	42,368,463
Additions	—	229,770	229,770
As at 31 December 2012	41,925,262	672,971	42,598,233
Additions	—	87,259	87,259
Reclassification	—	(292,364)	(292,364)
As at 31 December 2013	**41,925,262**	**467,866**	**42,393,128**
Amortisation and impairment*			
As at 1 January 2012	(20,492,851)	(158,232)	(20,651,083)
Charge for the year	(1,767,344)	(35,303)	(1,802,647)
As at 31 December 2012	(22,260,195)	(193,535)	(22,453,730)
Charge for the year	(1,648,376)	(38,628)	(1,687,004)
As at 31 December 2013	**(23,908,571)**	**(232,163)**	**(24,140,734)**
Net book value			
As at 31 December 2012	19,665,067	479,436	20,144,503
As at 31 December 2013	**18,016,691**	**235,703**	**18,252,394**

* An amount of 621,170 ounces of recoverable gold has been used during 2013 (2012: 609,000 ounces) to determine depreciation on accumulated mining rights and other intangible assets.

Land compensation costs in the amount of $292,364 were reclassified to 'Producing mines' within 'Property, plant and equipment' during 2013 (2012: $nil).

Notes to the consolidated financial statements continued

for the year ended 31 December 2013

14. Property, plant and equipment

	Temporary buildings US$	Plant and equipment US$	Producing mines US$	Motor vehicles US$	Office equipment US$	Leasehold improvements US$	Assets under construction US$	Total US$
Cost								
As at 1 January 2012	316,357	7,269,929	54,143,559	756,946	2,580,925	455,105	8,462,183	73,985,004
Capitalisation of interest (note 10)	—	—	—	—	—	—	519,776	519,776
Additions	7,377	1,202,315	—	222,109	225,246	—	42,819,037	44,476,084
Transfer to producing mines	—	—	18,581,802	—	—	—	(18,581,802)	—
Transfer from evaluation and exploration assets (note 13)	—	—	—	—	—	—	5,852,736	5,852,736
Increase in provision for rehabilitation	—	—	2,012,295	—	—	—	—	2,012,295
As at 31 December 2012	323,734	8,472,244	74,737,656	979,055	2,806,171	455,105	39,071,930	126,845,895
Capitalisation of interest (note 10)	—	—	—	—	—	—	1,893,745	1,893,745
Additions	—	5,679,529	4,505,622	21,293	538,069	48,050	23,032,359	33, 824,922
Transfer to producing mines	—	—	53,244,491	—	—	—	(53,244,491)	—
Transfer from other intangible assets	—	—	292,364	—	—	—	—	292,364
Increase in provision for rehabilitation	—	—	2,427,716	—	—	—	—	2,427,716
As at 31 December 2013	**323,734**	**14,151,773**	**135,207,849**	**1,000,348**	**3,344,240**	**503,155**	**10,753,543**	**165,284,642**
Depreciation and impairment*								
As at 1 January 2012	(229,192)	(3,016,620)	(25,220,657)	(453,102)	(1,152,530)	(363,233)	—	(30,435,334)
Charge for the year	(40,005)	(1,080,732)	(6,843,214)	(166,939)	(355,294)	(47,342)	—	(8,533,526)
As at 31 December 2012	(269,197)	(4,097,352)	(32,063,871)	(620,041)	(1,507,824)	(410,575)	—	(38,968,860)
Charge for the year	(30,010)	(1,283,940)	(8,967,881)	(128,623)	(266,692)	(4,598)	—	(10,681,744)
As at 31 December 2013	**(299,207)**	**(5,381,292)**	**(41,031,752)**	**(748,664)**	**(1,774,516)**	**(415,173)**	**—**	**(49,650,604)**
Net book value								
As at 31 December 2012	54,537	4,374,892	42,673,785	359,014	1,298,347	44,530	38,189,247	87,877,035
As at 31 December 2013	**24,527**	**8,770,481**	**94,176,097**	**251,684**	**1,569,724**	**87,982**	**10,753,543**	**115,634,038**

* An amount of 621,170 ounces of recoverable gold has been used during 2013 (2012: 609,000 ounces) to determine depreciation on accumulated mine development costs.

Upon completion of construction and launch of Agitation Leaching Plant in June 2013, respective accumulated expenses of US$53,244,491 have been transferred from assets under construction to producing mines category of the property, plant and equipment.

