

Anglo Asian Mining PLC
Annual report and accounts 2015
Company number: 5227012

MONDAY



L5A0VMPE

LD2

27/06/2016

#87

COMPANIES HOUSE

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

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

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

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

Contents

Anglo Asian Mining PLC

- 1 Highlights
- 2 Anglo Asian Mining PLC
- 3 Azerbaijan
- 4 New flotation plant

Chairman's statement

- 5 Chairman's statement

Strategic report

- 7 Strategic report

Financial review

- 13 Financial review

Corporate governance

- 16 Board of directors
- 17 Directors' report
- 21 Report on directors' remuneration
- 23 Statement of directors' responsibilities
- 24 Corporate governance

Group financial statements

- 25 Independent auditor's report
- 26 Group income statement
- 26 Group statement of comprehensive income
- 27 Group statement of financial position
- 28 Group cash flow statement
- 29 Group statement of changes in equity
- 30 Notes to the Group financial statements

Discover more online

For the latest news and investor information, visit the Company's website at **www.angloasianmining.com**

Company financial statements

- 53 Company statement of financial position
- 54 Company statement of changes in equity
- 55 Notes to the Company financial statements

Annual general meeting

- 58 Letter to shareholders
- 59 Notice of annual general meeting of shareholders

Highlights

year ended 31 December 2015

Financial highlights

Revenue

\$78.1m

(2014: \$68.0m)

Average cash operating cost net of by-product credits

\$724 per oz

(2014: \$971 per oz)

Loss before taxation

\$8.9m

(2014: \$14.4m)

Operating cash flow before movements in working capital

\$18.6m

(2014: \$10.6m)

Net debt calculated as aggregate of loans and borrowings

\$49.0m

(2014: \$52.4m)

Operational highlights

- Strong production performance in 2015 with record gold production
- Total gold production in 2015 of 72,032 ounces, a 19 per cent. increase compared to 60,285 ounces produced in 2014
- Gold sales in 2015 of 63,924 ounces (2014: 50,615 ounces) completed at an average of \$1,161 per ounce (2014: \$1,267 per ounce)
- Flotation plant commenced production in the fourth quarter of 2015 with 578 dry metric tonnes of copper concentrate produced containing 130 tonnes of copper, 335 ounces of gold and 9,264 ounces of silver
- Gadir underground mine commenced production in 2015 with 37,880 tonnes of ore mined with an average grade of 7.98 grammes of gold per tonne
- Gold produced at an average cash operating cost net of by-product credits of \$724 per ounce (2014: \$971 per ounce). Lower average cash operating cost due to increase in production and lower costs
- Copper production for 2015 was 969 tonnes, a 24 per cent. increase compared to 784 tonnes produced in 2014
- Silver production totalled 28,628 ounces, an eight per cent. decrease compared to 31,177 ounces produced in 2014 due to changing mineralogy
- Production target of 73,000 to 77,000 ounces of gold and 1,700 to 2,100 tonnes of copper for full year 2016

Anglo Asian Mining PLC

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

The Company processes ore at Gedabek. Gold doré is produced by heap leach and by its agitation leaching plant. The Company produces a copper and precious metal concentrate from its flotation plant, which commenced production in 2015. A copper and precious metal concentrate is also produced by SART processing.

Gedabek

Gedabek is the Company's main mine site and the location of its processing operations. The Company mines from both open pit and underground mines. Situated at Gedabek is the Company's agitation leaching plant, SART processing facility and flotation plant. In 2015, 72,032 ounces of gold, 28,628 ounces of silver and 969 tonnes of copper were produced.

Mining in the Gedabek open pit.

View of the agitation leaching plant and completed flotation plant.

Agitation leach tanks.

Inside of the SART plant.

Anglo Asian Mining PLC

Gadir

Gadir is a new underground mine at the Gedabek site which commenced production in June 2015. 37,880 tonnes of ore were mined at an average grade of 7.98 grammes per tonne in 2015.

Entrance to the Gadir mine.

Inside of the Gadir decline showing wall and roof supports.

Front view of new MT2010 mine truck.

Rear view of new MT2010 mine truck.

Underground worker at rock face.

New ST7 Scooptram loader.

Azerbaijan

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

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

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

Anglo Asian Mining PLC

New flotation plant

The Company's new flotation plant started production in November 2015. The plant is producing a copper and precious metal concentrate. Feed for the flotation plant can be either tailings from the agitation leaching plant or fresh ore initially fed through a crushing and grinding circuit.

The flotation plant currently comprises two grinding mills, two conditioning tanks and six flotation cells, a thickener, eight cleaner cells, a concentrate collection tank and two filter presses. There are also an additional eight tanks for reagent handling and 12 smaller flotation cells which were constructed as part of the initial project to build a pilot plant.

The flotation plant's first full quarter of operation was the three months to 31 March 2016. During this quarter, 108,381 dry metric tonnes of agitation leaching plant tailing were processed by the plant. The gross metal contained within the feedstock was 3,146 ounces of gold, 64,612 ounces of silver and 570 tonnes of copper. 1,458 dry metric tonnes of copper concentrate were produced containing 777 ounces of gold, 24,595 ounces of silver and 251 tonnes of copper.

Outside view of the flotation plant.

Tailings feed pipe from the agitation leaching plant (rear). The pipe to the main tailings disposal pipe is in the foreground.

Inside of the flotation plant. The two conditioning tanks and six flotation cells are to the right and the 12 smaller flotation cells are to the left.

Two of the smaller flotation cells in production. On top of the two cells can be seen the 'froth' which is dewatered to form the concentrate.

The two filter presses which are used to produce the final concentrate.

Bags of concentrate awaiting shipment to the buyer.

Chairman's statement

Khosrow Zamani, Non-executive chairman

“Anglo Asian is now able to deliver long-term, sustainable value to shareholders...”

2015 was another important year for Anglo Asian where we demonstrated our ability as a mid-tier gold, copper and silver producer. I believe it marks the first stage in turning around your Company. The performance of our assets in Azerbaijan improved and we delivered record gold production of 72,032 ounces. With production increasing at Gedabek, together with the successful launch of our flotation plant in the fourth quarter of 2015, Anglo Asian is now able to deliver long-term, sustainable value to shareholders even during periods of low metal prices such as seen during 2015. The increase in metal prices seen since the beginning of 2016, together with the cost reduction and efficiency initiatives and the devaluation of the Azerbaijan Manat, will further enhance Anglo Asian's performance in the future.

Review of 2015 and 2016 to date

We reported total gold production for 2015 of 72,032 ounces, a 19 per cent. increase over 2014 of 60,285 ounces; copper production in 2015 was 969 tonnes, a 24 per cent. increase over 2014 of 784 tonnes. Production of silver, however, totalled 28,628 ounces for 2015, which was an 8 per cent. decrease over 2014 of 31,177 ounces, due to changes in the mineralogy of the ore. Whilst our gold and copper production in 2015 increased substantially, the global environment for mining companies remained poor. The difficulties experienced by mining companies in 2015 resulting from the low prices of many commodities were often headline news. Average gold and copper prices in 2015 were \$1,160 per ounce and \$5,494 per tonne respectively which were 8 per cent. and 20 per cent. lower respectively than in 2014.

Gold and silver prices since 1 January 2015 showing recent increase in 2016.

The increased gold production beneficially impacted our financial results for the year. The impact of the first revenues from flotation was limited in 2015, but is expected to enhance the results from 2016 onwards. Revenues increased from \$68.0 million to \$78.1 million and our cash costs reduced from \$971 to \$724 per ounce which resulted in the operating loss reducing to \$3.2 million from \$8.9 million in 2014. Cash provided by operating activities increased in the year to \$22.9 million from \$14.8 million in 2014. We serviced our debts on time with net principal and interest payments made in the year totalling \$23.1 million.

We continue to work on improving the efficiency of our production and to lower costs and in particular the management of mining contractors. Cyanide is now also being partially sourced from Georgia at lower prices and its shorter delivery lead time is enabling cyanide stocks to be reduced.

The ore mined at Gedabek was found to be noticeably harder in late 2015 and early 2016 and as a result the Company is planning to commission a second semi-autogenous ("SAG") mill in the agitation leaching plant in the third quarter of 2016 to improve productivity. This new SAG mill will eventually be redeployed in an expanded flotation plant. In March 2016, a new contract was signed with Industrial Minerals S.A. for the sale of copper concentrate produced from the flotation plant. This contract is on the same terms as the Company's existing contract with the exception of improved terms for any penalty due to the concentrate containing zinc.

Chairman's statement continued

Khosrow Zamani, Non-executive chairman

Review of 2015 and 2016 to date continued

We were very pleased to announce the completion of construction and first production and revenues from our flotation plant in the fourth quarter of 2015. The successful completion of this project to build a flotation plant in under two years and for \$4.5 million is a remarkable achievement and a credit to the technical staff of Anglo Asian and its contractors. Commissioning encountered a few teething problems, which is usual for such projects, but these have now been largely overcome. Initial production of concentrate also contained zinc, which is treated as a contaminant by the buyer. We are working very hard to mitigate this problem and are making good progress in reducing the zinc content of the concentrate produced. The Company is expected to benefit from a full year of production from the flotation plant in 2016.

During 2015, we were also pleased to announce the first ore mined from Gadir, an underground mine co-located on the Gedabek site. During 2015, 37,880 tonnes of ore grading 7.98 grammes per tonne of gold was extracted and processed. This ore is very amenable to leaching by our agitation leaching plant and is therefore prolonging the useful life of the plant. In March and April 2016, we took delivery of an underground drill machine, loader and truck from Atlas Copco which is expected to increase the productivity of the Gadir mine.

The first quarter of 2016 unfortunately saw a slow-down in production. Ordinarily, the first quarter of the year has always had lower production due to the difficult winter weather conditions. However, the harder rock that has been encountered together with its lower gold grade also adversely affected production. On the other hand, we were very pleased to report the first full quarter of production from the flotation plant. In the three months to 31 March, 2016 the flotation plant produced 1,458 dry metric tonnes of copper concentrate containing 251 metric tonnes of copper and 777 ounces and 24,595 ounces of gold and silver respectively.

We place our highest priority on our environmental responsibilities. A key responsibility is secure storage of tailings produced at Gedabek. In 2015, we approximately doubled the capacity of our tailings dam by raising the wall of the dam and increased security by building a reed bed biological treatment system immediately downstream of the dam to process any seepage. The pipes to the tailings dam were also relocated into fully

lined trenches to capture any seepage should any pipe rupture.

We sell our products in US Dollars; however, a significant portion of our costs are denominated in Azerbaijan Manats. The recent devaluation of the Azerbaijan Manat against the US Dollar of 43 per cent. in addition to the previous devaluation of 34 per cent. is unwelcome for Azerbaijan and its people. However, we believe this will have a considerable beneficial effect for Anglo Asian in 2016. We estimate that the combined effect of the recent devaluation and the previous devaluation in February 2015 will reduce our operating costs by approximately \$13 million in the 2016 financial year at the current US Dollar to Azerbaijan Manat exchange rate of approximately \$1 equals AZN 1.5.

Outlook

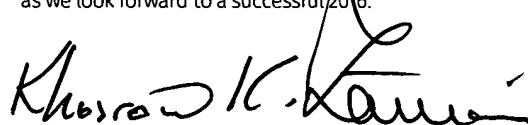
It is with optimism that I look forward to 2016 and beyond. I believe that during the course of 2015, we have demonstrated that our strategy can deliver success, and we have built a strong platform for sustained growth and profitability.

The outlook for metal prices remains uncertain. However, the increase in prices during the first four months of 2016 is obviously beneficial to us and we hope marks the start of a sustained recovery in prices.

Despite the production challenges in the first quarter of 2016 as noted above, we are confident that total gold production during the remainder of the year will improve and accordingly have announced a gold production target for 2016 of between 73,000 ounces to 77,000 ounces (which includes approximately 4,000 ounces to 5,000 ounces of production from the flotation plant). Furthermore, we have also announced a copper production target of between 1,700 tonnes and 2,100 tonnes for 2016 which is significantly higher than 2015's production of 969 tonnes. Our forecast gold production for 2016 is slightly higher than that achieved in 2015, and there will be a full year's contribution from our new flotation plant. We are also benefiting from lower costs due to the devaluation of the Azerbaijan Manat. Accordingly, we believe the outlook for 2016 represents a further improvement over 2015 and look forward to updating shareholders on our progress.

Appreciation

I would like to take this opportunity to thank our Anglo Asian senior management team and employees, partners, the Government of Azerbaijan, advisers and fellow directors for their continued support as we continue to build Anglo Asian into a leading and profitable mid-tier gold, copper and silver producer in Azerbaijan and Caucasia. I would also like to especially thank our shareholders for their invaluable support as we look forward to a successful 2016.



Khosrow Zamani
Non-executive chairman
24 May 2016

Strategic report

“ The Group has a target production for the full year to 31 December 2016 of 73,000 to 77,000 ounces of gold and 1,700 to 2,100 tonnes of copper. ”

The directors present their strategic report for the year ended 31 December 2015.

