# Anglo Asian Mining PLC

**For release at 7.00 a.m. on 28 September 2007** **AIM:AAZ**

**ANGLO ASIAN MINING PLC**
**('Anglo Asian' or 'the Company')**

**INTERIM RESULTS FOR THE SIX MONTHS TO**
**30 JUNE 2007 AND UPDATE**

**Highlights for the period**

- Following completion of the scoping study on Gedabek a Notice of Discovery was submitted to the Ministry of Ecology and Natural Resources in February
- Gedabek feasibility study was completed in June showing the property to be economically viable
- Minasco appointed as agent for sale of the CIL plant located in Singapore
- Khosrow Zamani appointed as a non executive Director

**Subsequent events**

- Khosrow Zamani appointed as Chairman
- Production and Development Programme approved
- Environmental Impact Study approved by the Ministry of Ecology and Natural Resources
- International Bank of Azerbaijan agree to establish $5m loan facility

Khosrow Zamani, Chairman of Anglo Asian, commented: 'The feasibility on the Gedabek project demonstrates viability and the possibility of a prompt return on investment and gives the Company a unique opportunity to secure it's foothold in Azerbaijan by becoming the first operating gold mine in the country. Successful development of this mine will enable Anglo Asian to self fund further exploration in the highly prospective Caucasus mineralised belt and generate sufficient cashflow to take advantage of other opportunities in the region.'

Mr Zamani continued: 'The operating loss of $12.4m for the 6 month period to 30 June 2007 arose from charging $2.2m of administrative expenses, $0.2m of exploration expenses and $10.0m of impairment provisions. The provisions relate to previously capitalised exploration and evaluation expenditure on some of the Ordubad properties, mining rights in the Ordubad contract area and the carrying value of the CIL plant. Whilst the Directors are working to extract greater value from these assets, it is considered appropriate to make these provisions at the current time.'

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**INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2007 AND UPDATE**

## Chairman's statement

### General

It is a pleasure to deliver my first Chairman's Statement covering what has been a very important period for Anglo Asian. A Feasibility Study completed by the Company in June, established the viability of the Gedabek heap leach project. The Company submitted a 'Notice of Discovery and its Commerciality' for the Gedabek property to the Azerbaijan Ministry of Ecology and Natural Resources at the end of February 2007. This notice initiated the fifteen year Development and Production Period, with the potential for two five year extensions. Subsequent approvals of the Work Plan and Production and Development Programme enable the Company to proceed to construction.

The Company is now going through the process of obtaining finance, acquiring the required land, detailed design work on the pad, pit and treatment plants and obtaining the necessary approvals to commence the mining activities. A full update on all of these areas is provided below.

### Gedabek

The Company completed the Feasibility Study on Gedabek in June, which showed the development of the property to be economically viable. The study identifies a mining reserve of 7.7 million tonnes of ore at grades of 1.80 grams per tonne ('g/t') gold, 15.9 g/t silver and 0.29% copper. Gold, silver and copper production over the mine life has been conservatively estimated to be 311,154 oz of gold, 1,959,109 oz of silver and 17,424,960 lbs of copper respectively. Under the JORC code the mining reserve is in the "probable" mineral reserve category. Additional ore is expected to be found from the inferred ore within the current pit boundaries, extensions of the mineralisation already identified outside the pit and from old mine stockpiles produced from previous underground mining of the Gedabek deposit.

Capital costs are estimated at US$30.7 million, including US$3.1 million of working capital. The cash operating costs are estimated as US$283 per oz of gold (US$147 per oz net of copper and silver credits, at a gold price of US$600/oz, Cu price at US$1.80/lb and silver price at US$10/oz). At current metal prices, cash costs reduce to well below US$100 per oz of gold and the project is expected to payback the capital investment within one year of commencing production. The Company receives 49% of the cashflows after capital and operating cost recovery with interest, under its Production Sharing Agreement with the Azerbaijan government. This equates to approximately 63% of the pre-tax cashflows.

As described in earlier announcements, the application of heap leach technology from a low strip open pit mine, combined with the SART (Sulphidation-Acidification-Recycle-Thickening) copper precipitation process is the intended treatment method for the project. This is a simple, one step leaching process which has been demonstrated in the laboratory to work effectively on Gedabek ore. SART copper recovery has been applied successfully at an Australian mining operation and is particularly suited to Gedabek ore because of the high cyanide solubility of the copper minerals present.