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

The capital commitments by the Group have been disclosed in note 27.

15. Non-current prepayments

Non-current prepayments represent advances made to suppliers for fixed asset purchases.

16. Subsidiary undertakings

A list of all 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 as follows:

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

Details of all the Company's subsidiaries at 31 December 2013 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

There has been no change in the subsidiary undertakings from 2012.

17. Trade receivables and other assets

	As at 31 December 2013 US$	As at 31 December 2012 US$
Gold held and transferable to the Government to satisfy obligations	**1,413,408**	3,831,200
VAT refund due	**792,398**	1,706,233
Other tax receivable	**456,147**	462,462
Trade receivables	**168,680**	1,055,058
Prepayments and advances	**4,093,238**	3,427,194
Advance payment for profit tax	**977,165**	—
	7,901,036	10,482,147

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

The VAT refund due at 31 December 2013 and 2012 relates to VAT paid on purchases.

The gold bullion held and transferable to the Government relates to bullion held by the Group for which it owes to the Government. The Group holds the Government's share of the product from its mining activities and from time to time transfers that product to the Government. A corresponding liability to the Government is included in trade and other payables shown in note 20.

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

18. Inventories

	As at 31 December 2013 US$	As at 31 December 2012 US$
At cost		
Finished goods – bullion	**1,844,506**	2,030,670
Finished goods – metal in concentrate	**470,695**	4,363,560
Metal in circuit	**13,034,885**	17,976,010
Ore stockpiles	**4,579,106**	7,457,165
Spare parts and consumables	**8,812,630**	4,600,227
Total current inventories	**28,741,822**	36,427,632
Non-current inventories ore stockpiles	**3,313,626**	—
Total inventories at the lower of cost and net realisable value	**32,055,448**	36,427,632

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

US$384,096 other operating expense was recognised during 2013 for write down of unrecoverable inventory (2012: $nil).

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

The Group's cash on hand and cash held within financial institutions (including short-term cash deposits) comprised US$174,414 and US$5,314,359, respectively (2012: US$197,842 and US$2,212,888).

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

20. Trade and other payables

	As at 31 December 2013 US$	As at 31 December 2012 US$
Accruals and other payables	**4,843,099**	6,273,853
Trade creditors	**553,348**	1,279,438
Gold held and transferable to the Government to satisfy obligations	**1,413,408**	3,831,200
Payable to the Government from copper concentrate joint sale	**250,752**	228,100
	7,060,607	11,612,591

Trade creditors primarily comprise amounts outstanding for trade purchases and on-going costs. Trade creditors are non-interest bearing and the creditor days were 25 (2012: 24). Accruals and other payables mainly consist of accruals made for accrued but not paid salaries, bonuses, related payroll taxes and social contributions, as well as services provided but not billed to the Group by the end of reported period. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

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

21. Interest-bearing loans and borrowings

	As at 31 December 2013 US$	As at 31 December 2012 US$
Loans from IBA	**11,501,231**	30,759,749
Loans from ATB	**36,696,644**	—
Loans from Atlas Copco	**2,823,549**	—
Total interest-bearing loans and borrowings	**51,021,424**	30,759,749
Loans repayable in less than one year	**2,031,141**	1,820,999
Loans repayable in more than one year	**48,990,283**	28,938,750

During 2013 the Group has withdrawn US$20,173,311 (2012: US$29,326,689) from IBA. The interest rate per the agreements is 12% per annum. Repayment of the loan principal begins after two years from the withdrawal date for each contract. The loan due to IBA has been partially repaid by the means of another loan obtained from Amsterdam Trade Bank ('ATB') during 2013.

During the year the Group has signed loan agreement with ATB accessing US$37,000,000 funds for the purposes of refinancing the loan due to IBA. Interest rate per the agreement with ATB is 8.25% per annum plus three months LIBOR rate. According to the terms of the loan agreement with ATB, the loan principal repayments start 16 months subsequent to loan principal drawdown. Starting December 2013, the Group's cash proceeds from MKS have been accumulated on the Company's current account at ATB. The amount of cash held on current account at ATB comprised US$764,889 as of 31 December 2013. According to the terms of pledge agreement signed with ATB, the Group has pledged to ATB its present and future rights and claims against MKS, the sole buyer of the Group's gold dorés until termination of the loan agreement.

