

# Anglo Asian Mining PLC



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## ANGLO ASIAN MINING PLC (‘Anglo Asian’ or ‘the Company’ together with its subsidiaries ‘the Group’)

### PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### Highlights for the year

- Drilling commenced in Q1 2006 at Gedabek
- Selective exploration work carried out Goshu and Ordubad
- Graham Mascall appointed as Chairman on 13 March 2006
- Gordon Lewis appointed as Chief Executive on 1 July 2006
- CIL plant dismantled, containerised and shipped to Singapore in September 2006
- JORC compliant resource estimate for Gedabek announced in December 2006

#### Subsequent events

- Head office relocated from London to Baku, Azerbaijan in January 2007
- Scoping study for Gedabek was completed in February 2007 and determined that the optimal processing methods include open pit mining and heap leaching
- Decision made to sell CIL gold processing plant as Gedabek amenable to heap leaching
- Notice of Discovery and its Commerciality for Gedabek submitted to Azerbaijan government in February 2007 initiating the Development and Production period

Graham Mascall, Chairman of Anglo Asian, commented: ‘Significant progress was made during 2006 after what was a difficult start for Anglo Asian following the IPO. Exploration was concentrated at the Gedabek property which culminated in a JORC compliant resource of 702,000oz of gold plus copper and silver credits. The subsequent Scoping Study confirmed Gedabek’s amenability to low cost heap leaching, also clearing the path to sell the CIL plant. The proceeds of the sale of the plant should provide a large proportion of the required capital cost at Gedabek.’

Mr Mascall continued ‘The loss for the year was US\$4.4 million, incorporating administration expenses of \$5.2 million, offset by an exchange gain of \$0.4 million and interest receivable of \$0.6 million. Cash in the bank at the end of the year was \$6.4 million with the CIL plant fully paid for. A cost reduction programme was initiated towards the end of the year reducing the average monthly spend to approximately \$0.4 million. The appointment of Gordon Lewis in the middle of the year added considerable mining expertise to the Board, ensuring the progress of the Gedabek project.’

#### Enquiries:

Anglo Asian Mining PLC  
Gordon Lewis, Chief Executive  
Richard Round, Finance Director  
T: +994 12 4993350  
T: + 44 1525 211988

Numis Securities Limited  
John Harrison  
T: +44 20 7776 1590

Parkgreen Communications  
Justine Howarth  
Victoria Thomas  
T: +44 20 7 851 7480

[www.aamining.com](http://www.aamining.com)

[victoria.thomas@parkgreenmedia.com](mailto:victoria.thomas@parkgreenmedia.com)

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## PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

### Chairman's statement

#### General

2006 has been a significant year for Anglo Asian with strategic focus shifting from the Ordubad region to the Gedabek project in the West of Azerbaijan which was considered to be the best prospect for early production. In addition, the Board and the management team have been strengthened with individuals who have a combination of both mining and Former Soviet Union experience. This recruitment and the retention of SRK Consulting have led to a more focused approach to the Group's activities and prospects. The decision to primarily concentrate on Gedabek has been rewarded with an upgraded resource estimate and a scoping study confirming the economic viability of the property.

#### Gedebek and Gosha

Drilling commenced early in 2006 initially using three rigs but increasing up to five at the peak. One rig now remains on site investigating extensions to the ore body. The drilling programme progressed well and a JORC compliant resource was announced in December, which was based on 15,507 metres of drilling in 129 diamond core and reverse circulation drillholes. Metallurgical testwork confirmed that the optimal treatment for Gedabek ore is a combination of open pit mining and heap leaching. This was a very positive outcome for the Company as heap leaching requires lower capital expenditure and operating costs than the originally proposed conventional CIL (Carbon-in Leach) technology.

The Gedabek project will now move to feasibility which is expected to be completed in Q2 2007 with construction targeted to begin in the summer. On 26 February 2007 the Company submitted a Notice of Discovery and its Commerciality for the Gedabek property, to the Azerbaijan Ministry of Ecology and Natural Resources. Under the terms of the Production Sharing Agreement ('PSA'), the submission of the Notice of Discovery will initiate the 15 year Development and Production Period, with the potential for two five year extensions.

The local population and government of Gedabek continue to be very supportive of the Company's activities. An underground copper mine was operated by Siemens Brothers between 1849 and 1917.

The Gedabek deposit remains open in a number of directions and drilling is continuing to further expand the resource. The current resource does not include the dump areas created during the previous mining operations.