Since completing the Feasibility Study for Gedabek, the Company has continued to prepare for construction of the mine. The Environmental Base-line Study was approved by the Ministry of Ecology and Natural Resources in March and the Environmental Impact Study was approved in August. These were significant milestones for the Company, the latter involving direct consultation with the citizens of Gedabek town, who strongly supported the mine development.

In August, the Company also received approval for its Production and Development Programme from the project Steering Committee, enabling it to proceed with construction work subject to the transfer of land, some of which is currently held under agricultural title. The land transfer must undergo a legal process, which is currently in progress. Meanwhile, the Company has applied for a Mining Licence to start pre-stripping during the construction of the leach pad, treatment plant and associated facilities.

At Gedabek, company personnel have occupied a local hotel building during the exploration phase. The hotel has since been modified to accommodate up to 60 contractors and a new camp is under construction adjacent to the mine site. Accommodation units initially assembled at the Ordubad exploration camp have been moved to Gedabek and the camp construction has been making good progress during the dry months of August and September.

Final design work for the leach pad and treatment plants continues in Australia. Once completed, the Company will be able to move forward with fabrication and equipment ordering. It is expected most of the plant fabrication will be done within Azerbaijan.

It was planned to start earthworks on the leach pad at Gedabek during the final quarter of 2007. With the approach of winter, and allowing sufficient time to finalise the land transfer process, this has now been postponed until the spring of 2008. This revised construction programme should still enable production to commence during the last quarter of 2008. Mining pre-strip, leach pad earthworks and plant construction will now be carried out in parallel, commencing as soon as possible in the second quarter of 2008

**Exploration**

After an unusually wet spring restricting access to some areas, the exploration team have since covered some significant territory in the three main Contract areas at Gedabek, Gosha and Ordubad. The emphasis during 2007 has changed from adit re-sampling to a broader look at the Company's prospect areas, through rock chip sampling, stream sediment sampling and applying a wide grid soils programme in areas of known or likely mineralisation. Soviet exploration efforts used outcrops and adits only for exploration guidance. Applying western geochemical methods, the exploration team is targeting both new prospects without any surface expression and extensions to existing deposits within the contract boundaries.

From the results of this work, targets will be identified for the next phase of drilling. Preliminary results show the soils sampling programme near Gedabek is effective and a closer grid sampling programme has already been established over one anomalous zone. Nearly 2,000 samples have been collected from all three contract areas and results will be carefully analysed over coming months. Previous sampling programmes in the Gedabek region have identified at least five gold and gold/copper exploration targets within trucking distance of the mine.

Exploration work has been slowed down at Ordubad in order to direct more of the Company's resources to the development and construction of Gedabek. The Company has until April 2009 to provide the MENR with a Notice of Discovery on the resources within the other contract areas.

Due to the short timeframe to complete exploration and the appropriate scoping study to prove economic viability at Ordubad, it has been decided to direct the Company's resources towards the development and construction at Gedabek. The Directors have decided to make provisions against the carrying value of previously capitalised exploration expenditures and mining rights at Ordubad totalling $6.7million to reflect the current status of exploration there. Anglo Asian will continue to look for ways to extract value from the Ordubad contract area, which could be achieved by either a joint venture or through negotiation with the Azerbaijan Government.

Check sampling carried out at the principal Gosha prospect supports previous Russian data. The upper and thicker E-W ore zone is being considered for supplementary feed to Gedabek. This orebody is near surface and may be amenable to open pit mining. Further delineation of this oxide resource and a feasibility study to truck ore to Gedabek is planned for completion during 2008.

**CIL plant**

On completion of the scoping study in late February a decision was made to sell the CIL plant, which is containerised and located at Jurong port in Singapore, as it was no longer required. Immediately following the announcement of this decision a number of parties approached the Company expressing interest in the plant. It became clear following discussions that the parties either did not have the appropriate funding or their projects were not sufficiently advanced to complete the acquisition. A decision was therefore made to put the sale in the hands of Minasco, an experienced specialist in gold plant sales. Visits have already been made to Singapore by a number of interested buyers who have confirmed that the plant is in good condition and suitable for their particular application. The Company is very encouraged by the recent level of interest generated.