US$36,629,993 was repaid by the Group to IBA in October 2013 using funds obtained from ATB. During the same year, additional repayments in the amount of US$3,095,999 have been made by the Group to IBA using operations generated funds.

During the year the Group has signed loan agreement in the amount US$3,718,790 with Atlas Copco for financing of mining equipment purchased for Gosha. The interest rate under this agreement is 8.47% per annum. During the year the Group has repaid US$1,020,395 of the loan amount.

22. Provision for rehabilitation

	2013 US$	2012 US$
Carrying amount as at 1 January	**4,622,916**	2,424,995
Change in estimate	**2,238,656**	1,937,331
Accretion expense	**306,037**	165,627
Effect of change in discount rate	**189,060**	94,963
Carrying amount as at 31 December	**7,356,669**	4,622,916

The Group is exposed to restoration, rehabilitation and environmental liabilities relating to its mining operations. Estimates of the cost of this work including reclamation costs, close down and pollution control are made on an on-going basis, based on the estimated life of the mine. A new estimation was made as a result of change of expected rehabilitation works due to new plant and certain changes in production process as a result of new agitation plant. This represents the net present value of the best estimate of the expenditure required to settle the obligation to rehabilitate any environmental disturbances caused by mining operations (US$8,638,487 undiscounted liability for 2013 and US$4,822,708 undiscounted liability for 2012, discounted using a risk free rate of 6.33% and 6.62% for 2013 and 2012, respectively, adjusted to the risks specific to liability). Expenditures on restoration and rehabilitation works are expected between 2022 and 2023.

23. Financial instruments

Financial risk management objectives and policies

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

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

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

The sensitivity has been prepared for the years ended 31 December 2013 and 2012 using the amounts of debt and other financial assets and liabilities held as at those reporting dates.

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Group has sufficient capital to fund 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 AIM, part of the London Stock Exchange, and loans from the IBA, ATB and other Azerbaijani banks. 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 other than limit for financial indebtedness with ATB which outlines that the Group will not incur financial indebtedness for more than US$30,000,000 or will obtain written prior approval from ATB. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 70%. The Group includes within net debt interest-bearing loans and borrowings, less cash and cash equivalents.

	As at 31 December 2013 US$	As at 31 December 2012 US$
Interest-bearing loans and borrowings (note 21)	**51,021,424**	30,759,749
Less cash and cash equivalents (note 19)	**(5,488,773)**	(2,410,730)
Net debt	**45,532,651**	28,349,019
Equity	**96,750,031**	96,369,154
Capital and net debt	**142,282,682**	124,718,173
Gearing ratio	**32%**	23%

23. Financial instruments continued

Interest rate risk

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

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

The Group has not used any interest rate swaps or other instruments to manage its interest rate profile during 2013 and 2012.

Interest rate sensitivity analysis

Interest rate sensitivity of the Group from reasonably possible movement in three month LIBOR rate is limited to US$185,000 (2012: $nil) negative and positive impact on the Group's profit before tax. Assumed movement is based on 0.5% increase/decrease in LIBOR on interest bearing loans from ATB.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, 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 21 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

Year ended 31 December 2013

	On demand US$	**Less than 3 months US$**	**3 to 12 months US$**	**1 to 5 years US$**	**> 5 years US$**	**Total US$**
Interest-bearing loans and borrowings	**—**	**1,703,872**	**5,048,011**	**57,841,649**	**—**	**64,593,532**
Trade and other payables	**1,664,322**	**5,313,406**	**—**	**—**	**—**	**6,977,728**
	1,664,322	**7,017,278**	**5,048,011**	**57,841,649**	**—**	**71,571,260**

Year ended 31 December 2012

	On demand US$	Less than 3 months US$	3 to 12 months US$	1 to 5 years US$	> 5 years US$	Total US$
Interest-bearing loans and borrowings	—	1,985,053	1,729,570	50,879,905	—	54,594,528
Trade and other payables	1,638,557	9,974,034	—	—	—	11,612,591
	1,638,557	11,959,087	1,729,570	50,879,905	—	66,207,119