Principal activities

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

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

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

- continued optimisation of the performance of the agitation leaching plant to ensure maximum production at lowest possible cost;

- increasing production of ore from the Gadir underground mine, which is co-located on the Gedabek property, and which commenced production in 2015; and
- production of a copper and precious metal concentrate from the flotation plant which was commissioned in the fourth quarter of 2015.

The Group has a target production for the full year to 31 December 2016 of 73,000 to 77,000 ounces of gold and 1,700 to 2,100 tonnes of copper.

Gedabek Introduction

The Gedabek mining operation is located in a 300 square kilometre contract area in the lower Caucasus mountains in western Azerbaijan on the Tethyan Tectonic Belt, one of the world’s most significant copper and gold bearing geological structures. The mine, which first poured gold in 2009, is principally an open pit mining operation. In addition, in late 2014, the Group started to develop an underground mine, Gadir, co-located on the Gedabek property, which commenced production in June 2015.

Geological samples at Gedabek.

Furnace used for pouring gold doré.

Strategic report continued

Gedabek continued

Mineral resources

Key to the future development of the Gedabek site is our knowledge of the mineral resources and ore reserves within the contract area. The Group's latest ore reserve estimate was carried out as of 1 September 2014. This ore reserve estimate showed an increase of approximately 3.9 million tonnes of ore, after allowing for depletion due to mining since the previous estimate. It also showed a significantly higher copper content than the previous estimate. Table 1 shows the ore reserve estimate as at 1 September 2014.

Mining operations

The principal mining operation at Gedabek is conventional open cast mining from several contiguous open pits. Ore is first drilled and blasted and then transported either to a processing facility or to a stockpile for storage. The major mining activities of drilling and blasting and subsequent transportation of ore are carried out by contractors. Table 2 summarises the ore mined from the open pit at Gedabek for the year ended 31 December 2015.

Ore is also mined at Gedabek from the Gadir underground mine which is situated approximately one kilometre from the main open pit at the Gedabek site. Development of the Gadir mine commenced in 2014 with the construction of a decline and the mine started producing ore in June 2015.

Table 3 summarises the ore mined from the Gadir underground mine for the year ended 31 December 2015.

Processing operations

Ore is processed at Gedabek to produce either gold doré (an alloy of gold and silver with small amounts of impurities) or a copper and precious metal concentrate.

Gold doré is produced by cyanide leaching. Initial processing is to leach (i.e. dissolve) the precious metal (and copper) in a cyanide solution. This is done by various methods:

1 Heap leaching of crushed ore.

Crushed ore is heaped into permeable "pads" onto which is sprayed a solution of cyanide. The solution dissolves the metals as it percolates through the ore by gravity and it is then collected.

2 Heap leaching of run of mine ("ROM") ore.

The process is similar to heap leaching for crushed ore except the ore is not crushed and is heaped into pads as received from the mine (ROM) without further treatment or crushing.

3 Agitation leaching.

Ore is crushed and then processed through a grinding circuit. The finely ground ore is then placed in stirred tanks containing a cyanide solution and the contained metal is dissolved in the solution.

The raised wall of the tailings dam now fully completed.

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

Copper and precious metal concentrates are produced by two processes, SART processing and flotation.

Table 1 – ore reserve estimate as at 1 September 2014

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

Table 2 – ore mined from the open pit at Gedabek for the year ended 31 December 2015

Quarter ended	Ore mined (tonnes)				Waste mined tonnes
	High grade	Low grade	Sulphide	Total	
31 March 2015	134,334	257,472	9,410	401,216	1,482,906
30 June 2015	145,132	260,264	58,059	463,455	1,515,311
30 September 2015	154,913	304,726	16,305	475,944	1,484,146
31 December 2015	130,800	300,264	50,492	481,556	1,444,114
Total for the year	565,179	1,122,726	134,266	1,822,171	5,926,477

Gedabek continued**Processing operations continued****1 Sulphidisation, Acidification, Recycling and Thickening ("SART").**

The cyanide solution after metal absorption by resin in pulp processing is transferred to the SART plant. The pH of the solution is then changed by the addition of reagents. This recovers the copper from the solution in the form of a precipitated copper sulphide concentrate containing silver and minor amounts of gold.

- 2 Flotation.** Flotation is carried out in a separate flotation plant. Feedstock is mixed with water and other chemicals including flocculants to produce a slurry called "pulp". This pulp is processed in flotation cells (tanks). The flotation cells are agitated and air introduced as small bubbles. The sulphide minerals attach to the air bubbles and float to the surface where they form a froth which is collected. This froth is dewatered to form a concentrate containing copper, gold and silver. Feedstock can be either tailings from the agitation leaching plant or freshly crushed and milled ore.

Initially, gold doré was produced at Gedabek by heap leaching crushed ore.

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

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

The agitation leaching plant's initial performance was not as planned due to the mineralogical variation of the ore. Due to very high copper values in the ore, recoveries of gold were not as high as anticipated and the plant's usage of cyanide was higher than planned. Throughout 2014 and 2015, the Group has therefore expended considerable

Completed reed bed biological system immediately downstream of tailing dam.

effort in improving the performance of the plant. This has been focused on both increasing metal recoveries to increase production and lowering cyanide consumption to decrease costs.

During the year ended 31 December 2015, ore has been processed by three methods at Gedabek: whole ore heap leaching; crushed ore heap leaching; and agitation leaching. Table 4 shows the amounts of ore and its grade processed at Gedabek for the year ended 31 December 2015.

The Group's experience of processing has shown the ore at Gedabek to be poly-metallic containing significant amounts of copper.

Table 3 – ore mined from the Gadir underground mine for the year ended 31 December 2015

Quarter ended	Ore mined tonnes	Average gold grade g/t
30 June 2015	2,116	9.45
30 September 2015	6,945	8.69
31 December 2015	28,819	7.71
Total for the year	37,880	7.98

Table 4 – amount of ore and its grade processed at Gedabek for the year ended 31 December 2015

Quarter ended	Amount of ore processed (tonnes)			Gold grade of ore processed (g/t)		
	Heap leach pad crushed ore	Heap leach pad ROM ore	Agitation leaching plant	Heap leach pad crushed ore	Heap leach pad ROM ore	Agitation leaching plant
31 March 2015	92,586	135,531	136,717	1.47	1.00	3.63
30 June 2015	127,510	243,444	141,552	1.50	0.84	3.43
30 September 2015	72,817	135,731	150,370	1.43	1.07	3.25
31 December 2015	101,086	32,004	148,240	1.48	1.09	3.60
Total for the year	393,999	546,710	576,879	1.47	0.95	3.45

Strategic report continued

Gedabek continued

Processing operations continued

Initially, the SART processing plant was constructed to produce a copper and precious metal concentrate. However, to further exploit the high copper content of the Group's ore reserves, the Group commenced construction of a flotation plant in the fourth quarter of 2014 whose function is primarily to produce copper with gold and silver as by-products.

The flotation plant has the flexibility to be configured for various methods of operation. It is able to process the Company's stockpiles of high copper content ore. It can also treat ore feed to, or tailings from, the agitation leaching plant. In such configurations, the plant will be an integral part of the agitation leaching plant.

The flotation plant was commissioned in the fourth quarter of 2015 and is now producing a copper and precious metal concentrate from the tailings of the agitation leaching plant. Commissioning took longer than anticipated due to some minor delays in final installation of equipment and the time required for the optimisation of the quality of the

concentrate due to the presence of zinc, which is an impurity. These teething problems have been largely overcome and the plant is currently producing at around 75 to 80 per cent. of its design capacity which equates to approximately 1,000 wet tonnes of mineral concentrate per month.

Production and sales

For the year ended 31 December 2015, total gold production as doré bars and as a constituent of the copper and precious metal concentrate totalled 72,032 ounces, which was an increase of 11,747 ounces in comparison to the production of 60,285 ounces in the year ended 31 December 2014.

Table 5 summarises the gold and silver produced as doré bars and sales of gold bullion for the year ended 31 December 2015.

Table 6 summarises the total copper and precious metal production as concentrate from both SART processing and flotation for the year ended 31 December 2015.

Table 7 summarises the total copper concentrate sales from both SART processing and flotation for the year ended 31 December 2015.

Tailings (waste) storage

The Company is very mindful of the importance of proper storage of tailings both for efficient operation of the plant and to fulfil its environmental responsibilities. The Company stores its tailings in a purpose built dam approximately seven kilometres from its processing operations. The project to approximately double the capacity of the tailings dam by raising its wall 14 metres to 64 metres is now complete. The tailings dam now has a capacity of approximately 3.2 million cubic metres. The tailings dam seepage water return pumping system has been greatly improved with many failsafe features added. The reed bed biological treatment system immediately downstream of the dam to process any seepage has also been completed. This will enable seepage water to be purified before discharge into the Shamkir river. The new dam construction and pumping system has now been inspected and approved by third-party consultant engineers. Work has also been carried out to relocate the pipes from the agitation leaching plant to the tailings dam into a fully lined trench designed to capture any seepage should any pipe rupture.

Table 5 – gold and silver produced as doré bars and sales of gold bullion for the year ended 31 December 2015

Quarter ended	Gold produced* ounces	Silver produced ounces	Gold sales** ounces	Gold sales price \$
31 March 2015	17,185	596	17,206	1,214
30 June 2015	18,739	900	16,088	1,193
30 September 2015	18,158	907	14,871	1,123
31 December 2015	17,588	1,858	15,759	1,108
Total for the year	71,670	4,261	63,924	1,161

* Including Government of Azerbaijan's share.

** Excludes Government of Azerbaijan's share.

Table 6 – total copper and precious metal production as concentrate for the year ended 31 December 2015

Quarter ended	Copper (tonnes)			Gold (ounces)			Silver (ounces)		
	SART	Flotation	Total	SART	Flotation	Total	SART	Flotation	Total
31 March 2015	182	—	182	8	—	8	1,354	—	1,354
30 June 2015	236	—	236	6	—	6	3,628	—	3,628
30 September 2015	216	—	216	7	—	7	3,532	—	3,532
31 December 2015	205	130	335	6	335	341	6,589	9,264	15,853
Total for the year	839	130	969	27	335	362	15,103	9,264	24,367

Gedabek continued**Tailings (waste) storage continued**

Due to the high rainfall in the Gedabek region, there is a positive water balance over the mine property, which accumulates water at a rate of about 300,000 cubic metres per year. To date, all excess water is stored in the tailings dam, but in 2015 a project was initiated to design and construct a water detoxification system that will enable clean water to be discharged from the site into local water courses. The treatment system will involve reverse osmosis and ion exchange and the first phase of this project is expected to start operation during 2016.

Personnel and health and safety

The health and safety of our employees and the protection of the environment in and around our mine properties are prime concerns for the Company's board and management team. The Health, Safety and Environmental ("HSE") department at Gedabek has a qualified HSE manager, who is assisted by four HSE officers. Overall strategy for HSE matters in the Company is overseen by the HSE and Technical committee, which is chaired by a board director, Professor John Monhemius.

During 2015, there were 78 (2014: 65) reportable safety incidents, of which ten (2014: four) were lost time incidents ("LTI"), where the casualty had to take time off from work. The increased number of incidents is partly explained by the increasing size and complexity of the mining and processing operations across our properties as the Company's activities progress. However, the Company is actively monitoring the situation and taking action to reduce the number of incidents.

To improve medical coverage over all the operations, 85 managers and supervisors have undergone first aid training, so that they can provide first responder help in the event of accidents or other emergencies, before professional medical assistance arrives from the local hospital.

A geotechnical inspection of the new Gadir underground mine was carried out in August 2015 by AMC Consultancy, United Kingdom. Their report identified a number of short and medium term issues that are in the process of being addressed.

Exploration at Gedabek site

The main exploration activities in the year have been at the Gadir mine and surrounding area at Gedabek and at the Ordubud site.

Gosha

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

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

A total of 14,981 tonnes of ore of average grade 6.15 grammes per tonne were mined at Gosha in the year ended 31 December 2015.

Ordubad

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

Sale of the Group's products

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

The Group ships all of its gold doré to MKS Finance SA in Switzerland. The logistics of transport and sale are well established and gold doré shipped from Gedabek arrives in Switzerland within three to five days. The proceeds of the estimated 90 per cent. of the gold content of the doré is settled within one to two days of receipt of the doré. The Group has not experienced any disruptions to its sale of metal due to logistics or delays in customs clearance. MKS Finance SA both refines and then purchases our precious metal; all assays and a full accounting of all metal is agreed with them.

The Gedabek mine site has good road transportation links and our copper and precious metal concentrate is collected from the Gedabek site by the purchaser. The Group was pleased to announce in May 2014 that it had signed an exclusive three year contract with Industrial Minerals SA, a Swiss based integrated trading, mining and logistics group, for the sale of its copper concentrate. The Group has again experienced no delays in the sale of its copper concentrate in the period under review. In March 2016, the Group signed an additional contract with Industrial Minerals SA for the sale of the concentrate produced by its flotation plant which had improved terms. The contract is valid for the period to 31 December 2018. Until this date, sales of concentrate produced by the flotation plant were made under the original contract.