In light of the delayed timing of the plant sale the Company believes it is prudent to make a provision against the CIL plant carrying value of $3.3million, reducing the carrying value to $7million.

**Financing**

Discussions have been held with a number of financial institutions in Azerbaijan regarding the financing of the Gedabek project. There has been interest from a number of parties, but in particular the International Bank of Azerbaijan ('IBA') last week agreed to establish a US$5 million credit facility, for the Gedabek project, extending for three years with interest payable at up to 15%. The Company will be in a position to drawdown on the credit line from 1 October 2007 for the Gedabek project and the IBA has also confirmed that it is willing to entertain further loans to Anglo Asian.

We have also held discussions with other potential regional strategic partners.

Our cash balance at the time of this release is $1.1m and Reza Vaziri, a majority shareholder and director, has also provided a $0.6m unsecured loan facility to the Company which is currently not drawn. The facility is repayable, if drawn, from the proceeds of the sale of the plant or an appropriate financing and accrues interest at a rate of 9% per annum.

The non executive directors have agreed that their fees, with effect from 1 August 2007, will be paid in shares.

**Financial results**

The Group reported an unaudited operating loss of $12,378,630 ($2,141,020) for the six months to 30 June 2007 (six months to 30 June 2006). The operating loss resulted from the charging of administrative expenses of $2,214,560 ($2,141,020) and other operating expenses of $10,164,070 ($nil), which incorporates provisions for impairment of $9,966,105 ($nil) on intangible assets and the fixed asset for resale.

The net interest credit in the period of $117,580 ($370,391) arose from interest received on deposits.

Exploration and evaluation expenditures of $1,336,517 ($2,973,376) were capitalised in the period. Capital expenditure was incurred of $90,560 ($5,808,526).

At the period end the Group retained cash balances of $2,478,864 ($11,750,911).

**Directors and management**

I joined Anglo Asian as a non executive Director on 1 June 2007 and was subsequently appointed Chairman on 17 July, taking over from Graham Mascall who left to pursue other business interests. I would like to take this opportunity to thank Graham for his contribution to the restructuring of the Company.

We have continued to reduce our cost base and significant savings have been achieved through the closure of our London office in February. We intend to make further savings to the overhead by reducing our presence in the capital Baku by moving all operating functions to Gedabek, following the completion of the studies and construction commencing. This will result in cost savings, improved control and increase in local employment.

It has also been agreed that Richard Round (Finance Director/Company Secretary) will make a further reduction on his time commitment to Anglo Asian, which will be achieved by the appointment of Jan Davies as Company Secretary on a basis of time worked and a combination of investor relations and finance control being taken up by Gordon Lewis and Nigel Jenner (Group Financial Controller) respectively.

**The future**

The Group is poised to transform as it moves towards the development of the Gedabek project. This will be the starting point for further growth in Azerbaijan and the greater Asian region.

I look forward to updating the shareholders with progress over the coming months.

Khosrow Zamani

Chairman

27 September 2007

# Anglo Asian Mining PLC

# Interim financial statements for the 6 month period to 30 June 2007

## Group Income Statement

| | Note | Unaudited 6 months to 30-Jun-07 US$ | Unaudited 6 months to 30-Jun-06 Restated (Note 2) US$ | Audited Year to 31-Dec-06 US$ |
|---|---|---|---|---|
| Administrative expenses | **2** | (2,214,560) | (2,141,020) | (4,824,096) |
| Other operating expenses | **3** | (10,164,070) | - | (185,103) |
| **OPERATING LOSS** | | **(12,378,630)** | **(2,141,020)** | **(5,009,199)** |
| Interest and investment income | | 117,580 | 370,391 | 581,152 |
| Finance costs | | - | (13) | (26) |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAX** | | **(12,261,050)** | **(1,770,642)** | **(4,428,073)** |
| Tax on loss on ordinary activities | | - | - | - |
| **LOSS FOR THE PERIOD** | | **(12,261,050)** | **(1,770,642)** | **(4,428,073)** |
| Basic and diluted loss per ordinary share (cents) | **4** | (12.36) | (1.79) | (4.47) |