Credit risk

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

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

Foreign currency risk

The presentational currency of the Group is 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	
	2013 US$	2012 US$	**2013 US$**	2012 US$
UK Sterling	**52,869**	52,000	**69,424**	66,140
Azerbaijan Manats	**3,679,105**	6,039,496	**1,851,259**	2,526,079
Other	**159,642**	128,786	**2,471**	1,027

23. Financial instruments continued

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 7.50%, 9.41% and 1.37% (2012: 8.85%, 10.62% and 3.82%) increase and decrease in the US Dollar against UK Sterling, Euro and Azerbaijani Manat, respectively. These are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for respective change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US Dollar strengthens by mentioned rates against the relevant currency. 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 Manat impact		Euro impact	
	2013 US$	2012 US$	**2013 US$**	2012 US$	**2013 US$**	2012 US$
Effect on profit before tax	**1,241**	1,251	**25,040**	134,213	**15,253**	13,799

Market risk

The Group's activities primarily expose it to the financial risks of changes in gold, silver and copper prices which have a direct impact on revenues. The Board monitors both the spot and forward price of these regularly and now that production is becoming more reliable will review the possibility of using forward contracts and derivative financial instruments to manage this risk.

A 10% decrease in gold price would result in a reduction in revenue of US$6,390,778 and a 10% increase in gold prices would have the equal and opposite effect. A 10% decrease in silver price would result in a reduction in revenue of US$47,914 and a 10% increase in silver prices would have an equal and opposite effect. A 10% decrease in copper price would result in a reduction in revenue of US$448,421 and a 10% increase in copper prices would have an equal and opposite effect.

24. Equity

	As at 31 December 2013 British Pound	As at 31 December 2012 British Pound
Authorised:		
600,000,000 ordinary shares of 1 pence each	**6,000,000**	6,000,000
	US$	US$
Issued and fully paid:		
111,397,307 ordinary shares of 1 pence each (2012: 111,397,307 ordinary shares of 1 pence each)	**1,973,129**	1,973,129

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

	Shares	US$
Ordinary shares issued and fully paid:		
At 1 January 2012	111,047,307	1,967,704
Exercise of stock options	350,000	5,425
At 31 December 2012	111,397,307	1,973,129
Exercise of stock options	—	—
At 31 December 2013	**111,397,307**	**1,973,129**

Share options

The Group has share option scheme under which options to subscribe for the Company's shares have been granted to certain Executives and senior employees (note 26).

Merger reserve

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

Retained earnings/(accumulated loss)

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2013

25. Notes to the cash flow statement

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Profit before tax	**1,390,617**	28,550,979
Adjustments for:		
Finance income	**(34,221)**	(236,438)
Finance costs (note 10)	**3,779,895**	1,510,085
Depreciation of property, plant and equipment (note 14)	**10,681,744**	8,533,526
Amortisation of mining rights and other intangible assets (note 13)	**1,687,004**	1,802,647
Share-based payment expense (note 26)	**45,375**	95,647
Write down of taxes receivable (note 17)	**—**	—
Write down of unrecoverable inventory (note 18)	**384,096**	—
Operating cash flows before movements in working capital	**17,934,510**	40,256,446
Decrease/(increase) in trade and other receivables	**1,156,862**	(3,870,981)
Decrease/(increase) in inventories	**3,988,088**	(9,126,449)
(Decrease)/increase in trade and other payables	**(2,451,206)**	252,306
Cash provided by operations	**20,628,254**	27,511,322
Income taxes paid	**(800,000)**	(2,593,713)
Net cash provided by operating activities	**19,828,254**	24,917,609

26. Share-based payments

Equity-settled share options

The Group operates a share option scheme for Directors and senior employees of the Group. 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 Group'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:

	2013		2012	
	Number of share options	**Weighted average exercise price Pence**	Number of share options	Weighted average exercise price Pence
Outstanding at the beginning of the year	**3,101,684**	**34**	3,101,684	34
Granted during the year	**50,000**	**22**	350,000	46
Lapsed during the year	**—**	**—**	—	—
Forfeited during the year	**(150,000)**	**35**	—	—
Exercised during the year	**—**	**—**	(350,000)	7
Outstanding at 31 December	**3,001,684**	**38**	3,101,684	38
Exercisable at 31 December	**2,701,684**	**38**	2,851,684	38

The options outstanding at 31 December 2013 had a weighted average exercise price of 38 pence (ranging from 11.5 pence to 97 pence) and a weighted average remaining contractual life of five years. 50,000 options (2012: 350,000 options) were granted in 2013. The aggregate of the estimated fair values of the options granted during 2013 is £5,445 (US$8,517) (2012: £46,943 or US$76,107).