Limited adit sampling has been carried out at Gosha, confirming the presence a large vein-like structure which contain grades and thicknesses in line with the Soviet data. Assessment of this

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resource will continue through a combination of further sampling, geological modelling and drilling as required. Gosha is approximately 60 kilometres from Gedabek which would allow the ore at Gosha to be treated at Gedabek after being transported via truck from Gosha.

## Ordubad

The drilling programme at Piyazbashi was completed in March of this year. The results of the drilling and the adit sampling provided confirmation of gold grade in the veins broadly in line with the Soviet data. The final resource modelling and assessment need to be completed and the classification is expected to improve. However, the Company's consultants, SRK Consulting have advised that the greater potential of the Gedabek property meant that focus for a first feasibility study should be switched to there. As previously announced Piyazbashi will therefore not be a first priority for a feasibility study and progression towards early production as was envisaged in the Admission Document.

On completion of the drilling at Piyazbashi a diamond drill rig was moved to Shakardara. Shortly after a short drilling campaign there, it was considered that the rig would be better utilised by speeding up the programme at Gedabek and it was therefore moved to that property.

The drilling and assessment programme at Ordubad is now effectively on hold, with further work being required in order to obtain a full assessment of its potential.

## CIL plant and financing

The contract to dismantle, containerise and store the CIL plant within the close proximity of the Mackay port in Australia was completed in the year and the plant was subsequently transported to Singapore.

Confirmation that the optimal treatment for the Gedabek ore is heap leaching allows the Group to sell the plant and use the proceeds for the capital requirement of the heap leaching facility. The Directors believe that given the current buoyant state of the gold mining sector, the sale of the plant will be profitable in relation to the original cost of the plant (circa US\$10 million). The proceeds from this sale will be used to finance a large proportion of the required capital cost of developing Gedabek. Local or international banks will be targeted to source the balance of the funding requirement. The total capital costs for the Gedabek project are not expected to exceed \$25 million.

## Financial results

The Group reported an audited loss for the year of \$4,428,073 (Eleven months ended 31 December 2005: \$2,644,333). The operating loss resulted from the charging of administrative expenses of \$5,186,053 (2005:\$3,457,520), an impairment provision against the exploration expenses incurred at Shakardara of \$185,103 (2005:\$nil) and crediting an exchange gain of \$361,957 (2005:\$208,112). The administrative expenses incorporate a charge for the cost of share based payments of \$776,668 being the issue of options to directors and management and the prior period results were restated to include a comparative charge of \$589,569, following the first time adoption of FRS 20. The comparative period was eleven months and included just five months post the IPO, at which point activity increased substantially.

The net interest credit in the period of \$581,152 (2005:\$613,400) arose from interest received on deposits.

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Exploration and evaluation expenditure of \$6,017,138 (2005:\$1,626,651) was capitalised in the year, although a provision was raised for \$185,103 (2005:\$nil) against capitalised exploration expenditure at the Shakardara property as the Directors at this stage are unable to foresee that this property will enter commercial production. Further payments made to acquire, dismantle and containerise the CIL plant in Australia amounting to \$5,923,887 (2005:\$4,350,000) were capitalised in 2006.

At the year end the Group retained cash balances of \$6,354,102 (2005:\$21,345,703) and an asset with significant value in the CIL plant with the dismantling and containerisation complete and paid for.

## Board and management

Anglo Asian continued to strengthen the Board with individuals who possess significant experience in the mining sector. I joined the Group in March 2006 as Chairman and Gordon Lewis joined as Chief Executive in July 2006. Gordon has a depth of operating experience in various locations throughout the world, where he has taken gold mining projects through from feasibility to construction and production. Gordon has continued to put in place an experienced management team based in Azerbaijan to continue the push towards early production at Gedabek. The Group has recruited in Azerbaijan a Chief Geologist, Financial Controller, Construction Manager and Procurement Manager. As part of our drive to secure further efficiencies, the Head Office was relocated in January 2007 from London to Baku, Azerbaijan.

During the year Robert Jeffcock and Charles Hancock resigned from the Board. I would like to take this opportunity to thank them for their contribution to Anglo Asian.

I would also like to take this opportunity to thank all of our employees for their hard work and dedication during the year which has put the Group in a much stronger position.

## Strategy

It continues to be our aim to bring Gedabek to early production and then complete the exploration and development programme on our other properties. We have made great progress in this strategy and are well placed with an experienced team to achieve that goal.

I look forward to updating the shareholders with further progress through 2007.