Table 7 – total copper concentrate sales for the year ended 31 December 2015

Quarter ended	SART processing		Flotation		Total	
	Sales (dmt)	\$000	Sales (dmt)	\$000	Sales (dmt)	\$000
31 March 2015	234	635	—	—	234	635
30 June 2015	372	1,021	—	—	372	1,021
30 September 2015	279	601	—	—	279	601
31 December 2015	425	891	392	630	817	1,521
Total for the year	1,310	3,148	392	630	1,702	3,778

Strategic report continued

Principal risks and uncertainties

Country risk in Azerbaijan

The Group currently operates solely in Azerbaijan and is therefore naturally at risk of adverse changes to the regulatory or fiscal regime within the country. However, Azerbaijan is outward looking and desirous of attracting direct foreign investment and the Company believes the country will be sensitive to the adverse effect of any proposed changes in the future. In addition, Azerbaijan has historically had a stable operating environment and the Company maintains very close links with all relevant authorities.

Operational risk

The Company currently produces all its products for sale at Gedabek. Planned production may not be achieved as a result of unforeseen operational problems, machinery malfunction or other disruptions. Operating costs and profits for commercial production therefore remain subject to variation. The Group monitors production on a daily basis and has robust procedures in place to effectively manage these risks.

Commodity price risk

The Group's revenues are exposed to fluctuations in the price of gold, silver and copper and all fluctuations have a direct impact on the operating profit and cash flow of the Group. Whilst the Group has no control over the selling price of its commodities, it has very robust cost controls to minimise costs to ensure it can withstand any prolonged period of commodity price weakness.

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

Foreign currency risk

The Group reports in United States Dollars and a large proportion of its costs are incurred in United States Dollars. It also conducts business in Australian Dollars, Azerbaijan Manats and United Kingdom Sterling. The Group does not currently hedge its exposure to other currencies, although it will review this periodically if the volume of non-United States dollar transactions increases significantly. Also, the fact that both revenue of the Group and the Group's interest-bearing debt are settled in United States dollars is a key mitigating factor that helps to avoid significant exposure to foreign currency risk. Information on the carrying value of monetary assets and liabilities denominated in foreign currency and the sensitivity analysis of foreign currency is disclosed in note 22 – 'Financial instruments' to the Group financial statements.

Liquidity and interest rate risk

Interest rates on current loans are fixed except for three month LIBOR embedded in the terms of the Amsterdam Trade Bank loan. The Group has not used any interest rate swaps or other instruments to manage its interest rate profile during 2015, but this requirement is reviewed on a periodic basis. Information on the exposure to changing interest rates is disclosed in note 22 – 'Financial instruments' to the Group financial statements. The approval of the board of directors is required for all new borrowing facilities. At the year end, the Group's only interest rate exposure was on the interest rate charged on the Amsterdam Trade Bank loan.

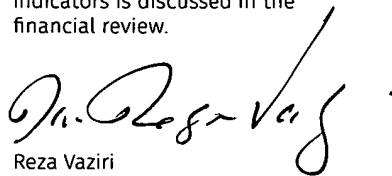
The levels of deposits held by the Group have also been low; therefore any impact of changing rates on interest receivable is minimal.

Key performance indicators

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

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

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



Reza Vaziri
President and chief executive
24 May 2016

Financial review

“ The Group recorded a reduced loss before taxation in 2015 of \$8,910k due to higher revenues and average cash costs reducing to \$724 per ounce compared to \$971 per ounce in 2014. ”

The directors present their financial review for the year ended 31 December 2015. This financial review forms part of the strategic report on pages 7 to 12.

Group income statement

The Group generated revenues of \$78,057k (2014: \$67,964k) from sales of gold and silver bullion and copper and precious metal concentrates.

\$74,279k of the revenues (2014: \$64,280k) were generated from sales of gold and silver bullion from the Group's share of the production of doré bars in 2015. Bullion sales in 2015 were 63,924 ounces of gold and 3,754 ounces of silver (2014: 50,615 ounces of gold and 6,802 ounces of silver) at an average price of \$1,161 per ounce and \$15 per ounce respectively (2014: \$1,267 per ounce and \$20 per ounce respectively). In addition, the Group generated revenue from the sale of copper concentrate of \$3,778k (2014: \$3,684k).

The Group incurred cost of sales of \$75,234k (2014: \$68,500k). The cash cost of mining and processing in 2015 decreased by \$6,160k from \$61,697k in 2014 to \$55,537k in 2015. This was due to improving operational efficiency, cost control and the devaluation of the Azerbaijan Manat. However, this was offset by higher depreciation and amortisation of \$2,819k (\$21,857k in 2015 compared to \$19,038k in 2014), a net charge in respect of opening and closing inventory in 2015 of \$6,828k and a decrease in capitalised deferred stripping costs in 2015 of \$3,289k.

Depreciation and amortisation in 2015 was \$21,857k compared to \$19,038k in 2014. The higher depreciation was due to increased production of gold. Accumulated mine development costs within producing mines are depreciated and amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight line method is applied. The unit of account for run of mine ("ROM") costs and for post-ROM costs is recoverable ounces of gold.

The Group had other income in 2015 of \$714k (2014: \$632k) which was interest receivable on employee loans, consultancy and exchange gains. The Group incurred administration expenses in 2015 of \$5,415k (2014: \$7,202k) and finance costs of \$5,721k (2014: \$5,462k). The Group's administration expenses comprise the cost of the administrative staff and associated costs at the Gedabek mine site, the cost of the Baku office and the cost of maintaining the Group's listing on AIM. The Group's administration costs reduced in 2015 compared to 2014 due to the devaluation of the Azerbaijan Manat and cost reduction measures. The finance costs for the year comprise interest on the credit facilities and loans, interest on letters of credit and accretion expenses on the rehabilitation provision.

The Group recorded a reduced loss before taxation in 2015 of \$8,910k (2014: \$14,364k) due to higher revenues in 2015 and average cash costs reducing to \$724 per ounce compared to \$971 per ounce in 2014.

The Group had a taxation credit for the year of \$1,529k (2014: \$3,436k). This comprised a current income tax charge of \$nil and a deferred tax credit of \$1,529k (2014: taxation credit of \$3,436k comprising a current income taxation charge of \$nil and a deferred taxation credit of \$3,436k). The Group had no current taxation charge in 2015 as its main operating companies incurred a taxable loss for the year. The deferred taxation credit in 2015 arose primarily due to an increase in carry forward losses partially offset by lower taxation depreciation compared to accounting depreciation.

Cash cost of total gold production

The Group produced gold at an average cash operating cost net of by-product credits in 2015 of \$724 per ounce compared to \$971 per ounce in 2014. Cash operating cost is defined as the cash cost of mining and processing (before adjustment for inventory movements and deferred stripping costs capitalised or released) plus metal selling costs. By-product credits are the sale proceeds (including Government of Azerbaijan share) of copper and silver. The reason for the decrease in 2015 compared to 2014 was both the decrease in cash operating costs and the increase in production.

Financial review continued

Group statement of financial position

Non-current assets decreased from \$137,451k at the end of 2014 to \$129,464k at the end of 2015. The main reasons for the decrease were intangible assets lower by \$1,672k and property, plant and equipment lower by \$6,003k. These decreases were mainly driven by depreciation and amortisation in the year. Non-current inventory increased by \$873k due to an increase in ore stockpiles.

Net current assets decreased from \$10,136k at the end of 2014 to net current liabilities of \$4,243k at the end of 2015. The main reason for the decrease was an increase in the current portion of interest-bearing loans and borrowings. The current portion of interest-bearing loans and borrowings increased by \$10,033k from \$16,675k to \$26,708k. This was mainly due to \$2,007k of existing loans from the International Bank of Azerbaijan now maturing within one year, an increase in the loan of \$3,379k due to Pasha Bank which was drawn down in the year to finance the flotation plant construction and the loan from director of \$3,860k which is repayable within one year. The Group's cash balances at 31 December 2015 were \$249k (2014: \$322k).

Net assets of the Group were \$78,644k (2014: \$85,916k). The decrease was mainly due to the loss incurred in the year.

The Group is financed by a mixture of equity and debt. The Group's total debt at 31 December 2015 was \$49,296k and comprised the following:

- a \$27.1m term loan from the Amsterdam Trade Bank ("ATB"). The loan has a quarterly interest rate of LIBOR plus 8.25 per cent. The term of the loan is 58 months and repayment is by quarterly instalments of \$2.5m which commence in February 2015, 16 months after drawdown. The final repayment is due on 25 August 2018. The Group has pledged to ATB its present and future rights against MKS Finance SA, the sole buyer of the Group's gold and silver bullion until the loan is repaid. The actual rate of interest the loan incurred in 2015 was 8.73 per cent. The loan has a debt service coverage ratio ("DSCR") covenant of 1:1.25

calculated half and full yearly from the Group's published half and annual financial statements. The Group met this DSCR for both the six months ended 30 June 2015 and 12 months ended 31 December 2015.

- b \$11.7m of loans from the International Bank of Azerbaijan. \$10.2m of these loans is the remaining balance of the loans obtained for the construction of the agitation leaching plant. Repayment started on 31 March 2015 and ends on 31 March 2018. \$1.5m is a working capital facility and carries an interest rate of 12 per cent. It is repayable in full on 30 June 2016.
- c \$0.4m due to Atlas Copco for equipment financing.
- d \$1.7m due to Yapi Kredi Bank for working capital financing.
- e \$4.6m due to Pasha Bank. \$1.4m is payable in respect of the credit line for financing letters of credit for cyanide purchases. \$3.3m is in respect of the credit facility obtained for the financing of the flotation plant. The total amount outstanding under the two facilities is repayable in two equal instalments in May and November 2016.
- f \$3.9m from a director. This carries interest at 10 per cent. Repayment date is 8 July 2016.

The Group had a deferred taxation liability at 31 December 2015 of \$15,435k (2014: \$16,964k).

Group cash flow statement

Operating cash inflow before movements in working capital was \$18,581k (2014: \$10,567k). The main source of operating cash flow was the profit before taxation, finance costs and amortisation and depreciation of \$18,668k (2014: \$10,129k).

Working capital movements generated cash of \$4,631k (2014: \$4,254k) due to a decrease in inventories of \$6,285k (2014: increase of \$3,342k) mainly driven by a decrease in metal in circuit of \$6,660k partially offset by a decrease in trade and other payables of \$793k (2014: increase of \$3,902k) and an increase in trade and other receivables of \$1,110k (2014: decrease of \$3,694k).

Income tax paid was \$nil (2014: \$nil) as the Group incurred taxable losses for the year.

Net cash provided by operating activities in 2015 was \$22,963k compared to \$14,821k in 2014. This higher cash generated from operating activities in the year was due to the decreased loss of the Group partially offset by less cash generated from working capital.

Expenditure on property, plant and equipment and mine development was \$14,279k (2014: \$16,270k). The main items of expenditure in 2015 were capitalisation of deferred stripping costs of \$6,627k, the raise of the wall of the tailings dam and construction of a reed bed for the tailings dam of \$2,983k, construction of the flotation plant of \$3,188k and development of the Gadir mine of \$894k.

Exploration and evaluation expenditure of \$377k (2014: \$608k) was incurred and capitalised. This arose due to exploration at the Gedabek and Ordubad mining properties.

Production Sharing Agreement ("PSA")

Under the terms of the PSA in place with the Government of Azerbaijan, the Group and the Government of Azerbaijan share commercial products of each mine. Until the time the Group has recovered all its carried forward, unrecovered costs, the Government of Azerbaijan effectively takes 12.75 per cent. of commercial products of each mine, with the Group taking 87.25 per cent. (being 75 per cent. for capital and operating costs plus 49 per cent. of the remaining 25 per cent. balance). The Group will not have recovered all its costs incurred by the end of 2016 and the ratio of sharing commercial products for the Gedabek mine of 87.25 per cent. for the Group and 12.75 per cent. for the Government of Azerbaijan will continue throughout 2016.

Production Sharing Agreement continued

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

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

Going concern

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2017 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the directors have acknowledged the challenging and uncertain market conditions in which the Group is operating. In 2015, the price of gold averaged \$1,160 per ounce with a high of \$1,298 per ounce and a low of \$1,060 per ounce. This resulted in a continuation of the depressed margins seen in 2014. However, 2016 has seen a small but significant increase in the price of gold and during the period 1 January to 20 May 2016, the price of gold averaged \$1,206 per ounce. In addition, the Group received its first revenues from its flotation plant in the fourth quarter of 2015 after the plant commenced production. 2016 and 2017 will see the benefit of a full years' contribution of revenues from the flotation plant.

The Group commenced making payments on the principal of its debt in 2015. At the date of this annual report, the Group has made all payments of interest and principal on time.

The Group's loan agreement with the Amsterdam Trade Bank contains a debt service cover ratio ("DSCR") covenant of at least 1.25. This ratio is calculated twice a year from its published financial statements. The Group has so far met the DSCR of 1.25 for all reporting periods subsequent to loan drawdown. For the full year to 31 December 2016 and for the six month period to 30 June 2017, the Group's cash flow forecasts show the Group is able meet the debt service cover ratio of 1.25 as specified.