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

Granted on 10 December 2013

Weighted average share price	£0.22
Weighted average exercise price	£0.22
Expected volatility for six months vesting period option	81%
Expected life for six months vesting period option	2 years
Risk-free rate	0.82%

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

The weighted average fair value of options granted on 10 December 2013 is £0.11 (US$0.18).

26. Share-based payments continued

Total share-based payment expense recognised by the Group

The Group recognised total expenses of US$45,375 and US$95,647 related to equity-settled share-based payment transactions in 2013 and 2012, respectively.

Shared-based payment charges for options forfeited during 2013 of the amount of US$42,450 (2012: $nil) were reclassified from share-based payment reserve to retained earnings.

No shared-based payment charges for options exercised incurred during 2013 (2012: US$12,566).

The cumulative amount recognised in equity relating to share-based payments at the consolidated statement of financial position date was US$734,794 (2012: US$731,870).

27. Contingencies and commitments

The Group undertakes its mining operations in the Republic of Azerbaijan pursuant to the provisions of the Agreement on the Exploration, Development and Production Sharing for the Prospective Gold Mining Areas: Gedabek, Gosha, Ordubad Group (Piazbashi, Agyurt, Shakardara, Kiliyaki), Soutely, Kyzilbulag and Vejnali Deposits dated 20 August 1997 (the 'PSA'). The PSA contains various provisions relating to the obligations of the R.V. Investment Group Services LLC ('RVIG'), a wholly owned subsidiary of the Company, with regards to the exploration and development programme, preparation and timely submission of reports to the Government, compliance with environmental and ecological requirements, etc. The Directors believe that RVIG is in compliance with the requirements of the PSA. The Group has announced a discovery on Gosha Mining Property in February 2011 and submitted the development programme to the Government according to the PSA requirements, which was approved in 2012. In April 2012 the Group announced a discovery on the Ordubad Group of Mining Properties and submitted the development programme to the Government for review and approval according to the PSA requirements.

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

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

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

There were no significant operating lease or capital lease commitments at 31 December 2013 (2012: $nil).

28. Related party transactions

Trading transactions

During the years 2013 and 2012, there were no trading transactions between Group companies.

Other related party transactions

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

a) Reza Vaziri retains an indirect interest in the lease of the office in Baku, the Republic of Azerbaijan. The cost of the lease in the year was US$93,752 (2012: US$93,616).

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

c) Remunerations paid to Directors are disclosed in note 8.

d) Total payments in amount of US$2,589,000 (2012: US$786,181) were made for equipment and spare parts purchased from Proses Muhendislik Danismanlik Inshaat ve Tasarim Anonim Shirket, the entity in which the Chief Technical Officer of Azerbaijan International Mining Company has a direct ownership interest.

   There is US$65,857 advance payment at year end in relation to the above related party transaction (2012: US$319,906).

e) Advance payments due from the Group's Chief Financial Officer which are subject to an annual interest rate of 12%, comprised US$178,106 as at 31 December 2013 (2012: US$ 138,527). Following the resignation of the Group CFO the advances are due for immediate repayment, a staged repayment agreement is being considered and documented. Reza Vaziri has provided a personal financial guarantee should the Group CFO default on the agreed capital and interest payment programme.

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

Notes to the consolidated financial statements continued
for the year ended 31 December 2013

29. Subsequent events

The following subsequent events relate to the period from 31 December 2013 to the date of approval of the consolidated financial statements on 20 May 2014.

The Company obtained US$1,025,000 short-term loan from Yapi Kredi Bank at the annual interest rate of 16% on 9 January 2014 and fully repaid it on 21 January 2014.

The Company obtained US$640,000 short-term loan from Yapi Kredi Bank at the annual interest rate of 16% on 18 March 2014 and fully repaid it on 14 May 2014.

In April 2014 the Group has signed a three-year sales contract with Industrial Minerals S.A., a Geneva-based integrated trading, mining and logistics group, for the latter's appointment as the Group's exclusive partner for sales of copper concentrate produced on Gedabek mine.