# Anglo Asian Mining PLC

## Group statement of total recognised income and expenses

| | Unaudited 6 months to 30-Jun-07 US$ | Unaudited 6 months to 30-Jun-06 Restated (Note 2) US$ | Audited Year to 31-Dec-06 US$ |
|---|---|---|---|
| **LOSS FOR THE PERIOD** | | (1,450,183) | |
| Share-based payment charge | | (320,459) | |
| **LOSS FOR THE PERIOD RESTATED** | **(12,261,050)** | **(1,770,642)** | **(4,428,073)** |
| Exchange differences | - | (73,172) | (175,616) |
| **TOTAL RECOGNISED INCOME AND EXPENSE** | **(12,261,050)** | **(1,843,814)** | **(4,603,689)** |

# Anglo Asian Mining PLC

## Group balance sheet

| | Note | Unaudited 30.06.07 US$ | Unaudited 30.06.06 US$ | Audited 31.12.06 US$ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non current assets** | | | | |
| Intangible assets | **5** | 49,028,247 | 51,525,289 | 54,383,948 |
| Property, plant and equipment | | 1,027,853 | 10,562,016 | 11,303,637 |
| Fixed asset held for resale | **6** | 7,000,000 | - | - |
| **TOTAL NON CURRENT ASSETS** | | **57,056,100** | **62,087,305** | **65,687,585** |
| **Current assets** | | | | |
| Receivables | | 516,283 | 372,897 | 170,607 |
| Cash and cash equivalents | | 2,478,864 | 11,750,911 | 6,354,102 |
| **TOTAL CURRENT ASSETS** | | **2,995,147** | **12,123,808** | **6,524,709** |
| **TOTAL ASSETS** | | **60,051,247** | **74,211,113** | **72,212,294** |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | (1,107,217) | (935,606) | (1,240,453) |
| **TOTAL LIABILITIES** | | **(1,107,217)** | **(935,606)** | **(1,240,453)** |
| **NET ASSETS** | | **58,944,030** | **73,275,507** | **70,971,841** |
| **EQUITY** | | | | |
| Called up share capital | | 1,782,605 | 1,782,605 | 1,782,605 |
| Share premium account | | 30,279,301 | 30,279,301 | 30,279,301 |
| Merger reserve | | 46,206,390 | 46,206,390 | 46,206,390 |
| Profit and loss account | | (19,324,266) | (4,992,789) | (7,296,455) |
| **TOTAL EQUITY** | | **58,944,030** | **73,275,507** | **70,971,841** |

## Group cash flow statement

| | Note | Unaudited 6 months to 30-Jun-07 US$ | Unaudited 6 months to 30-Jun-06 Restated US$ | Audited Year to 31-Dec-06 US$ |
|---|---|---|---|---|
| **NET CASH OUTFLOW FROM OPERATING ACTIVITIES** | **7** | **(2,565,741)** | **(1,183,268)** | **(2,906,521)** |
| **Investing activities** | | | | |
| Purchases of property, plant and equipment | | (90,560) | (5,808,526) | (6,649,068) |
| Exploration and evaluation expenditure | | (1,336,517) | (2,973,376) | (6,017,138) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(1,427,077)** | **(8,781,902)** | **(12,666,206)** |
| **Financing activities** | | | | |
| Interest received | | 117,580 | 370,391 | 581,152 |
| Interest paid | | - | (13) | (26) |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | | **117,580** | **370,378** | **581,126** |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(3,875,238)** | **(9,594,792)** | **(14,991,601)** |
| **CASH AND CASH EQUIVALENTS AT START OF PERIOD** | | **6,354,102** | **21,345,703** | **21,345,703** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **2,478,864** | **11,750,911** | **6,354,102** |

# Notes to the financial statements

### 1. Basis of preparation

In 2006 the Group prepared its consolidated financial statements under UK generally accepted accounting principles ('UK GAAP'). The full accounts for the year ended 31 December 2006, which received an unqualified report from the auditors and did not contain a statement under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

On 1 January 2007 the Group adopted International Financial Reporting Standards ('IFRS') as adopted by the European Union. This interim financial report has therefore been prepared using accounting policies that the Group believes will comply with IFRS.

There were no adjustments arising from the restatement of the 30 June 2006 and 31 December 2006 financial statements resulting from the application of IFRS and there is no material difference between the new accounting policies under IFRS and those previously adopted under UK GAAP.