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

- achieving the forecast production of gold doré from its heap and agitation leaching facilities.
- achieving its forecast production of precious metal concentrates from its SART and flotation processing.
- its metal (principally gold and copper) price assumptions being met or bettered.

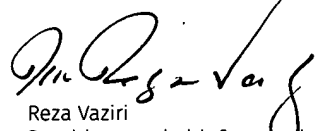
Should there be a moderate and sustained decrease in either the production or metal price assumptions, significant doubt would be cast over the Group's short term cash position. Under this circumstance, the Group would seek to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The Group also has access to local sources of short term finance to meet any shortfalls.

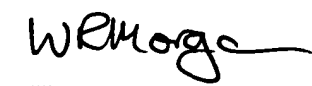
The Group's assumptions are based on best estimates and appropriate sensitivities have been applied. Appropriate rigour and diligence has been performed by the directors in approving the assumptions. The directors believe all assumptions are prepared on a realistic basis using the best available information.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the Group's annual report and accounts within the chairman's statement on pages 5 and 6 and within the strategic report on pages 7 to 12. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed in the financial review. In addition, note 22 to the Group financial statements includes the Group's objectives and details of its financial instrument exposures to credit risk and liquidity risk.

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

By order of the board of directors


Reza Vaziri
President and chief executive
24 May 2016


William Morgan
Chief financial officer
24 May 2016

Board of directors

Mr Khosrow Zamani*

Non-executive chairman, age 73

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

Mr Richard Round*

Non-executive director, age 58

Richard Round has held senior finance and leadership roles in a range of quoted and private companies. Richard is now maintaining and developing a portfolio of non-executive director and board advisory positions in the energy, mining and technology development sectors. Most recently, Richard led the strategy and ultimate sale of hydro developer Green Highland Renewables prior to which he successfully secured around £70 million of funding for the development of the Oyster wave power technology for Aquamarine Power. Prior to joining Aquamarine Power, Richard was acting chief executive at the quoted group, Novera Energy plc where he led the sale of the landfill gas, wind and hydro group. Richard has also held a number of finance director roles in the renewable, oil and gas service, coal and mining sectors with companies including Mining Scotland, Consolidated Supply Management and Cambrian Mining plc. Richard was also finance director of Anglo Asian Mining PLC where he stepped down in July 2008 and was appointed a non-executive director.

Professor John Monhemius*

Non-executive director, age 73

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. John has published over 130 papers of scientific literature and he has supervised more than 30 PhD students. From 1986-96, he was a co-founder and director of Consort Research Ltd, a consultancy specialising in gold and base metal ore processing, and he is a former director of Obtala Resources plc.

* Independent non-executive director.

Mr Reza Vaziri

President and chief executive, age 63

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

Governor John Sununu

Non-executive director, age 76

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

Directors' report

year ended 31 December 2015

Annual report and financial statements

The directors present their annual report together with the audited Group financial statements on pages 26 to 52.

Principal activities

The Group's principal activity during the year was the production of gold and silver doré and precious metal concentrate from the Gadabek and Gosha mines in western Azerbaijan.

Business review and future prospects

A review of the activities of the business throughout the year and up to 24 May 2016 is set out in the chairman's statement on pages 5 and 6 and the strategic report on pages 7 to 12 which includes information on the Group's risks, uncertainties and key performance indicators. These sections are incorporated in this directors' report by reference.

Dividends

The directors do not recommend a dividend for the year (2014: \$nil) and the loss for the year has been deducted from retained earnings.

Capital structure

Details of the Company's authorised and issued share capital, together with the movements for the years ended 31 December 2014 and 2015 are disclosed in note 23 – 'Equity' to the Group financial statements. The Company has one class of ordinary share and they carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. All issued ordinary shares are fully paid.

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

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

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

With regard to the appointment and replacement of directors, the Company is governed by its articles of association, the Companies Act 2006 and related legislation. It also complies with the United Kingdom Corporate governance code as far as practicable. The articles of association themselves may be amended by special resolution of the shareholders. The powers of the directors are described in the corporate governance report on page 24.

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

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

Directors

The directors who served throughout the year and up to 24 May 2016 are set out on page 16.

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

Secretary

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

Registered office

7 Devonshire Square
Cutlers Gardens
London EC2M 4YH
United Kingdom

Directors' report continued

year ended 31 December 2015

Directors' interests

The beneficial interests of the directors who held office at 31 December 2015 and their connected parties in the share capital of the Company at 31 December were as follows:

	2015 Number of ordinary shares	2014 Number of ordinary shares
John Monhemius	341,890	202,143
Richard Round	306,759	153,958
John Sununu	10,734,540	10,734,540
Reza Vaziri	32,796,830	32,796,830
Khosrow Zamani	1,259,590	793,184

All directors' interests are beneficially held.

Directors' insurance

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

Substantial shareholders

The Company has been notified of the following interests of 3 per cent. or more in its issued share capital as at 23 May 2016:

	Number of ordinary shares	per cent.
Reza Vaziri	32,796,830	29.1
John Sununu	10,734,540	9.5
Limelight Industrial Developments	4,038,600	3.6

Going concern

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2017 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the directors have acknowledged the challenging and uncertain market conditions in which the Group is operating. In 2015, the price of gold averaged \$1,160 per ounce with a high of \$1,298 per ounce and a low of \$1,060 per ounce. This resulted in a continuation of the depressed margins seen in 2014. However, 2016 has seen a small but significant increase in the price of gold and during the period 1 January to 20 May 2016, the price of gold averaged \$1,206 per ounce. In addition, the Group received its first revenues from its flotation plant in the fourth quarter of 2015 after the plant commenced production. 2016 and 2017 will see the benefit of a full years' contribution of revenues from the flotation plant.

The Group commenced making payments on the principal of its debt in 2015. At the date of this annual report, the Group has made all payments of interest and principal on time.

The Group's loan agreement with the Amsterdam Trade Bank contains a debt service cover ratio ("DSCR") covenant of at least 1.25. This ratio is calculated twice a year from its published financial statements. The Group has so far met the DSCR of 1.25 for all reporting periods subsequent to loan drawdown. For the full year to 31 December 2016 and for the six month period to 30 June 2017, the Group's cash flow forecasts show the Group is able meet the debt service cover ratio of 1.25 as specified.

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

- achieving the forecast production of gold doré from its heap and agitation leaching facilities.
- achieving its forecast production of precious metal concentrates from its SART and flotation processing.
- its metal (principally gold and copper) price assumptions being met or bettered.

Going concern continued

Should there be a moderate and sustained decrease in either the production or metal price assumptions, significant doubt would be cast over the Group's short term cash position. Under this circumstance, the Group would seek to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The Group also has access to local sources of short term finance to meet any shortfalls.

The Group's assumptions are based on best estimates and appropriate sensitivities have been applied. Appropriate rigour and diligence has been performed by the directors in approving the assumptions. The directors believe all assumptions are prepared on a realistic basis using the best available information.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the Group's annual report and accounts within the chairman's statement on pages 5 and 6 and within the strategic report on pages 7 to 12. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed in the financial review. In addition, note 22 to the Group financial statements includes the Group's objectives and details of its financial instrument exposures to credit risk and liquidity risk.

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

Auditors

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

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

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

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

Corporate governance

A report on corporate governance is set out on page 24.

Annual general meeting

The Company will hold its annual general meeting for 2016 on 27 June 2016. Notification of the meeting has been included in this annual report.

Listing

The Company's ordinary shares have been traded on London's Alternative Investment Market ('AIM') since 29 July 2005. SP Angel Corporate Finance LLP is the Company's nominated adviser and broker. The closing mid-market share price at 31 December 2015 was 5.5p (2014: 6.625p).

Relations with shareholders

Communications with shareholders are considered important by the directors. The directors regularly speak to investors and analysts affecting them as employees and on the relevant matters affecting the performance of the Group. This is mainly achieved through informal meetings which the directors believe is the most appropriate method given the current number of Group employees.

Employee consultation

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

Directors' report continued

year ended 31 December 2015

Internal controls

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

Donations

The Group has made charitable donations during the year of \$nil (2014: \$nil). Political donations of \$nil (2014: \$nil) were made.

Research and development

There was no expenditure on research and development during the year (2014: \$nil).

Related party transactions

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

Financial risk management

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

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

By order of the board of directors



Fisher Secretaries Limited
Company secretary
24 May 2016

Report on directors' remuneration

year ended 31 December 2015

Unaudited information

Policy on the executive director's remuneration

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

The executive director's remuneration package may include:

- i) basic annual salary; and
- ii) health insurance for the executive and his family.

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

Directors' contracts

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

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

Audited information

Directors' emoluments

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

Year ended 31 December 2015	Consultancy \$	Fees \$	Benefits \$	Total \$
John Monhemius	6,145	50,252	—	56,397
Richard Round	—	50,252	—	50,252
John Sununu	—	72,486	—	72,486
Reza Vaziri	577,597	50,252	42,283	670,132
Khosrow Zamani	—	124,446	—	124,446
	583,742	347,688	42,283	973,713

Certain fees and expenses of the directors for the year ended 31 December 2015 were settled by issuing shares to those directors. The number of shares issued and the gross fees (before deduction of taxes) and expenses in which they were in respect of, are as follows:

Director	Number of shares issued	Fees \$	Expenses \$
John Monhemius	157,845	25,554	—
Richard Round	152,801	25,554	—
Khosrow Zamani	666,406	63,946	1,962

The shares were issued on 22 July 2015 at a price of 6.19 pence per share.

Year ended 31 December 2014	Consultancy \$	Fees \$	Benefits \$	Total \$
John Monhemius	5,003	53,460	—	58,463
Richard Round	—	53,460	—	53,460
John Sununu	—	78,292	—	78,292
Reza Vaziri*	575,545	53,460	42,135	671,140
Khosrow Zamani	—	131,862	—	131,862
	580,548	370,534	42,135	993,217

* Restated to reflect the effect of taxation.

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

Report on directors' remuneration continued

year ended 31 December 2015

Audited information continued

Share option scheme

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

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

	Exercise price pence	Latest exercise date	1 January 2015	Lapsed during the year	31 December 2015
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

The Company's share price has ranged from 6.625p at 31 December 2014 to a high of 9.75p and a low of 3.5p during the year ended 31 December 2015 with a closing price of 5.5p at 31 December 2015.

By order of the board of directors



Fisher Secretaries Limited
Company secretary
24 May 2016

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the rules of the Alternative Investment Market of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have elected to prepare the financial statements of the parent company (the "Company") in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). The directors are also responsible for preparing the directors' report in accordance with the Companies Act 2006 and applicable regulations.

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

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

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

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

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

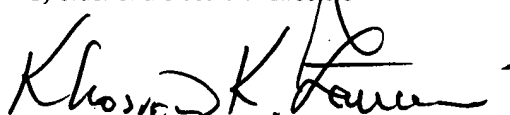
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the board of directors



Khosrow Zamani
Non-executive chairman
24 May 2016

Corporate governance

Introduction

Although the rules of the Alternative Investment Market ('AIM') do not require the Company to comply with the United Kingdom corporate governance code (the "Code"), the Company fully supports the principles set out in the Code and will attempt to comply wherever possible, given both the size and resources available to the Company. The principal constituents of the Group's corporate governance are detailed below. However, this is not a statement of compliance with the Code.

The board of directors

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

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

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

Audit committee

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

Remuneration committee

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

Nomination committee

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

Health, safety, environment and technology committee

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

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

Shareholder relations

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

Internal control and risk management

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

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

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

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

Independent auditor's report

to the members of Anglo Asian Mining PLC

We have audited the financial statements of Anglo Asian Mining PLC for the year ended 31 December 2015 which comprise the Group income statement, Group statement of comprehensive income, Group statement of financial position, Group cash flow statement, Group statement of changes in equity, Company balance sheet and the related notes set out on pages 26 to 57. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- based on the work undertaken in the course of the audit:
 - the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
 - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements; and
- in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or directors' report.