In May 2014 Reza Vaziri provided the Group with a short-term interest-free loan in the amount of US$200,000 due August 2014. In addition the Group has obtained credit line facility from IBA in the amount of US$1,500,000 in May, which was partially used. Credit line is provided at the annual interest rate of 12% and due within six months.

Independent auditor's report
to the members of Anglo Asian Mining PLC

We have audited the parent company financial statements of for the year ended 31 December 2013 which comprise the Company balance sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 18, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of Anglo Asian Mining plc for the year ended 31 December 2013.

Steven Dobson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 May 2014

Company balance sheet
as at 31 December 2013

	Notes	2013 US$	2012 US$
Non-current assets			
Tangible assets	3	**—**	14,217
Investments	4	**1,325,007**	1,325,007
		1,325,007	1,339,224
Current assets			
Debtors – amounts falling due within one year	6	**19,126,514**	20,501,869
Cash at bank and in hand	7	**895,003**	1,100,301
		20,021,517	21,602,170
Creditors: trade creditors and accruals	8	**(852,187)**	(937,660)
Net current assets		**19,169,330**	20,664,510
Net assets		**20,494,337**	22,003,734
Share capital and reserves			
Called up share capital	10,11	**1,973,129**	1,973,129
Share premium account	11	**32,172,575**	32,172,575
Accumulated loss	11	**(13,651,367)**	(12,141,970)
Capital employed		**20,494,337**	22,003,734

These financial statements were approved by the Board of Directors on 27 May 2014 and were signed on its behalf by:

Reza Vaziri
Chief Executive

Notes to the Company financial statements

for the year ended 31 December 2013

1. Significant accounting policies and going concern

1a. Going concern

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 2006 and were approved for issue on 27 May 2014.

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

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

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

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

Tangible assets

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

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

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

Investments

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

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.

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 US$1,509,397 (2012: US$1,100,259).

3. Tangible assets

	Office equipment US$
Cost	
As at 1 January 2013	94,885
Additions	–
As at 31 December 2013	**94,885**
Accumulated depreciation	
As at 1 January 2013	(80,668)
Charge for year	(14,217)
As at 31 December 2013	**(94,885)**
Net book value	
As at 31 December 2012	14,217
As at 31 December 2013	**—**

4. Investments

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Shares in subsidiary undertakings		
Anglo Asian Operations Limited	**1,325,007**	1,325,007

5. List of subsidiaries

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

Details of all the Company's subsidiaries at 31 December 2013 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

There has been no change in the subsidiary undertakings from 2012.

6. Debtors

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Amounts falling due within one year		
Prepayments	**22,395**	25,578
Advances paid	**195,576**	385,624
HMRC	**3,631**	43,031
Amounts owed by subsidiary undertakings	**18,904,912**	20,047,636
	19,126,514	20,501,869

7. Cash

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

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

8. Creditors

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Amounts falling due within one year		
Trade creditors	**32,212**	9,346
Accruals	**819,975**	928,314
	852,187	937,660

9. Deferred taxation

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
The elements of unrecognised deferred taxation are as follows:		
Tax losses	**2,104,236**	1,681,605
Unrecognised deferred tax asset	**2,104,236**	1,681,605

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

	2013		2012	
	Number	**£**	Number	£
Authorised				
Ordinary shares of 1 pence 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	**111,397,307**	**1,973,129**	111,047,307	1,967,704
At the end of the year	**111,397,307**	**1,973,129**	111,397,307	1,973,129

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 2013	1,973,129	32,172,575	(12,141,970)	22,003,734
Loss for the year	—	—	(1,554,772)	(1,554,772)
Share issue	—	—	—	—
Share-based payment	—	—	45,375	45,375
As at 31 December 2013	**1,973,129**	**32,172,575**	**(13,651,367)**	**20,494,337**

Shares issued during the year relate to those issued as a result of options exercise.

12. Share-based payments

Equity-settled share option scheme

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

13. Subsequent events

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

14. Auditor's remuneration

The Company paid US$49,900 (2012: US$40,300) to its auditor in respect of the audit of the financial statements of the Company. Fees paid to Ernst & Young LLP and their associates for non-audit services to the Company itself are not disclosed in the individual accounts of Anglo Asian Mining PLC because consolidated financial statements are prepared which are required to disclose such fees on a consolidated basis.

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