The interim financial information for the six months ended 30 June 2006 and 30 June 2007 is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The interim report was approved by the Board of Directors on 27 September 2007.

### 2. Restatement of share based payment charge

The Group applied the requirements of FRS 20 Share-based Payment from 1 January 2006. The impact of this standard in the year ended 2006 was a charge of $776,668 to the profit and loss. The Interim Statements for the 6 month period to 30 June 2006 did not include a charge relating to FRS 20 and the comparative statements have been restated to include the appropriate charge of $223,824. The adoption of FRS 20 had no impact on total reserves as there is a corresponding entry to retained earnings.

### 3. Other expenses

| | **Unaudited 6 months to 30-Jun-07** | Unaudited 6 months to 30-Jun-06 | Audited Year to 31-Dec-06 |
|---|---|---|---|
| | **US$** | US$ | US$ |
| Provision for impairment of capitalised exploration and evaluation expenditure | **(1,692,218)** | - | (185,103) |
| Provision for impairment of mining rights | **(5,000,000)** | - | - |
| Exploration and evaluation expenses | **(197,965)** | - | - |
| Provision for impairment of fixed asset for resale | **(3,273,887)** | - | - |
| **Total other expenses** | **(10,164,070)** | - | (185,103) |

**4. Earnings per ordinary share**

| | **Unaudited 6 months to 30-Jun-07** | Unaudited 6 months to 30-Jun-06 | Audited Year to 31-Dec-06 |
|---|---|---|---|
| | **US$** | US$ Restated (Note 2) | US$ |
| **Earnings per ordinary share** | | | |
| Loss | | | |
| Basic and diluted earnings per share | **(12,261,050)** | (1,770,642) | (4,428,073) |
| | **Number** | Number | Number |
| Weighted average number of shares: | | | |
| For basic and diluted earnings per share | **99,171,800** | 99,171,800 | 99,171,800 |

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

**5.Intangible Assets**

| | Exploration and Evaluation | Mining Rights | Total |
|---|---|---|---|
| | US$ | US$ | US$ |
| As at 31 December 2006 | 7,458,686 | 46,925,262 | 54,383,948 |
| Additions during the period | 1,336,517 | - | 1,336,517 |
| Provision for impairment | (1,692,218) | (5,000,000) | (6,692,218) |
| **As at 30 June 2006** | **7,102,985** | **41,925,262** | **49,028,247** |

The additions during the period relate to Gedabek and Gosha. The directors have decided to make a provision for impairment against the carrying value of capitalised exploration and evaluation expenditure relating to Piyazbashi $1,111,286, reducing the carrying value to $1,000,000 and Misdag/Agyurt of $580,932 reducing the carrying value to $nil. In addition a provision for impairment has been raised against mining rights relating to Ordubad of $5,000,000, reducing the carrying value of all properties to $41,925,262.

**6. Fixed asset held for resale**

In February 2007 the Company made the decision to sell the CIL plant which is containerised and located in Singapore. As a result the book value of $10,273,887 has been transferred from Property, plant and equipment to Fixed asset held for resale. Due to the protracted sales process the Directors have decided to make a provision for impairment against this carrying value of $3,273,887, reducing the carrying value to $7,000,000.

**7. Reconciliation of operating loss to the cash outflow from operations**

| | **Unaudited 6 months to 30-Jun-07** | Unaudited 6 months to 30-Jun-06 Restated (Note 2) | Audited Year to 31-Dec-06 |
|---|---|---|---|
| | **US$** | US$ | US$ |
| Operating loss | **(12,378,630)** | (2,141,020) | (5,009,199) |
| Depreciation | **92,457** | 49,694 | 148,615 |
| Provision for Impairment | **9,966,105** | - | 185,103 |
| (Increase)/Decrease in debtors and prepayments | **(345,676)** | 523,378 | 725,668 |
| (Decrease)/Increase in creditors and accruals | **(133,236)** | 137,393 | 442,240 |
| Share Based payments | **233,239** | 320,459 | 776,668 |
| Exchange differences | **-** | (73,172) | (175,616) |
| **Net cash outflow from operating activities** | **(2,565,741)** | (1,183,268) | (2,906,521) |