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Andrew Smyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 May 2016

Notes:

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

Group income statement

year ended 31 December 2015

	Notes	2015 \$000	2014 \$000
Revenue	6	78,057	67,964
Cost of sales	8	(75,234)	(68,500)
Gross profit/(loss)		2,823	(536)
Other income	7	714	632
Administrative expenses		(5,415)	(7,202)
Other operating expense	7	(1,311)	(1,803)
Operating loss	8	(3,189)	(8,909)
Finance income	6	—	7
Finance costs	10	(5,721)	(5,462)
Loss before tax		(8,910)	(14,364)
Income tax	11	1,529	3,436
Loss attributable to the equity holders of the parent		(7,381)	(10,928)
Loss per share attributable to the equity holders of the parent			
Basic (US cents per share)	12	(6.58)	(9.79)
Diluted (US cents per share)	12	(6.58)	(9.79)

Group statement of comprehensive income

year ended 31 December 2015

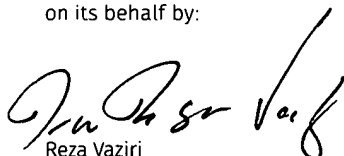
	2015 \$000	2014 \$000
Loss for the year	(7,381)	(10,928)
Total comprehensive loss	(7,381)	(10,928)
Attributable to the equity holders of the parent	(7,381)	(10,928)

Group statement of financial position

31 December 2015

	Notes	2015 \$000	2014 \$000
Non-current assets			
Intangible assets	13	18,373	20,045
Property, plant and equipment	14	108,428	114,431
Inventory	16	2,543	1,670
Other receivables	17	120	1,305
		129,464	137,451
Current assets			
Inventory	16	26,197	33,355
Trade and other receivables	17	16,131	5,350
Cash and cash equivalents	18	249	322
		42,577	39,027
Total assets		172,041	176,478
Current liabilities			
Trade and other payables	19	(20,112)	(12,216)
Interest-bearing loans and borrowings	20	(26,708)	(16,675)
		(46,820)	(28,891)
Net current (liabilities)/assets		(4,243)	10,136
Non-current liabilities			
Provision for rehabilitation	21	(8,554)	(8,624)
Interest-bearing loans and borrowings	20	(22,588)	(36,083)
Deferred tax liability	11	(15,435)	(16,964)
		(46,577)	(61,671)
Total liabilities		(93,397)	(90,562)
Net assets		78,644	85,916
Equity			
Share capital	23	1,993	1,978
Share premium account		32,325	32,246
Share-based payment reserve		283	670
Merger reserve	23	46,206	46,206
Retained (loss)/earnings		(2,163)	4,816
Total equity		78,644	85,916

The Group financial statements were approved by the board of directors and authorised for issue on 24 May 2016. They were signed on its behalf by:


Reza Vaziri
Chief executive

Company number: 5227012

Group cash flow statement

year ended 31 December 2015

	Notes	2015 \$000	2014 \$000
Loss before tax		(8,910)	(14,364)
Adjustments for:			
Finance income		—	(7)
Finance costs	10	5,721	5,462
Depreciation of property, plant and equipment	14	19,808	17,318
Amortisation of mining rights and other intangible assets	13	2,049	1,720
Share-based payment expense	24	15	16
Shares issued in lieu of cash payment		94	50
Foreign exchange gain, net	7	(380)	—
Write down of unrecoverable inventory	16	—	372
Write down of advances paid	7	184	—
Operating cash flow before movements in working capital		18,581	10,567
(Increase)/decrease in trade and other receivables		(1,110)	3,694
Decrease/(increase) in inventories		6,285	(3,342)
(Decrease)/increase in trade and other payables		(793)	3,902
Cash provided by operations		22,963	14,821
Income taxes paid		—	—
Net cash provided by operating activities		22,963	14,821
Investing activities			
Expenditure on property, plant and equipment and mine development		(14,279)	(16,270)
Investment in exploration and evaluation assets including other intangible assets		(377)	(608)
Interest received		—	7
Net cash used in investing activities		(14,656)	(16,871)
Financing activities			
Proceeds from issuance of shares		—	28
Proceeds from borrowings	20	14,793	8,662
Repayments of borrowings	20	(18,314)	(6,982)
Interest paid		(4,859)	(4,825)
Net cash outflow from financing activities		(8,380)	(3,117)
Net decrease in cash and cash equivalents		(73)	(5,167)
Cash and cash equivalents at the beginning of the year	18	322	5,489
Cash and cash equivalents at the end of the year	18	249	322

Group statement of changes in equity

year ended 31 December 2015

	Notes	Share capital \$000	Share premium \$000	Share-based payment reserve \$000	Merger reserve \$000	Retained earnings/ (loss) \$000	Total equity \$000
1 January 2014		1,973	32,173	735	46,206	15,663	96,750
Loss for the year		—	—	—	—	(10,928)	(10,928)
Share options exercised		2	26	(28)	—	28	28
Shares issued	23	3	47	—	—	—	50
Fair value of forfeited options		—	—	(53)	—	53	—
Share-based payment	24	—	—	16	—	—	16
31 December 2014		1,978	32,246	670	46,206	4,816	85,916
Loss for the year		—	—	—	—	(7,381)	(7,381)
Shares issued	23	15	79	—	—	—	94
Fair value of expired options		—	—	(402)	—	402	—
Share-based payment	24	—	—	15	—	—	15
31 December 2015		1,993	32,325	283	46,206	(2,163)	78,644

Notes to the Group financial statements

year ended 31 December 2015

1 General information

Anglo Asian Mining PLC (the "Company") is a company incorporated in England and Wales under the Companies Act 2006. The address of its registered office is set out in Company information on page 61 of this annual report. The Company's ordinary shares are traded on the Alternative Investment Market ('AIM') of the London Stock Exchange. The Company is a holding company. The principal activities and place of business of the Company and its subsidiaries (the "Group") are set out in note 15, the chairman's statement on pages 5 and 6 and the strategic report on pages 7 to 12 of this annual report.

2 Basis of preparation

The Group's annual report is for the year ended 31 December 2015 and includes the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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

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

As set out in the directors' report on page 18, the board of directors assessed the ability of the Group to continue as a going concern and these financial statements have been prepared on a going concern basis.

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2017 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment the directors have acknowledged the challenging and uncertain market conditions in which the Group is operating. In 2015, the price of gold averaged \$1,160 per ounce with a high of \$1,298 per ounce and a low of \$1,060 per ounce. This resulted in a continuation of the depressed margins seen in 2014. However, 2016 has seen a small but significant increase in the price of gold and during the period 1 January to 20 May 2016, the price of gold averaged \$1,206 per ounce. In addition, the Group received its first revenues from its flotation plant in the fourth quarter of 2015 after the plant commenced production. 2016 and 2017 will see the benefit of a full years' contribution of revenues from the flotation plant.

The Group commenced making payments on the principal of its debt in 2015. At the date of this annual report, the Group has made all payments of interest and principal on time.

The Group's loan agreement with the Amsterdam Trade Bank contains a debt service cover ratio ("DSCR") covenant of at least 1.25. This ratio is calculated twice a year from its published financial statements. The Group has so far met the DSCR of 1.25 for all reporting periods subsequent to loan drawdown. For the full year to 31 December 2016 and for the six month period to 30 June 2017, the Group's cash flow forecasts show the Group is able meet the debt service cover ratio of 1.25 as specified.

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

- achieving the forecast production of gold doré from its heap and agitation leaching facilities.
- achieving its forecast production of precious metal concentrates from its SART and flotation processing.
- its metal (principally gold and copper) price assumptions being met or bettered.

Should there be a moderate and sustained decrease in either the production or metal price assumptions, significant doubt would be cast over the Group's short term cash position. Under this circumstance, the Group would seek to defer all non-essential capital expenditure and administrative costs in order to preserve cash. The Group also has access to local sources of short term finance to meet any shortfalls.

The Group's assumptions are based on best estimates and appropriate sensitivities have been applied. Appropriate rigour and diligence has been performed by the directors in approving the assumptions. The directors believe all assumptions are prepared on a realistic basis using the best available information.

The Group's business activities, together with the factors likely to affect its future development, performance and position, can be found in the Group's annual report and accounts within the chairman's statement on pages 5 and 6 and within the strategic report on pages 7 to 12. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are discussed in the financial review. In addition, note 22 to the Group financial statements includes the Group's objectives and details of its financial instrument exposures to credit risk and liquidity risk.

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

3 Adoption of new and revised standards

a) New and amended standards and interpretations

The Group applied those minor amendments, including annual improvements, which are effective for annual periods beginning on or after 1 January 2015. However, they do not impact the annual consolidated financial statements of the Group or the interim financial statements and, hence, have not been disclosed.

b) Standards issued but not yet effective

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

• IFRS 9 'Financial Instruments'

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments' that replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. The Group is in the process of assessing the impact of the changes required by the final version of IFRS 9, but these are not expected to be materially significant.

• IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group is currently assessing the impact of the changes of IFRS 15, but these are not expected to be materially significant.

• IAS 7 'Statement of cash flows'

An exposure draft proposing amendments to IAS 7 'Statement of cash flows' was issued in December 2014. The exposure draft includes a proposal to require a reconciliation of the amounts in the opening and closing statements of financial position for each item classified as financing in the statement of cash flows. It also includes a proposal to require extended disclosures about the restrictions on cash and cash equivalent balances to provide the users with additional information about the entity's liquidity.

The Group plans to implement the new standard on the effective date for implementation which is for annual periods beginning on or after 1 January 2017. Comparative information for preceding annual periods is not required to be restated. The Group does not expect these additional disclosures to be materially significant.

• Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 'Presentation of Financial Statements' clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not currently expected to have any impact on the Group.

Notes to the Group financial statements continued

year ended 31 December 2015

4 Significant accounting policies

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

b) Revenue recognition

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

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

The following criteria are also met in specific revenue transactions:

Gold bullion and copper concentrate sales

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

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

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

Interest revenue

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

c) Leases

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

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

The Group had no finance leases during 2015 and 2014.

4 Significant accounting policies continued

d) Taxation

i) Current and deferred income taxes

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised in the Group income statement is charged or credited in the Group income statement. Deferred tax relating to items recognised outside the Group income statement is recognised outside the Group income statement and items are recognised in correlation to the underlying transaction either in the Group statement of comprehensive income or directly in equity.

Deferred tax assets are not recognised in respect of temporary differences relating to tax losses where there is insufficient evidence that the asset will be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

ii) Value-added taxes ("VAT")

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

e) Transactions with related parties

For the purposes of these Group financial statements, the following parties are considered to be related:

- where one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions;
- entities under common control; and
- key management personnel.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

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

f) Borrowing costs

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

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

Notes to the Group financial statements continued

year ended 31 December 2015

4 Significant accounting policies continued

g) Intangible assets

i) Exploration and evaluation assets

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

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

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

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

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

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

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

ii) Mining rights

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

iii) Other intangible assets

Other intangible assets mainly represent the cost paid to landowners for the use of land ancillary to our mining operations. They are depreciated over the respective terms of right to use the land.

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

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

h) Property, plant and equipment and mine properties

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

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

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

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

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

4 Significant accounting policies continued

h) Property, plant and equipment and mine properties continued

i) Depreciation and amortisation

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

The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine on a units-of-production basis.

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 (2014: eight years)
- Plant and equipment – eight years (2014: eight years)
- Motor vehicles – four years (2014: four years)
- Office equipment – four years (2014: four years)
- Leasehold improvements – eight years (2014: eight years)

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

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

ii) Major maintenance and repairs

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

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

i) Impairment of tangible and intangible assets

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

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

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

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

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

Notes to the Group financial statements continued

year ended 31 December 2015

4 Significant accounting policies continued

j) Fair value measurement

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

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

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

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

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

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

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

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

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

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

k) Provisions

i) General

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

ii) Rehabilitation provision

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

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

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

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

For closed sites, changes to estimated costs are recognised immediately in the Group income statement. Rehabilitation obligations that arise as a result of the standard production activities of a mine are expensed as incurred.

4 Significant accounting policies continued

l) Financial assets

i) Initial recognition and measurement

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

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

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

ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

Trade and other receivables

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

Derecognition

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

m) Financial liabilities

i) Initial recognition and measurement

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

ii) Subsequent measurement

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

Trade and other payables and contractual provisions

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

Notes to the Group financial statements continued

year ended 31 December 2015

4 Significant accounting policies continued

m) Financial liabilities continued

ii) Subsequent measurement continued

Loans and borrowings

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

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

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

iii) Derecognition

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

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

n) Non-current prepayments

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

o) Inventories

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

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

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

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

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

p) Equity instruments

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

q) Deferred stripping costs

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

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

When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are accounted for as part of the cost of producing those 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 as deferred stripping capital expenditure within producing mines. 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.

4 Significant accounting policies continued

(d) Deferred stripping costs continued

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.

(f) Employee leave benefits

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

(s) Retirement benefit costs

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

(t) Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based Payment'. IFRS 2 has been applied to all grants of equity instruments. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been calculated using management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The vesting conditions assumptions are reviewed during each reporting period to ensure they reflect current expectations.

(u) Significant accounting judgements, estimates and assumptions

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

(i) Ore reserves and resources

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

(ii) Exploration and evaluation expenditure (note 13)

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

(iii) Inventory (note 16)

Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

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

Notes to the Group financial statements continued

year ended 31 December 2015

4 Significant accounting policies continued

u) Significant accounting judgements, estimates and assumptions continued

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

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

v) Production start date

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

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

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

vi) Mine rehabilitation provision (note 21)

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

vii) Recovery of deferred tax assets (note 11)

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

5 Segment information

The Group determines operating segments based on the information that is internally provided to the Group's chief operating decision maker. The chief operating decision maker has been identified as the board of directors. The board of directors currently considers consolidated financial information for the entire Group and reviews the business based on the Group income statement and Group statement of financial position on this basis. Accordingly, the Group has only one operating segment, mining operations. The mining operations comprise the Group's major producing asset, the Gedabek mine, which accounts for all the Group's revenues and the majority of its cost of sales, depreciation and amortisation. The Group's mining operations are all located within Azerbaijan and therefore all within one geographic segment.