Graham Mascal

Chairman

16 March 2007

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Consolidated profit and loss account

		Year ended 31 Dec 2006	Restated (Note 2) period from 1 Feb 2005 to 31 Dec 2005
	Note	US\$	US\$
TURNOVER		-	-
Provision for impairment of capitalised exploration and evaluation expenditure		(185,103)	-
Administration expenses		(5,186,053)	(3,457,520)
Exchange gain		361,957	208,112
OPERATING LOSS		(5,009,199)	(3,249,408)
Interest receivable and similar income		581,152	613,400
Interest payable and similar charges		(26)	(8,325)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(4,428,073)	(2,644,333)
Tax on loss on ordinary activities		-	-
LOSS FOR THE YEAR/PERIOD		(4,428,073)	(2,644,333)
Statutory basic and diluted loss per ordinary share (cents)	3	(4.47)	(4.09)
Pro forma basic and diluted loss per ordinary share (cents)		(4.47)	(2.67)

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year/period stated above and their historical cost equivalents.

All results above are derived from continuing operations.

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## Consolidated Statement of total recognised gains and losses

	Year ended 31 Dec 2006	Restated (Note 2) Period from 1 Feb 2005 to 31 Dec 2005
	US\$	US\$
Loss for the year/period		(2,054,764)
Share-based payment charge		(589,569)
Loss for the year/period restated	(4,428,073)	(2,644,333)
Exchange difference	(175,616)	(69,184)
<b>TOTAL RECOGNISED GAINS AND LOSSES</b>	<b>(4,603,689)</b>	<b>(2,713,517)</b>

## Consolidated balance sheet

	Note	As at 31 Dec 2006	Restated as at 31 Dec 2005
		US\$	US\$
<b>FIXED ASSETS</b>			
Intangible assets	4	54,383,948	48,551,913
Tangible assets		11,303,637	453,184
<b>TOTAL FIXED ASSETS</b>		<b>65,687,585</b>	<b>49,005,097</b>
<b>CURRENT ASSETS</b>			
Debtors - amounts falling due within one year		170,607	5,246,275
Cash at bank		6,354,102	21,345,703
		6,524,709	26,591,978
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		<b>(1,240,453)</b>	<b>(798,213)</b>
<b>NET CURRENT ASSETS</b>		<b>5,284,256</b>	<b>25,793,765</b>
<b>NET ASSETS</b>		<b>70,971,841</b>	<b>74,798,862</b>

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CAPITAL AND RESERVES			
Called up share capital		1,782,605	1,782,605
Share premium account	5	30,279,301	30,279,301
Merger reserve	5	46,206,390	46,206,390
Profit and loss account	5	(7,296,455)	(3,469,434)
CAPITAL EMPLOYED		70,971,841	74,798,862

## Consolidated cash flow statement

	Note	Year ended 31 Dec 2006 US\$	Period from 1 Feb 2005 to 31 Dec 2005 US\$
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	6	(2,906,521)	(7,461,090)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		581,152	613,400
Interest paid		(26)	(8,325)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		581,126	605,075
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS			
Purchase of tangible fixed assets		(6,649,068)	(486,097)
Exploration and evaluation expenditure		(6,017,138)	(1,626,651)
Purchase of subsidiary undertaking		-	(2,000,000)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		(12,666,206)	(4,112,748)
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(14,991,601)	(10,968,763)
FINANCING			
Issue of ordinary shares, net of expenses		-	30,736,901
Shares issued for cash in subsidiary		-	663,539
Repayment of loans		-	(58,280)
(DECREASE)/INCREASE IN CASH FOR THE YEAR/PERIOD		(14,991,601)	20,373,397

## RECONCILIATION OF CASH BALANCES

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Cash at start of year/period	21,345,703	972,306
(Decrease)/increase in cash for the year/period	(14,991,601)	20,373,397
<b>CASH AT END OF THE YEAR/PERIOD</b>	<b>6,354,102</b>	<b>21,345,703</b>

## Notes to the financial statements

### 1.

#### *Basis of preparation*

Anglo Asian Mining PLC ("Anglo Asian" or the "Company") was incorporated on 9 September 2004 and its Ordinary Shares were admitted to trading on the AIM market of the London Stock Exchange on 29 July 2005 (the "Admission") having become the new parent company of Anglo Asian Operations Limited Group on 24 June 2005. Anglo Asian Operations Limited was incorporated on 5 February 2004.