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

6 Revenue

The Group's revenue consists of gold and silver bullion and copper concentrate sold to third-party customers. Revenue from sales of gold and silver bullion was \$74,221,000 and \$58,000 respectively (2014: \$64,145,000 and \$135,000). Revenue from sales of precious metal concentrate was \$3,778,000 (2014: \$3,684,000).

Finance income of \$nil was received in 2015. Finance income of \$7,000 in 2014 was interest received on cash deposits during the year.

7 Other income and operating expense

Other income

Other income comprises loan interest receivable from employee loans, consulting income and foreign exchange gains for the years ended 31 December 2014 and 2015. Foreign exchange gain for the year ended 31 December 2015 was \$629,000 (2014: \$nil).

Other operating expense

Other operating expense comprises metal refining costs, foreign currency exchange losses and miscellaneous operating expenses for the years ended 31 December 2014 and 2015. Foreign exchange loss for the year ended 31 December 2015 was \$249,000 (2014: \$137,000).

8 Operating loss

	Notes	2015 \$000	2014 \$000
Operating loss is stated after charging:			
Depreciation on property, plant and equipment – owned	14	19,808	17,318
Amortisation of mining rights and other intangible assets	13	2,049	1,720
Employee benefits and expenses	9	9,614	10,882
Foreign currency exchange loss		249	137
Inventory expensed during the year		35,592	35,879
Operating lease expenses		616	431
Fees payable to the Company's auditor for:			
The audit of the Group's annual accounts		138	194
The audit of the Group's subsidiaries pursuant to legislation		119	121
Total audit services		257	315
Amounts paid to auditor for other services:			
Tax compliance services		10	15
Tax advice services		—	13
Audit related assurance services – half year review		—	20
Total non-audit services		10	48
Total		267	363

There were no non-cancellable operating lease and sublease arrangements during 2015 and 2014.

The audit fees for the parent company were \$107,000 (2014: \$107,000).

9 Staff numbers and costs

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

	2015 Number	2014 Number
Management and administration	51	54
Exploration	19	41
Mine operations	545	491
	615	586

The aggregate payroll costs of these persons were as follows:

	2015 \$000	2014 \$000
Wages and salaries	8,172	9,363
Share-based payments	15	16
Social security costs	1,609	2,100
	9,796	11,479
Less: salary costs capitalised as exploration, evaluation development, fixed asset and inventory expenditure	(182)	(597)
	9,614	10,882

Notes to the Group financial statements continued

year ended 31 December 2015

9 Staff numbers and costs continued

Remuneration of key management personnel

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

	2015 \$	2014 \$
Short-term employee benefits	1,541,245	1,633,037
Share-based payment	109,658	65,757
	1,650,903	1,698,794

The key management personnel of the Group comprise the chief executive officer, the vice president, government affairs, the senior vice president, Azerbaijan International Mining Company Limited, the vice president technical services and the chief financial officer. The disclosure of the remuneration of the directors as required by the Companies Act 2006 is given in the report on directors' remuneration on pages 21 and 22.

10 Finance costs

	2015 \$000	2014 \$000
Interest charged on interest-bearing loans and borrowings	5,177	4,882
Finance charges on letters of credit	130	111
Unwinding of discount on provisions	414	469
	5,721	5,462

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

Where a portion of the loans has been used to finance the construction and purchase of assets of the Group ('qualifying assets'), the interest on that portion of the loans has been capitalised up until the time the assets were substantially ready for use. For the year ended 31 December 2015, \$nil (2014: \$nil) interest was capitalised.

11 Taxation

Corporation tax is calculated at 32 per cent. (as stipulated in the production sharing agreement for R.V. Investment Group Services LLC ("RVIG") in the Republic of Azerbaijan, the entity that contributes the most significant portion of profit or loss before tax in the Group financial statements) of the estimated assessable profit or loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Deferred income taxes arising in RVIG are recognised and fully disclosed in these Group financial statements. RVIG's unutilised tax losses at 31 December 2015 were \$27,990,000 (2014: \$24,888,000).

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

	2015 \$000	2014 \$000
Current income tax		
Current income tax charge	—	—
Deferred tax		
Relating to origination and reversal of temporary differences	1,529	3,436
Income tax credit for the year	1,529	3,436

11 Taxation continued

Deferred income tax at 31 December relates to the following:

	Statement of financial position		Income statement	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Deferred income tax liability				
Property, plant and equipment – accelerated depreciation	(20,791)	(20,253)	(538)	(3,474)
Non-current prepayments	(158)	(418)	260	(305)
Trade and other receivables	(694)	(360)	(334)	964
Inventories	(7,759)	(9,770)	2,011	(951)
Deferred income tax liability	(29,402)	(30,801)		
Deferred income tax asset				
Trade and other payables and provisions*	2,298	2,952	(654)	1,201
Asset retirement obligation*	2,737	2,760	(23)	406
Interest-bearing loans and borrowings*	(25)	161	(186)	(734)
Carry forward losses**	8,957	7,964	993	6,329
Deferred income tax asset	13,967	13,837		
Deferred income tax credit			1,529	3,436
Net deferred income tax liability	(15,435)	(16,964)		

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

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

A reconciliation between the accounting loss and the total taxation benefit for the year ended 31 December is as follows:

	2015 \$000	2014 \$000
Loss before tax	(8,910)	(14,364)
Theoretical tax charge at statutory rate of 32 per cent. for RVIG*	(2,851)	(4,596)
Effects of different tax rates for certain Group entities (20/28 per cent.)	173	130
Tax effect of items which are not deductible or assessable for taxation purposes:		
– losses in jurisdictions that are exempt from taxation	1	5
– non-deductible expenses	1,175	1,078
– non-taxable income	(27)	(53)
Income tax credit for the year	(1,529)	(3,436)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

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

At 31 December 2015, the Group had unused tax losses available for offset against future profits of \$30,762,000 (2014: \$27,075,000). Unused tax losses in the Republic of Azerbaijan at 31 December 2015 were \$27,990,000 (2014: \$24,888,000). No deferred tax assets have been recognised in respect of jurisdictions other than the Republic of Azerbaijan due to the uncertainty of future profit streams.

12 Loss per share

The calculation of basic and diluted loss per share is based upon the retained loss for the financial year of \$7,381,000 (2014: \$10,928,000).

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

	2015	2014
Basic	112,117,622	111,667,479
Diluted	112,117,622	111,667,479

At 31 December 2015 there were no instruments that could potentially dilute basic earnings per share due to the loss (2014: nil).

Notes to the Group financial statements continued

year ended 31 December 2015

13 Intangible assets

	Exploration and evaluation Ordubad \$000	Mining rights \$000	Other intangible assets \$000	Total \$000
Cost				
1 January 2014	2,905	41,925	468	45,298
Additions	608	—	—	608
31 December 2014	3,513	41,925	468	45,906
Additions	347	—	30	377
31 December 2015	3,860	41,925	498	46,283
Amortisation and impairment*				
1 January 2014	—	23,909	232	24,141
Charge for the year	—	1,697	23	1,720
31 December 2014	—	25,606	255	25,861
Charge for the year	—	2,020	29	2,049
31 December 2015	—	27,626	284	27,910
Net book value				
31 December 2014	3,513	16,319	213	20,045
31 December 2015	3,860	14,299	214	18,373

* 579,000 ounces of gold at 1 January 2015 were used to determine depreciation of producing mines, mining rights and other intangible assets following compilation of a new reserve statement for the Group (2014: 639,000 ounces).

14 Property, plant and equipment

	Plant and equipment, motor vehicles and leasehold improvements \$000	Producing mines \$000	Assets under construction \$000	Total \$000
Cost				
1 January 2014	18,999	135,532	10,754	165,285
Additions	410	11,877	3,029	15,316
Transfer to producing mines	—	11,690	(11,690)	—
Increase in provision for rehabilitation	—	799	—	799
31 December 2014	19,409	159,898	2,093	181,400
Additions	257	6,810	7,222	14,289
Transfer to producing mines	—	8,838	(8,838)	—
Decrease in provision for rehabilitation	—	(484)	—	(484)
31 December 2015	19,666	175,062	477	195,205
Depreciation and impairment*				
1 January 2014	8,320	41,331	—	49,651
Charge for the year	2,441	14,877	—	17,318
31 December 2014	10,761	56,208	—	66,969
Charge for the year	1,881	17,927	—	19,808
31 December 2015	12,642	74,135	—	86,777
Net book value				
31 December 2014	8,648	103,690	2,093	114,431
31 December 2015	7,024	100,927	477	108,428

* 579,000 ounces of gold at 1 January 2015 were used to determine depreciation of producing mines, mining rights and other intangible assets following compilation of a new reserve statement for the Group (2014: 639,000 ounces).

14 Property, plant and equipment continued

Upon commencement of production from the Gadir underground mine during 2015, accumulated development costs and construction in progress assets of Gadir totalling \$942,000 were transferred from the category of assets under construction to the category of producing mines. In addition, upon the completion of tailing dam capacity increase and tailing reed bed projects accumulated expenses of \$3,182,000 were transferred from the category of assets under construction to the category of producing mines. Upon completion of construction and commencement of production from the flotation plant accumulated expenses of \$4,496,000 were transferred from the category of assets under construction to the category of producing mines. During 2015 construction of a workshop for heavy equipment and heating system installation for the agitation plant commenced and upon completion of construction of the workshop and installation of heating system accumulated costs of \$93,000 and \$125,000 were transferred from the category of assets under construction to the category of producing mines.

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

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

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

- production volumes;
- commodity prices;
- discount rates;
- foreign exchange rates; and
- capital and operating costs.

Production volumes: In calculating the FVLCD, the production volumes incorporated into the cash flow models were 420,000 ounces of gold and 65,000 tonnes of copper. Estimated production volumes are based on detailed life of mine plans. Production volumes are dependent on a number of variables such as the recoverable quantities, the cost of the necessary infrastructure to recover the reserves, the production costs, the contractual duration of the mining rights and the selling prices of the quantities extracted.

Commodity prices: Forecast precious metal and commodity prices are based on management estimates. Estimated long-term gold and copper prices of \$1,284 (2014: \$1,250) per ounce and \$6,600 (2014: \$6,600) per tonne respectively have been used to estimate future revenues.

Discount rates: In calculating the FVLCD, a post-tax discount rate of 13.5 per cent. (2014: 13.5 per cent.) was applied to the post-tax cash flows expressed in real terms. This discount rate is derived from the Group's post-tax weighted average cost of capital ("WACC"), which takes into account both equity and debt, and is then adjusted to reflect the Group's assessment of a discount rate that other market participants would consider when evaluating the assets.

Foreign exchange rates: The only significant foreign exchange rate in the cash flow model is the US dollar to Azerbaijan Manat rate. A rate of \$1 equals 1.55 Manat (2014: \$1 equals 0.7845 Manat) has been used in the cash flow model.

Capital and operating costs: In calculating the cash flow model, the significant capital and operating costs are the additional future capital cost to be incurred over the life of the mine and the cash cost per ounce of producing gold. For the 2015 impairment analysis, these costs were \$30 million and \$750 to \$794 per ounce respectively.

Management believes that, other than the volume of gold production, there are no changes which are reasonably possible in any of the other assumptions discussed above, which would lead to impairment. At 31 December 2015, the recoverable amount of the Group's assets exceeded its carrying amount by \$15 million. It is estimated that a 10 per cent. reduction in gold production and copper production in the flotation plant, after incorporating any consequential effects of changes on the other variables used to measure the recoverable amount, would cause impairment of approximately \$2.2 million.

15 Subsidiary undertakings

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

The Company's subsidiaries included in the Group financial statements at 31 December 2015 are as follows:

Name	Registered address	Primary place of business	Percentage of holding per cent.
Anglo Asian Operations Limited	England and Wales	United Kingdom	100
Holance Holdings Limited	British Virgin Islands	Azerbaijan	100
Anglo Asian Cayman Limited	Cayman Islands	Azerbaijan	100
R.V. Investment Group Services LLC	Delaware, USA	Azerbaijan	100
Azerbaijan International Mining Company Limited	Cayman Islands	Azerbaijan	100

There has been no change in subsidiary undertakings since 1 January 2015.

Notes to the Group financial statements continued

year ended 31 December 2015

16 Inventory

	2015 \$000	2014 \$000
Non-current assets		
Cost		
Ore stockpiles	2,543	1,670
Current assets		
Cost		
Finished goods – bullion	1,441	3,211
Finished goods – metal in concentrate	203	150
Metal in circuit	11,899	18,559
Ore stockpiles	4,635	1,602
Spare parts and consumables	8,019	9,833
Total current inventories	26,197	33,355
Total inventories at the lower of cost and net realisable value	28,740	35,025

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

Write down of unrecoverable inventory of \$nil (2014: \$372,000) was recognised during the year as other operating expense.

17 Trade and other receivables

	2015 \$000	2014 \$000
Non-current assets		
Advances for fixed asset purchases	—	1,143
Loans	120	162
	120	1,305
Current assets		
Gold held due to the Government of Azerbaijan	12,412	2,557
VAT refund due	186	828
Other tax receivable	720	275
Trade receivables	642	8
Prepayments and advances	2,121	1,634
Loans	50	48
	16,131	5,350

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

The VAT refund due at 31 December 2015 and 2014 relates to VAT paid on purchases.

Gold bullion held and transferable to the Government is bullion held by the Group due to the Government of Azerbaijan.

The Group holds the Government's share of the product from its mining activities and from time to time transfers that product to the Government. A corresponding liability to the Government is included in trade and other payables as disclosed in note 19.

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

18 Cash and cash equivalents

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

The Group's cash on hand and cash held within financial institutions at 31 December 2015 (including short-term cash deposits) comprised \$98,000 and \$151,000, respectively (2014: \$76,000 and \$246,000).

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

19 Trade and other payables

	2015 \$000	2014 \$000
Accruals and other payables	4,861	5,342
Trade creditors	2,302	4,106
Gold held due to the Government of Azerbaijan	12,412	2,557
Payable to the Government of Azerbaijan from copper concentrate joint sale	537	211
	20,112	12,216

Trade creditors primarily comprise amounts outstanding for trade purchases and ongoing costs. Trade creditors are non-interest bearing and the creditor days were 11 (2014: 22). Accruals and other payables mainly consist of accruals made for accrued but not paid salaries, bonuses, related payroll taxes and social contributions, accrued interest on borrowings, and services provided but not billed to the Group by the end of the reporting period. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

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

20 Interest-bearing loans and borrowings

	2015 \$000	2014 \$000
International Bank of Azerbaijan – agitation leaching plant loan	10,209	11,526
International Bank of Azerbaijan – loan facility	1,500	1,500
Amsterdam Trade Bank	27,096	36,783
Atlas Copco	355	789
Yapi Kredi Bank	1,659	922
Pasha Bank	4,617	1,238
Director	3,860	—
	49,296	52,758
Loans repayable in less than one year	26,708	16,675
Loans repayable in more than one year	22,588	36,083
	49,296	52,758

International Bank of Azerbaijan ("IBA")**Agitation leaching plant loan**

In 2012 and 2013, the Group borrowed \$49.5 million under a series of loan agreements to finance the construction of its agitation leaching plant. The interest rate for each agreement is 12 per cent. The repayment of principal begins two years from the withdrawal date for each agreement. The loans were partially repaid by the proceeds of a refinancing loan from Amsterdam Trade Bank. The loan agreements are repayable commencing in 31 March 2015 and finishing in 30 June 2018. The total gross amount outstanding under the loan agreements at 31 December 2015 was \$10.2 million (31 December 2014: \$11.5 million).

Loan facility

During 2014, the Group entered into a credit facility for \$1.5 million for a period of one year at an interest rate of 12 per cent. The repayment date of the credit facility was extended in 2015 and the loan is repayable on 30 June 2016.

Amsterdam Trade Bank ("ATB")

During 2013, the Group entered into a loan agreement for \$36.8 million to refinance its agitation leaching plant loan from IBA. The interest rate is 8.25 per cent. per annum plus LIBOR. Principal is repayable in 15 equal quarterly instalments of \$2,467,000. The first payment of principal commenced in February 2015 with the final instalment payable in August 2018. The Group has pledged to ATB its present and future claims against MKS Finance SA, the Group's sole buyer of gold doré until termination of the loan agreement. The total gross amount outstanding at 31 December 2015 was \$27.1 million (31 December 2014: \$36.8 million).

Atlas Copco

The amount outstanding is in respect of vendor financing. The amount outstanding is repayable in July 2016.

Yapi Credit Bank, Azerbaijan ("YCBA")

The Group entered into credit facilities with YCBA in 2014 for \$550,000 and \$450,000 respectively. In 2015, further credit facilities were entered into totalling \$1,929,000. The interest rate for all facilities is 10 per cent. The credit facilities are all repayable within 12 months of drawdown.

Notes to the Group financial statements continued

year ended 31 December 2015

20 Interest-bearing loans and borrowings continued

Pasha Bank

Letters of credit for flotation plant construction

In 2014, the Group entered into a facility for \$2.5 million to finance a letter of credit for the construction of its flotation plant. The facility carries an interest rate of 6 per cent. for the unused portion of, and 6.8 per cent. plus one month LIBOR for the used portion of, the credit facility. In 2015, an additional facility was entered into for \$1.2 million which carries an interest rate of 6.2 per cent. for the unused portion and 7.05 per cent. plus one month LIBOR for the used portion of the credit facility. The amounts outstanding under the two facilities at 31 December 2015 were \$3,233,000 (31 December 2014: \$250,000). The total amount outstanding under the two facilities is repayable in two equal instalments in May and November 2016.

Letters of credit for cyanide purchases

On 4 July 2014, the Group entered into a credit facility to finance letters of credit with a total amount of \$3,059,000 (AZN 2.4 million) for the purchase of cyanide. This facility was extended in 2015 to 7 July 2017 for a total amount of \$3 million at an interest rate of 3 per cent. The amount outstanding under these facilities as at 31 December 2015 was \$1,384,000 (31 December 2014: \$988,000). The amounts outstanding are all repayable with 12 months of the balance sheet date.

Director

On 20 May 2015, the chief executive of Anglo Asian Mining PLC provided a \$4 million loan facility to the Group. Any loan from the facility was repayable on 8 January 2016 at an interest rate of 10 per cent. On 8 January, 2016 the repayment date for the loan facility was extended until 8 July 2016 with all other terms remaining the same.

21 Provision for rehabilitation

	2015 \$000	2014 \$000
1 January	8,624	7,357
Change in estimate	(747)	221
Accretion expense	414	469
Change in discount rate	263	577
31 December	8,554	8,624

The Group has a liability for restoration, rehabilitation and environmental costs arising from its mining operations. Estimates of the cost of this work including reclamation costs, close down and pollution control are made on an ongoing basis, based on the estimated life of the mine. This represents the net present value of the best estimate of the expenditure required to settle the obligation to rehabilitate any environmental disturbances caused by mining operations. The undiscounted liability for rehabilitation at 31 December 2015 was \$9,436,000 (2014: \$8,892,000). The undiscounted liability was discounted using a risk-free rate of 5.73 per cent. (2014: 4.77 per cent.). Expenditures on restoration and rehabilitation works are expected between 2023 and 2025 (2014: between 2021 and 2022).

22 Financial instruments

Financial risk management objectives and policies

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

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

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

The sensitivity has been prepared for the years ended 31 December 2015 and 2014 using the amounts of debt and other financial assets and liabilities held as at those reporting dates.

Capital risk management

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

22 Financial instruments continued

Capital risk management continued

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

	2015 \$000	2014 \$000
Interest-bearing loans and borrowings (note 20)	49,296	52,758
Less cash and cash equivalents (note 18)	(249)	(322)
Net debt	49,047	52,436
Equity	78,644	85,916
Capital and net debt	127,691	138,352
Gearing ratio (per cent.)	38	38

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 the interest rate on the borrowings 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 2015 and 2014.

Interest rate sensitivity analysis

Interest rate sensitivity of the Group from reasonably possible movement in the three month LIBOR rate is limited to \$203,000 (2014: \$187,000) negative and positive impact on the Group's profit before tax. Assumed movement is based on 0.5 per cent. increase or decrease in LIBOR on interest-bearing loans from ATB.

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

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

Year ended 31 December 2015

	On demand \$000	Less than 3 months \$000	3 to 12 months \$000	1 to 5 years \$000	Total \$000
Interest-bearing loans and borrowings	—	6,574	23,235	24,734	54,543
Trade and other payables	—	20,112	—	—	20,112
	—	26,686	23,235	24,734	74,655

Year ended 31 December 2014

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

Credit risk

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

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

Notes to the Group financial statements continued

year ended 31 December 2015

22 Financial instruments continued

Foreign currency risk

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

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

	Liabilities		Assets	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
UK Sterling	187	330	2	31
Azerbaijan Manats	3,416	4,127	1,003	1,439
Other	317	160	—	—

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 13 per cent., 12.5 per cent. and 15 per cent. (2014: 5.73 per cent., 6.23 per cent. and 35 per cent.) increase and a 4.5 per cent., 12.5 per cent. and 60 per cent. (2014: 5.73 per cent., 6.23 per cent. and 35 per cent.) decrease in the United States Dollar against United Kingdom Sterling, Euro and Azerbaijan Manat, respectively. These are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for respective change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the United States Dollar strengthens by the mentioned rates against the relevant currency. Weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be reversed.

	UK Sterling impact		Azerbaijan Manat impact		Euro impact	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Increase – effect on loss before tax	24	17	1,447	941	40	10
Decrease – effect on loss before tax	(8)	(17)	(362)	(941)	(40)	(10)

Market risk

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

A 10 per cent. decrease in gold price in the year ended 31 December 2015 would result in a reduction in revenue of \$7,447,000 and a 10 per cent. increase in gold price would have the equal and opposite effect. A 10 per cent. decrease in silver price would result in a reduction in revenue of \$29,000 and a 10 per cent. increase in silver price would have an equal and opposite effect. A 10 per cent. decrease in copper price would result in a reduction in revenue of \$335,000 and a 10 per cent. increase in copper price would have an equal and opposite effect.

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

The Group has estimated the fair value of its interest-bearing loans and borrowings at \$49.2 million which equals the carrying value of those liabilities in its balance sheet. This valuation has been carried out using level 3 valuation techniques (significant unobservable inputs).

23 Equity

	2015		2014	
	Number	£	Number	£
Authorised				
Ordinary shares of 1 pence each	600,000,000	6,000,000	600,000,000	6,000,000
			Shares	\$000
Ordinary shares issued and fully paid				
1 January 2015			111,683,972	1,978
Shares issued in lieu of cash payment			977,052	15
31 December 2015			112,661,024	1,993

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

The shares issued in lieu of cash payment were to directors for certain fees and expenses as set out in the report on directors' remuneration on page 21.

23 Equity continued

Share options

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

Merger reserve

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

Retained (loss)/earnings

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

24 Share-based payment

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

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

	2015		2014	
	Number	WAEP pence	Number	WAEP pence
1 January	2,801,684	36	3,001,684	38
Granted during the year	—	—	300,000	15
Expired during the year	(680,825)	84	(350,000)	46
Exercised during the year	—	—	(150,000)	11
31 December	2,120,859	21	2,801,684	36

The following share options were exercisable at 31 December 2015:

	2015		2014	
	Number	WAEP pence	Number	WAEP pence
	1,970,859	21	2,501,684	39

The weighted average remaining contractual life of the share options outstanding at 31 December 2015 was 3 years (2014: 3 years) and the range of their exercise prices was 12 pence to 43 pence (2014: 12 pence to 97 pence).

There were no share options granted during 2015.

The weighted average fair value of the share options granted during 2014 was £0.06 (\$0.10).

Share options are valued using the Black-Scholes model. The assumptions used to value the share options issued in the year ended 31 December 2014 are as follows:

	2015*	2014
Weighted average share price (pence)	n/a	15
Weighted average exercise price (pence)	n/a	15
Expected volatility for six months' vesting period option (per cent.)	n/a	—
Expected volatility for one year's vesting period option (per cent.)	n/a	58
Expected volatility for two years' vesting period option (per cent.)	n/a	58
Expected life for six months' vesting period option (years)	n/a	2
Risk-free rate (per cent.)	n/a	1.43

* Not applicable as no options issued in 2015.

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

The Group recognised total expense related to equity-settled share-based payment transactions for the year ended 31 December 2015 of \$15,000 (2014: \$16,000).

Notes to the Group financial statements continued

year ended 31 December 2015

25 Contingencies and commitments

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

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

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

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

There were no significant operating lease or capital lease commitments at 31 December 2015 (2014: \$nil).

26 Related party transactions

Trading transactions

During the years ended 31 December 2014 and 2015, 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 The chief executive had an indirect interest in the lease of the Company's office in Baku, the Republic of Azerbaijan. The office in Baku was sold during the year ended 31 December 2014. The cost of the lease for the year ended 31 December 2015 was \$nil (2014: \$48,000).
- b Shares issued to directors are disclosed in the report on directors' remuneration on pages 21 and 22.
- c Remuneration paid to directors is disclosed in the report on directors' remuneration on pages 21 and 22.
- d During the year ended 31 December 2015, total payments of \$1,018,000 (2014: \$1,182,000) were made for equipment and spare parts purchased from Proses Muhendislik Danismanlik Inshaat ve Tasarim Anonim Shirket, the entity in which the chief technical officer of Azerbaijan International Mining Company has a direct ownership interest.

At 31 December 2015 there is an advance payment in relation to the above related party transaction of \$59,000 (2014: \$65,000).

- e On 20 May 2015, the chief executive made a \$4 million loan facility available to the Group. The interest accrued and unpaid at 31 December 2015 was \$195,000 (2014: nil). Details of the loan facility are disclosed in note 20 – 'Interest-bearing loans and borrowings' on page 48.