The Directors believe that it is necessary to prepare results on the basis that the Anglo Asian Group had existed from the date of incorporation of Anglo Asian Operation Limited. The Directors believe that this information reflects the ongoing operations of the Group more clearly. The combination of Anglo Asian with the Anglo Asian Operations Group has been accounted for as a group reconstruction under the provisions of FRS 6 ("Mergers and Acquisitions") and is presented as if the Company had been the holding company and intermediate holding company, respectively, of the Group for each period presented.

The financial information set out above does not constitute the company's statutory accounts for the years or periods ended 31 December 2006 or 2005, but is derived from those accounts. Statutory accounts for 2005 have been delivered to the Registrar of Companies and those for 2006 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s.237(2) or (3) Companies Act 1985.

The consolidated financial information for the Group has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

### 2.

#### *Accounting policies and basis of consolidation*

##### (a) Accounting policies

The accounting policies are consistent with those disclosed in the Annual Report and Accounts for 2005, other than:

##### Depreciation

The depreciation policy was changed in the year to bring the charge into line with the method prescribed in the Production Sharing Agreement. The prior period was based on straight line and the current year is on a decreasing balance method. If the Group had continued to use the straight

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line method the charge would have been \$11,442 greater. This change has not been applied retrospectively.

### Share-based payments

The Group has applied the requirements of FRS 20 Share-based Payment from 1 January 2006. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006. This has resulted in a charge of \$589,569 to the loss for the prior period. The impact of this standard in the year 2006 was a charge of \$776,668 to the profit and loss. The adoption of FRS 20 has had no impact on total reserves as there is a corresponding entry to retained earnings. The Group issues equity-settled share based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes pricing model. The expected lives used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### (b) Basis of consolidation

The consolidated financial information incorporates the financial statements of the Company and all of its subsidiaries, being the companies that it controls. This control is normally evidenced when the Group is able to govern a company's financial and operating policies so as to benefit from its activities or where the Group owns, either directly or indirectly, the majority of a company's equity voting rights.

The results of subsidiaries acquired or sold during the period are consolidated for the periods from, or to, the date on which control passed. Acquisitions are accounted for under the acquisition method.

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## 3.

### *Loss per share*

The statutory loss per share ("EPS") calculation has been based on the weighted average number of shares in issue of 99,171,800 (2005:64,674,982).

The pro forma loss per share ("EPS") calculation, has assumed that the number of ordinary shares in issue immediately after Admission (being 99,171,800) had been issue from 5 February 2004. The Directors believe that this pro forma EPS provides a more meaningful comparison of the Group's ongoing business than using the statutory EPS which would only reflect shares issued at the date of Admission. Basic and dilutive EPS are the same because the only outstanding share options are anti-dilutive as the Group has made a loss.

## 4.

### *Intangible fixed assets*

	<b>Mining rights</b>	<b>Exploration and evaluation expenditure</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
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Cost			
As at 1 January 2006	46,925,262	1,626,651	48,551,913
Additions during the period	-	6,017,138	6,017,138
Provision for impairment on Shakardara	-	(185,103)	(185,103)
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As at 31 December 2006	46,925,262	7,458,686	54,383,948
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## 5. Statement of reserves

	Merger reserve	Share Premium account	Profit and loss account	Total
	US\$	US\$	US\$	US\$
<b>Group</b>				
1 January 2006	46,206,390	30,279,301	(3,469,434)	73,016,257
Share-based payment charge	-	-	(589,569)	(589,569)
Recognition of share options	-	-	589,569	589,569
1 January 2006 restated	46,206,390	30,279,301	(3,469,434)	73,016,257
Loss for the year	-	-	(4,428,073)	(4,428,073)
Exchange differences	-	-	(175,616)	(175,616)
Share-based payment charge	-	-	776,668	776,668
31 December 2006	46,206,390	30,279,301	(7,296,455)	69,189,236

## 6. Reconciliation of operating loss to net cash flow from operating activities

	Year ended 31 Dec 2006	Restated (Note 2) Period from 1 Feb 2005 To 31 Dec 2005
	US\$	US\$
Operating loss	(5,009,199)	(3,249,408)
Depreciation	148,615	38,004
Provision for impairment of capitalised exploration and evaluation expenditure	185,103	-
Decrease/(increase) in debtors and prepayments	725,668	(5,245,136)
Increase in creditors and accruals	442,240	475,065
Share based payment charge	776,668	589,569
Exchange differences	(175,616)	(69,184)
Net cash outflow from operating activities	(2,906,521)	(7,461,090)