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

Company statement of financial position

31 December 2015

	Notes	2015 \$000	2014 \$000	2013 \$000
Non-current assets				
Property, plant and equipment	4	241	71	—
Investments	5	1,325	1,325	1,325
Other receivables	7	119	162	—
		1,685	1,558	1,325
Current assets				
Other receivables	7	17,193	18,453	19,127
Cash and cash equivalents	8	68	125	895
		17,261	18,578	20,022
Total assets		18,946	20,136	21,347
Current liabilities				
Trade and other payables	9	(724)	(605)	(852)
Net current assets		16,537	17,973	19,170
Total liabilities		(724)	(605)	(852)
Net assets		18,222	19,531	20,495
Equity				
Share capital	11	1,993	1,978	1,973
Share premium account		32,325	32,246	32,173
Retained loss		(16,096)	(14,693)	(13,651)
Total equity		18,222	19,531	20,495

The loss dealt with in the financial statements of the Company is \$1,418,000 (2014: \$1,081,000).

These Company financial statements were approved by the board of directors and authorised for issue on 24 May 2016. They were signed on its behalf by:


Reza Vaziri
Chief executive

Company statement of changes in equity

year ended 31 December 2015

	Share capital \$000	Share premium \$000	Accumulated loss \$000	Total equity \$000
1 January 2013	1,973	32,173	(12,141)	22,005
Loss for the year	—	—	(1,555)	(1,555)
Share-based payment	—	—	45	45
31 December 2013	1,973	32,173	(13,651)	20,495
Loss for the year	—	—	(1,081)	(1,081)
Shares issued	5	73	—	78
Share-based payment	—	—	41	41
31 December 2014	1,978	32,246	(14,693)	19,531
Loss for the year	—	—	(1,418)	(1,418)
Shares issued	15	79	—	94
Share-based payment	—	—	15	15
31 December 2015	1,993	32,325	(16,096)	18,222

Notes to the Company financial statements

year ended 31 December 2015

1 Basis of preparation

The parent company financial statements of Anglo Asian Mining PLC are presented as required by the Companies Act 2006 and were approved for issue on 24 May 2016.

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"), which was first applied this year after notifying shareholders. FRS 101 enables the financial statements of the parent company to be prepared in accordance with EU-adopted IFRS but with certain disclosure exemptions. The main areas of reduced disclosure are in respect of equity settled share-based payments, financial instruments, the cash flow statement and related party transactions with Group companies.

The Company has elected to adopt early the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 and has prepared its primary statements in accordance with IAS 1 – Presentation of Financial Statements. The Company has used the exemption available under IFRS 1D 15 to determine the carrying amount of its investments in subsidiaries at 1 January 2014 in accordance with the previous UK GAAP as their deemed cost at that date.

The presentation of the parent company financial statements under FRS 101 instead of the previously applicable UK Generally Accepted Accounting Practice ("UK GAAP") is a change of accounting basis. The accounting policies set out in note 2 are those policies which apply for the financial statements for the year ended 31 December 2015. The reported losses and net assets of the parent company were unaffected by the transition to FRS 101 and remain consistent with UK GAAP which was applied previously. In accordance with IAS 1 – "Presentation of Financial Statements" an additional balance sheet at 31 December 2013 has been presented prepared in accordance with FRS 101.

The parent company financial statements have been prepared under the historical cost convention except for the treatment of share based payments. The parent company financial statements are presented in United States dollars ("\$") and all values are rounded to the nearest thousand except where otherwise stated. In the parent company financial statements "£" and "pence" are references to the United Kingdom pound sterling. As permitted by sections 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of the financial statements.

2 Significant accounting policies

a Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost includes 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. Property plant and equipment is mainly office and computer equipment which are depreciated on a straight line basis over four years.

The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

b Investments

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

c Other receivables

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 measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate method. The losses arising from impairment are recognised in the profit and loss account.

d Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

e Share-based payments

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

The Company 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 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 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 have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The vesting condition assumptions are reviewed during each reporting period to ensure they reflect current expectations.

Notes to the Company financial statements continued

year ended 31 December 2015

3 Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is \$1,418,000 (2014: \$1,081,000).

4 Property, plant and equipment

	Office equipment \$000
Cost	
1 January 2013 and 2014	95
Additions	71
31 December 2014	166
Additions	183
31 December 2015	349
Depreciation	
1 January 2013	81
Charge for the year	14
31 December 2013 and 2014	95
Charge for the year	13
31 December 2015	108
Net book value	
31 December 2013	—
31 December 2014	71
31 December 2015	241

5 Investments

	2015 \$000	2014 \$000	2013 \$000
Shares in subsidiary undertakings			
Anglo Asian Operations Limited	1,325	1,325	1,325

6 Subsidiaries

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

The Company's subsidiaries at 31 December 2015 are as follows:

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

There has been no change in subsidiary undertakings since 1 January 2015.

7 Other receivables

	2015 \$000	2014 \$000	2013 \$000
Non-current assets			
Loans	119	162	—
Current assets			
Prepayments	29	28	22
Loans	74	48	196
Advances	46	—	—
HMRC	26	—	4
Amounts owed by subsidiary undertakings	17,018	18,377	18,905
	17,193	18,453	19,127

8 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

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.

9 Trade and other payables

	2015 \$000	2014 \$000	2013 \$000
Trade creditors	47	147	32
Accruals	677	429	820
HMRC	—	29	—
	724	605	852

10 Deferred taxation

	2015 \$000	2014 \$000	2013 \$000
The elements of unrecognised deferred taxation are as follows:			
Tax losses	2,772	2,187	2,104
Unrecognised deferred tax asset	2,772	2,187	2,104

A deferred tax asset has not been recognised in respect of temporary 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.

11 Share capital

	2015		2014 and 2013	
	Number	£	Number	£
Authorised				
Ordinary shares of 1 pence each	600,000,000	6,000,000	600,000,000	6,000,000
			Shares	\$000
Ordinary shares issued and fully paid				
1 January and 31 December 2013			111,397,307	1,973
Exercise of share options			150,000	3
Shares issued in lieu of cash payment			136,665	2
31 December 2014			111,683,972	1,978
Shares issued in lieu of cash payment			977,052	15
31 December 2015			112,661,024	1,993

The shares issued in lieu of cash payment in 2015 were to directors for certain fees and expenses as set out in report on directors' remuneration on page 21.

12 Share-based payments**Equity-settled share option scheme**

Details of the Company's equity-settled share option scheme are given in note 24 to the Group financial statements.

13 Subsequent events

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

14 Auditor's remuneration

The Company paid \$107,000 (2014: \$107,000) to its auditor in respect of the audit of the financial statements of the Company. Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of Anglo Asian Mining PLC because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

Letter to shareholders

Anglo Asian Mining PLC

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

Directors

Khosrow Zamani
John Monhemius
Richard Round
John Sununu
Reza Vaziri

Registered office

7 Devonshire Square
Cutlers Gardens
London EC2M 4YH

1 June 2016

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

Dear shareholder

Accompanying this letter you will find the Company's annual report and accounts for the year to 31 December 2015 together with the attached notice of the Annual General Meeting to be held on 27 June 2016 (the "Meeting") and a form of proxy. This letter is to explain the background to some of the resolutions to be put to shareholders at the Meeting.

Resolution 3 – Re-election of the Director retiring by rotation

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

Resolution 4 – Authority to allot shares

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

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

In accordance with these guidelines, resolution 4 proposes that directors be granted authority to allot shares in the capital of the Company up to a maximum amount representing the guideline limit of two-thirds of the Company's issued ordinary share capital as at 24 May 2016 (the latest practicable date prior to publication of this letter). Of this amount, half can only be allotted pursuant to a rights issue.

The authority will expire on the earlier of: (i) the conclusion of the next Annual General Meeting; and (ii) 30 June 2017 (being six months after the Company's accounting reference date).

Resolution 5 – Disapplication of statutory pre-emption rights

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

Action to be taken

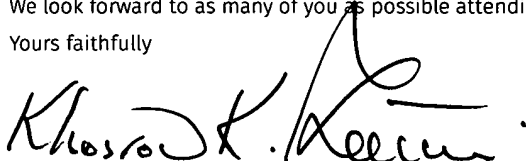
Whether or not you intend to be present at the Meeting, you are requested to complete the reply-paid form of proxy in accordance with its instructions and return it to the address given on the form of proxy.

Recommendation

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

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

Yours faithfully



Khosrow Zamani
Non-executive chairman

Notice of annual general meeting of shareholders

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of the shareholders of Anglo Asian Mining plc (the "Company") will be held on 27 June 2016 at 11.00 am at the offices of Squire Patton Boggs (UK) LLP, 7 Devonshire Square, Cutlers Gardens London EC2M 4YH for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution:

Ordinary resolutions

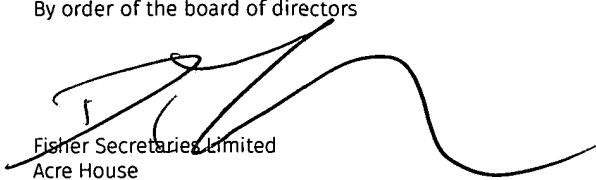
- 1 THAT the consolidated financial statements and the reports of the board of directors and of the auditors for the year ended 31 December 2015 be received.
- 2 THAT Ernst & Young LLP be re-appointed as the auditors of the Company and that the board of directors be authorised to fix their remuneration.
- 3 THAT John Sununu be re-elected as a director, having retired by rotation in accordance with the Company's articles of association.
- 4 THAT the directors be hereby authorised generally and unconditionally pursuant to Section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Act):
 - (a) up to an aggregate nominal amount of £375,537*; and
 - (b) up to an aggregate nominal amount of £751,073** (including within such limit any equity securities issued under paragraph (a) above) in connection with an offer by way of a rights issue:
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any matter.

The authority granted by this resolution shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 June 2017, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this authority had not expired.

Special resolution

- 5 THAT subject to the passing of resolution 4 above the directors be hereby empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (as defined by Section 560 of the Act) wholly for cash and/or to sell or transfer shares held by the Company in treasury ("Treasury Shares") as the directors deem appropriate (in the case of allotments, pursuant to the authority conferred by resolution 4 above) as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment (or, in the case of Treasury Shares, the sale or transfer) of equity securities:
 - (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange or otherwise; and
 - (b) otherwise than pursuant to sub-paragraph (a) of this resolution up to an aggregate nominal amount of £112,661†, and provided that this authority shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the Company's next annual general meeting or, if earlier, 30 June 2017 save that the Company may, at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted (or in the case of Treasury Shares, sold or transferred) after such expiry and the directors may allot (or in the case of Treasury Shares, sell or transfer) equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

By order of the board of directors


 Fisher Secretaries Limited
 Acre House
 11/15 William Road
 London NW1 3ER
 United Kingdom
 1 June 2016

* Calculated as one third of the nominal value of the total issued ordinary share capital (i.e. 112,661,024 shares of nominal value £1,126,610.24).

** Calculated as two thirds of the nominal value of the total issued ordinary share capital (£1,126,610.24).

† 10 per cent. of the ordinary issued share capital of the Company (£1,126,610.24).

Notice of annual general meeting of shareholders

continued

Notes

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise any of their rights to attend, speak and vote on their behalf at the AGM. A proxy need not be a member of the Company. Where more than one proxy is appointed, each proxy must be appointed for different shares. A proxy form is enclosed. Completion and return of a proxy form will not preclude a member from attending and voting at the AGM should he subsequently decide to do so. To be effective, the proxy form and any power of attorney or other such instrument (if any) under which it is signed or a notarially certified copy of such power of attorney must be deposited at the offices of Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU not later than 11.00am on 24 June 2016.
- 2 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company at 6.00pm on 24 June 2016 shall be entitled to vote in respect of shares registered in their name at that time. Changes to the register of members after 6.00pm on 24 June 2016 shall be disregarded in determining the rights of any person to attend or vote at the AGM.

Company information

Azerbaijan office (principal place of business)
20, Block 520
Huseyn Javid Avenue
Baku, AZ 1073
The Republic of Azerbaijan
Tel +994 12 596 3350
Fax +994 12 596 3354

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

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

Website
www.angloasianmining.com

Company number
5227012
Registered in England and Wales

VAT registration number
872 3197 09

Bankers – United Kingdom
HSBC
79 Piccadilly
London W1J 8EU
United Kingdom

Bankers – Azerbaijan
International Bank of Azerbaijan
67 Nizami Str.
Baku
The Republic of Azerbaijan
Yapi Kredi Bank Azerbaijan JSC
32 J. Jabbarly Str.
Baku
The Republic of Azerbaijan

Solicitors – United Kingdom
Squire Patton Boggs (UK) LLP
7 Devonshire Square
Cutlers Gardens
London EC2M 4YH
United Kingdom

Solicitors – Azerbaijan
Nazal Consulting LLC
36 Islam Safarly Str.
Baku
The Republic of Azerbaijan

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Nominated adviser and broker
SP Angel Corporate Finance LLP
Prince Frederick House
35–39 Maddox Street
London W1S 2PP
United Kingdom

Financial PR advisers
St Brides Media and Finance Limited
3 St. Michael's Alley
London EC3V 9DS
United Kingdom

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom