AVOCET

Avocet Mining PLC
Annual Report and Accounts 2012

focused on **west africa**

Avocet Mining is committed to becoming a leading West African gold mining and exploration company.

Avocet Mining will realise its vision, by hiring top quality people and implementing best practices in all areas of its operations and facilities.

Avocet's people will be dedicated to financial, operational and institutional excellence, and have an entrepreneurial approach to conducting business.

Avocet's business will be built on a platform of global sustainable development, in every key facet and area of the organisation.

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Avocet is a West African gold mining and exploration company. We currently operate the Inata Gold Mine in Burkina Faso and have a pipeline of exploration projects in Burkina Faso and Guinea.

Mineral Resource

4.69M OZ.

Ore Reserve

0.92M OZ.

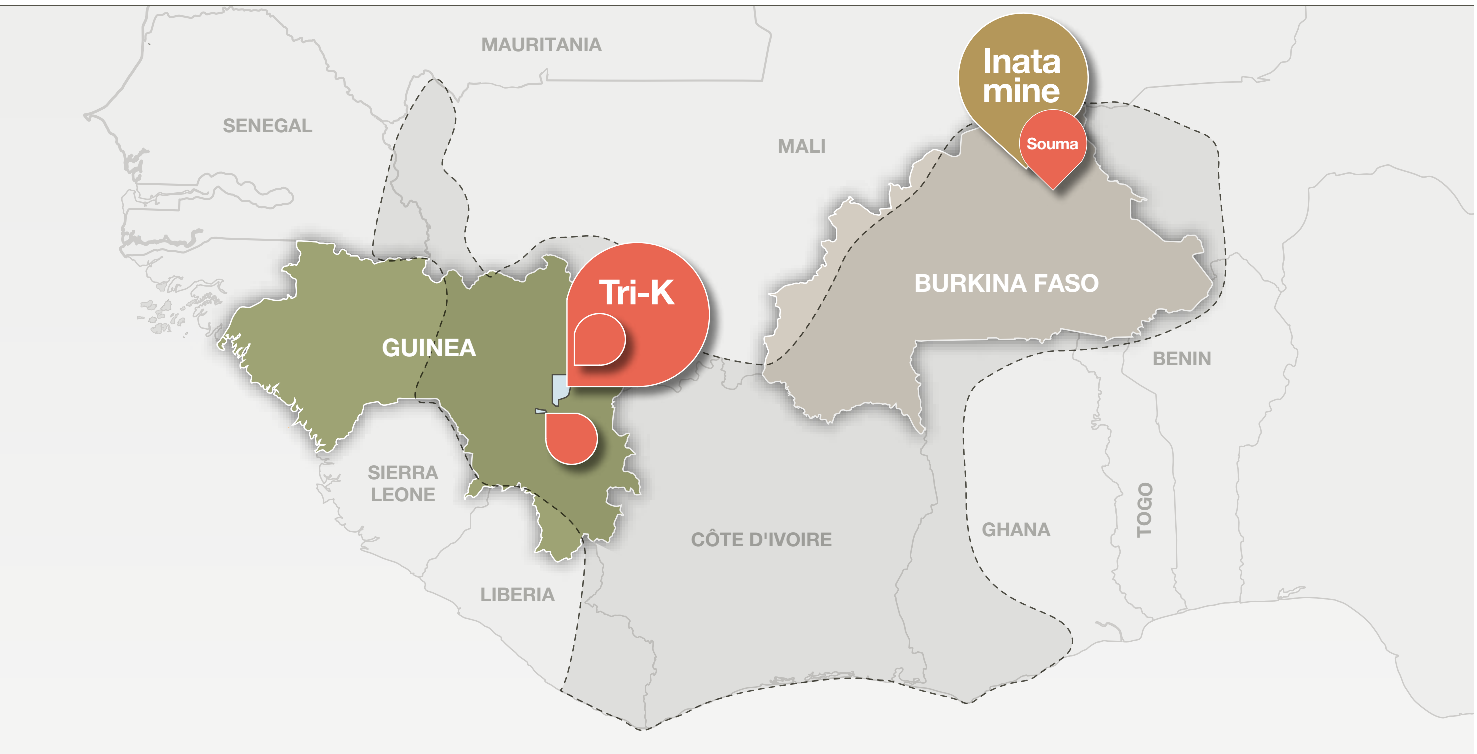
Inata Gold Mine

The Inata Gold Mine is 90% owned by Avocet and 10% owned by the Government of Burkina Faso. Avocet acquired its interest in Inata through its acquisition of Wega Mining in June 2009. The mine was commissioned that year and first gold was poured in December 2009. The current mine licence extends to 2027.

At Inata, mineralisation occurs within a well-defined shear zone marking the boundary between the granitic and volcanic rocks of the Damba-Inata Domain in the west and the Sona Sedimentary Basin in the east. Gold mineralisation occurs within a sub-vertical shear zone that cuts along folded carbonaceous shales that are sandwiched between sedimentary and volcanic rocks.

The Inata deposit presently comprises Mineral Resources of 4.69 million ounces and an Ore Reserve of 0.92 million ounces. The average grade of the Ore Reserves is 2.07 grammes per tonne Au.

The Inata Gold Mine has six open pits with mining currently focused on the North, Central and Far South pits. Mining is undertaken at Inata by conventional open pit methods using an owner-operated fleet of mining vehicles. Processing is undertaken at the Inata Mine with a conventional carbon in leach (‘CIL’) processing plant.



Souma

The Souma deposit is located on an exploration licence approximately 20 kilometres east of the Inata Gold Mine. Avocet owns 100% of the exploration licence, which extends to 2015.

The Mineral Resource at Souma is 0.78 million ounces at an average grade of 1.48 grammes per tonne Au. Gold mineralisation is hosted in quartz veined shear zones within volcaniclastic rocks and altered shear zones in gabbroic intrusions sub-parallel to the large granite batholith contact to the east. Whilst there are sulphides in the veins and altered wallrocks, gold is generally seen as native grains within the quartz veins. Initial testwork indicates that gold mineralisation will yield high recoveries through standard gravity recovery and CIL circuit.

Mineral Resource

0.78M OZ.

Resource Grade

1.48g/t Au

Tri-K

Avocet is the 100% owner of 22 exploration licences in the north east of Guinea, approximately 90 kilometres north east of Kankan, the second largest city in Guinea. Exploration on these licences has been ongoing since 2005 and the Tri-K project, where 19 of these licences are located, is the most advanced. The 986km^2 Tri-K block of permits including the Koulékoun, Kodiéran and Kodiafaran gold prospects, is situated in a large basin of Birimian geology.

The total Mineral Resource at Tri-K is 3.22 million ounces at an average grade of 1.39 grammes per tonne Au. Of this 2.29 million ounces are at Koulékoun and 0.93 million ounces are at Kodiéran.

Tri-K is currently the subject of a feasibility study, which is expected to be completed in late 2013.

Mineral Resource

3.22M OZ.

Resource Grade

1.39g/t Au

Gold mining industry

Gold ended 2012 with its twelfth consecutive annual gain, up 6.4% from where it started the year and closing at US$1,677 per ounce. With this continued price growth over such an extended period there are some in the investment community who think that the metal is set to break the cycle and reach its peak in 2013. An improving US economy and a potential rise in real interest rates would make non-yielding assets such as gold less attractive. However further monetary easing in the US as well as in Europe combined with ongoing support from physical demand are likely to buoy prices.

Estimated amount invested in gold ETFs globally

US$120 billion

Gold price London AM fix high 2012 on 5 October 2012

US$1,790 per oz.

Gold price

Leading investment bank, Goldman Sachs sees the gold price holding at US$1,600 per ounce in 2013 before falling to an estimated average price of US$1,550 in 2014.

Overall the market sentiment towards gold remained positive in 2012 albeit with a lesser degree of certainty.

	2008	2009	2010	2011	**2012**
Gold price[1]					
High	1,024	1,218	1,426	1,897	**1,790**
Low	693	813	1,052	1,316	**1,538**
Average	872	974	1,227	1,573	**1,668**

1 London AM fix (US$/oz.).

Gold equities

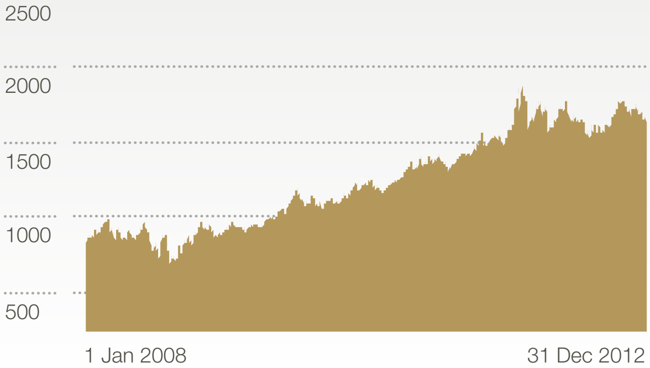
Despite the supportive price environment, gold miners across the board were faced with cost increases as they elected to pursue lower-grade more complex deposits. Higher energy and labour costs have also been a challenge. Estimates by Paulson & Co, a leading investment management firm, and one of the largest investors in gold equities globally, point to production cost inflation of 15% annually going forward. With the potential for costs to be 20% higher this year, many of the major miners see cost and its rapid upward trend as the largest obstacle to future profitability.

Cost inflation helped sustain the disconnect between the strong gold price and lagging gold equities seen in 2012. In the recent past, buyers of gold stocks have rewarded production growth as a key driver of profitability, especially during a time of increasing prices.

Increasingly, however, investors are now focusing on returns on capital. In the current market environment this approach favours exchange traded funds (‘ETFs’). These funds offer similar gold price exposure, but with none of the production, operating cost, political or management risks associated with today’s gold producers. It is reliably estimated that US$120 billion was invested in ETFs in 2012.

Gold pour preparation

Gold prices 1 Jan 2008 – 31 Dec 2012 US$/oz.



This exceeds the combined market capitalisations of the four largest gold mining companies in the world.

This risk-off approach has extended into stock selection. Globally gold investors have turned away from junior miners and towards the more defensively positioned senior miners in response to ongoing macro-economic uncertainty and recognition of juniors' limited access to development capital.

Missed production numbers, cost inflation, asset write-downs, labour disputes and capital overruns have seen investors in gold equities begin to demand more accountability from management. This has forced the industry to initiate a change in its strategy. Seeking larger reserves at lower grades, and investing heavily in capital expenditure, both predicated on higher gold prices, are becoming less common. Instead the focus is now turning to leveraging existing assets to appreciation in the gold price, paying dividends and suspending, or trimming capital expenditure. These steps should bolster the investment proposition for gold equities.

2013 should provide hope for junior gold producers. ETFs and bullion investments do not provide exposure to production growth nor do they allow for benefits from a shift to a shareholder returns-driven strategy. In order to compete with the flow of investment into gold ETFs, many large producers must make a change and provide better returns through the implementation of strict capital allocation regimes that are likely to limit the ability of these miners to provide significant production growth. This provides a gap in the investment market for junior mining companies that are in expansion mode.

Gold in West Africa

The outlook for gold producers, developers and explorers in the West African region over the last year has been complicated by regional conflict. Temporary closures of a number of mines during the year reminded investors of the unpredictable nature of regional politics.

However, Burkina Faso continues to benefit from the stability and investment that successive democratically-elected governments have promoted since 1987. The Burkinabe Government remains pro-mining, making it a favourable jurisdiction in which to operate. The gold sector has been the leading contributor to the country's improved reputation amongst international investors. Investment in the country's mining sector grew last year, with five operational gold mines and two additional mines expected to commence production in 2013. As a result of this investment, Burkina Faso rose to third place, in terms of West African in-country mining spend, from ninth place the previous year. The continued success of mining projects in established mining countries across the region has inspired confidence in miners, explorers and investors alike, to work in jurisdictions once perceived as higher risk, including Burkina Faso.

According to Metals Economics Group, West Africa's largest gold-producing country continues to be Ghana, with around 47% of the region's total 2011 production. Mali produced 16% of the region's gold followed by Burkina Faso at 15% and Guinea at 9%.

Joining the mining growth trend is Liberia, which borders Guinea to the south. Following a decade of stability and democratic elections, the mining industry is flourishing, with US$19 billion of investment committed over the next six years.

Ongoing investment from the International Finance Corporation ('IFC') continued to inspire confidence in the region, as it provided US$1.3 billion in new financing commitments in 2012 – an 8.5% increase on the previous year. Of particular note is the impact of the IFC's investments in Liberia, Mali and Burkina Faso.

West Africa is quickly becoming the world's fastest growing gold producing region accounting for 8% of world supply in 2012. As South Africa faces political instability and waning production, and as projects enter production in West Africa, the region's relative contribution to global production should increase further in 2013.

Chairman's statement

Russell Edey
Chairman

I believe that we have come to understand our assets far better than before and that we are now poised to maximise their potential.

The last year has been testing for your Company that entered 2012 for the first time as a purely West African gold mining company. The Inata Gold Mine performed well in 2011 and solid progress had been made with our development projects at Souma and at Tri-K. Expectations were that 2012 would build on these successes.

During the year we encountered a number of challenges, which required us to take stock of where we were as a company and how best to deliver returns to investors over the long term. I believe this evaluation has allowed us to understand our assets far better than before and that we are now poised to maximise their significant potential.

The Company's management team has changed to reflect the revised needs of the operations. In June of 2012, Brett Richards resigned as Chief Executive. Brett was succeeded by David Cather, a mining engineer with extensive operating experience, who was initially appointed as the Company's Chief Operating Officer in April 2012. David has proven himself to be a solid operator over the last nine months and I am fully supportive of the changes he has implemented across the organisation as we focus on realising the value inherent in our suite of assets.

In Burkina Faso we undertook extensive geological and metallurgical testwork on the Inata orebody. This testwork allowed us to evaluate the optimal processing methodologies that would not only deliver maximum recoveries but would identify the optimal risk-weighted return on any capital investment in the mine. The outcome of this was a decision not to build a second plant at Inata. Under the current economic circumstances, in which investors are quite rightly demanding a prudent approach to capital expenditure, we believe this to be the right decision. It now remains to be seen what new capital investment, if any, should be made in the Inata Mine to maximise returns over the life of mine.

Operational shortfalls in the first half of the year set the Inata Gold Mine behind its target for earth moving and waste stripping. The result was that we were unable to attain our forecast production and in the middle of the year we advised the market that gold produced

Inata Gold Mine

would be approximately 10–15% lower than initially guided. Whilst this shortfall was disappointing, management used the opportunity to evaluate all major operating practices at the mine. The result was a comprehensive implementation of optimal mining practices that were delivering measurable results by the fourth quarter of the year.

Our development project at Souma is becoming increasingly attractive both in terms of the size of the deposit as well as the metallurgy. Whether Souma proves to be an additional ore source for the Inata Mine or a standalone producing asset remains to be seen. We are, however, confident that it will be a significant source of production growth for our Burkina Faso operations in the medium term.

In Guinea we have advanced our Tri-K project towards a feasibility study. The deposit is now sizeable and has the potential to be developed into one of the first new gold mines under the new mining code. Progress from Government in clarifying the key terms of the new mining code has been limited but we remain confident that the Government is supportive of the mining sector. We will continue to maintain dialogue with the Government throughout 2013 as we finalise the feasibility study.

The Ore Reserve announced on 7 March 2013 is significantly lower than the previous Ore Reserve, and has led us not only to recognise an impairment in respect of the Inata assets, but also to reconsider the structure of the Group finances including Inata's gold hedge. In this regard discussions continue with Macquarie Bank Limited and other financiers. We anticipate these discussions will be concluded shortly. As set out more fully in note 2 to the financial statements, the Board has considered the implications of these circumstances and has concluded that in view of the constructive nature of these discussions that the business continues to be a going concern.

As well as the appointment of David Cather, there were other important changes to the Board of Directors during the year. In March 2012, Harald Arnet resigned after four years as a Director, and was replaced by Gordon Wylie, who has brought both technical knowledge (particularly in geology) and extensive experience in gold mining to the Board. In June 2012, Noël Harwerth, who also has considerable experience as a Non-executive Director was appointed to the Board as Chair of the Remuneration Committee. Both appointments have strengthened the Board, as well as improving the balance of skills and experience.

While challenges remain, the Company has a portfolio of producing and growth assets in a prospective region. I am confident that the changes we implemented in 2012 and the commitment of our team will see Avocet deliver value during 2013.

RUSSELL EDEY
Chairman

Q&A with the Chief Executive

David Cather
Chief Executive Officer

During the second half of 2012 we implemented a programme to drive operational excellence at Inata. The programme has delivered results with a dramatic improvement in the efficiency with which tonnes are moved and mined.

2012 Highlights

- Gold production from continuing operations of 135,189 oz. (2011: 166,744 oz.), in line with revised guidance
- Total cash cost of US$1,000 per oz. (2011: US$693 per oz.)
- Profit before tax and exceptional items from continuing operations US$18.3 million (2011: US$40.3 million)
- Discussions ongoing with Macquarie and other financiers on the restructuring of Group finances
- Major operational improvements delivered at Inata
- Metallurgical testwork at Inata has established a better understanding of the orebody
- Ongoing development at Souma successful with a 38% increase in Mineral Resources to 0.78 million oz., and favourable results received from initial metallurgical testwork
- Tri-K project feasibility study underway with Mineral Resource expanded to 3.22 million oz.
- Group Mineral Resource expanded with a total of 8.7 million oz. across three main projects, Ore Reserve confirmed 0.92 million oz.
- Executive and operational management teams restructured to focus on operational excellence

Inata Gold Mine processing plant

Q. Prior to your appointment as Avocet's CEO in July 2012, what experience did you have of the mining industry?

A. I initially joined Avocet in April 2012 as the Chief Operating Officer. Prior to that, I was the Chief Operating Officer of European Goldfields. When Brett Richards resigned in July 2012 the Board appointed me as Chief Executive as they believed I had both the operating experience as well as the management skills to drive the business forward.

After graduating from the Royal School of Mines, with a degree in mining engineering, I gained extensive project development and operational management experience in both open pit and underground mines over the course of 30 years.

My career included various senior roles at Anglo American, Lafarge SA and De Beers but I also spent five years consulting on a variety of smaller early stage projects principally for gold, copper and base metal projects in the DRC, Sierra Leone, Nicaragua, Philippines and Colombia.

Q. Since your appointment in the middle of the year, what changes have you announced and how will they benefit Avocet?

A. My core focus since my appointment has been to improve the operating performance at the Inata Mine. Avocet encountered a number of operational challenges in early 2012 that forced us to revaluate basic operating practices and focus our efforts on dramatically improving these. As part of this process I appointed a new general manager for Inata, John McNair, who has driven significant improvements at the mine.

A new, highly motivated team has been assembled at Inata to focus on improvements in productivity, as well as reducing costs and working capital. With the assistance of consultants Alexander Proudfoot we are embedding the necessary changes at a behavioural level across the organisation.

Q. What about your stated intention to implement aggressive cost savings – how are these going to be delivered and over what time frame?

A. There are significant opportunities across the business to reduce costs. Many of these have been identified and changes implemented to realise them. We have successfully reduced our reagent consumption, reduced our reliance on external contractors and reduced the cost of our head office and support functions. Of our own volition, we have also implemented an aggressive programme to localise our workforce by incentivising Inata's expat workforce to train up local replacements. This will deliver further cost savings in 2013. In addition, cash flow and working capital requirements are being more actively managed.

Due to the large fixed cost element of running a mine such as Inata, the greatest impact on unit costs will always be the production volumes achieved in any one period. So maximising operational performance to achieve targeted production is the most important cost saving initiative that we can and will continue to implement.

Q. Will your efforts to improve operational performance at Inata deliver near term results and are these enough to secure a successful future for the operation?

A. During the second half of 2012 we implemented a programme to drive operational excellence at Inata. The programme has delivered results with a dramatic improvement in the efficiency with which tonnes are moved and mined. This is demonstrated in the 24% improvement in productivity of our mining fleet. The fleet increased its average earthmoving performance from 83,000 tpd (tonnes per day) in the first half of the year to 103,000 tpd in the last quarter. Similarly our overall equipment effectiveness has improved by over 4%. These improvements will have a measurable impact as they allow for additional processing of approximately 105,000 tpa (tonnes per annum) of ore which at Ore Reserve grade could potentially add 5,000 ounces of gold production.

Q&A with the Chief Executive continued

Standard operating procedures have also been improved, as has the induction and training of our operators through a state-of-the-art skills programme.

All these efforts are delivering results and will improve the returns that the Inata Mine delivers. However, the reality remains that the Inata orebody is complex and ore at depth is more difficult to process than the oxide ore at surface. As a result recoveries have been and will continue to be lower than those achieved in 2012 and costs will be impacted as a result. The combination of these has resulted in a reduction in overall Ore Reserve. The challenge is now to determine how best to maximise returns from this smaller Ore Reserve at an appropriate level of capital expenditure.

Q. You have also announced your intention to enhance the processing plant at Inata. How is this progressing?

A. The orebody at Inata is complex but through extensive testwork and with the assistance of consultants Lycopodium Minerals, we are developing a better understanding of likely throughput and recoveries from our existing plant. In order to be prudent in our capital expenditure we will not retrofit equipment to the current plant until there is a full understanding of the orebody and a high level of confidence regarding the predictability of any increases in recoveries over and above the base case on which the updated Ore Reserve estimate has been based. We expect to have this information during 2013.

Q. You recently announced a downward re-estimation of the Ore Reserve at Inata. Why was this and what does it mean for the future of the mine?

A. We recently completed the process of re-estimating our Ore Reserve at Inata. This process was brought to the attention of shareholders in the third quarter of 2012 and a final Ore Reserve estimate of 0.92 million ounces as at December 2012 has been determined. The average Ore Reserve grade is 2.07 grammes per tonne Au. I view the Ore Reserve announced on 7 March as conservative, because it does not include any benefit from potential plant enhancements that we are evaluating that could increase recovery and throughputs.

This downgrade reflects the fact that testwork shows the orebody at Inata to be more complex than previously believed, and the impact of fresh and transitional ore on recoveries and throughput has adversely impacted the Ore Reserve by approximately 450,000 ounces. Mining depletion accounted for a drop of approximately 160,000 ounces and higher cost accounted for a reduction of about 50,000 ounces. For the Ore Reserves we have announced 7 March 2013, we have taken the decision to base the pit shells on a gold price of US$1,200 per ounce, compared with the previous Ore Reserve in which the pit shells were based on a gold price of US$1,400 per ounce. This is not a reflection of our view on gold price prospects, about which we remain positive, but is a more conservative parameter used in the estimation process. The effect is to maximise Inata's grades and near term cash generation over the coming years, by focusing on the highest grade, most amenable ore at Inata, and avoiding high cost waste stripping. The change in this parameter reduced the Ore Reserve by approximately 250,000 ounces.

2013 Business Plan

→ **Commence expansion construction at Inata Gold Mine**
Decision taken to conserve capital

→ **Implement cost saving initiatives at Inata Gold Mine**
Numerous savings achieved but at lower production levels

→ **Progress near term exploration targets in Bélahouro**
0.7 million ounces of Mineral Resource increase within Bélahouro

→ **Ore Reserve at Tri-K**
Infill drilling at Tri-K to determine maiden reserve estimate

→ **Commence Feasibility Study on Tri-K**
Feasibility Study to be completed in 2013

Construction of second tailings facility

Core close up, Inata

Q. Is resource development still an area of focus for growth in Avocet? Which deposits are presenting the biggest opportunities right now?

A. Our exploration geology team had a very successful year in 2012. Overall the Group Mineral Resources increased from 6.3 million ounces to 8.7 million ounces. This substantial Mineral Resource base in both Burkina Faso and in Guinea now needs to be developed and brought into production. As such our core focus for 2013 is improving the level of confidence we have in these Mineral Resources and converting them to Ore Reserves.

The project at Souma currently presents our greatest opportunity for growth. The Mineral Resource at Souma grew 38% in the year to 0.78 million ounces and there are several high grade zones in the emerging orebody. Whilst definitive testwork remains to be undertaken, initial metallurgical testwork indicates that gold mineralisation across all depths will yield high recoveries through standard recovery processing. Step out drilling will continue during 2013, but the bulk of the geological drilling at Souma will be infill in preparation for the commencement of a feasibility study later this year. The feasibility study will be submitted to the Government as a key step in securing a mining licence for Souma.

Q. What are the greatest challenges Avocet faces and how are you addressing these?

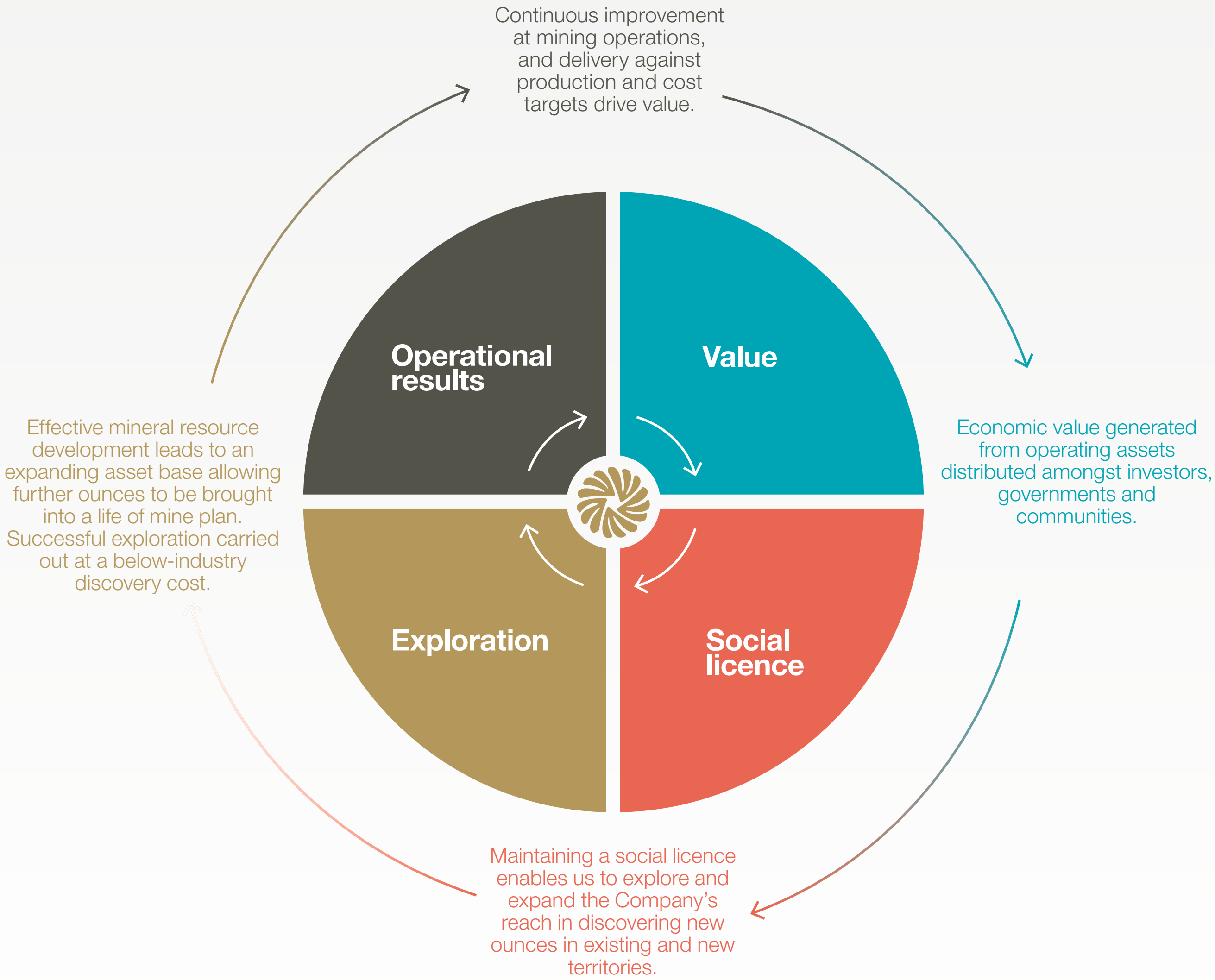
A. Avocet faces two primary challenges in 2013. The most critical of these is how best to deliver value from the Inata Mine. We will continue to embed the operational improvements identified in the second half of 2012. In addition, we will evaluate whether plant enhancements to improve recoveries and throughput will add value, taking into account the associated capital expenditure.

We continue to undertake metallurgical testwork at Inata and with the help of consultants Lycopodium are evaluating the additional value of any plant modifications.

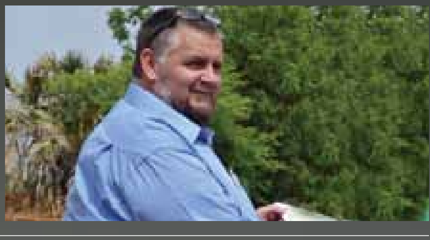
The second challenge Avocet faces relates to the challenge of restructuring the Company's financing. Avocet is currently in advanced discussions with Macquarie Bank Limited as well as other financiers and we anticipate that announcements in relation to the nature of this restructuring will be made soon.

Business model

Avocet's business model is based around generating value through operational results, which are underpinned by our pipeline of exploration projects. This benefits not only shareholders, but also a wide range of stakeholders, who grant Avocet the social licence to operate where we do.



Inata Gold Mine



John McNair
General Manager, Inata Gold Mine.

Inata – 2013 Mine plan

– Tonnes mined of 39.1 mt
– Average strip ratio of 6.9
– Ore processed of 2.45 mt
– Average head grade of 2.02 g/t
– Average recoveries of 85%
– 135,000 oz. in 2013

Inata Gold Mine Production Statistics

	2012	2011
Ore mined (k tonnes)	**2,653**	2,494
Waste mined (k tonnes)	**30,474**	22,707
Total mined (k tonnes)	**33,127**	25,201
Ore processed (k tonnes)	**2,556**	2,471
Average head grade (g/t)	**1.95**	2.26
Process recovery rate	**87%**	91%
Gold produced (oz.)	**135,189**	166,744

Gold produced 2012

135,189 oz.

Unit cash costs US$/oz.

US$1,000

Inata Gold Mine Unit Cash Costs US$/oz.

Mining	**412**	217
Processing	**309**	244
Administration	**161**	139
Royalties	**118**	93
Total	**1,000**	693

A total of 33,127,000 tonnes of material, primarily from Inata north, central and south, were mined in 2012 compared to 25,201,000 in 2011. This equates to a daily average of 91,000 tonnes per day versus an average of 69,000 tonnes per day in 2011.

Mining licence

26km²

Inata Gold Mine continued

The Inata Gold Mine in Burkina Faso is located in the Bélahouro district approximately 220 kilometres north east of the capital, Ouagadougou. The Bélahouro district is on the eastern edge of a Birimian greenstone belt. Avocet holds licences over 1,660km^2 within the Bélahouro district of which 26km^2 is the Inata mining licence. The mine is owned by Société des Mines de Bélahouro SA ('SMB') of which Avocet owns 90% and the government of Burkina Faso the remaining 10%. The licence extends to 2027.

Safety

During 2012, Inata had one lost time injury in the first quarter of the year. The mine's lost time injury frequency rate ('LTIFR') for 2012 was 0.087. More details on the mine's safety and health performance can be found in the Safety and Health Review on pages 24 and 25.

Mineral Resource development

During 2012, drilling within the mining licence focused on expanding the known mineralisation at Inata North, Minfo and Minfo East. A total of 42,530 metres of reverse circulation and diamond drilling were drilled focusing on the expansion of open pittable reserves in the southern section of the mine permit, including Inata South, Inata Far South, Minfo and Minfo East. This programme resulted in an increase of 22% of the Inata Mineral Resource to 4.21 million ounces by the end of the year compared with 2011, with Measured and Indicated Mineral Resources of 2.84 million ounces and Inferred Mineral Resources of 1.37 million ounces of gold.

An additional 81,640 metres of reverse circulation and diamond drilling were completed in the area surrounding the Inata mining lease, including the eastern extension of the mineralised Minfo Trend and the Pali prospect. This work resulted in a small oxide Inferred Mineral Resource of 0.15 million ounces of gold at Pali, immediately to the west of Minfo. In addition, a maiden resource at Filio, along strike to the east of Minfo and on an exploration licence adjacent to the mine licence area, of 0.14 million ounces was announced in October 2012. This has subsequently grown to 0.17 million ounces and will add to oxide reserves once the mine permit extension is approved. Significant mineralisation was intersected at Ouzeni, further to the east of Filio where an Inferred Mineral Resource of 0.16 million ounces has been defined.

Ore Reserves

A re-estimation of Inata's Ore Reserves has now been completed. Test work has shown that the orebody is more complex than previously thought, and while work is ongoing to gain a better understanding of both the metallurgy of the orebody, and the optimal processing methods, current indications are that the impact of fresh and transitional ore on recoveries and throughput are such that an average plant throughput of 1.8–1.9 mtpa (million tonnes per annum) at approximately 80% recovery is likely to be achieved over the life of mine. The overall throughput reflects a mix of hardness with oxide and shallower transitional ore achieving higher annual tonnages in the early years and fresh and deeper transitional ore being treated at much lower annual tonnages in later years. Similarly, the overall recovery reflects lower recoveries in fresh and highly preg-robbing ore as opposed to higher recoveries achieved to date in the oxide material.

These impacts combined with the higher cost levels have led to a reduction in the Ore Reserves to 0.92 million ounces as at 31 December 2012, based on pit shells optimised at US$1,200 per ounce. Using a US$1,400 per ounce gold price would have increased the Reserve by approximately 27%, however would have reduced cash flows in the earlier years due to increased stripping of waste.

The 31 December 2012 Ore Reserve figure is net of depletion during 2012 of approximately 160,000 ounces.

Operational performance

Operational performance and production from Inata in 2012 was weaker than in 2011. A total of 135,189 ounces of gold were produced relative to 166,744 ounces in 2011 and initial guidance for 2012 of 150,000–160,000 ounces.

Production issues were encountered in the first quarter of the year when total mining tonnages were 10% lower than the preceding quarter due to availability issues with two of the excavators on-site. These issues persisted into the second quarter when lower than planned availabilities from excavators continued to restrict the mine's waste stripping capacity. As a consequence there was limited access to areas of higher grades in the pit which in turn resulted in lower than expected head grades through the processing plant being achieved. Slightly lower recoveries (in part due to the lower grade processed and in part due to the presence of preg-robbing carbon) and lower processing rates than planned due to treatment of harder transitional and fresh ore exacerbated this production shortfall. As a result of these challenges, expected gold production was reduced from 160,000 ounces to between 135,000 and 140,000 ounces.

In the second half of 2012 several measures were introduced to improve mining capacity to allow a higher rate of waste stripping. These included the commissioning of additional rented excavators and dump trucks as well as the purchase of a new wheel loader. Avocet also engaged the services of leading mining consultants, Alexander Proudfoot, to assist SMB's operational management in realising material, measurable and sustainable business improvements across the Inata Mine. The initial focus was on increasing mining capacity.

The on-site management team was also strengthened in the second half of 2012, with the appointment of a new general manager, mine manager and a technical services manager. The new general manager, John McNair, is an engineer with over 30 years' relevant experience.

During the third quarter, encouraging operational improvements were made as the new management team worked effectively with consultants Alexander Proudfoot. Mining operations achieved an increase of 17% in average daily volumes delivered by owner-operated equipment in the second half of the year over the first half. These were as a result of a programme of operating improvement initiatives implemented that included revised haul cycles, operator training programmes, improved supervisor monitoring, loading optimisation and a detailed revision of standard operating practices. By fourth quarter, daily production in excess of 110,000 tonnes was achieved on a number of days.

A total of 33,127,000 tonnes of material, primarily from Inata north, central and south, were mined in 2012 compared to 25,201,000 tonnes in 2011. This equates to a daily average of 91,000 tonnes per day versus an average of 69,000 tonnes per day in 2011.

Processing at the Inata Gold Mine is through a conventional carbon-in-leach ('CIL') plant combined with a gravity recovery circuit. Initially the plant was designed to process 2.25 mtpa, although in 2012 the plant processed 2.56 mtpa following de-bottlenecking work carried out in 2011. As part of the ongoing scheduled maintenance of the Inata plant, the Company intends to carry out maintenance on the SAG mill in the coming months. This proactive approach will require a plant shutdown which has been factored into the forecast 2013 production. Head grades decreased in 2012 to 1.95 g/t Au relative to 2.26 g/t Au in 2011 in part due to limited access to high grade ore but also to reflect the longer term total Ore Reserve grade of the mine which is now 2.07 g/t Au. Recoveries reduced from 91% in 2011 to 87% in 2012. This is partly attributable to the overall reduction in head grade but also due to the presence of preg-robbing carbon that is distributed in the deeper transitional and fresh ores that were mined in 2012.

As part of the process to deal more effectively with the preg-robbing carbon in the Inata orebody, extensive testwork and modelling of organic carbon, sulphides and other indicator elements was undertaken in 2012. The metallurgical testwork involved the taking of approximately 5,000 samples from across the orebody which were analysed for PRI ('Preg Robbing Index'), quick leach test, sulphurs, carbon and a suite of other minerals. Analysis of this data has been used to generate block models of the various geological and metallurgical parameters across the orebody but further engineering cost studies are underway to determine their economic viability.

The metallurgical testwork identified two main factors affecting gold recoveries namely: preg-robbing by active carbonaceous material and fine grained gold locked up in sulphides. Of the updated reserve estimate a significant proportion of the orebody (66%) which is regarded as having very low to no preg-robbing characteristics, while less than 1% of the reserve is considered highly preg-robbing.

The testwork also indicates that alternative processing options could achieve acceptable recoveries for ore with low preg-robbing capacity, with only a minor drop in recoveries when treating the highly preg-robbing ore.

The models will enable the definition of the metallurgical character of the oxide, transitional and fresh ores at Inata. This will allow mining and processing schedules to be optimised and will also form the basis of any plans to modify the existing Inata processing plant to improve overall recoveries. Multiple studies are currently being carried out to investigate various upgrades to the current Inata processing plant and the inclusion of other deposits in the Bélahouro region to the Ore Reserves.

Final gold production from the Inata Gold Mine for the year was 135,189 ounces, in line with revised guidance. Movements in gold in circuit, which reflect the timing of gold pours, resulted in 4,568 ounces being added to gold in circuit inventory over the course of 2012, compared with a reduction in inventory of 2,650 ounces in 2011.

Souma

Richard Gray
Head of Mining & Expansion

Mineral Resource
0.78M OZ.

Average grade
1.48g/t Au

Distance from Inata Gold Mine
20km

The Souma deposit is located on an exploration licence approximately 20 kilometres east of the Inata Gold Mine. Avocet owns 100% of the exploration licence which extends to 2015.

Drilling re-commenced along the Souma trend in 2012 with a focus on the two main high grade prospects at Dynamite and Miilam. These individual vein zones extend between 600 and 1,600 metres in length within an overall 10 kilometre long zone. Individual vein widths are up to 20 metres, although the Dynamite prospect comprises five main mineralised zones over a width of 125 metres and strike length of 650 metres.

As at the end of 2012, Mineral Resources at Souma had grown 38% to 0.78 million ounces. Of this Mineral Resource, 24% is Measured and Indicated and the remaining Inferred. The average grade is currently 1.48 g/t Au.

The Mineral Resource increase is based on 75,500 metres of reverse circulation and diamond drilling undertaken in the preceding drill season. Drilling was conducted on 50 metre intervals, closing down to 25 metre intervals and, in high grade zones, has been conducted at 10 metre spacings in order to limit the extrapolation of higher grades.

Definitive testwork is underway to facilitate a future feasibility study, but initial testwork indicates that gold mineralisation, in both fresh and oxide, regardless of the degree of oxidation, will yield high recoveries through standard gravity recovery and CIL circuits.

Infill drilling at Souma continues and will increase the overall level of confidence in the Mineral Resources, whilst step out drilling is scheduled to target geochemical anomalies coincident with quartz vein zones. The Company's in-house geophysics team has developed a 3D geophysical survey technique that accurately models known veins. This will be used in conjunction with conventional techniques to prioritise the numerous drill targets and improve the accuracy and cost effectiveness of the step-out drill programme.

Given that it appears probable that a significant proportion of the Mineral Resource identified will convert to Ore Reserve, either on the basis of transporting the ore to the existing Inata plant, or with the construction of a new standalone plant at Souma, various baseline studies have been commenced which will form part of a feasibility study and the ultimate application for a Mining Licence.

Elsewhere in the Bélahouro permits, early results from the regional geochemical auger survey have been received. To date this programme is showing additional geochemical anomalies in the vicinity of Inata and Souma that represent additional drilling targets to be tested in 2013.

Tri-K

Peter Flindell
Executive Vice President, Exploration

Mineral Resource

3.22M OZ.

Average grade

1.39g/t Au

Twenty-two exploration licences across

986km²

In Guinea, Avocet owns twenty-two exploration licences in the north east of the country. Exploration has been ongoing since 2005 and the Tri-K project, where nineteen of these licences are located, is the most advanced.

With the introduction of the new Mining Law in Guinea early in 2012, and following ongoing discussions on how this legislation will practically be implemented, Avocet elected to engage the Guinean Government proactively on the development of a mining operation in the Tri-K permits. This yielded positive results in the middle of the year with a one year extension to the expiring Koulékoun permit being granted to the third quarter of 2013. Avocet subsequently took a decision to progress Tri-K to an initial feasibility study within the extension period.

A dedicated in-house projects team, which was formed in 2012, conducted an initial economic assessment. This assessment indicated a potentially viable project on the basis of a phased development, commencing with a low capital heap leach operation. In the fourth quarter of 2012 consultants were identified to undertake the necessary environmental and social impact assessment in support of the feasibility study. Metallurgical testwork and engineering studies for this purpose also commenced in the fourth quarter of 2012. A US$10 million budget was approved for the completion of the Feasibility Study, which includes US$4 million for infill drilling and the upgrading of the Kodiéran Inferred Mineral Resource to support Ore Reserve estimation.

Given the limited timescale for the feasibility study, the Company's objective is to define sufficient oxide Ore Reserve that will enable the delineation of an initial low cost, low risk, heap leach operation as a first phase to a larger, higher capital milling operation.

The Company completed the bulk of the initial exploration drilling programme in Guinea with 43,190 metres of reverse circulation and diamond drilling in 2012. The results have largely defined the scale of the Ore Reserves at Koulékoun and Kodiéran.

The drilling programme focused on Kodiéran where the high degree of weathering of auriferous sheeted quartz vein sets has resulted in an upper 100–150 metre thick oxidised zone. Drilling to date has tested a strike length of 1,900 metres and width of 400 metres down to 240 metres depth. Within this volume, Kodiéran contains Indicated Mineral Resources of 0.25 million ounces and Inferred Mineral Resources of 0.68 million ounces of gold. Approximately 36% of the total Resource is oxide. The proportion of oxide in these resources is important, as a heap leach operation is best suited to the processing of softer weathered oxide material.

Drilling was also completed across the north east striking structure at Koulékoun to better define the mineralisation in this area. The updated Koulékoun resource now includes Indicated Mineral Resources of 1.4 million ounces and Inferred Mineral Resources of 0.89 million ounces of gold. Approximately 10% of the Koulékoun resource sits above a sub-horizontal post-mineralisation dolerite dyke and is oxide with the remainder being fresh.

Arsenic geochemistry of termite mounds has proven to correlate extremely well with bedrock gold mineralisation as determined by scout drilling. Avocet has identified several prospects with the potential to add incremental resources in the vicinity of Koulékoun and Kodiéran and is extending the arsenic-in-termite-mound survey. The evaluation of these targets will follow infill drilling of the Mineral Resources in support of the Feasibility Study in 2013.

Ore Reserves and Mineral Resources

2012 has been a pivotal and successful year for Avocet's exploration team with the completion of the major resource definition drilling programme at Inata and the delivery of Tri-K into a feasibility study. Together with the growth of the Souma Mineral Resource, the Group's Mineral Resource base in West Africa has now increased to 8.7 million ounces, an increase of 39%. This compares with the 2.36 million ounces at the time of Avocet's entry to West Africa in 2009.

In 2012, 222,760 metres of reverse circulation and diamond drilling were completed across the Group and 2.43 million ounces of gold was added to the global Mineral Resource base. This represents a rolling three-year average discovery cost of US$14.00 per Mineral Resource ounce.

Group Ore Reserves were re-estimated to be 0.92 million ounces as at 31 December 2012, reduced from 1.85 million ounces as at 31 December 2011. This reduction is largely attributable to a decrease in the gold price assumption, a decrease in forecast metallurgical recoveries and increased ore hardness assumptions for non-oxide ore types. The Ore Reserve grade has however increased from 1.70 g/t Au to 2.07 g/t Au.

Ore Reserves were estimated by Mr Clayton Reeves (MSAIIM). Mr Reeves is a Competent Person as defined by the JORC Code. Mr Reeves has consented to the inclusion of the technical information in this report in the form and context in which it occurs.

Mineral Resource estimates have been made and reported in accordance with the Australasian code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). The Mineral Resource estimates are based on information compiled by Mr John Milovanovic (FAusIMM), Chief Resource Geologist for Avocet and Mr David Williams (MAusIMM, MAIG), Principal Consultant, CSA Global Pty Ltd. Mr Milovanovic and Mr Williams have experience relevant to the style of mineralisation and type of deposit under consideration and qualify as Competent Persons as defined by the JORC Code, and Mr Milovanovic and Mr Williams as Qualified Persons as defined by the Canadian National Instrument 43-101 (NI43-101), for the reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Williams and Mr Milovanovic consent to the inclusion of the technical information in this announcement in the form and context in which it appears.

Note: rounding errors may occur.

Inata

Ore Reserves and Mineral Resources as at 31 December 2012

Ore Reserve estimates are determined beneath the 31 December 2012 topographic surface and above an effective 0.63 g/t Au economic cut-off grade. Mineral Resources are reported above a 0.5 g/t Au cut-off and below the 31 December 2012 topographic surface. Changes to the Mineral Resource are after mining depletion during 2012. Mineral Resources exclude any stockpiles.

Avocet owns 90% of Société des Mines de Bélahouro SA, owner of the Inata Gold Mine.

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	9,429,000	2.13	645,000	8,486,000	2.13	581,000
Probable	3,715,000	2.10	251,000	3,343,000	2.10	226,000
ROM stockpiles	594,000	1.00	19,000	535,000	1.00	17,000
Ore Reserves total	**13,738,000**	**2.07**	**915,000**	**12,364,000**	**2.07**	**824,000**
Mineral Resources						
Measured	18,236,000	1.69	991,000	16,412,000	1.69	892,000
Indicated	43,838,000	1.31	1,851,000	39,454,000	1.31	1,666,000
Measured + Indicated	62,074,000	1.42	2,842,000	55,866,000	1.42	2,558,000
Inferred	33,135,000	1.29	1,370,000	29,821,000	1.29	1,233,000
Mineral Resources total	**95,209,000**	**1.38**	**4,212,000**	**85,687,000**	**1.38**	**3,791,000**

Inata Surrounds

Mineral Resources estimate as at 31 December 2012

Inata Surrounds includes Mineral Resources in licence areas that are in close proximity to, but do not form part of, the Inata Mine licence area. These include exploration licences at Filio, Pali, and Ouzeni. Mineral Resources are reported above a 0.5 g/t Au cut-off.

Avocet owns 100% of the Inata Surrounds permits through its wholly-owned subsidiary, Goldbelt Resources (West Africa) SARL.

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	–	–	–	–	–	–
Probable	–	–	–	–	–	–
ROM stockpiles	–	–	–	–	–	–
Ore Reserves total	**–**	**–**	**–**	**–**	**–**	**–**
Mineral Resources						
Measured	641,000	1.72	35,500	641,000	1.72	35,500
Indicated	905,000	1.20	34,900	905,000	1.20	34,900
Measured + Indicated	1,546,000	1.42	70,400	1,546,000	1.42	70,400
Inferred	9,658,000	1.32	408,900	9,658,000	1.32	408,900
Mineral Resources total	**11,204,000**	**1.33**	**479,300**	**11,204,000**	**1.33**	**479,300**

Souma

Mineral Resources as at 31 December 2012

Mineral Resources are reported above a 0.5 g/t Au cut-off.

Avocet owns 100% of the Souma property through its wholly-owned subsidiary, Goldbelt Resources (West Africa) SARL.

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	–	–	–	–	–	–
Probable	–	–	–	–	–	–
ROM stockpiles	–	–	–	–	–	–
Ore Reserves total	**–**	**–**	**–**	**–**	**–**	**–**
Mineral Resources						
Measured	–	–	–	–	–	–
Indicated	2,674,000	2.16	185,400	2,674,000	2.16	185,400
Measured + Indicated	2,674,000	2.16	185,400	2,674,000	2.16	185,400
Inferred	13,663,000	1.34	590,600	13,663,000	1.34	590,600
Mineral Resources total	**16,337,000**	**1.48**	**776,000**	**16,337,000**	**1.48**	**776,000**

Tri-K

Mineral Resources as at 31 December 2012

The table below reports the Mineral Resource above a 0.5 g/t Au cut-off.

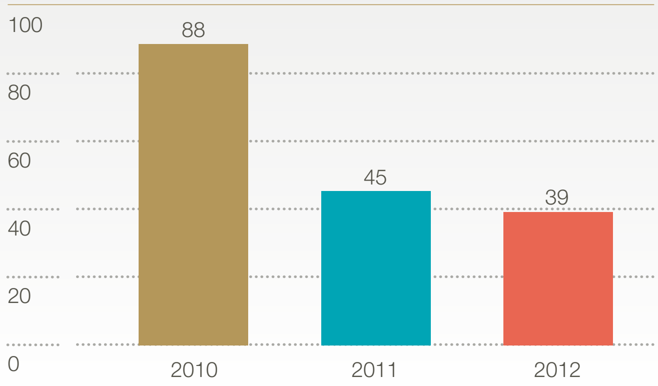
Avocet owns 100% of the Tri-K permits through its wholly-owned subsidiary, Wega Mining Guinée SA.

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	–	–	–	–	–	–
Probable	–	–	–	–	–	–
ROM stockpiles	–	–	–	–	–	–
Ore Reserves total	**–**	**–**	**–**	**–**	**–**	**–**
Mineral Resources						
Measured	–	–	–	–	–	–
Indicated	35,811,670	1.43	1,650,971	35,811,670	1.43	1,650,971
Measured + Indicated	35,811,670	1.43	1,650,971	35,811,670	1.43	1,650,971
Inferred	36,356,082	1.34	1,569,190	36,356,082	1.34	1,569,190
Mineral Resources total	**72,167,752**	**1.39**	**3,220,160**	**72,167,752**	**1.39**	**3,220,160**

Safety and health

Ensuring the safety and health of employees is one of the guiding principles of Avocet's business as we recognise that all employees have a right to work in a safe and healthy environment.

Total on-site injuries at Inata



Lost Time Injury Frequency Rate ('LTIFR') for 2012

0.087

Ensuring the safety and health of employees is one of the guiding principles of Avocet's business as we recognise that all employees have a right to work in a safe and healthy environment.

The Safety, Health, Environment and Community ('SHEC') Committee of Avocet's Board of Directors is responsible for ensuring that appropriate systems and resources are in place to assure this outcome.

At the key mining operation, the Inata Gold Mine, safety and health governance is managed by the Occupational Safety and Health Committee and the Management Safety Committee. Both committees meet monthly to discuss all aspects of safety, and where necessary agree appropriate remedial actions. The committees also review policies and procedures, assess serious incidents, establishing appropriate and timely responses, and ensure ongoing compliance with both Burkina Faso law as well as international best practice. The Inata safety and health committees report directly to the SHEC Committee.

Improvements to the Inata internal management structure during 2012 resulted in increased coordination on the delivery of health, safety and medical initiatives. This was further enhanced as the safety and health executives, the on-site medical team and the community relations department continued to define and focus on their Key Performance Areas during the year.

Workplace health

Avocet's management takes full responsibility for ensuring that their workplace does not pose a hazard to their employees' short or long-term health. At the Inata Gold Mine, the three primary health risks are malaria, infections from parasites and respiratory tract infections.

During 2012, due to an exceptionally wet rainy season, the number of malaria cases nationally recorded increased. Similarly, the medical clinic at the Inata site registered an increase of 69% in malaria incidences. During the second half of 2012, Avocet undertook to bolster its malaria prevention programme by initiating a comprehensive Interior Residual Spraying ('IRS') programme. This programme began with a two week training session of Avocet medical and environmental personnel by an Integrated Malaria Control consultant, and continued with systematic IRS treatment of all living quarters, as well as working facilities. At the end of 2012 negotiations were ongoing with local communities to roll-out the internal spraying programme to their households. Consequently a dramatic reduction in malaria in Inata's workforce and neighbouring communities is expected during 2013.

Two campaigns were conducted during 2012 to reduce parasitic infections amongst site employees. As a result of these campaigns, the infection rate decreased from 58% in 2011 to 13% in 2012.

In late 2012, the safety and health department established an HIV/AIDS action committee. A charter has been drafted and meetings were held with employees' representatives to define the committee's annual action plan. The committee will work with the Fondation Avocet pour le Burkina to expand its outreach to local communities and will work alongside governmental entities and NGO's to ensure technical cooperation.

Workplace safety

At the heart of Avocet's safety management at the Inata Gold Mine is a robust system of regular and comprehensive training programmes, underpinned by rigorous safe working procedures. The Company believes that it has achieved a very high standard of safety and has a strong track record. Building on the successes of the Safety and Health department at Inata, key procedures have been implemented within Avocet's other operational areas, namely Souma, and Tri-K in Guinea.

Avocet strives to ensure that a culture of continuous improvement exists in everything it does, and for safety this means the promotion of hazard identification systems and individual departmental audits. Avocet's safety and health managers investigate all incidents, accidents and near misses, with the focus being on identifying root causes to ensure that these are eliminated or properly controlled. Operations supervisors are then provided with training on these leading indicators to allow them to proactively manage safety in the workplace. After supervisory training, Inata's safety department continues to work alongside supervisors to ensure safety regulations are fully adhered to.

Unfortunately one lost time injury occurred in April 2012 which was avoidable. The incident was investigated and the cause attributed to the fact that the staff member responsible was acting completely outside of both Inata's on-site safety protocol as well as Burkinabe law. This is the second lost time injury at the mine since 2009. Inata's management is positive that the mine's previous record of 7 million Lost Time Injury ('LTI') free hours can be met and exceeded. At the time of reporting over 2.5 million man hours without an LTI have been achieved. Although Inata's LTIFR increased in 2012 to 0.087 from 0.07 in 2011, Inata's overall injury level has dropped dramatically over the last two years as is evidenced from the graph on page 24.

During 2012 Avocet, and in particular Inata operations, have implemented, or strengthened, a number of general safety and health initiatives. These included:
- improvements to road signage;
- stricter control and monitoring of vehicle speeds;
- adherence to personal protection equipment compliance;
- increased focus on accident prevention; and
- extension of inductions, workplace inspections and safety meetings to include exploration staff and on-site contractors.

The Company believes that the delivery of its safety and health management was enhanced during 2012 as evidenced by the measurable reduction in total injuries during the year.

The safety targets for 2013 include zero LTIs and to achieve a reduction of 25% in injury rate through an increased emphasis on accidents prevention, training for the workforce, and faster incident investigation to ensure quick implementation of any prevention measures.

Health and safety

Avocet's safety track record has been achieved by adhering to a set of basic rules, in particular by ensuring that:

- Procedures and work practices are regularly reviewed and updated;
- Personal protective equipment is correctly maintained and properly used;
- Safety is viewed as a measure of individual, departmental and site performance and is therefore considered in determining overall remuneration;
- Employees are adequately trained for jobs to which they are assigned;
- Positive encouragement is given toward safety awareness and initiatives;
- All incidents are promptly reported, investigated and remedial action taken;
- Regular workplace inspections and audits are conducted; and
- Regular safety meetings are held at all levels.

Sustainable development

The potential environmental and social impact of Avocet's exploration and mining activities are managed through a comprehensive integrated Social and Environmental Management System that was established in 2010.

Trees planted in 2012

18,000

Donated to Fondation Avocet pour le Burkina in 2012

US$135,000

Avocet recognises that its exploration and mining activities have the potential to impact directly and indirectly on the environment and communities neighbouring these activities. The Company is committed to carrying out all its activities in a manner that is sustainable and that will have a long-term positive impact.

The potential environmental and social impact of Avocet's exploration and mining activities are managed through a comprehensive integrated Social and Environmental Management System that was established in 2010. This system ensures compliance with all relevant national regulations and international best practice. To this end, Avocet continues to maintain close working relationships with the Ministries of Environment in Burkina Faso and Guinea as well as other regulatory authorities. Avocet's subsidiary in Burkina Faso that manages the Inata Gold Mine, Société des Mines de Bélahouro SA ('SMB'), regularly reports on its on-site activities and environmental performance to the Ministry of Environment and Ministry of Mines, as well as receiving site inspections from these departments. To date no significant problems or areas of concern pertaining to the Inata Gold Mine have been raised.

Avocet recognises the importance of training and education to maintaining a continued high level of environmental and social performance. All employees and contractors undertake an environmental induction programme and an ongoing programme of training is in place to cover environmental issues. Training is based on a fixed syllabus for all employees as well as bespoke training developed where requested by departmental managers. This training addresses areas for improvement that are identified during regular internal inspections.

Environmental management

Robust environmental monitoring is central to demonstrating compliance with various legislation as well as the wide ranging commitments of various environmental assessments. At Inata, a comprehensive monitoring programme forms part of the approved Environmental Management Plan.

Biodiversity monitoring

Biodiversity monitoring is routinely carried out by SMB and during 2012 a fauna survey of the Inata Mine licence area as well as at the Souma exploration permit area was undertaken. The survey covered entomological, ornithological and mammalian species. The Souma biodiversity survey represents one of the first of the baseline studies that have been started in support of the ESIA.

Sustainable development continued

During 2012, approximately 350 routine water samples were collected and analysed in the on-site environmental laboratory. In addition, some 200 other routine water samples and over 100 dust samples were collected and analysed by accredited external laboratories. These externally analysed samples included quality assurance duplicates of samples tested on-site. In 2012 the analytical results identified no adverse impacts related to mining activities at Inata. During this reporting period water and dust samples from Souma were also collected and analysed to provide baseline data in support of the Environmental and Social Impact Assessment ('ESIA') that will be necessary to apply for a mine licence over this deposit.

Biodiversity monitoring is routinely carried out by SMB and during 2012 a fauna survey of the Inata Mine licence area as well as at the Souma exploration permit area was undertaken. The survey covered entomological, ornithological and mammalian species. The Souma biodiversity survey represents one of the first of the baseline studies that have been started in support of the ESIA.

In 2011, Avocet became a signatory to the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold ('Cyanide Code'). The Cyanide Code is a voluntary industry code of best practice for gold mining companies using cyanide. During 2012 an initial internal audit of all of the Inata Gold Mine's activities against the requirements of the Cyanide Code was undertaken, and it was determined that the mine was in full compliance. Following this comprehensive review, work has been ongoing to consolidate all of the mine's existing cyanide management procedures into an over-arching cyanide management plan. Avocet's mining operations in Burkina Faso will undergo an independent audit towards the end of 2013 to ensure compliance with the Cyanide Code.

The effective management of waste continues to be a key element of environmental planning and the Company has worked extensively with local trade associations, small businesses and entrepreneurs to explore and exploit recycling and reuse opportunities. This partnering has seen an increase in recycling to 57% of all recyclable waste generated at Inata. Where recycling initiatives have generated revenue for SMB, these funds have been directed to community-related initiatives.

During 2012, water conservation and fuel usage awareness campaigns were instigated to reduce both the carbon emissions of the mine as well as the costs associated with the use of both.

Community engagement

In 2010, Avocet created a foundation to act as the vehicle for its community-based projects in Burkina Faso. The Fondation Avocet pour le Burkina ('FAB') is governed by representatives of Avocet, Avocet's local subsidiary SMB and local community leaders. SMB's Community Relations department manages the day-to-day running of FAB, including all communication with local communities and the promotion of these communities' sustainable social and economic development. FAB's mandate is to provide funding for select educational, health and other developmental projects submitted by local communities and jointly identified as priorities by SMB and community representatives. FAB is funded by SMB and following an initial contribution of US$140,000 by Avocet, ongoing payments are made by SMB at a rate of US$1 per ounce of gold produced. In addition, Inata's fuel suppliers, TOTAL, donate 0.50 CFA per litre of diesel sold to SMB to FAB.

In 2012 FAB focused on consolidating the US$120,000 worth of projects initiated in 2011. Detailed plans for the delivery of key sustainable development projects in 2013 were developed. The result of this planning was that at the end of 2012 contracts for projects totalling in excess of US$260,000 were signed with local companies for the building of three new schools and a clinic. The inclusion of local community leaders in the FAB has ensured that these new facilities are located where they can deliver maximum benefit to local communities. The facilities are expected to be operational by mid-2013.

A central pillar of Avocet's Sustainable Development Plan is close engagement with neighbouring communities. This engagement aims to help these communities achieve their own community goals. The communities surrounding Inata have identified a goal of reforestation in and around their villages. SMB has partnered with them on the design, construction and planting of six community reforestation areas. These community forests are part of focused efforts within the mine licence area to increase tree cover in the area around the mine site. Together these two initiatives have resulted in over 18,000 native trees being planted in 2012, covering an area of approximately 23 hectares. This is a significant increase on the 11,000 planted in 2011.

During 2012 a major review of Inata's mosquito control programme was undertaken. With the assistance of international experts, the malaria control strategy was overhauled and new control techniques introduced at the end of the rainy season. At the end of 2012 negotiations were ongoing with local communities to roll-out the internal spraying programme to their households. Training in this regard has been completed and new mosquito control equipment has been purchased. Avocet hopes to see a dramatic reduction in malaria in both our workforce and neighbouring communities in 2013.

Extractive Industries Transparency Initiative ('EITI')

Avocet expressly supports the EITI and formally became an active supporting company in 2011. The prime objective of the EITI is to set a global standard for transparency on tax and royalty payments to governments through the verification and full publication of government revenues and company payments. Mali is a compliant country and Burkina Faso and Guinea currently have candidate country status.

Avocet is committed to supporting and cooperating in the implementation of the EITI work plan to ensure that the objective of transparency is achieved. This is also in line with our corporate commitment to fight corruption and provide sustainable development by supporting the local community in being able to hold their governments, as well as the mining industry, to account.

Government payments

This report, which covers the year ended 31 December 2012, presents key data on government payments in the countries in which Avocet operates. This includes taxes, royalty payments, custom duties and those collected by Avocet on behalf of employees.

US$000	Burkina Faso	Guinea	Mali	UK	**Total**
Royalties[1]	7,613	–	–	–	**7,613**
Custom duties[2]	4,068	17	–	–	**4,085**
IRVM[3]	1,148	–	–	–	**1,148**
Land tax[4]	530	4	–	–	**534**
Total tax borne (EITI)	**13,359**	**21**	**–**	**–**	**13,380**
Net VAT (recovered)/paid[5]	(1,690)	604	–	(451)	**(1,537)**
Non-recoverable tax on fuel[5]	2,849	–	–	–	**2,849**
Payroll tax employer[6]	1,440	140	43	466	**2,089**
Payroll tax employee[6]	6,379	172	54	1,589	**8,194**
Withholding tax[7]	3,444	535	15	–	**3,994**
Other	46	17	4	–	**67**
Total net payments to government	**25,827**	**1,489**	**116**	**1,604**	**29,036**

1 Royalty taxes are charged on gold sales in Burkina Faso at rates which vary according to the spot gold price (3% up to US$1,000 per ounce, 4% between US$1,000 and US$1,299 per ounce, and 5% above US$1,300 per ounce).
2 Customs and duties are charged on the import of goods and equipment.
3 IRVM (Impôt sur le revenu des valeurs mobilières) is taxation on interest paid to Macquarie Bank Limited in relation to its loan facility.
4 Land tax represents payments levied on mining and exploration permits.
5 Value added tax (VAT) represents sales tax charged at 18% on purchases of goods in country. Most VAT is recoverable (a process which can take six months or more), however in Burkina Faso, VAT on fuel is not recoverable. At 31 December 2012, Avocet was owed US$12.8 million in recoverable VAT in Burkina Faso, and US$1.9 million in Guinea.
6 Payroll taxes are payable on salary costs (for nationals and ex pats).
7 WHT (Withholding tax) in Burkina Faso is levied at 10% for mining-related services (20% for non-mining-related activities) provided by firms who do not have a permanent presence in-country. The intention is that this cost is borne by the supplier; in reality, it represents an additional cost of doing business in Burkina Faso, and is factored into margins, increasing the cost to Avocet.

Financial review

Mike Norris
Finance Director

Revenue

US$204.1M

EBITDA

US$48.3M

Financial highlights[1]

Year ended 31 December	2012[2] Audited	2011[2] Audited
US$000		
Revenue	**204,110**	213,375
Gross profit	**35,416**	56,723
(Loss)/profit from operations	**(114,953)**	42,047
EBITDA	**48,343**	84,145
(Loss)/profit before tax	**(117,025)**	6,477
Analysed as:		
Profit before taxation and exceptional items	**18,275**	40,322
Exceptional items (impairment of Inata gold mine)	**(135,300)**	(33,845)
(Loss)/profit before tax	**(117,025)**	6,477
Loss attributable to the equity shareholders of the parent company	**(92,685)**	(355)
Net cash generated by operations (before interest and tax)	**53,361**	5,427[3]
Net cash (outflow)/inflow	**(50,348)**	55,713

1 Prepared in accordance with International Financial Reporting Standards.
2 2011 and 2012 results are from Continuing Operations only, and have excluded the impact of the Group's South East Asian assets in the year. This is felt to be a more like-for-like basis, and therefore more appropriate for comparison. In 2011, the Group's Malaysian and Indonesian operations were presented as discontinued. Note 5 to the financial statements presents an analysis of the results of operations by segment, identifying continuing and discontinued operations.
3 2011 Net cash generated by operations (before interest and tax) has been restated to include the reclassification of a US$39.5 million cash outflow in respect of a hedge buy-back in 2011 (see note 1 to the financial statements for details).

Revenue

Group revenue for the year was US$204.1 million compared with US$213.4 million in 2011. The Group sold 136,856 ounces at an average realised price of US$1,491 per ounce during 2012, compared with 164,026 ounces sold at an average realised price of US$1,301 in 2011. Whilst 27,170 fewer ounces were sold in 2012, higher average realised prices partly reflected the restructure of Inata's hedge in July 2011. 76% of sales were made at spot prices during the year, compared with 54% of sales in 2011. The average spot gold price in 2012 was US$1,668 per ounce compared to US$1,573 per ounce in 2011.

Gross profit and unit cash costs

Group gross profit in 2012 was US$35.4 million compared with US$56.7 million in 2011. In addition to a reduction in revenue of US$9.3 million as described above, this reflected a US$19.6 million increase in cash costs, lower depreciation charges and higher expensed exploration charges resulting from the Group's activities in Guinea and the Bélahouro region as well as positive movements in inventory in the income statement.

Group gross profit in 2012 was US$35.4 million compared with US$56.7 million in 2011. In addition to a reduction in revenue of US$9.3 million as described above, this reflected a US$19.6 million increase in cash costs, lower depreciation charges and higher expensed exploration charges resulting from the Group's activities in Guinea and the Bélahouro region as well as positive movements in inventory in the income statement.

Unit cash costs at Inata increased from US$693 per ounce in 2011 to US$1,000 per ounce in 2012. Of this US$307 per ounce increase, approximately half was due to lower production levels, with lower grades and recoveries seen from the areas mined in the year, with the balance largely due to the combined effect of higher unit cost per tonne mined, and increased mining volumes.

The table below reconciles the Group's cost of sales to the cash cost per ounce in respect of continuing operations only (excluding the divested South East Asian operations). Further detail is provided in note 5 to the financial statements.

Year ended 31 December	**2012 US$000**	2011 US$000
Cost of sales	**168,694**	156,652
Depreciation and amortisation	**(27,996)**	(39,020)
Changes in inventory	**10,202**	4,098
Adjustments for exploration expenses and other costs not directly related to production	**(15,762)**	(6,202)
Cash costs of production	**135,138**	115,528
Gold produced (ounces)	**135,189**	166,744
Cash cost per ounce (US$/oz.)	**1,000**	693

Profit before tax

The Group reported a loss before tax of US$117.0 million in the year ended 31 December 2012, compared with a profit of US$6.5 million in the year ended 31 December 2011.

In 2012 the Group recognised an exceptional impairment charge in respect of mining property of US$135.3 million. The impairment was triggered by the reassessment of the future cash flows to be generated at Inata, following the downward revision to Ore Reserves from 1.85 million ounces to 0.92 million ounces. Further information regarding the assumptions underlying the calculation of the impairment and the related sensitivities is provided in note 16 to the financial statements.

The 2011 profit before tax from continuing operations included a number of exceptional items including a gain on disposal of shares held in Avion Gold Corporation of US$9.0 million, the US$39.8 million cost of restructuring Inata's hedge position in July 2011, and the US$3.1 million cost of listing on the Main Board of the London Stock Exchange.

Before exceptional items, profit before tax for the year ended December 2012 was US$18.3 million compared with US$40.3 million for the year ended December 2011.

Financial review
continued

Taxation

The Group reported a tax credit in the income statement of US$14.5 million in 2012, analysed as follows:

Year ended 31 December	2012 US$000	2011 US$000
Inata, Burkina Faso (continuing operations)	**(14,529)**	4,973
Avocet Mining PLC, UK (continuing operations)	**–**	2,324
Penjom, Malaysia (discontinued operations)	**–**	672
North Lanut, Indonesia (discontinued operations)	**–**	2,051
	(14,529)	10,020

The tax credit in Burkina Faso represents the net effect of a deferred tax charge of US$9.2 million as a result of accelerated capital allowances on assets related to the construction of the Inata Mine, offset by a deferred tax credit of US$23.7 million related to the impairment of mining property.

The 2011 tax charge in Avocet Mining PLC reflects the write off of deferred tax assets following a reassessment of recoverability, subsequent to the decision to sell the Group's assets in South East Asia, and withholding tax suffered on dividends received from a subsidiary.

The taxes in Malaysia and Indonesia in 2011 reflect the tax charges on profits generated in those countries prior to their sale.

EBITDA

EBITDA represents operating profit before depreciation/amortisation, interest and taxes, as well as excluding any exceptional items in the period. It is not defined by IFRS but is commonly used as an indicator of the underlying cash generation of the business.

EBITDA from continuing operations, decreased to US$48.3 million in 2012 from US$84.1 million in 2011, a decrease of 43%. This reflected changes to gross profit as described above.

A reconciliation of Profit before tax and exceptionals to EBITDA is set out below (continuing operations only):

Year ended 31 December	2012 US$000	2011 US$000
Profit before tax and exceptionals	**18,275**	40,322
Depreciation	**27,996**	39,020
Exchange (gain)/losses	**(519)**	116
Net finance income	**(125)**	(125)
Net finance expense	**2,716**	4,812
EBITDA	**48,343**	84,145

Cash flow and liquidity

A total cash outflow of US$50.3 million was reported for the year ended 31 December 2012. Net cash generated by operating activities totalled US$52.4 million, which funded investments in the form of exploration costs of US$31.8 million and capital expenditures of US$35.1 million. In addition, the final dividend of US$13.2 million, declared in respect of 2011, was paid during the year, along with loan repayments to Macquarie Bank Limited of US$24.0 million.

A summary of the movements in cash and debt is set out below:

	2012			2011		
	Cash US$000	**Debt US$000**	**Net Cash/ (Debt) US$000**	Cash US$000	Debt US$000	Net Cash/ (Debt) US$000
At 1 January	**105,236**	**(29,000)**	**76,236**	49,523	(78,000)	(28,477)
Net cash generated by operating activities	**52,381**	**–**	**52,381**	12,853	–	12,853
Dividend paid	**(13,166)**	**–**	**(13,166)**	(6,505)	–	(6,505)
Deferred exploration costs	**(31,796)**	**–**	**(31,796)**	(34,869)	–	(34,869)
Property, plant and equipment	**(35,145)**	**–**	**(35,145)**	(48,561)	–	(48,561)
Net proceeds from disposal of discontinued operations	**1,980**	**–**	**1,980**	174,426	–	174,426
Debt repayments	**(24,000)**	**24,000**	**–**	(49,000)	49,000	–
Purchase of own shares	**–**	**–**	**–**	(2,910)	–	(2,910)
Sale of Avion shares	**–**	**–**	**–**	16,501	–	16,501
Other cash movements	**(602)**	**–**	**(602)**	(6,222)	–	(6,222)
At 31 December	**54,888**	**(5,000)**	**49,888**	105,236	(29,000)	76,236

Depreciation

The Group's depreciation charge reduced from US$39.0 million in the year ended 31 December 2011 to US$28.0 million in the year ended 31 December 2012. The majority of this related to the deprecation of assets at Inata, which are predominantly calculated on a unit of production basis against the life of mine plan as established at the beginning of each financial year.

Year ended 31 December	**2012 US$000**	2011 US$000
Inata	**27,879**	38,886
Other	**117**	134
	27,996	39,020

Capital expenditure

The Group's capital expenditure in the year was US$66.9 million analysed as follows:

	2012			2011		
Year ended 31 December	**Deferred exploration US$000**	**Property, plant and equipment US$000**	**Total US$000**	Deferred exploration US$000	Property, plant and equipment US$000	Total US$000
West Africa (continuing operations)	**31,796**	**34,976**	**66,772**	31,874	47,298	79,172
Other (continuing operations)	**–**	**169**	**169**	–	382	382
Malaysia (discontinued operations)	**–**	**–**	**–**	1,573	375	1,948
Indonesia (discontinued operations)	**–**	**–**	**–**	1,422	506	1,928
	31,796	**35,145**	**66,941**	34,869	48,561	83,430

Exploration activity in West Africa in 2012 was in line with the 2011 activity. In addition to the US$31.8 million of deferred exploration expenditure (US$31.9 million in 2011) shown in the cash flow statement within investing activities, a further US$4.6 million exploration support costs were expensed within other cost of sales during the year.

Capital expenditure on property, plant and equipment in West Africa totalled US$35.0 million. Significant investments in the year included the purchase of mining equipment and rebuilds (US$14.7 million), tailings storage facility extension works (US$8.1 million), plant capex (US$6.5 million), earthworks and other infrastructure (US$1.6 million), and enhancements to buildings and offices (US$2.9 million).

MIKE NORRIS
Finance Director

Board of Directors

Russell Edey

Chairman and Non-executive Director (70)

Background and experience

Russell was appointed Non-executive Director in July 2010 and Chairman of the Company in September 2010. He retired as Chairman of AngloGold Ashanti Limited in May 2010 having been a member of that company's board since 1998. He is a Non-executive Director of Old Mutual PLC and several companies in the Rothschild Group, which he joined in 1977, including as a member of the supervisory board of Paris Orleans SA. Prior to that, he worked for Anglo American Corporation of South Africa Limited in South Africa and Australia.

Committee membership

Russell Edey chairs the Nominations Committee and sits on the SHEC and Remuneration Committees.

David Cather†

Chief Executive Officer (53)

Background and experience

David was appointed Chief Executive Officer in July 2012, after joining the Company as Chief Operating Officer in May 2012. David is an experienced mining engineer and brings over 30 years of mining experience to Avocet, most recently as Chief Operating Officer with European Goldfields. David's career has included senior roles at Anglo American where he was Technical Director for its Industrial Minerals Division. He spent five years consulting to the industry on a variety of early stage projects principally for gold and base metal projects in DRC, Sierra Leone, Nicaragua, Philippines and Columbia. He is a graduate from the Royal School of Mines, Imperial College London with a first class degree in mining engineering and has gained extensive senior level project development experience and operations management in both open pit and underground operations.

Committee membership

David Cather sits on the Technical Committee.

Mike Norris†

Finance Director (48)

Background and experience

Mike was appointed Finance Director in July 2007 having previously been Chief Financial Officer since February 2007. Mike worked for L.E.K. Consulting, a firm of strategic management consultants, before qualifying as a chartered accountant with Coopers & Lybrand in 1993. He then held a number of senior financial and operational roles within Rio Tinto plc and Anglo American plc. He was Chief Financial Officer at two of Rio's mines in the US and held the position of production manager at one of them, an open pit gold mining operation.

Committee membership

None.

Mike Donoghue

Non-executive Director (63)

Background and experience

Mike became a Non-executive Director in July 2006. He is a mining engineer with over 30 years' experience in mining operations and new mine developments in Africa, Australia, South East Asia and Europe. Currently he is the Executive Chairman of Ormonde Mining plc. Previously he held the position of General Manager – Operations of Delta Gold, Sydney, Australia.

Committee membership

Mike Donoghue chairs the Technical Committee and sits on the Nominations Committee.

Note: Ages are at 31 December 2012.

† Denotes member of the Executive Committee.

Noël Harwerth
Non-executive Director (65)

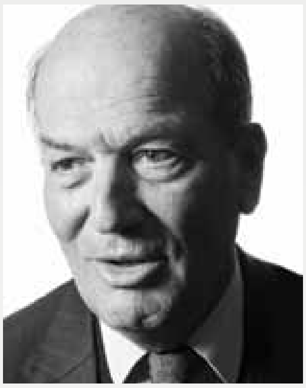
Background and experience
Noël joined the Board of Avocet Mining in June 2012 and was appointed Chair of the Remuneration Committee. She is a Non-executive Director of the London Metals Exchange, Harry Winston Diamond Corporation and Standard Life. She previously held directorships at The TFL Group and Corus Group. From 1998 to 2003 Noël was Chief Operating Officer of Citibank International PLC in London. Prior to joining Citicorp in 1988, Noël held senior positions in Dun & Bradstreet and Kennecott Copper Corporation.

Committee membership
Noël Harwerth chairs the Remuneration Committee and sits on the Audit, Nominations and SHEC Committees.

Barry Rourke
Non-executive Director (62)

Background and experience
Barry was appointed Non-executive Director and Chairman of Avocet Mining PLC's Audit Committee in July 2010. Barry is also the Senior Independent Director. He served as a Partner at PricewaterhouseCoopers for 17 years, acting as an advisor and auditor for several large and medium-sized businesses in both the public and private sector before retiring in 2001. He has significant experience in the resources sector as an independent non-executive director of several companies, and has been Chairman of the Audit Committee at a number of these.

Committee membership
Barry Rourke chairs the Audit Committee and sits on the Remuneration, Nominations and SHEC Committees.



Robert Pilkington
Non-executive Director (67)

Background and experience
Robert became a Non-executive Director in March 1996. He is a Managing Director of UBS Investment Bank. He is also a Director of ASA Limited, an investment trust investing principally in the shares of South African gold mining companies. Following an earlier career with the Anglo American group, he has been an investment banker in New York for the last 25 years, and has advised some of the world's leading gold mining companies.

Committee membership
Robert Pilkington sits on the Audit, Remuneration and Nominations Committees.

Gordon Wylie
Non-executive Director (60)

Background and experience
Gordon joined the Board of Avocet Mining in February 2012. A geologist by training, Gordon has over 35 years of experience in mining and exploration geology, including eight years in AngloGold Ashanti's senior management team where he was responsible for global exploration projects. More recently, Gordon has served on the board of a number of listed companies with operations in Central Asia, South America, Europe and Russia. He currently serves on the board of Lydian International and Central Asian Gold. In the past five years, he has also served on the boards of Oxus Gold plc and Continental Gold Limited.

Committee membership
Gordon Wylie chairs the SHEC Committee and also sits on the Audit, Nominations and Technical Committees.

Senior management

Richard Demblon†
Head of Human Resources (48)

Richard was appointed Head of Human Resources in August 2011. He is an experienced Senior Human Resources Manager with a proven performance delivery over 20 years across eight countries in the mining industry and Fast Moving Consumer Goods industry. He has worked in Senior HR roles with Anglo American and BHP Minerals in Zimbabwe; BHP Coal in Queensland Australia; and British American Tobacco in Cambodia, Uzbekistan, China, UK, Dubai and Malaysia.

Peter Flindell†
Head of Exploration (48)

Peter is a geologist with over 20 years' experience in gold and copper exploration, resource evaluation and reserve development in South East Asia, Central Asia and North America. Peter joined Avocet as Chief Geologist in May 2002 following 12 years of experience with Newmont Mining Corporation. Peter has played a key role in the discovery and development of two gold mines in Indonesia, including Avocet Mining's North Lanut mine.

Richard Gray†
Head of Mining & Expansion (54)

Richard joined Avocet in June 2009 following the acquisition of Wega Mining. Richard has extensive international experience in both underground and open pit mine operations, including 15 years working in South Africa for Gencor, and ten years in West Africa for Golden Star Resources. In addition to operational roles, Richard also has various business and project development experience including activities in the Dominican Republic and former Soviet Union. Richard holds a BSc (Hons) Mining Engineering from the Royal School of Mines, Imperial College and an MBA from the Graduate School of Business, Cape Town University.

Jason Lee†
Group Legal Counsel (37)

Jason is a lawyer with 13 years' experience in the banking, legal and mining sectors. He joined Avocet in October 2006 as Chief Legal Counsel. Jason is a Qualified Solicitor (of the Supreme Court of Law, New South Wales) and has held a number of roles with JP Morgan Chase, Société Générale and Herbert Smith.

John McNair†
Head of Operations, Burkina Faso (50)

John joined Avocet Mining in August of 2012, when he was appointed Head of Operations – Burkina Faso. He has over 30 years of operational experience, across Australia and South East Asia, working most recently for Salomo Mining and Benguet Corporation. John is a civil engineer by trade, having studied at RMIT Melbourne Australia.

Jim Wynn†
Head of Finance & Company Secretary (40)

Jim joined Avocet Mining in November 2008 and was appointed Company Secretary in January 2009. Jim is a Chartered Accountant and was previously employed by Anglo American plc where he held a number of roles within the finance, business development, and strategy departments of Anglo Industrial Minerals.

Note: Ages are at 31 December 2012.

† Denotes member of the Executive Committee.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2012.

Principal activity and business review

The Group's principal activity during the period continued to be gold mining, mineral processing and exploration. Further information is included within the Q&A with the Chief Executive as well as in the operational reviews on Inata, Souma and Tri-K, and the financial review. An overview of the Company's activities is set out on pages 2 and 3, and a diagrammatic representation of the Company's business model is also set out on page 13.

Future developments

The Group's future developments are outlined in the Chairman's Statement and the Q&A with the Chief Executive.

Share capital

The issued share capital of the Company is comprised of ordinary shares of 5 pence each. Each share carries the right to one vote per share. The liability of the members of the Company is limited to the amount unpaid, if any, on the shares held by them. All issued shares of the Company are fully paid.

At 6 March 2013, the issued share capital of the Company stood at 199,546,710. There were no changes to the Company's share capital during 2012, while details relating to the purchase and transfer of Treasury and Own Shares are set out in notes 30 and 31 to the Group accounts.

Company's Listings

The Company's ordinary shares have been traded on the Official List of the Main Market of the London Stock Exchange since 8 December 2011, prior to which they were traded on London's Alternative Investment Market ('AIM'). J.P. Morgan Cazenove Limited acts as the Company's broker and financial advisor. Since 16 June 2010, the Company has also been listed on the Oslo Børs.

Results and dividends

The Group reported a loss for the year of US$102.6 million (2011 – profit of US$105.1 million). The results for the year are explained in the Financial Review from page 30. On 4 May 2012, the Company declared a final dividend for the year ended 31 December 2011 of 4.2 pence per share, which was paid on 1 June 2012 to shareholders on the Company's register on 11 May 2012.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2012.

Events after the reporting period

There were no material events taking place after the reporting date.

Key performance indicators

The Group monitors its key performance indicators ('KPIs') on a monthly basis or more frequently, and when KPIs diverge from expectation, an investigation is carried out and appropriate action taken. Non-financial KPIs include tonnes of waste and ore mined, tonnes of ore milled, grades and recoveries of ore processed, gold poured and gold sold, as well as lost time injuries ('LTIs'). Financial KPIs include cost per ounce produced, realised price per ounce, as well as revenue, gross profit, profit from operations, EBITDA, profit before tax (before and after exceptional items), net cash generated by operations, and net cash flows. These measures are identified as KPIs on the basis that they represent the primary drivers of shareholder value for a gold mining company.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are outlined within the Report on Corporate Governance on pages 46 and 47. Financial risk and capital management disclosures are provided within notes 26 and 27 to the financial statements.

Directors and their interests in shares

The names of the current Directors are shown on pages 34 and 35 and details of their interests in the share capital of the Company are shown on page 54.

In accordance with Code Provision B.7.1 of the UK Corporate Governance Code, all Directors will stand for re-election on an annual basis.

Substantial shareholders

At 26 February 2013 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Shareholder	Shareholding	%
Elliott International, L.P. and Elliott Associates, L.P.*	25,695,037	12.91
UBS AG**	21,564,931	10.83
Van Eck Associates Corp	13,317,851	6.69
Prelas AS	7,272,027	3.65
Barclays Stockbrokers Ltd	6,711,193	3.37
Legal & General Investment Mgmt Ltd	6,408,266	3.22
BlackRock Investment Management Ltd	6,018,481	3.02
Bank of America Merrill Lynch	6,002,810	3.01

* Elliott International, L.P. and Elliott Associates, L.P. also holds 29,648,233 Contracts for Difference (14.89%) bringing their total direct and indirect holdings to 55,343,270 voting rights or 27.80%.
** UBS AG's holdings primarily relate to Contracts for Difference issued to their customers.

Creditor payments

It is the Group's policy to agree the terms of payment with suppliers when entering into contracts and to meet its obligations accordingly. The Group does not follow any specific published code or standard on payment practice.

Key contracts

The Company has contractual arrangements with key suppliers for its operations, notably for fuel, reagents, grinding media, and other materials, and good relations are maintained with these suppliers. However, alternative sources could be arranged if necessary, hence the Company does not believe it is unduly reliant on any single contract or supplier. The Company is reliant on retaining its exploration and mining permits, which are subject to compliance with various government obligations and regulations. The Company considers such compliance a high priority, in view of this reliance.

Report of the Directors continued

Donations
As in previous years, no donations were made for political purposes during the year, and the Company has a policy of maintaining political neutrality. The Company makes regular contributions to community and social projects, particularly in Burkina Faso through the Fondation Avocet pour le Burkina ('FAB'), as outlined in the Community Engagement review on pages 28 and 29.

Corporate Governance
A report on corporate governance is provided on pages 39 to 47.

Employees
The Company has, and continues to put in place, appropriate structures to make Avocet a rewarding place to work and to retain its valued employees. The Group's policy on employee involvement is stated within the report on corporate governance.

Health, safety and sustainable development
Details of the Group's activities relating to safety and health as well as to sustainable development are provided on pages 24 through to 29.

Going concern
The Directors regularly review the liquidity of the Company, and as part of the review of quarterly financial results, management are required to submit a cash forecast in order to allow the Board to determine formally whether they view as appropriate the continued application of the 'going concern' basis for the Company's financial results. As part of this review, key variables are sensitised (for example the gold price), and the impact not only on the cash balance but also on any banking covenants is also tested (including the covenants related to the Macquarie Bank Limited project finance facility at Inata).

This review therefore happens at least four times each year, and more frequently where required.

In addition to these regular reviews, attention is drawn note 2 to the financial statements, which sets out a fuller explanation of why the Board considers the going concern basis to be appropriate for the 2012 financial statements, as well as the areas of material uncertainty that have been taken into consideration.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report, the Remuneration 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 to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements.

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 enable them to ensure that the financial statements and the Remuneration Report 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:
- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

To the best of my knowledge:
- the Group financial statements, prepared in accordance IFRSs as adopted by the European Union, 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 Annual 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.

D Cather

DAVID CATHER
Chief Executive Officer
6 March 2013

Report on corporate governance

Russell Edey
Chairman

In what has been a difficult year for the Company, the importance of a robust system of corporate governance takes on even more importance, as shareholders and wider stakeholders seek assurance that the Board remains committed not only to compliance with regulatory requirements, but to achieving best practice wherever possible.

RUSSELL EDEY
Chairman
6 March 2013

In what has been a difficult year for the Company, the importance of a robust system of corporate governance takes on even more importance, as shareholders and wider stakeholders seek assurance that the Board remains committed not only to compliance with regulatory requirements, but to achieving best practice wherever possible.

The Board has a responsibility in this regard to provide leadership to its employees and management, to help ensure the right decisions are made, and to manage the Company's risks and safeguard its assets.

Mining can be unpredictable, with geological and operational risks to be understood and acknowledged (see Risks section at pages 46 to 47); equally, operating in West Africa brings its own challenges, as we strive to work hand in hand with communities and authorities to develop mutual interests.

In such environments, a culture of responsible practices and commitment to ethical behaviours is vital, and a key element of the value we bring to the countries in which we do business. This goes beyond compliance, as Avocet can show the way in the fight against corruption, and become an integral part of the development of business practices in a wide range of areas, such as safety and health, personal development, environmental activities, etc.

The role of corporate governance in this cannot be understated: it sets the tone for the way in which the Company is run, and is the ultimate responsibility of the Board of Directors. It is a characteristic of a well-run company, and is the surest way to deliver long-term shareholder value.

Report on corporate governance continued

In last year's Annual Report, we committed to strengthening the Board through the addition of two Non-executive Directors. In March, Gordon Wylie joined the Board, followed by Noël Harwerth in June. Gordon is a geologist with a wealth of experience in gold mining, and in addition to providing additional technical understanding to the balance of skills on the Board, was appointed chair of the Safety, Health and Environment Committee. Noël has served in a number of senior roles in financial and operating institutions, and her background in tax, finance and governance/regulatory matters will be invaluable to the Board. In June 2012, Noël took over as chair of the Remuneration Committee, thereby bringing the Company into compliance with the UK Corporate Governance Code.

Throughout the year ended 31 December 2012 and in the preparation of this Annual Report and these Accounts, the Company has complied with the main and supporting principles and provisions set out in the UK Corporate Governance Code as described in the following sections of this Report, save in respect of the chairmanship of the Remuneration Committee prior to the appointment of N Harwerth on 14 June 2012 (see page 42 for details).

Board of Directors

The Board of Directors is responsible for the management of the Company on behalf of the shareholders. The objective of the Company is to create long-term value for shareholders, and the Board is responsible for delivering that objective by governing the Company and its subsidiaries. The Board is responsible for approving the Company strategy and policies, for safeguarding the assets of the Company, and is the ultimate decision-making body of the Group in all matters except those that are reserved for specific shareholder approval.

The Board consists of two Executive Directors who hold the key operational positions in the Company and six Non-executive Directors, who bring a breadth of experience and knowledge.

The Board meets at least every three months and is supplied with appropriate and timely information. In 2012, the Board met ten times. Where appropriate, the Board invites external advisers and/or senior management to attend meetings to discuss matters where their expertise may be beneficial.

The responsibilities of RP Edey as Chairman include those contained in the Supporting Principles to paragraph A.3 of the UK Corporate Governance Code, namely for providing leadership to the Board, ensuring its effectiveness in all aspects of its role and setting its agenda; ensuring that adequate time is available for discussion of all agenda items, ensuring that the Directors receive accurate, timely and clear information; ensuring effective communication with shareholders; promoting a culture of openness and debate by facilitating the effective contribution to the Board of Non-executive Directors in particular; and ensuring constructive relationships between the Executive and Non-executive Directors.

The Company provides independent professional and legal advice to all Directors where necessary, to ensure they are able to discharge their duties. In addition, all Board members have access to the services of the Company Secretary, who is responsible for ensuring all Board procedures are complied with.

Board independence

The UK Corporate Governance Code requires that the board of all companies (other than small companies) be made up of at least 50% Independent Non-executive Directors ('NEDs'). The Company believes RP Edey, BJ Rourke, G Wylie, MJ Donoghue and N Harwerth to be independent. In addition, the Company believes RA Pilkington to be independent, in spite of circumstances that may indicate otherwise, specifically that he has served as a Board member for more than nine years. The Company believes that his character and judgement outweigh these considerations.

The Chairman of the Board is RP Edey, and the Chief Executive Officer is DC Cather. The Board has named BJ Rourke as the senior independent Non-executive Director.

	Position	Appointed	Status	Audit Committee	Remuneration Committee	Nomination Committee	Technical Committee[1]	SHEC Committee
RP Edey	Chairman	8 Jul 2010	Independent	–	Member	Chair	–	Member
RA Pilkington	NED	11 Mar 1996	Independent	Member	Member	Member	–	–
BJ Rourke	NED	8 Jul 2010	Independent	Chair	Member	Member	–	Member
MJ Donoghue	NED	11 Jul 2006	Independent	–	–	Member	Chair	–
G Wylie	NED	22 Feb 2012	Independent	Member	–	Member	Member	Chair
N Harwerth	NED	14 Jun 2012	Independent	Member	Chair	Member	–	Member
DC Cather	Chief Executive Officer	18 Jul 2012	Executive	–	–	–	Member	–
AM Norris	Finance Director	10 Jul 2007	Executive	–	–	–	–	–

1 The other members of the Technical Committee are RJ McNair, PA Flindell and RQ Gray.

Board performance

Each year, the Board undertakes a formal process to evaluate its effectiveness, and that of the Board Committees and individual Directors, consisting of a review of the Board's performance against the guidelines of the Financial Reporting Council on Board effectiveness. In accordance with the recommendations of the UK Corporate Governance Code, this review is undertaken by an external facilitator every three years. Such an external review was undertaken in November 2012, this being the first full year that Avocet has been listed on the main board of the London Stock Exchange.

Board and committee meetings

There were ten Board meetings, five Audit Committee meetings, four Remuneration Committee meetings, one meeting of the Nomination and Technical Committees, and two Safety, Health, Environment and Community ('SHEC') Committee meetings in the year. Attendance at these meetings of the Board by the relevant Board members is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Technical Committee	SHEC Committee
RP Edey	10/10	n/a	4/4	1/1	n/a	2/2
RA Pilkington	9/10	4/5	4/4	0/1	n/a	n/a
BJ Rourke	10/10	5/5	4/4	1/1	n/a	2/2
MJ Donoghue	9/10	n/a	3/3	1/1	1/1	n/a
H Arnet[1]	1/1	1/1	1/1	n/a	n/a	n/a
G Wylie[2]	9/10	3/3	2/2	1/1	1/1	2/2
N Harwerth[3]	5/7	2/3	3/3	1/1	n/a	2/2
BA Richards[4]	5/5	n/a	n/a	n/a	n/a	n/a
AM Norris	10/10	n/a	n/a	n/a	n/a	n/a
DC Cather[5]	4/4	n/a	n/a	n/a	1/1	n/a

1 H Arnet resigned from the Board on 16 March 2012.
2 G Wylie was appointed to the Board on 22 February 2012.
3 N Harwerth was appointed to the Board on 14 June 2012.
4 BA Richards stood down from the Board on 18 July 2012.
5 DC Cather was appointed to the Board on 31 July 2012, having been appointed Chief Executive Officer on 18 July 2012.

Board Committees

While the Board retains responsibility for making key decisions, it also delegates other matters to various standing Committees. The purpose of this is to allow a more focused discussion on specific matters which would benefit from a forum outside the Main Board, with a different balance of skills, experience and independence from its members. Further information on each of these Committees, along with their terms of reference, is available on the Company's website www.avocetmining.com.

Nomination Committee

Purpose

The Nomination Committee was established to review the structure, size and composition (including the balance of skills, knowledge and experience) of the Board and its Committees, and to review succession planning for the Board and senior management.

It is also responsible for monitoring the ongoing performance of the Board and its Committees. The Nomination Committee reports and makes recommendations to the Board in respect of any action required in these matters.

Composition

The Nominations Committee must consist of not less than three Non-executive Directors. The current membership of the Committee comprises all of the Non-executive Directors of the Company, namely RP Edey (Chairman), RA Pilkington, MJ Donoghue, BJ Rourke, G Wylie and N Harwerth.

Operations

The Nomination Committee meets at least once a year, or more frequently as required. In 2012, it met formally only once, to consider the appointment of David Cather to the position of Chief Executive Office, following the resignation of Brett Richards in July 2012.

Responsibilities

The Nomination Committee has the following responsibilities:
- to review and report on the composition of the Board and its Committees;
- to review and report on the performance of the Board and its Committees;
- to make recommendations as to changes to the Board and its Committees, including the nomination of Chairman of the Board, chairmen of each Committee and senior independent non-executive;
- to ensure succession planning for Executive Directors and senior managers;
- to review the overall leadership needs of the Group, including involving external advisers to facilitate this review and to assist with succession;
- to monitor appointments to the Board, and ensure compliance with statutory, legal, and other regulatory requirements; and
- to make recommendations to the Board considering any matters that might call into question the suitability of Directors or senior managers to continue in their roles.

Report on corporate governance continued

The Nomination Committee is also responsible for ensuring compliance with the principles of B.2 of the UK Corporate Governance Code, specifically with regard to the need for candidates to be considered on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. It is also responsible for satisfying itself that plans are in place for orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the Board and to ensure progressive refreshing of the board.

The composition of the Board and its committees has changed significantly in recent years, and the Nomination Committee is now satisfied that the appropriate balance of skills and experience is in place to manage the business for the foreseeable future.

Remuneration Committee

Purpose

The Remuneration Committee reviews the performance of the Directors and Executive Committee members, and sets the scale and structure of their remuneration with due regard to the interests of the shareholders and the overall performance of the Group.

The Remuneration Committee also makes recommendations to the Board concerning the Company's overall philosophy and policy with respect to executive remuneration, bonuses and incentive arrangements including share and option awards, compensation payments and pension rights.

Composition

The Remuneration Committee must consist of not less than three Non-executive Directors. Its members, and chair, are to be determined by the Board. The current membership of the Committee comprises N Harwerth (Chair), RP Edey, RA Pilkington, and BJ Rourke.

The Company acknowledges that the UK Corporate Governance Code provision D.2.1 states that the chairman of the Board should not also be the chairman of the Remuneration Committee. RP Edey served in the capacity of both until the appointment of N Harwerth on 14 June 2012, thereby bringing the Company into full compliance with the provisions of the Code. Until this time, the Company had felt that it was appropriate for RP Edey to occupy this role, by virtue of his experience.

Operations

The Remuneration Committee meets at least twice a year, or more frequently as required. In 2012, the Remuneration Committee met four times. As well as regular reviews of the remuneration levels of Executive Directors and senior managers, the Remuneration Committee also made the following recommendations to the Board during the year:

- the approval of awards to executives and senior management, including the award of one-off share options to certain key management in December 2012;
- the terms of BA Richards' pay during his notice period; and
- the salary terms for DC Cather following his promotion from Chief Operating Officer to Chief Executive Officer in July 2012.

Responsibilities

The Remuneration Committee is responsible for the following matters:

- to review the performance objectives and determine and agree the appropriate levels of remuneration for the Executive Directors, and the EXCO of the Company;
- to determine the remuneration of the Chairman of the Board, Non-executive Directors, as well as Chairmen and members of all Board Committees, subject to the condition that no person shall participate in discussions relating to his or her own remuneration;
- to review the design and management of Group salary structures and incentive schemes, and to ensure proper authorisation for any awards made under such schemes;
- to review the recommendations of the Chief Executive of the Company as to the grant of share awards and other bonuses, and to approve such awards as appropriate; and
- to review and approve the Remuneration Report in the Avocet Mining PLC Annual Report.

Audit Committee

Purpose

The Audit Committee reviews the principles, policies and practices adopted in the preparation of the financial statements of Avocet Mining PLC and its subsidiaries, as well as ensuring any other formal announcements relating to the financial performance of the Group comply with relevant statutory and regulatory requirements.

The Audit Committee is also responsible for assisting the Board in discharging its responsibilities with respect to the integrity of the Company's financial statements, the effectiveness of the systems of governance, risk management and internal control, and monitoring the effectiveness and independence of the external auditors. It also reviews the requirement for an internal audit function within the Group.

Composition

The Audit Committee must consist of not less than three Non-executive Directors. The Audit Committee is chaired by BJ Rourke, and also comprises RA Pilkington, G Wylie and N Harwerth. The UK Corporate Governance Code stipulates that at least one of the members of the Audit Committee must have recent and relevant financial experience. The Company believes that all members have such experience, in particular BJ Rourke, who served for 17 years as an audit partner at PricewaterhouseCoopers.

Operations

The Audit Committee is required to meet twice a year, but in practice meets more frequently. In 2012, for example, the Committee met on five occasions. In addition to its members, the Audit Committee also routinely invites the Group's auditors, the Finance Director, and other Board members to attend its meetings as required.

During 2012, the Audit Committee reviewed the quarterly financial statements, reviewing areas of judgement, and focused on the development of the finance systems and controls at the Inata Gold Mine in particular. In addition, the Audit Committee considered matters raised by the Financial Reporting Council in relation to the financial statements for the year ended 31 December 2011, all of which were resolved satisfactorily by February 2013.

The Chairman of the Audit Committee, BJ Rourke, undertakes to visit the operations at least once each year in order to review the controls environment in place, and follow up on any issues that may arise. Such visits took place in January 2012 and January 2013.

Responsibilities
The Audit Committee reviews and monitors the integrity of the Group financial statements and press releases, as well as any other formal announcements relating to the Company's financial performance. As part of this review, it focuses in particular on areas of judgement, appropriateness of policies, going concern matters, and any other areas it identifies as risks (eg on the grounds of materiality or uncertainty).

In addition, the Audit Committee reviews plans for, and the conduct of, the Group's external audit, receiving the report of the auditors, and thereby monitoring not only the performance of the Company's internal finance teams but also that of the auditors themselves. On consideration of the performance of the external auditors (Grant Thornton UK LLP), the Audit Committee concluded that it was appropriate to recommend their reappointment to the shareholders at the AGM on 3 May 2012.

The Audit Committee is also responsible for reviewing the internal controls of the Company, and assessing the requirement for an internal audit function. The Audit Committee concluded that the key activities of an internal audit function (including a review of internal controls) were being undertaken by the finance team, and that in view of the size of the organisation, a separate internal audit team was not appropriate.

Technical Committee

Purpose
The purpose of the Technical Committee is to provide assurance to the Board as to the operational performance and operating risks of the Company, with particular regard to those areas where technical understanding is required (including exploration, mining, development, construction, security, and supply chain management).

Composition
The Technical Committee consists of MJ Donoghue (Chairman), G Wylie, DC Cather (Chief Executive Officer), RJ McNair (Head of Operations, Burkina Faso), PA Flindell (EVP Exploration) and RQ Gray (EVP Operations, West Africa). The Committee's mandate requires that the chairman be a Non-executive Director with technical expertise, and MJ Donoghue has significant experience in running mining operations over a long career.

Operations
The Committee meets at least four times a year, or more frequently as required. During 2012, it met formally on one occasion, in October 2012, however numerous informal communications were held between its members.

Responsibilities
The Technical Committee is responsible for reviewing and assessing all operating activities of the Group. This includes assessing risk management processes, undertaking regular site visits and liaising with teams on the ground, reviewing strategic planning and reporting, ensuring legal, environmental and regulatory compliance, and making recommendations to the Board on all matters where technical understanding is required.

Safety, Health Environment and Communities ('SHEC') Committee

Purpose
The SHEC Committee was established to provide the Board with assurance that the appropriate systems are in place to deal with the management of health, safety, environmental, and community relations matters. The SHEC Committee was established in October 2011 in order to formalise a separate forum exclusively for the purpose of reviewing such matters.

Composition
The SHEC Committee comprises G Wylie (Chairman), N Harwerth, BJ Rourke, and RP Edey.

Operations
The SHEC Committee met twice during the year. At those meetings, it focused on an assessment of the safety environment at Inata in particular, as well as considering ongoing matters relating to community relations, health, environmental, and security.

Responsibilities
The SHEC Committee's particular responsibilities include the following:
- to establish and review the Group's policies with respect to health, safety, environmental, and community relations matters;
- to ensure adequate procedures and responses are in place to deal with accidents, fatalities, or other serious medical, environmental, or safety issues;
- to monitor and review the performance of the Group with regard to health, safety, environmental, and community relations matters, and to ensure compliance with relevant local and international regulations;
- to review and investigate any serious accidents and deaths that occur in connection with any Group employees, contractors, consultants, suppliers, or agents operating on behalf of Avocet, which may take place on or off Group sites, in order to establish cause and recommend further actions as may be required;
- to monitor the quality and frequency of reporting of health, safety, environmental and community relations matters;
- to maintain awareness of all regulatory changes, and to ensure the Board is aware of relevant material changes, in health, safety, environmental and community relations matters;
- to report to the Board with regard to any health, safety, environmental and community relations matters that should be brought to its attention; and
- to review and approve the Group Health, Safety and Environment and Community Relations disclosures within the Annual Report, or other relevant publications.

Service contracts

No Director has any service contracts, consultancy agreements or other such arrangements with a notice period in excess of one year.

Report on corporate governance continued

Going concern

The Board acknowledges its responsibility towards safeguarding the assets of the Company for the benefit of shareholders, as well as its wider duties towards stakeholders. This includes the regular monitoring of cash flows and forecasts. The appropriateness of the going concern basis for the preparation of the 2012 financial statements is discussed in detail in note 2 to the financial statements, and in the Report of the Directors (page 38).

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the AGM.

Non-audit services

The Board regularly reviews the provision of non-audit services from its auditors, at least annually through discussion at Committee meetings. The Board is satisfied that the provision of non-audit services by Grant Thornton UK LLP is compatible with the general standard of independence for auditors and does not give rise to any conflict of interest.

Internal control

The Board is ultimately responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets, in which it looks to the recommendations of the Audit Committee. Such a system is designed to manage, but may not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. However the Board is comfortable that the internal control systems provide sufficient assurance as to the safety of the Company's assets and the value of the Group's operations as a whole.

In accordance with the guidance of the Turnbull Committee on Internal Control, an ongoing process has been established for identifying, evaluating and managing risks faced by the Company. This process has been in place throughout the year and to the date of approval of these financial statements and includes the following features:

- key risks to and impact of these on the Group's business are reviewed and considered by the Directors;
- the Board reviews these key risks as part of the budget approval process;
- Executive Directors, and senior finance staff, visit each operation regularly, when these key risks are reviewed and actions taken as necessary;
- control procedures have been communicated to operations' management who review local procedures for Group compliance;
- the head office finance function visits each operation to review local financial controls and compliance with Group procedures and report to the Audit Committee;
- the Chairman of the Audit Committee undertakes a site visit each year to oversee in person the adequacy of control procedures in place;
- the Audit Committee assesses the effectiveness of the internal controls in operation during the year, and reports to the Board, to enable the Board to perform its own review of the effectiveness of these controls;
- the Group has a comprehensive system for financial reporting. The Board approves the annual budget and life of mine forecasts. Monthly results are reported against budgets and variances analysed. Great importance is placed on the monitoring and control of cash flows, and cash forecasts are reported to the Board (including as part of the Going Concern review);
- as part of the year end external audit, management has requested that the auditors prepare a management letter on their findings with regard to the internal financial controls. This is reported to, and reviewed by, the Audit Committee;
- the Audit Committee reviews the Group's consolidated financial statements on a quarterly basis, with particular focus being placed on areas of judgement and risk, and make a recommendation to the Board prior to results being approved for announcement. Monthly consolidated financial statements are also sent to the full Board for review;
- the external auditors periodically carry out a review of the head office's internal financial controls and report to management and the Audit Committee;
- the Board approves all long-term currency, commodity and interest rate hedging, along with all significant capital investment projects and debt facilities; and
- the Chairman and the Executive Directors meet on a regular basis to discuss the management of the Group and review any business risk and actions necessary.

Employees

Regular meetings are held with employee representatives to discuss strategies and the financial position of the Group and their own business units. The Group is committed to providing equal opportunity for individuals in all aspects of employment.

Senior management are conscious of the sensitivities around working in a developing nation, and the obligations the Company has to its communities and national employees. Avocet is committed to developing its national staff, through training programmes and on-the-job learning, not only as part of its partnership with the countries in which it operates, but also for sound business reasons. However, maintaining good relationships remains a key challenge, and progress is constantly monitored by the Board and its Committees.

Anti-bribery and whistleblowing

The Company has incorporated into its code of conduct and ethics an anti-bribery policy, details of which are referenced in all employee service contracts. In addition, all employees in both the UK and West Africa are required to attend specific anti-bribery training sessions and sign a register to confirm their attendance and understanding. Regular updates and presentations are made to employee groups to ensure greater understanding of the principles behind Avocet's policy, and to allow discussions on how to deal with practical issues that may arise.

In addition, the Company has a whistleblowing policy and procedure, to ensure any concerns raised by employees are able to be dealt with in the appropriate manner.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and the quality of its management teams. It holds regular meetings with, and presents to, its institutional and private shareholders to discuss its objectives. The Company also regularly meets, with the help of its brokers, institutions that do not currently hold shares in the Company, to inform them of its objectives.

The AGM is a forum for communicating with institutional and private investors, and all shareholders are encouraged to attend and participate. The Chairmen of the Board Committees are also available to answer questions, along with the Senior Independent Non-executive Director (BJ Rourke). Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and Accounts, and to approve the Remuneration Report. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The Company operates and regularly updates its website (www.avocetmining.com) with shareholder information.

The Company has engaged the services of Pelham Bell Pottinger to assist with its financial public relations.

Risk management

The Board is responsible for the management of the Company on behalf of the shareholders. The objective of the Company is to create long-term value for shareholders, and the Board is responsible for delivering that objective by governing the Company and its subsidiaries.

In so doing, the Board is responsible for understanding the risks faced by the Company and determining the risk appetite of the Company. The Board ensures these risks are managed appropriately, in order to draw a balance between safeguarding the assets and interests of the Company and maximising its exposure to sustainable growth and profitability. The Board and senior management regularly monitor areas of risk. Senior management regularly visits operations to understand site-specific risks as well as to assess local political, fiscal and legal risks. In this regard, the Group maintains a strict policy of compliance with local laws and regulations, and community issues (including safety and health, community development, and environmental responsibility) are at the forefront of strategic and operational decision-making.

Although the Board retains responsibility for managing the overall risk of the Group, certain specific risk areas are delegated to Committees as follows:

- Financial risks and internal financial controls are reviewed by the Audit Committee;
- Health, Safety and Environmental risks are monitored by the SHEC Committee; and
- Technical Operating risks are overseen by the Technical Committee.

The principal risks that relate to the Group have been set out below, categorised as follows:

- Economic risks
  - Risks associated with changes in the markets in which it operates.
- Operational risks
  - Risks relating to the operation of the mines and exploration projects.
- Country risks
  - Country-specific risks related to Burkina Faso, Guinea, and any other countries in which Avocet may do business.
- Other risks
  - Other significant risks not covered by the above categories.

Risk management

Economic risks

Risk	Comment	Business impact	Mitigation
Exposure to a fall in gold prices	Avocet's revenue is dependent on the market price of gold for all unhedged gold sales.	High	Avocet maintains a policy of exposure to the spot gold price but has forward sales contracts covering approximately 20% of its production until 2018 (at a price of US$950 per oz.).
Exposure to a strengthening in local currency rates	Avocet realises US dollars for all of its gold sales, and reports its results in US dollars. The Company has some exposure to the West African CFA, and the Guinean Franc, being the local currencies of Burkina Faso and Guinea respectively, in which many of its costs are denominated.	Low	The Company continually monitors fluctuations in currency rates, and may on occasion purchase short-term currency hedges (although did not do so in 2012). It is Avocet's policy to minimise the value of cash held in non-US dollar currencies.
Exposure to unfavourable movements in purchase prices of input materials	The Company is exposed, both directly and indirectly, to the purchase price of diesel, steel, and reagents used in gold production.	Moderate	The Company seeks to minimise its usage of input materials. It also monitors commodity prices constantly and considers whether hedging might be appropriate. No hedging was entered into during 2012.
Exposure to increases in the market prices of the equipment and services it uses	Avocet is subject to increases in the market prices for services and equipment (eg mining contractors, drilling, tyres, vehicles, etc).	Moderate	The Company seeks to negotiate the best possible rates for all services and products it receives, taking into account not only price, but service quality and reliability.

Operational risks

Risk	Comment	Business impact	Mitigation
Exposure to mining hazards	The Company is exposed to a number of risks and hazards typically associated with mining – eg pit wall failure, adverse weather, and mechanical breakdowns.	Moderate	Avocet's operational teams regularly monitor mining risks, and report to the Technical Committee, who are responsible, on behalf of the Board, for ensuring appropriate measures are in place for anticipating, and responding to, such matters.

Operational risks continued

Risk	Comment	Business Impact	Mitigation
Reliability of Mineral Resources and Ore Reserves	The calculation of Mineral Resources and Ore Reserves involves significant assumptions and estimates that may prove inaccurate, including gold price assumptions.	High	Avocet's Mineral Resources and Ore Reserve estimates are prepared either by in-house staff or by third party consultants who have considerable experience and are certified by appropriate bodies such as JORC. The Technical Committee is responsible for ensuring the appropriate controls are in place to provide assurance that Mineral Resources and Ore Reserve estimates are appropriately prepared.

Country risks

Risk	Comment	Business impact	Mitigation
Exposure to political and social risks in Burkina Faso and Guinea	Avocet's main assets are located in Burkina Faso and in Guinea, and the Company is therefore exposed to any adverse changes in the political and social situations in those countries. Specifically, the Inata Mine lies close to the border with Mali, where fighting has taken place between government forces (supported by international troops) and rebels. In addition, the risk of hostage taking and/or an assault on the Inata Gold Mine has heightened as a result of tensions in the region.	Moderate	The Board closely monitors the political and social situations in the countries in which it operates, drawing on internal and external advisors. In response to the current situation in Mali, security forces on-site and escorts for travellers to/from site have been increased.
Exposure to changes in fiscal and regulatory regime	In addition to political/social risks, Avocet is exposed specifically to changes in the mining, labour and tax codes in Burkina Faso and Guinea, which may result in a more challenging, or costly, operating environment.	High	Avocet is committed to acting in partnership with all stakeholders, including the governments and communities of the countries in which it operates. It regularly meets government ministers to discuss fiscal and regulatory matters and to ensure the Company and its shareholders' interests are well represented.

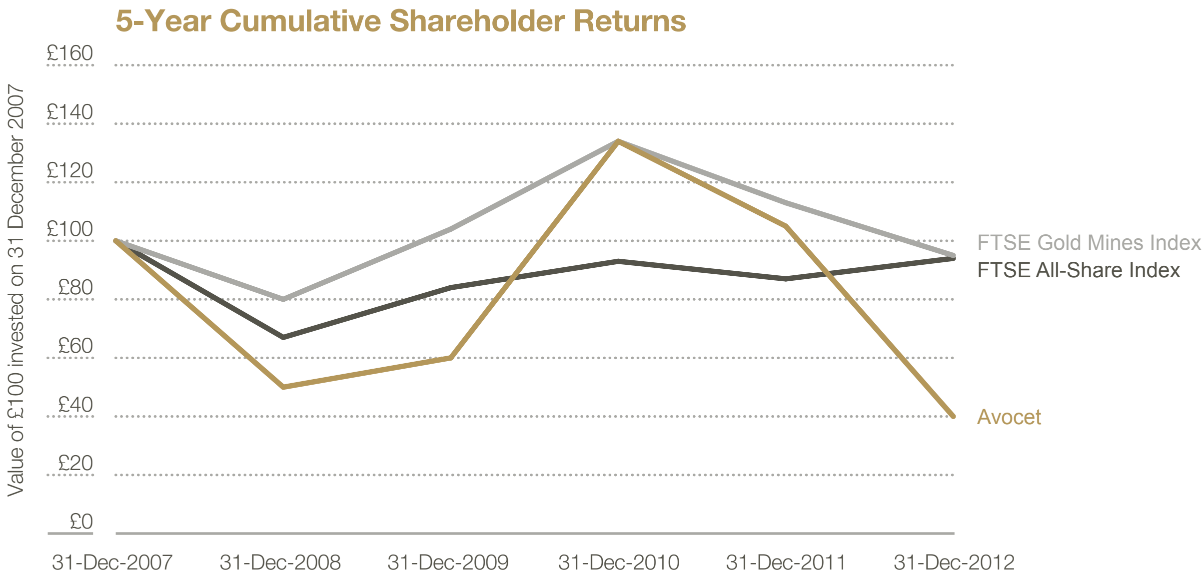
Other risks

Risk	Comment	Business impact	Mitigation
Portfolio risk of having a single operating asset	Since the sale of Avocet's South East Asian assets, the Company has been reliant on a single revenue-generating asset (Inata Gold Mine). Any factors that affect production at the Inata Gold Mine will consequently have a significant impact on Group results.	Moderate	It is the Company's policy to pursue growth opportunities through organic means (in Guinea, as well as through expansion in Burkina Faso), as well as reviewing acquisition opportunities which can be shown to be value accretive.
Litigation	Avocet is the subject of legal action initiated by its former partner in Indonesia, with regard to the sale of various Indonesian entities in 2011.	Moderate (with low probability)	The District Court of Jakarta, Indonesia recently dismissed the case, accepting Avocet's claim that the Indonesian courts do not have jurisdiction over the dispute. PT LT has appealed this ruling, but the Company is confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.
Licence administration	Avocet holds a number of exploration and mining licences. These licences normally include conditions for ongoing operation (eg minimum spend levels) and require periodic renewal. Renewals are not normally guaranteed.	Moderate	Avocet maintains good relations with the appropriate authorities and management are responsible for ensuring conditions are adhered to and renewal applications submitted in good order.
Finance risk	All of Avocet's assets in Burkina Faso, including the Inata Gold Mine, and the exploration licences in the Bélahouro region, are held under security extended to Macquarie Bank Limited ('MBL'). In particular, MBL reserves the right to restrict the use of funds in SMB for corporate purposes. The Company is therefore reliant on meeting its covenant obligations with MBL in order to ensure the risk of such eventualities arising.	High	Avocet regularly discusses its financial forecasts and life of mine plans with MBL. Details of current financial restructuring requirements are set out in note 2 to the financial statements.

Remuneration report

This report is presented to shareholders by the Board and provides information on Directors' remuneration for the year ended 31 December 2012. A resolution will be put to shareholders at the Annual General Meeting on 2 May 2013, inviting them to consider and approve this report. This report complies with the requirements of both the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008 and the UK Corporate Governance Code.

Performance



The chart shows Avocet's Total Shareholder Return ('TSR') compared with the FTSE All Share Index and FTSE Gold Mines Index over the five year period from 31 December 2007 to 31 December 2012. The FTSE Gold Mines Index has been chosen as it comprises companies who are operating in the same sector as Avocet and are exposed to broadly similar risks and opportunities. In addition, the FTSE All Share Index has been chosen as an appropriate general index of UK equities.

Remuneration Committee

Avocet's remuneration policies, as well as specific awards for Directors and senior managers, are determined by the Remuneration Committee. Details of this Committee's purpose, composition, operation and responsibilities are set out on page 42.

The Chief Executive Officer attends meetings at the invitation of the Committee to provide guidance as appropriate on the impact of remuneration decisions and on the performance of senior executives; he does not attend when his own remuneration is discussed. The Company Secretary also attends. During the course of the year, the Committee was advised by Kepler Associates. Kepler Associates do not provide any other services or advice to the Company.

None of the Committee has any personal financial interest in the matters to be decided, other than as shareholders, or any day to day involvement in running the business. All Directors are required to submit to the Board on an annual basis a declaration of their interests, and to seek approval from the Board, whenever these interests change, to ensure that such changes do not cause a conflict in the interests of the individual in his capacity as a member of the Board.

Remuneration policy

The Company operates within a competitive environment and its performance depends on the individual contributions of the Directors and employees. Executive remuneration packages are designed to attract, motivate and retain executives of the calibre necessary to manage the Company's operations and to reward them for enhancing shareholder value. The performance of the Executive Directors is assessed by the Committee and taken into account when determining their remuneration.

In common with many companies at a similar stage of development, Avocet has a competitive approach to executive remuneration.

The total remuneration for the Executive Directors and other senior executives consists of five main elements, as follows:

Element	Objective	Performance period	Performance conditions
Base salary	Reflects competitive market, level, role and individual contribution	Not applicable	Normally reviewed annually taking into account pay for similar positions in similar companies, individual performance and the Company's overall approach to pay
Benefits (including pension contributions)	Reflects competitive market	Not applicable	Not applicable
Annual incentive (including deferral)	Motivates achievement of annual financial, operating and strategic goals, as well as individual performance goals	One year	Subject to achievement of targets against key performance indicators including EBITDA, gold production, reserves and resources and specific strategic milestones, as well as personal performance
Performance Share Plan	Drives long-term value creation and aligns executives' and shareholders' interests	Three years	Subject to relative position of the Company's TSR versus a basket of comparable gold-mining companies
Share Option Plan	Options provide a more straightforward means of alignment that is appropriate also for use below the senior executive level	Three years	Subject to the Remuneration Committee's satisfaction that underlying financial performance is at a sufficient level such that vesting is appropriate

During the year, the Committee proposed no change to the incentive schemes summarised above, that were reviewed and approved in the Company's last Annual General Meeting on 3 May 2012, and believes that the Company continues to offer remuneration arrangements which motivate and retain the executives who are critical to the success of the Company, and to align their interests with those of shareholders.

Components of remuneration

The elements that comprised the remuneration package for the Executive Directors during 2012 are set out below.

Salary and benefits

Executive Directors' basic salaries are reviewed annually by the Remuneration Committee. In setting salaries the Committee considers pay levels and practices at Avocet's principal competitors as well as FTSE-listed companies of a similar size. The Committee also takes into account pay and conditions across the Group when setting base salaries for the Executive Directors, to ensure the discrepancy between Executive Directors and other staff members is reasonable and commensurate with experience, skill levels, and responsibility. No increases are proposed for 2013. During 2012, the base salary levels were £300,000 for DC Cather and £250,000 for AM Norris.

Benefits (including pension contributions)

The Company offers medical cover to all its key employees; a Defined Contribution Pension Scheme (with a minimum employer pension contribution for UK employees including Executive Directors of 3% of base salary, together with an opportunity for employees to contribute up to 6% of their salary, which is matched by additional employer contributions giving a maximum total combined pension contribution of 15% of salary), as well as additional benefits (such as gym membership).

Annual incentive

The Executive Directors may earn an annual incentive of 50% of salary for target, up to a maximum of 75% of salary. Awards of up to 62.5% of salary are determined with reference to a scorecard of stretching corporate objectives aligned to the Company's business strategy. For 2012, this included EBITDA, gold production, reserves and resources and specific strategic milestones. The outcome against the scorecard is then adjusted up or down by between 0 and 20% based on performance against personal/strategic objectives.

The Company operates bonus deferral for Executive Directors. Under this plan, 50% of any annual incentive award in excess of £30,000 is mandatorily deferred into Avocet shares. These deferred shares may vest after a further one-year holding period, subject to continued employment. The remainder of any earned bonus is paid in cash after the year end.

Award opportunities to Executive Directors will remain unchanged for 2013 and the operation of the Annual Incentive will be broadly similar.

Remuneration report
continued

Long-term incentive plans

The long-term incentive plans currently comprise:

(a) The Performance Share Plan ('the PSP')

Performance share awards, being conditional awards granted as shares or nil-cost options, are awarded to key executives (including Executive Directors). Performance share awards will not vest unless the Company's TSR performance over the three year performance period is at least at the median of a comparator group comprising companies operating in the same sector, whereby the award will vest as follows:

TSR position of the Company relative to the comparator group	Percentage of shares which vest
Below median	0%
At median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile and above	100%

Awards are made to eligible employees including Executive Directors on a discretionary basis.

The PSP was approved by the Company's shareholders at the Annual General Meeting on 5 May 2011. It is the intention that awards continue to be made annually, shortly after the release of the previous year's full year results, and that the performance periods be based on three calendar years. The aggregate of awards under this plan to any individual within a single financial year may not exceed 200% of salary except in exceptional circumstances, subject to Remuneration Committee approval.

No awards were made during 2011, as the scheme was introduced part way through the year. Awards for the year ended December 2011 were made at the same time as the 2012 awards. The performance period for the 2011 awards is 1 January 2011 to 31 December 2013, while the performance period for the 2012 awards is 1 January 2012 to 31 December 2014. Under the rules of the PSP, shares do not vest for continuing employees under these schemes until three years after the grant of the awards, therefore any shares released under both of these awards will not be transferred to participants before February 2015.

(b) The Share Option Plan ('the Option Plan')

The Option Plan was also introduced in 2011. Options may be awarded to employees with an exercise price per share equal to the market value of a share at the time of grant. The Remuneration Committee must be satisfied that underlying performance has been sufficient for the options to vest. Grants of options will vest in full after three years, subject to performance. The aggregate of awards under this plan to any individual within a single financial year may not exceed 200% of salary except in exceptional circumstances, subject to Remuneration Committee approval.

No awards were made during 2011, as the scheme was introduced part way through the year.

Service contracts – Executive Directors

Executive Directors currently have employment contracts which may be terminated by the Company with twelve months of notice, or by the employee with six months of notice. No other payments are made for compensation for loss of office.

Letters of appointment – Chairman and Non-executive Directors

The Chairman and other Non-executive Directors each have a formal letter of appointment setting out their duties and responsibilities. These letters are available for inspection at the Company's registered office.

Chairman's fees

It is the Company's policy that the Chairman should be remunerated on a competitive basis and at a level which reflects his contribution to the Group, as assessed by the Board. Details of his fees can be found in the Total Remuneration of Directors below.

Non-executive Directors' fees

The Board as a whole, with the benefit of independent professional advice, determines Non-executive Directors' fees, although Non-executive Directors do not vote on any increases of their own fees. Fees are set to reflect the responsibilities and time spent by the Directors on the affairs of the Company. For 2012, the basic fee for Non-executive Directors was set at £40,000 with an additional £10,000 fee for the Chairs of the Audit Committee, the Remuneration Committee, and the Safety, Health & Environment Committee; and an additional £15,000 fee for the Chairman of the Technical Committee. Details of actual Non-executive Directors' fees received during the year can be found in the Total Remuneration of Directors Summary overleaf.

Total Remuneration of Directors

Information in the rest of the Remuneration Report has been subject to audit.

Summary

	Salary US$000		Benefits[1] US$000		Cash bonus US$000		Total US$000		Pension US$000		Share bonus US$000 (cash value)		Total $000	
Periods ended	Dec 2011	**Dec 2012**	Dec 2011	**Dec 2012**	Dec 2011	**Dec 2012**	Dec 2011	**Dec 2012**	Dec 2011	**Dec 2012**	Dec 2011	**Dec 2012**	Dec 2011	**Dec 2012**
Executive Directors														
DC Cather[2]	–	**220**	–	**4**	–	**–**	–	**224**	–	**19**	–	**–**	–	**243**
AM Norris	375	**404**	7	**5**	602	**286[7]**	984	**695**	–	**30**	509	**138[9]**	1,493	**863**
BA Richards[3]	482	**510**	15	**3**	698	**121[8]**	1,195	**634**	–	**18**	591	**64[10]**	1,786	**716**
Non-executive Directors														
RP Edey	177	**178**	–	**–**	–	**–**	177	**178**	–	**–**	–	**–**	177	**178**
RA Pilkington	64	**65**	–	**–**	–	**–**	64	**65**	–	**–**	–	**–**	64	**65**
MJ Donoghue	93	**89**	–	**–**	–	**–**	93	**89**	–	**–**	–	**–**	93	**89**
H Arnet[4]	64	**13**	–	**–**	–	**–**	64	**13**	–	**–**	–	**–**	64	**13**
BJ Rourke	80	**81**	–	**–**	–	**–**	80	**81**	–	**–**	–	**–**	80	**81**
G Wylie[5]	–	**69**	–	**–**	–	**–**	–	**69**	–	**–**	–	**–**	–	**69**
EN Harwerth[6]	–	**44**	–	**–**	–	**–**	–	**44**	–	**–**	–	**–**	–	**44**
	1,335	**1,673**	22	**12**	1,300	**407**	2,657	**2,092**	–	**67**	1,100	**202**	3,757	**2,361**

The cash value of share bonuses were determined by reference to the number of shares awarded multiplied by the market value of the shares at the date of release.

Notes

1 Benefits include medical allowances.
2 DC Cather was appointed Chief Executive Officer on 18 July 2012, having been Chief Operating Officer from 30 April 2012.
3 BA Richards stood down from the post of Chief Executive Officer on 18 July 2012.
4 H Arnet resigned as Non-executive Director effective 16 March 2012.
5 G Wylie was appointed as Non-executive Director and Chairman of the Safety, Health & Environment Committee on 22 February 2012.
6 EN Harwerth was appointed as Non-executive Director and Chair of the Remuneration Committee on 14 June 2012.
7 AM Norris Cash Bonus for 2012 comprised US$86,316 in respect of performance in 2011, plus US$200,079 as a bonus for the sale of the SE Asia assets.
8 BA Richards Cash Bonus for 2012 comprised US$98,728 in respect of performance in 2011, plus US$21,825 as a bonus for the sale of the SE Asia assets.
9 AM Norris Share Bonus for 2012 comprised deferred bonus shares valued at US$37,812 in respect of performance in 2011, and US$100,040 in respect of the sale of the SE Asia assets.
10 BA Richards Share Bonus for 2012 comprised deferred bonus shares valued at US$50,224 In respect of performance in 2011, and US$13,369 in respect of the sale of the SE Asia assets.

Employee Benefit Trust and UK Share Incentive Plan

The Company has established an Employee Benefit Trust ('EBT') and a UK Share Incentive Plan ('SIP').

The EBT, which is administered by independent trustees, is funded by Avocet and holds shares that may be used, on the recommendation of the Remuneration Committee and at the discretion of the trustees, exclusively for the settlement of employee share awards. Shares released in this manner may be for the settlement of awards made under the Share Bonus Plan, Performance Share Plan, Deferred Bonus Plan, or to satisfy the exercise of share options, as well as previous discretionary share bonus awards. Restricted shares may be held in the EBT prior to release.

The SIP is a plan that allows UK tax residents to benefit from share awards under favourable taxation terms, subject to restrictions. Any awards made under this plan must be made under terms consistent with UK taxation requirements.

Remuneration report
continued

During the year ended 31 December 2012, the following restricted share allocations and releases were made under the EBT:

	EBT shares allocated at 31 December 2011	EBT shares allocated during the period	EBT shares released during the period	**EBT shares allocated at 31 December 2012**	Latest date on which shares vest
Executive Directors					
DC Cather	–	–	–	**–**	n/a
AM Norris	–	10,179	–	**10,179**	12/03/13
BA Richards	–	13,521	(13,521)	**–**	n/a
Non-executive Directors					
RA Pilkington	–	–	–	**–**	n/a
MJ Donoghue	–	–	–	**–**	n/a
RP Edey	91,500	–	–	**91,500**	15/09/13
BJ Rourke	–	–	–	**–**	n/a
G Wylie	–	–	–	**–**	n/a
EN Harwerth	–	–	–	**–**	n/a
Management and other staff					
Other staff	53,822	338	(3,252)	**50,908**	13/05/13
Total	145,322	24,038	(16,733)	**152,587**	

The EBT held 480,067 shares at 31 December 2012.

During the year ended 31 December 2012, the following restricted share allocations and releases were made under the SIP.

	SIP shares allocated at 31 December 2011	SIP shares allocated during the period	SIP shares released/ cancelled during the period	**SIP shares allocated at 31 December 2012**	Latest date on which shares vest
Executive Directors					
AM Norris	1,951	–	–	**1,951**	09/07/13
Management and other staff					
Other staff	2,367	–	–	**2,367**	13/05/15
Total	4,318	–	–	**4,318**	

The SIP held 1,901 shares at 31 December 2012.

Share option schemes

In 2011, the Company introduced a new scheme – the Share Option Plan. Prior to 2011, the Company awarded share options under an older scheme, originally introduced in 1999. All new awards are to be made under the newer scheme, however outstanding awards under the older scheme are still valid, and may be exercised at the appropriate time, providing the relevant performance conditions are satisfied (specifically the requirement for growth in the Company's net assets per share, and returns to shareholders, through share price increase and dividends, to be in excess of at least half of the companies in the FTSE Gold Mines Index).

The share options held by the Executive Directors under either of these schemes during the year were as follows:

	Options held at 31 December 2011	Options exercised/ cancelled during the period	Options granted during the period	**Options held at 31 December 2012**	Exercise price (pence)	Date of grant	Date from which exercisable	Expiry date
AM Norris	500,000	–	–	**500,000**	103.25	15-Nov-06	15-Nov-09	15-Nov-13
	130,488	–	–	**130,488**	153.75	09-Jul-08	09-Jul-11	10-Jul-15
	19,512	–	–	**19,512**	153.75	09-Jul-08	09-Jul-11	10-Jul-13
	250,000	–	–	**250,000**	81.00	25-Jun-09	25-Jun-12	25-Jun-16
	250,000	–	–	**250,000**	105.00	18-Mar-10	18-Mar-13	18-Mar-17
	100,000[1]	–	–	**100,000**	219.33	23-May-11	21-Feb-12	21-Feb-18
	–	–	105,000	**105,000**	229.75	12-Mar-12	12-Mar-15	12-Mar-22
	1,250,000	–	105,000	**1,355,000**				
DC Cather	–	–	250,000	**250,000**	75.00	01-Aug-12	01-Aug-15	01-Aug-22
	–	–	250,000	**250,000**				

1 The first tranche of options awarded under the new Option Plan in May 2011 are exercisable annually in three equal parts commencing 21 February 2012.

The total number of active unexercised share options under both schemes is set out below:

Grant date	Exercise price (pence)	Number of options	Exercise date	Expiry date
13-Dec-12	67.50	720,000	13-Dec-13	13-Dec-22
17-May-09	75.00	20,083	17-May-12	17-May-14
		4,917	17-May-12	17-May-16
01-Aug-12	75.00	250,000	01-Aug-13	01-Aug-22
25-Jun-09	81.00	1,020,000	25-Jun-12	25-Jun-16
12-Nov-09	90.75	250,000	12-Nov-12	31-Jul-13
		250,000	12-Nov-12	12-Nov-16
15-Nov-09	103.25	787,894	15-Nov-09	15-Nov-13
18-Mar-10	105.00	13,142	18-Mar-13	18-Mar-15
		961,858	18-Mar-13	18-Mar-17
28-Jul-10	124.00	500,000	28-Jul-13	28-Jul-17
10-Jul-11	153.75	19,512	10-Jul-11	10-Jul-13
		430,488	10-Jul-11	10-Jul-15
23-May-11	219.33	13,333	21-Feb-12	31-Mar-13
		61,613	21-Feb-12	31-Jul-13
		365,000	21-Feb-14	21-Feb-18
27-Jul-11	225.00	30,263	27-Jul-12	25-Jul-18
02-Aug-11	229.75	10,000	01-Aug-12	31-Jul-18
12-Mar-12	229.75	945,000	12-Mar-15	12-Mar-22
		6,411	31-Oct-12	31-Oct-13
15-Aug-11	235.5	10,000	14-Aug-12	13-Aug-18
Total		**6,669,514**		

Performance Share Plan ('PSP') awards

PSP awards held by the Directors during the year were as follows:

	Number of PSP shares	Date of award	Expiry date	Performance period begins	Performance period ends	Date of cancellation	Final number of shares awarded
AM Norris	105,000	12-Mar-12	12-Mar-15	01-Jan-11	31-Dec-13	n/a	n/a
	105,000	12-Mar-12	12-Mar-15	01-Jan-12	31-Dec-14	n/a	n/a
	210,000						
DC Cather	250,000	01-Aug-12	01-Aug-15	01-Jan-12	31-Dec-14	n/a	n/a
	250,000						

Share price movements during 2012

The mid-market closing price of the Company's shares at 31 December 2012 was £0.70 (31 December 2011: £1.85). The highest and lowest trading prices of the Company's shares during the year were £2.395 and £0.63 respectively.

Dilution

Taking account of all shares newly issued as a consequence of incentive schemes over the ten-year period to 31 December 2012 plus outstanding equity awards under all the Company's equity schemes, where new issue shares may be used to satisfy their exercise, potential dilution is less than 10% of the issued ordinary shares.

Remuneration report
continued

Sums paid by third parties

Neither of the Executive Directors received any additional fees during the year relating to external appointments.

Interests of Directors and Persons Discharging Managerial Responsibility ('PDMRS')

In addition to the Board of Directors, the Company has deemed the following employees to be PDMRs (equivalent to Primary Insiders for the Oslo Børs):

Name	Position
PA Flindell	Head of Exploration
RQ Gray	Head of Mining & Expansion
JEGM Wynn	Head of Finance and Company Secretary
J Lee	Head of Legal
J McNair	Head of Operations, Burkina Faso
R Demblon	Head of Human Resources

The beneficial interests of Directors and PDMRs in the shares of the Company at 31 December 2012 are as follows:

		Restricted shares held in EBT/SIP				
	Shares owned	EBT	SIP	Total	PSP shares	Share options
DC Cather	50,000	–	–	–	250,000	250,000
AM Norris	515,516	10,179	1,951	12,130	210,000	1,355,000
RP Edey	100,000	91,500	–	91,500	–	–
RA Pilkington	222,763	–	–	–	–	–
MJ Donoghue	38,029	–	–	–	–	–
RQ Gray	521,109	115	–	115	130,000	365,000
PA Flindell	561,928	223	–	223	130,000	865,000
JEGM Wynn	548	31,346	2,367	33,713	–	300,000
J Lee	48,993	–	–	–	–	275,000
R Demblon	–	–	–	–	–	160,000
J McNair	–	–	–	–	–	100,000
	2,058,886	**133,363**	**4,318**	**137,681**	**720,000**	**3,670,000**

On behalf of the Board

NOËL HARWERTH
Chair of the Remuneration Committee
6 March 2013

Independent auditor's report to the members of Avocet Mining PLC

We have audited the group financial statements of Avocet Mining PLC for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 38, the Directors are responsible for the preparation of the group 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 group 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the Group financial statements:
- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern.

At 31 December 2012 the parent Company had US$8.0 million of unrestricted funds outside Société des Mines de Bélahouro SA (SMB), which will be insufficient to continue its corporate and exploration activities as currently planned, without some funds being transferred from SMB or raised from other sources. The parent Company and Macquarie Bank Limited are in discussions regarding arrangements to ease near term liquidity constraints at the Company and Group.

These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:
- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 39 to 47 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:
- Under the Companies Act 2006 we are required to report to you if, in our opinion:
  - certain disclosures of Directors' remuneration specified by law are not made; or
  - we have not received all the information and explanations we require for our audit; or
  - a Corporate Governance Statement has not been prepared by the company.

- Under the Listing Rules, we are required to review:
  - the Directors' statement, set out on page 43, in relation to going concern; and
  - the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
  - certain elements of the report to shareholders by the Board on Directors' remuneration.

Other Matter

We have reported separately on the parent company financial statements of Avocet Mining PLC for the year ended 31 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited. That report includes an emphasis of matter.

CHARLES HUTTON-POTTS
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
6 March 2012

Consolidated income statement
For the year ended 31 December 2012

		Year ended 31 December 2012			Year ended 31 December 2011		
	Note	**Continuing operations US$000**	**Discontinued operations US$000**	**Total US$000**	Continuing operations US$000	Discontinued operations US$000	Total US$000
Revenue	5	**204,110**	**–**	**204,110**	213,375	67,236	280,611
Cost of sales	5	**(168,694)**	**–**	**(168,694)**	(156,652)	(51,101)	(207,753)
Gross profit		**35,416**	**–**	**35,416**	56,723	16,135	72,858
Administrative expenses		**(13,002)**	**–**	**(13,002)**	(9,657)	–	(9,657)
Share based payments	28	**(2,067)**	**–**	**(2,067)**	(1,941)	–	(1,941)
Exceptional administrative expenses							
– Main Board Listing	11	**–**	**–**	**–**	(3,078)	–	(3,078)
Impairment of mining assets	11,16	**(135,300)**	**–**	**(135,300)**	–	–	–
(Loss)/profit from operations		**(114,953)**	**–**	**(114,953)**	42,047	16,135	58,182
Profit on disposal of investments	11	**–**	**–**	**–**	8,990	2,600	11,590
(Loss)/profit on disposal of subsidiaries	6a,11		**(105)**	**(105)**	–	89,955	89,955
Restructure of hedge	11	**–**	**–**	**–**	(39,757)	–	(39,757)
Finance items							
Exchange gains/(losses)		**519**	**–**	**519**	(116)	–	(116)
Finance income	12	**125**	**–**	**125**	125	–	125
Finance expense	12	**(2,716)**	**–**	**(2,716)**	(4,812)	–	(4,812)
Net finance items – discontinued operations		**–**	**–**	**–**	–	(26)	(26)
(Loss)/profit before taxation		**(117,025)**	**(105)**	**(117,130)**	6,477	108,664	115,141
Analysed as:							
Profit before taxation and exceptional items	10	**18,275**	**–**	**18,275**	40,322	16,109	56,431
Exceptional items	11	**(135,300)**	**(105)**	**(135,405)**	(33,845)	92,555	58,710
(Loss)/profit before taxation		**(117,025)**	**(105)**	**(117,130)**	6,477	108,664	115,141
Taxation	13	**14,529**	**–**	**14,529**	(7,297)	(2,723)	(10,020)
(Loss)/profit for the year		**(102,496)**	**(105)**	**(102,601)**	(820)	105,941	105,121
Attributable to:							
Equity shareholders of the parent company		**(92,685)**	**(105)**	**(92,790)**	(355)	103,774	103,419
Non-controlling interest		**(9,811)**	**–**	**(9,811)**	(465)	2,167	1,702
(Loss)/profit for the year		**(102,496)**	**(105)**	**(102,601)**	(820)	105,941	105,121
Earnings per share:							
Basic (loss)/earnings per share (cents per share)	14	**(46.57)**	**(0.05)**	**(46.62)**	(0.18)	52.17	51.99
Diluted (loss)/earnings per share (cents per share)	14	**(46.57)**	**(0.05)**	**(46.62)**	(0.18)	52.17	51.99
EBITDA[1]		**48,343**	**–**	**48,343**	84,145	16,135	100,280

1 EBITDA represents earnings before exceptional items, finance items, depreciation and amortisation. EBITDA is not defined by IFRS but is commonly used as an indication of underlying cash generation.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2012

		Year ended 31 December 2012			Year ended 31 December 2011		
	Note	**Continuing operations US$000**	**Discontinued operations US$000**	**Total US$000**	Continuing operations US$000	Discontinued operations US$000	Total US$000
(Loss)/profit for the year		**(102,496)**	**(105)**	**(102,601)**	(820)	105,941	105,121
Revaluation of other financial assets	18	**(1,229)**	**–**	**(1,229)**	(3,388)	–	(3,388)
Reclassification on disposal of other financial assets		**–**	**–**	**–**	(9,725)	–	(9,725)
Reclassification of foreign exchange translation reserve on disposal of subsidiaries	6a	**–**	**–**	**–**	(627)	–	(627)
Total comprehensive (expense)/income for the year		**(103,725)**	**(105)**	**(103,830)**	(14,560)	105,941	91,381
Attributable to:							
Equity holders of the parent		**(93,914)**	**(105)**	**(94,019)**	(14,095)	103,774	89,679
Non-controlling interest		**(9,811)**	**–**	**(9,811)**	(465)	2,167	1,702
		(103,725)	**(105)**	**(103,830)**	(14,560)	105,941	91,381

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of financial position
At 31 December 2012

	Note	31 December 2012 US$000	31 December 2011 US$000
Non-current assets			
Intangible assets	15	**49,442**	42,390
Property, plant and equipment	17	**145,653**	247,954
Other financial assets	18	**599**	1,828
		195,694	292,172
Current assets			
Inventories	19	**56,949**	40,515
Trade and other receivables	20	**25,124**	28,529
Cash and cash equivalents	21	**54,888**	105,236
		136,961	174,280
Assets of disposal group classified as held for sale	5,6	**–**	2,085
Current liabilities			
Trade and other payables	22	**42,023**	25,544
Other financial liabilities	23	**6,105**	24,711
		48,128	50,255
Non-current liabilities			
Other financial liabilities	23	**2,434**	8,018
Deferred tax liabilities	24	**37**	14,566
Other liabilities	25	**6,251**	5,143
		8,722	27,727
Net assets		**275,805**	390,555
Equity			
Issued share capital	30	**16,247**	16,247
Share premium		**146,040**	149,915
Other reserves	31	**16,117**	15,273
Retained earnings		**106,221**	208,129
Total equity attributable to the parent		**284,625**	389,564
Non-controlling interest		**(8,820)**	991
Total equity		**275,805**	390,555

These financial statements were approved and signed on behalf of the Board of Directors on 6 March 2013.

RP Edey **AM Norris**

The accompanying accounting policies and notes form an integral part of these financial statements.

Avocet Mining PLC is registered in England No 3036214

Consolidated statement of changes in equity
For the year ended 31 December 2012

	Note	Share capital US$000	Share premium US$000	Other reserves US$000	Retained earnings US$000	Total attributable to the parent US$000	Non-controlling interest US$000	Total equity US$000
At 1 January 2011		**16,086**	**144,571**	**30,632**	**118,606**	**309,895**	**9,344**	**319,239**
Profit for the year		–	–	–	103,419	103,419	1,702	105,121
Revaluation of other financial assets		–	–	(3,388)	–	(3,388)	–	(3,388)
Reclassification on disposal of other financial assets		–	–	(9,725)	–	(9,725)	–	(9,725)
Reclassification of foreign exchange translation reserve on disposal of subsidiaries		–	–	(627)	–	(627)	–	(627)
Total comprehensive income for the year		**–**	**–**	**(13,740)**	**103,419**	**89,679**	**1,702**	**91,381**
Share based payments		–	–	–	1,404	1,404	–	1,404
Interim dividend		–	–	–	(6,814)	(6,814)	–	(6,814)
Issue of shares – exercise of share options		35	–	–	–	35	–	35
Issue of shares – bonuses		75	3,177	–	(3,200)	52	–	52
Issue of shares into EBT		51	2,167	(2,218)	–	–	–	–
Purchase of treasury shares		–	–	(4,806)	–	(4,806)	–	(4,806)
Release of EBT and treasury shares		–	–	3,413	(664)	2,749	–	2,749
Net exercise of share options settled in cash		–	–	–	(2,630)	(2,630)	–	(2,630)
Non-controlling interest share of dividend from subsidiary		–	–	–	–	–	(2,000)	(2,000)
Disposal of subsidiaries		–	–	–	–	–	(8,055)	(8,055)
Transfer acquisition reserve		–	–	1,992	(1,992)	–	–	–
At 31 December 2011		**16,247**	**149,915**	**15,273**	**208,129**	**389,564**	**991**	**390,555**
Loss for the year		–	–	–	(92,790)	(92,790)	(9,811)	(102,601)
Revaluation of other financial assets	18	–	–	(1,229)	–	(1,229)	–	(1,229)
Total comprehensive income for the year		**–**	**–**	**(1,229)**	**(92,790)**	**(94,019)**	**(9,811)**	**(103,830)**
Share based payments		–	–	–	2,462	2,462	–	2,462
Release of treasury and own shares	31	–	–	952	(697)	255	–	255
Exercise of share options		–	–	–	(172)	(172)	–	(172)
Final dividend		–	–	–	(13,505)	(13,505)	–	(13,505)
Transfer between reserves		–	(3,875)	1,121	2,794	40	–	40
At 31 December 2012		**16,247**	**146,040**	**16,117**	**106,221**	**284,625**	**(8,820)**	**275,805**

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2012

	Note	Year ended 31 December 2012			Year ended 31 December 2011 (Restated[1])		
		Continuing operations US$000	**Discontinued operations US$000**	**Total US$000**	Continuing operations US$000	Discontinued operations US$000	Total US$000
Cash flows from operating activities							
(Loss)/profit for the year		**(102,496)**	**(105)**	**(102,601)**	(820)	105,941	105,121
Adjusted for:							
Depreciation of non-current assets	17	**27,996**	**–**	**27,996**	39,020	–	39,020
Impairment of mining assets	11,16	**135,300**	**–**	**135,300**	–	–	–
Share based payments		**2,067**	**–**	**2,067**	1,941	–	1,941
Provisions		**–**	**–**	**–**	–	574	574
Taxation in the income statement		**(14,529)**	**–**	**(14,529)**	7,297	2,723	10,020
Other non-operating items in the income statement	29	**4,740**	**105**	**4,845**	(2,324)	(92,730)	(95,054)
		53,078	**–**	**53,078**	45,114	16,508	61,622
Movements in working capital							
(Increase)/decrease in inventory		**(16,435)**	**–**	**(16,435)**	(20,135)	341	(19,794)
Decrease/(increase) in trade and other receivables		**3,090**	**–**	**3,090**	(15,354)	(745)	(16,099)
Increase/(decrease) in trade and other payables		**13,628**	**–**	**13,628**	(4,198)	(1,256)	(5,454)
Net cash generated by operations		**53,361**	**–**	**53,361**	5,427	14,848	20,275
Interest received		**138**	**–**	**138**	74	17	91
Interest paid		**(1,118)**	**–**	**(1,118)**	(2,969)	–	(2,969)
Income tax paid		**–**	**–**	**–**	(865)	(3,679)	(4,544)
Net cash generated by operating activities	1	**52,381**	**–**	**52,381**	1,667	11,186	12,853
Cash flows from investing activities		**–**					
Payments for property, plant and equipment	17	**(35,145)**	**–**	**(35,145)**	(47,680)	(881)	(48,561)
Deferred consideration paid		**–**	**–**	**–**	–	(1,330)	(1,330)
Exploration and evaluation expenses	15	**(31,796)**	**–**	**(31,796)**	(31,874)	(2,995)	(34,869)
Rehabilitation costs		**–**	**–**	**–**	–	(393)	(393)
Disposal of discontinued operations, net of cash disposed of	6c,6d	**1,980**	**–**	**1,980**	174,426	–	174,426
Net cash received from disposal of investments	11	**–**	**–**	**–**	16,501	–	16,501
Net cash (used in)/generated by investing activities		**(64,961)**	**–**	**(64,961)**	111,373	(5,599)	105,774
Cash flows from financing activities							
Proceeds from issue of equity shares		**–**	**–**	**–**	58	–	58
Loans repaid	23	**(24,000)**	**–**	**(24,000)**	(49,000)	–	(49,000)
Dividend to equity holders of the parent company		**(13,166)**	**–**	**(13,166)**	(6,505)	–	(6,505)
Non-controlling interest share of dividend from subsidiary		**–**	**–**	**–**	–	(2,000)	(2,000)
Payments in respect of finance leases		**(610)**	**–**	**(610)**	–	–	–
Purchase of treasury shares	31	**–**	**–**	**–**	(2,910)	–	(2,910)
Net exercise of share options settled in cash		**(172)**	**–**	**(172)**	(2,471)	–	(2,471)
Net cash flows used in financing activities	1	**(37,948)**	**–**	**(37,948)**	(60,828)	(2,000)	(62,828)
Net cash movement		**(50,528)**	**–**	**(50,528)**	52,212	3,587	55,799
Exchange gains/(losses)		**180**	**–**	**180**	160	(246)	(86)
Reclassification of cash not held for sale		**–**	**–**	**–**	3,341	(3,341)	–
Total (decrease)/increase in cash and cash equivalents		**(50,348)**	**–**	**(50,348)**	55,713	–	55,713
Cash and cash equivalents at start of the year		**105,236**	**–**	**105,236**	49,523	–	49,523
Cash and cash equivalents at end of the year		**54,888**	**–**	**54,888**	105,236	–	105,236

1 Refer to note 1 for details.

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2012

1. RE-PRESENTATION OF 2011 CASH FLOW

The Group has recently concluded discussions with the Financial Reporting Council's ('FRC') Conduct Committee in relation to the presentation of the US$39.8 million cash outflow in respect of the repurchase of 58,432 ounces of forward gold sales in July 2011. This transaction was part of an overall restructure of the Company's hedge book, as a result of which approximately 20% of the hedged ounces were bought back and the delivery profile of the remaining ounces extended by four years to June 2018.

The forward contract was required as a condition of the loan facility taken out by SMB for the construction of the Inata Mine, and was therefore an integral part of the Project Financing facility with Macquarie Bank Limited ('MBL'). Commercially the contract is viewed by management as an additional obligation in respect of obtaining financial resources. Accordingly, the repurchase of a portion of the forward contracts was presented as a financing cash flow in the 2011 financial statements because, in the Directors' opinion, this ultimately represented a change in the composition of the Group's total obligations to MBL.

Following discussions with the FRC's Conduct Committee it has been concluded that the term 'borrowings' in IAS 7 should not encompass the hedge obligations to MBL because, as a result of the 'own use' exemption under IAS39.5 (note 26), the fair value of the forward contract obligation to MBL is not recognised in the statement of financial position, with the result that the payment made should have been presented as an operating cash flow in the 2011 consolidated statement of cash flows. Consequently, the 2011 comparatives in the 2012 cash flow statement have been restated to reflect the required presentational change.

The effect of the restatement is a reclassification of US$39.8 million cash outflow from Financing activities to Operating activities in the comparative period in these financial statements. As a result, 2011 Net cash generated by operating activities (continuing operations) has reduced from US$41.4 million to US$1.7 million. Correspondingly, Net cash used in financing activities (continuing operations) has decreased from an outflow of US$100.6 million to an outflow of US$60.8 million.

2. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

The Group financial statements consolidate those of the Company and of its subsidiary undertakings; the Group financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union at 31 December 2012.

The Group financial statements have been prepared under the historical cost convention except for share based payments that are fair valued at the date of grant and other financial assets and liabilities that are measured at fair value. The accounting policies applied in these financial statements are unchanged from those used in the previous annual financial statements.

IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary in these financial statements as the 31 December 2011 statement of financial position is the same as previously published.

Certain amounts included in the consolidated financial statements involve the use of judgement and/or estimation. Judgements, estimations and sources of estimation uncertainty are discussed in note 3.

The Parent Company financial statements in notes 37 to 56 present information about the Company as a separate entity rather than about the Group, and have continued to be prepared under UK GAAP as permitted by the Companies Act 2006.

Accounting standards not yet in issue

At the date of authorisation of these financial statements, certain new accounting standards, and amendments to, or interpretations of, existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements are as follows (effective dates stated below are for EU mandatory adoption for accounting periods commencing on or after those dates):

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

2. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) CONTINUED

- Government Loans – Amendments to IFRS 1 (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)
- Annual Improvements 2009–2011 Cycle (effective 1 January 2013)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2013).

The Directors anticipate that the above pronouncements, where relevant, will be adopted in the Group's financial statements for the year beginning 1 January 2013 and will have little impact on the Group's accounting policies or results.

Going concern

At 31 December 2012, the Group held cash and cash equivalents of US$54.9 million, of which US$46.9 million was held by Société des Mines de Bélahouro SA ('SMB'), the operating entity which owns the Inata gold mine. US$38.4 million of SMB's cash balance was restricted for use by SMB, of which US$37.0 million represents a minimum balance held with Macquarie Bank Limited ('MBL') and US$1.4 million (2011: $0.6 million) relates to amounts held on restricted deposit in Burkina Faso for the purposes of environmental rehabilitation work, as required by the terms of the Inata mining licence. The transfer out of SMB of funds above the restricted cash balance remains subject to the approval of MBL, under the terms of the facility agreement governing the loan and hedge obligations.

At 31 December 2012, Avocet had US$8.0 million of funds outside SMB, which was insufficient to continue corporate and exploration activities as currently planned, without some funds being transferred from SMB.

The Company will announce that the Ore Reserve at Inata has reduced to 0.92 million ounces of gold from the previous Ore Reserve of 1.85 million ounces.

The new Ore Reserve and the new Life of Mine Plan ('LoMP') no longer provide adequate coverage of SMB's current hedge position to the satisfaction of MBL. Avocet has therefore been in negotiations with MBL to restructure the hedge and debt positions to reflect this shorter mine life, however while negotiations are in progress, restrictions imposed by MBL on surplus SMB cash mean that Avocet is unable to access cash from SMB that it previously expected to be available for use elsewhere in the Group.

On 14 February 2013, the Company provided an update to the market regarding discussions with MBL with regard to the hedge agreements at Inata, and the restricted cash at SMB.

Since this time, MBL and the Company have held a number of discussions regarding options to ensure adequate liquidity for the Company and satisfactory adjustments to the hedge arrangements.

The Directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and that, therefore, the possibility exists that the Company could be unable to continue to fund its corporate and exploration activities as currently envisaged. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company's financing plans will yield sufficient funding to remain a going concern. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

As negotiations evolve with financiers and advisers, the Company will make announcements as appropriate in due course.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND SOURCES OF ESTIMATION UNCERTAINTY

Certain amounts included in the financial statements involve the use of judgement and/or estimation. These are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. However, judgements and estimations regarding the future are a key source of uncertainty and actual results may differ from the amounts included in the financial statements. Information about judgements and estimation is contained in the accounting policies and/or other notes to the financial statements. The key areas are summarised below:

Mineral Resources and Ore Reserves

Quantification of Mineral Resources requires a judgement on the reasonable prospects for eventual economic extraction. Quantification of Ore Reserves requires a judgement on whether Mineral Resources are economically mineable. These judgements are based on assessment of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors involved, in accordance with the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Institute of Geoscientists and Minerals Council of Australia ('JORC code'). These factors are a source of uncertainty and changes could result in an increase or decrease in Mineral

Resources and Ore Reserves. This would in turn affect certain amounts in the financial statements such as depreciation and closure provisions, which are calculated on projected life of mine figures, and carrying values of mining property and plant which are tested for impairment by reference to future cash flows based on LoMP Ore Reserves. Certain relevant judgements are discussed in note 16 in respect of the impairment of mining assets.

Deferred exploration expenditure

The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgement about the feasibility of the project and estimates of its future cash flows. Future gold prices, operating costs, capital expenditure and production are sources of estimation uncertainty. The Group periodically makes judgements as to whether its deferred exploration expenditure may have been impaired, based on internal and external indicators. Any impairment is based on estimates of future cash flows. In particular, the Group recognises that, if it decides, or is compelled due to insufficient funding, to withdraw from exploration activity at a project, then the Company would need to assess whether an impairment is necessary based on the likely sale value of the property.

Carrying values of property, plant and equipment

The Group periodically makes judgements as to whether its property, plant and equipment may have been impaired, based on internal and external indicators. A detailed impairment assessment was undertaken at 31 December 2012, which was triggered by a reduction in the Inata Ore Reserve as a result of metallurgical testwork and increasing costs.

The carrying value of assets was compared to the recoverable amount. The recoverable amount used in the impairment review was calculated on the Value in Use ('VIU') basis, being the discounted cash flow of the Cash Generating Unit ('CGU'). A CGU is the smallest group of assets that generate cash inflows from continuing use. The Inata Mine has been identified as the CGU for the purposes of impairment testing.

Key assumptions used in the calculation of VIU involve judgement and estimation uncertainty, including: assessment of recoverable Mineral Resources and Ore Reserves, gold prices, operating costs, capital expenditure, and discount rates. Further information is provided on key assumptions, and the judgements made, in note 16.

Deferred stripping costs

The recoverability of deferred stripping costs is assessed based on the projected future cash flows of the project. The Company does not anticipate deferring any stripping costs from its current operations.

Functional currencies

Identification of functional currencies requires a judgement as to the currency of the primary economic environment in which the companies of the Group operate. This is based on analysis of the economic environments and cash flows of the subsidiaries of the Group.

Taxation and deferred tax

Within the Group there are entities with significant losses available to be carried forward against future taxable profits. The quantum of the losses or available deductions for which no deferred tax asset is recognised is set out in note 13. Estimates of future profitability are required when assessing whether a deferred tax asset may be recognised. The entities in which the losses and available deductions have arisen are principally Non-revenue generating exploration companies, and corporate management functions. It is not expected that taxable profits will be generated in these entities in the foreseeable future, and therefore the Directors do not consider it appropriate to recognise a deferred tax asset. Judgements made in estimating future profitability include forecasts of cash flows, and the timing of inter group recharges which are within the control of management.

In November 2012, following the completion of a tax audit in Burkina Faso covering the years 2009 to 2011, the Company received an assessment indicating tax payments were due in the amount of US$25.5 million. The Company has rejected this assessment on the basis that the assumptions on which the calculations have been based were inaccurate and fundamentally flawed. On the basis that management is confident in the robustness of their position, after taking advice from its professional tax advisers in Burkina Faso, no provision has been made in respect of this assessment which the Company is in the process of challenging.

Inventory valuations

Valuations of gold in stockpiles and in circuit require estimations of the amount of gold contained in, and recovery rates from, the various work in progress. These estimations are based on analysis of samples and prior experience. A judgement is also required about when stockpiles will be used and what gold price should be applied in calculating net realisable value; these are both sources of uncertainty.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Restoration, rehabilitation and environmental provisions

Such provisions require a judgement on likely future obligations, based on assessment of technical, legal and economic factors. The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques and changes to the life of mine.

Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognised in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realised. Each of these factors is a source of estimation uncertainty.

Recoverability of VAT

Recoverability of the VAT receivable in Burkina Faso is assessed based on a judgement of the validity of the claim and, following review by management, the carrying value in the financial statements is considered to be fully recoverable.

Forward contracts for sale of Non-financial items – own use exemption

The Group has entered into forward contracts for the delivery of gold at a fixed amount and price per quarter. The forward contracts are deemed to be outside of the scope of IAS 39, as exempted by IAS 39.5, on the basis that they are for own use, and gold produced will be physically delivered to meet the contractual requirement in future periods. Following the disposal on 24 June 2011 of the Company's two producing mines in South East Asia, the forward contracts were restructured to buy back approximately 20% of the forward contracts and extend the delivery profile of the remaining ounces outstanding, with the result that the hedged proportion of production from the Company's one remaining producing mine, Inata, was reduced from approximately 60% to approximately 20%. Management has reviewed the transaction and concluded that the contract remains outside the scope of IAS 39 on the basis that a one-off settlement, in response to the changing operational profile of the Group following the disposal of South East Asian assets, does not represent a practice of net settlement such that the contracts should be treated as financial instruments under IAS 39.

The original forward contract arrangement comprised a single contract containing a series of delivery obligations and corresponding rights to receive cash. As part of the restructure of the forward contracts, an element was settled for cash, however it is considered that this does not preclude the residual contract deliveries from being eligible for the own use exemption under IAS 39.5. It has been judged that the legal form of there being a single contract rather than the arrangement being structured as multiple contracts should not affect the accounting conclusion.

4. ACCOUNTING POLICIES

Consolidation

The Group financial statements consolidate the results of the Company and its subsidiary undertakings using the acquisition accounting method. On acquisition of a subsidiary, all of the subsidiary's identifiable assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition on that date. The results of subsidiary undertakings acquired are included from the date of acquisition. In the event of the sale of a subsidiary, the subsidiary results are consolidated up to the date of completion of the sale.

The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition where the acquisition completed prior to accounting periods commencing 1 January 2010. For any acquisitions occurring after 1 January 2010, the costs of acquisition will be recognised in the income statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any Non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement as a gain. Goodwill acquired at the time of the acquisition is reviewed annually to assess whether impairment of the carrying value is required.

Exchange differences arising from the translation of the net investment in foreign entities are taken to equity. All other transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated, unless the unrealised loss provides evidence of an impairment of the asset transferred.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include the impairment of property, plant and equipment and deferred exploration expenditure, the cost of restructuring forward contracts, and material profit or losses on disposals.

Segmental reporting

An operating segment is a component of the Group engaged in exploration or production activity that is regularly reviewed by the Chief Operating Decision Maker ('CODM') for the purposes of allocating resources and assessing financial performance. The CODM is considered to be the Board of Directors and Executive Committee. The Group's operating segments are geographic by location of the Group's assets, as this is how they are reviewed for performance and resource allocation. In the prior year, this segmental information was presented for the UK and West Africa as continuing operations, and Malaysia and Indonesia combined as discontinued operations. The disposal of Avocet's assets in South East Asia enabled the strategic refocus of the Group, with the Inata operating mine and exploration projects in West Africa being the core focus. To reflect this change, management has reassessed the segments which should be reported under IFRS 8. In this report, operating segments for continuing operations are determined as the UK, West Africa mining operations (which includes exploration activity within the Inata Mine licence area), and West Africa exploration (which includes exploration projects in Burkina Faso, Guinea and Mali). Exploration projects are aggregated into the single reportable segment because the projects are managed by a single operating division and reported to the CODM on this basis. Discontinued operations for 2012 represent the disposal of one of the remaining assets in South East Asia that was subject to the agreement with J&Partners L.P. (note 6). Comparative periods have been represented on this basis to allow for a consistent comparison.

The Group does not report geographic segments by location of customer as its business is the production of gold which is traded as a commodity on a worldwide basis. Sales are made into the bullion market, where the location of the ultimate customer is unknown. During the year, 33,000 ounces of gold were sold into forward contracts with MBL, an international bank with a stock exchange listing in Australia.

Foreign currency translation

1. Functional and presentational currency

The functional currency of the entities within the Group is the US dollar, as the currency which most affects each company's revenue, costs and financing. The Group's presentation currency is also the US dollar.

2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Revenue

Revenue is the fair value of the consideration receivable by the Group for the sale of gold bullion. Currently, all revenue is derived from the sale of gold produced by the Inata Gold Mine. Gold doré is produced at Inata and shipped to South Africa for refining into gold bullion, being gold of 99.99% purity. Revenue is recognised when the risks and rewards of ownership pass to the purchaser, which occurs when confirmation is received of the conclusion of a trading instruction to sell gold into the bullion market at spot prices or to sell at pre-determined prices as part of a forward contract.

Intangible assets

All directly attributable costs associated with mineral exploration including those incurred through joint venture projects are capitalised within Non-current intangible assets pending determination of the project's feasibility. If an exploration project is deemed to be economically viable based on feasibility studies, the related expenditures are transferred to property, plant and equipment and amortised over the life of the mine on a unit of production basis. Where a project is abandoned or is considered to be no longer economically viable, the related costs are written off. The cost of ancillary services supporting the exploration activities are expensed when incurred.

Property, plant and equipment

Mining property and plant consists of mine development costs (including mineral properties, buildings, infrastructure, and an estimate of mine closure costs to be incurred at the end of the mine life), plant and machinery, and vehicles, fixtures and equipment.

Mining property and plant is initially recognised at the cost of acquisition, and subsequently stated at cost less accumulated depreciation and any impairment. The cost of acquisition is the purchase price and any directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

Mining property and plant is depreciated over the shorter of the estimated useful life of the asset using the straight-line method, or the life of mine using the unit of production method and life of mine ('LOM') reserve ounces. Residual values and useful lives are reviewed on an annual basis and changes are accounted for over the remaining lives.

Exploration property, plant and equipment comprises vehicles and camp buildings specifically used in the Group's exploration programmes in the West Africa Exploration operating segment. Exploration property and plant is depreciated over 3–7 years on a straight-line basis.

4. ACCOUNTING POLICIES CONTINUED

The following depreciation methods and asset life estimates are used for the components of mining property and plant:

Category	Depreciation method	Asset life
Mine development costs	Unit of production	Life of mine
Plant and machinery	Unit of production	Life of mine
Vehicles, fixtures, and equipment	Straight-line	3–7 years
Exploration property and plant	Straight-line	3–7 years

Treasury shares

Treasury shares are held at cost, and are deducted from equity. Any gain or loss on the sale or transfer of treasury shares is recognised in the statement of changes in equity.

Own shares

Own shares are held in the EBT and SIP, and are recorded at cost, and deducted from equity. Any gain or loss on the sale or transfer of these shares is recognised in the statement of changes in equity.

Impairment of intangible assets and property, plant and equipment

The Group carries out a review at each balance sheet date to determine whether there is any indication that the above assets are impaired. Assets are assessed for indicators of impairment (and subsequently tested for impairment if an indicator exists) at the level of a CGU. A CGU is the smallest group of assets that generate cash inflows from continuing use. If an indication of impairment exists, the recoverable amount of the asset or CGU is estimated based on future cash flows, in order to determine the extent of impairment. Future cash flows are based on estimates of the life of mine Ore Reserves together with estimates of future gold prices and cash costs. Deferred exploration costs are tested for impairment at least annually.

The recoverable amount is the higher of fair value less cost to sell and value in use. An impairment is recognised immediately as an expense. Where there is a reversal of the conditions leading to an impairment, the impairment is reversed as income through the income statement.

Inventories

Inventories comprise consumables, work in progress and finished goods. Consumables are recognised at average cost and are subsequently held at the lower of cost less a provision for obsolescence, and net realisable value. Work in progress consists of ore in stockpiles and gold in process, and is valued at the lower of average production cost and net realisable value. Finished goods represent gold doré that is undergoing refining processes, or gold bullion awaiting sale. Finished goods are valued at the lower of average production cost and net realisable value. Net realisable value is the estimated selling price less the estimated cost of completion and any applicable selling expenses.

Financial assets

Financial assets are classified into the following specific categories which determine the basis of their carrying value in the statement of financial position and how changes in their fair value are accounted for: at fair value through profit and loss, available for sale financial assets, and loans and receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the purpose for which the investment was acquired.

Available for sale financial assets are included within non-current assets unless designated as held for sale in which case they are included within current assets. They are carried at fair value at inception and changes to the fair value are recognised in other comprehensive income; when sold the accumulated fair value adjustments recognised in other comprehensive income are reclassified through the income statement.

Trade and other receivables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest rates.

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least annually at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments and are measured at cost which is deemed to be fair value as they have short-term maturities.

Leases

Finance leases are recognised as those leases that transfer substantially all the risks and rewards of ownership. Assets held under finance leases are capitalised and the outstanding future lease obligations are shown in liabilities at the fair value of the lease, or if lower at the present value of the lease payments. They are depreciated over the term of the lease or their useful economic lives, whichever is the shorter. The interest element (finance charge) of lease payments is charged to the income statement on a constant basis over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement in the period on a straight-line basis. The Company does not act as a lessor.

Financial liabilities

Financial liabilities include bank loans and overdrafts and trade and other payables. In the statement of financial position these items are included within Non-current liabilities and Current liabilities. Financial liabilities are recognised when the Group becomes a party to the contractual agreements giving rise to the liability. Interest related charges are recognised as an expense in Finance costs in the income statement unless they meet the criteria of being attributable to the funding of construction of a qualifying asset, in which case the finance costs are capitalised.

Trade and other payables and loans are recognised initially at their fair value and subsequently measured at amortised costs using the effective interest rate, less settlement payments.

At 30 June 2011, the Company had sold forward 299,401 ounces of gold. During July 2011, the Company bought back 58,432 ounces which reduced the hedged proportion of Inata's production. The remaining forward sales are deemed to be outside the scope of IAS 39 on the basis that they are for own use, and gold produced will be delivered into these contracts in future periods. Further information is provided in note 26.

Borrowing costs

Borrowing costs that are incurred in respect of the construction of a qualifying asset are capitalised where the construction of an asset takes a substantial period of time to be prepared for use. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Income taxes

Current income tax liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out mining operations and where it generates its profits. They are calculated according to the tax rates and tax laws applicable to the financial period and the country to which they relate. All changes to current tax assets and liabilities are recognised as a component of the tax charge in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxes or accounting profit.

Deferred tax liabilities are provided for in full; deferred tax assets are recognised when there is sufficient probability of utilisation. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Pension obligations

The only defined benefit pension scheme operated by the Group relates to a former US subsidiary undertaking which is no longer part of the Group. Accordingly full provision has been made for outstanding post retirement benefits. The liability recognised in the statement of financial position is the present value of the defined benefit obligation ('DBO') at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method or an accepted equivalent in the USA, and independent assumptions. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are not recognised as an expense unless they exceed 10% of the obligation. The amount exceeding this 10% corridor is charged or credited to the income statement. Actuarial gains and losses within 10% of the obligation are disclosed separately.

4. ACCOUNTING POLICIES CONTINUED

Provisions, contingent liabilities and contingent assets

Other provisions are recognised when the present obligations arising from legal or constructive commitment, resulting from past events, will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Provisions are measured at the present value of the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present values, are provided for in full as soon as the obligation to incur such costs arises and can be quantified. On recognition of a full provision, an addition is made to property, plant and equipment of the same amount; this addition is then charged against profits on a unit of production basis over the life of the mine. Closure provisions are updated annually for changes in cost estimates as well as for changes to life of mine Ore Reserves, with the resulting adjustments made to both the provision balance and the net book value of the associated Non-current asset.

Share based payments

The Group operates equity-settled share based compensation plans for remuneration of its employees, which may be settled in cash under certain circumstances.

All employee services received in exchange for the grant of any share based compensation are measured at their fair values. These are indirectly determined by reference to the share based award. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share based compensation is ultimately recognised as an expense in profit and loss with a corresponding credit to retained earnings, net of deferred tax where applicable. Where share based compensation is to be cash settled, such as certain share based bonus awards, the corresponding credit is made to accruals or cash. The Group has certain share option schemes that may be settled in cash at the absolute discretion of the Board. Currently, it is the expectation that the options will be settled in shares, when exercised.

If any equity-settled share based awards are ultimately settled in cash, then the amount of payment equal to the fair value of the equity instruments that would otherwise have been issued is accounted for as a repurchase of an equity interest and is deducted from equity. Any excess over this amount is recognised as an expense.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to the expense recognised in prior periods is made if fewer share options are ultimately exercised than originally granted.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued, are allocated to share capital with any excess being recorded in share premium.

Non-current assets and liabilities classified as held for sale and discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

The results from discontinued operations, including reclassification of prior year results, are presented separately in the income statement.

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within twelve months is judged to be highly probable, the assets of the disposal group are classified as held for sale and presented separately in the statement of financial position. Liabilities are classified as held for sale and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets. No assets classified as held for sale are subject to depreciation or amortisation subsequent to their classification as held for sale.

5. SEGMENTAL REPORTING

For the year ended 31 December 2012	UK US$000	West Africa mining operations US$000	West Africa exploration US$000	Continuing operations total US$000	Discontinued operations US$000	Total US$000
INCOME STATEMENT						
Revenue	**–**	**204,110**	**–**	**204,110**	**–**	**204,110**
Cost of Sales	**3,454**	**(166,867)**	**(5,281)**	**(168,694)**		**(168,694)**
Cash production costs:						
– mining	–	(55,659)	–	(55,659)	–	(55,659)
– processing	–	(41,772)	–	(41,772)	–	(41,772)
– overheads	–	(21,762)	–	(21,762)	–	(21,762)
– royalties	–	(15,945)	–	(15,945)	–	(15,945)
	–	(135,138)	–	(135,138)	–	(135,138)
Changes in inventory	–	10,202	–	10,202	–	10,202
Expensed exploration and other cost of sales[1]	3,571	(14,052)	(5,281)	(15,762)	–	(15,762)
Depreciation and amortisation[2]	(117)	(27,879)	–	(27,996)	–	(27,996)
Gross profit/(loss)	**3,454**	**37,243**	**(5,281)**	**35,416**	**–**	**35,416**
Administrative expenses and share based payments	(15,069)	–	–	(15,069)	–	(15,069)
Impairment of mining assets	–	(135,300)	–	(135,300)	–	(135,300)
Loss from operations	**(11,615)**	**(98,057)**	**(5,281)**	**(114,953)**	**–**	**(114,953)**
Loss on disposal of subsidiaries	–	–	–	–	(105)	(105)
Net finance items	404	(2,481)	5	(2,072)	–	(2,072)
Loss before taxation	**(11,211)**	**(100,538)**	**(5,276)**	**(117,025)**	**(105)**	**(117,130)**
Analysed as:	–			–		
(Loss)/profit before tax and exceptional items	(11,211)	34,762	(5,276)	18,275	–	18,275
Exceptional items	–	(135,300)	–	(135,300)	(105)	(135,405)
Taxation	–	14,529	–	14,529	–	14,529
Loss for the year	**(11,211)**	**(86,009)**	**(5,276)**	**(102,496)**	**(105)**	**(102,601)**
Attributable to:						
Equity shareholders of parent company	(11,211)	(76,198)	(5,276)	(92,685)	(105)	(92,790)
Non-controlling interest	–	(9,811)	–	(9,811)	–	(9,811)
Loss for the year	**(11,211)**	**(86,009)**	**(5,276)**	**(102,496)**	**(105)**	**(102,601)**
EBITDA[3]	**(11,498)**	**65,122**	**(5,281)**	**48,343**	**–**	**48,343**

1 Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised.
2 Includes amounts in respect of the amortisation of closure provision at Inata.
3 EBITDA represents earnings before exceptional items, finance items, tax, depreciation and amortisation.

At 31 December 2012	UK US$000	West Africa mining operations US$000	West Africa exploration US$000	Continuing operations total US$000	Discontinued operations US$000	Total US$000
STATEMENT OF FINANCIAL POSITION						
Non-current assets	1,145	140,687	53,862	195,694	–	195,694
Inventories	–	56,552	397	56,949	–	56,949
Trade and other receivables	436	20,855	3,833	25,124	–	25,124
Cash and cash equivalents	7,393	46,926	569	54,888	–	54,888
Total assets	**8,974**	**265,020**	**58,661**	**332,655**	**–**	**332,655**
Current liabilities	(3,779)	(41,169)	(3,180)	(48,128)	–	(48,128)
Non-current liabilities	(430)	(8,292)	–	(8,722)	–	(8,722)
Total liabilities	**(4,209)**	**(49,461)**	**(3,180)**	**(56,850)**	**–**	**(56,850)**
Net assets	**4,765**	**215,559**	**55,481**	**275,805**	**–**	**275,805**

5. SEGMENTAL REPORTING CONTINUED

For the year ended 31 December 2012	UK US$000	West Africa mining operations US$000	West Africa exploration US$000	Continuing operations total US$000	Discontinued operations US$000	Total US$000
CASH FLOW STATEMENT						
(Loss)/profit for the year	(11,211)	(86,009)	(5,276)	(102,496)	(105)	(102,601)
Adjustments for non-cash and non-operating items[1]	1,770	154,447	(643)	155,574	105	155,679
Movements in working capital	(3,884)	3,586	581	283	–	283
Net cash (used in)/generated by operations	**(13,325)**	**72,024**	**(5,338)**	**53,361**	**–**	**53,361**
Net interest received/(paid)	134	(1,114)	–	(980)	–	(980)
Purchase of property, plant and equipment	(169)	(33,005)	(1,971)	(35,145)	–	(35,145)
Deferred exploration expenditure	–	(388)	(31,408)	(31,796)	–	(31,796)
Net proceeds from disposal of discontinued operations	1,980	–	–	1,980	–	1,980
Final dividend	(13,166)	–	–	(13,166)	–	(13,166)
Loans repaid	–	(24,000)	–	(24,000)	–	(24,000)
Other cash movements[2]	(43,815)	4,694	38,519	(602)	–	(602)
Total increase in cash and cash equivalents	**(68,361)**	**18,211**	**(198)**	**(50,348)**	**–**	**(50,348)**

1 Includes impairments, depreciation and amortisation, share based payments, movement in provisions, taxation in the income statement and non-operating items in the income statement.
2 Other cash movements include deferred consideration paid, cash flows from financing activities, and exchange losses.

For the year ended 31 December 2011[1]	UK US$000	West Africa mining operations US$000	West Africa exploration US$000	Continuing operations total US$000	Discontinued operations US$000	Total US$000
INCOME STATEMENT						
Revenue	–	213,375	–	213,375	67,236	280,611
Cost of Sales	**2,364**	**(155,905)**	**(3,111)**	**(156,652)**	**(51,101)**	**(207,753)**
Cash production costs:						
– mining	–	(36,137)	–	(36,137)	(27,336)	(63,473)
– processing	–	(40,644)	–	(40,644)	(12,046)	(52,690)
– overheads	–	(23,232)	–	(23,232)	(4,842)	(28,074)
– royalties	–	(15,515)	–	(15,515)	(2,552)	(18,067)
	–	(115,528)	–	(115,528)	(46,776)	(162,304)
Changes in inventory	–	4,098	–	4,098	(44)	4,054
Expensed exploration and other cost of sales[2]	2,498	(5,589)	(3,111)	(6,202)	(4,281)	(10,483)
Depreciation and amortisation[3]	(134)	(38,886)	–	(39,020)	–	(39,020)
Gross profit	**2,364**	**57,470**	**(3,111)**	**56,723**	**16,135**	**72,858**
Administrative expenses and share based payments[4]	(14,676)	–	–	(14,676)	–	(14,676)
(Loss)/profit from operations	**(12,312)**	**57,470**	**(3,111)**	**42,047**	**16,135**	**58,182**
Profit on disposal of investments	–	–	8,990	8,990	2,600	8,990
Profit on disposal of subsidiaries	–	–	–	–	89,955	89,955
Restructure of hedge	–	(39,757)	–	(39,757)	–	(39,757)
Net finance items	(614)	(4,012)	(177)	(4,803)	(26)	(4,829)
(Loss)/profit before taxation	**(12,926)**	**13,701**	**5,702**	**6,477**	**108,664**	**115,141**
Analysed as:						
(Loss)/profit before tax and exceptional items	(9,848)	53,458	(3,288)	40,322	16,109	56,431
Exceptional items	(3,078)	(39,757)	8,990	(33,845)	92,555	58,710
Taxation	(2,324)	(4,973)	–	(7,297)	(2,723)	(10,020)
(Loss)/profit for the year	**(15,250)**	**8,728**	**5,702**	**(820)**	**105,941**	**105,121**
Attributable to:						
Equity shareholders of parent company	(15,250)	9,193	5,702	(355)	103,774	103,419
Non-controlling interest	–	(465)	–	(465)	2,167	1,702
(Loss)/profit for the year	**(15,250)**	**8,728**	**5,702**	**(820)**	**105,941**	**105,121**
EBITDA[5]	**(9,100)**	**96,356**	**(3,111)**	**84,145**	**16,135**	**100,280**

1 2011 segmental reports are restated to reflect the change in operating segments in 2012, as described in note 4.
2 Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised.
3 Includes amounts in respect of the amortisation of closure provision at Inata.
4 Includes US$3.1 million exceptional cost of listing on the London Stock Exchange.
5 EBITDA represents earnings before exceptional items, finance items, tax, depreciation and amortisation.

At 31 December 2011[1]	UK US$000	West Africa mining operations US$000	West Africa exploration US$000	Continuing operations total US$000	Discontinued operations US$000	Total US$000
STATEMENT OF FINANCIAL POSITION						
Non-current assets	2,321	263,223	26,628	292,172	–	292,172
Inventories	–	40,515	–	40,515	–	40,515
Trade and other receivables	701	23,211	4,617	28,529	–	28,529
Assets held for sale	–	–	–	–	2,085	2,085
Cash and cash equivalents	75,754	28,715	767	105,236	–	105,236
Total assets	**78,776**	**355,664**	**32,012**	**466,452**	**2,085**	**468,537**
Current liabilities	(8,050)	(38,307)	(3,898)	(50,255)	–	(50,255)
Non-current liabilities	(430)	(27,297)	–	(27,727)	–	(27,727)
Total liabilities	**(8,480)**	**(65,604)**	**(3,898)**	**(77,982)**	**–**	**(77,982)**
Net assets	**70,296**	**290,060**	**28,114**	**388,470**	**2,085**	**390,555**

1 2011 segmental reports are restated to reflect the change in operating segments in 2012, as described in note 4.

For the year ended 31 December 2011[1,2]	UK US$000	West Africa mining operations US$000	West Africa exploration US$000	Continuing operations total US$000	Discontinued operations US$000	Total US$000
CASH FLOW STATEMENT						
(Loss)/profit for the year	(15,250)	8,728	5,702	(820)	105,941	105,121
Adjustments for non-cash and non-operating items[3]	(716)	60,438	(13,788)	45,934	(89,433)	(43,499)
Movements in working capital	(2,367)	(36,313)	(1,007)	(39,687)	(1,660)	(41,347)
Net cash (used in)/generated by operations	**(18,333)**	**32,853**	**(9,093)**	**5,427**	**14,848**	**20,275**
Net interest (paid)/received	(536)	(2,359)	–	(2,895)	17	(2,878)
Net tax paid	(865)	–	–	(865)	(3,679)	(4,544)
Purchase of property, plant and equipment	(382)	(47,298)	–	(47,680)	(881)	(48,561)
Deferred exploration expenditure	–	(13,921)	(17,953)	(31,874)	(2,995)	(34,869)
Net proceeds from disposal of discontinued operations	174,426	–	–	174,426	–	174,426
Net cash received from discontinued operations	–	–	16,501	16,501	–	16,501
Interim dividend	(6,505)	–	–	(6,505)	–	(6,505)
Loans repaid	(25,000)	(24,000)	–	(49,000)	–	(49,000)
Other cash movements[4]	(77,594)	78,584	(2,812)	(1,822)	(7,310)	(9,132)
Total increase/(decrease) in cash	**45,211**	**23,859**	**(13,357)**	**55,713**	**–**	**55,713**

1 2011 segmental reports are restated to reflect the change in operating segments in 2012, as described in note 4.
2 The 2011 cash flow statement is restated for a change in presentation, as described in note 1.
3 Includes depreciation and amortisation, share based payments, movement in provisions, taxation in the income statement and non-operating items in the income statement.
4 Other cash movements include deferred consideration paid, cash flows from financing activities, and exchange losses.

6. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal of discontinued operations to J&Partners L.P.

On 24 June 2011, Avocet completed the sale of its main South East Asian assets, namely its 100% interest in the Penjom gold mine in Malaysia and its 80% interest in PT Avocet Bolaang Mongondow ('PT ABM'), which owns the North Lanut mine and Bakan project in North Sulawesi, Indonesia, for proceeds of US$170 million. In the third quarter of 2011, Avocet announced that further sales had been concluded, namely PT Avocet Mining Services, Avocet Mining (Malaysia) OHQ Sdn. Bhd, its 75% interest in PT Gorontalo Sejahtera Mining, and its 60% interest in PT Arafura Surya Alam. The combined gross proceeds for the disposals completed in the third quarter of 2011 were US$27 million. All of the sales completed in 2011 were originally announced on 24 December 2010.

In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, all of the assets and liabilities of the Indonesian and Malaysian operations, apart from cash, were treated as a disposal group from the date of the announcement of the sale on 24 December 2010, and were disclosed separately in the statement of financial position at 31 December 2010 and 31 March 2011, and the remaining unsold entities were disclosed separately at 30 June 2011, 30 September 2011, and 31 December 2011. As the transaction was on a cash free debt free basis, the cash held by entities held for sale was classified as continuing operations rather than discontinued operations. Prior to the reclassification, management reviewed the carrying values and recognition of assets and liabilities respectively, and no adjustments were required to measure assets and liabilities at the lower of carrying value or fair value less costs to sell. Since 24 December 2010, the date on which the criteria for being held for sale were met, no depreciation has been charged in the Group financial statements for the Malaysian and Indonesian assets, in accordance with IFRS.

6. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

The results of the disposal group are presented separately in the consolidated income statement and the segmental analysis.

Completion of one of the last two exploration assets occurred on 16 February 2012 for proceeds of US$2 million, resulting in a loss of US$0.1 million. There are no remaining assets or liabilities recognised in the Group statement of financial position in respect of the last remaining South East Asian exploration company, which the Company no longer expects to sell.

The profit/(loss) on disposal of the entities sold during 2011 and 2012 is presented below in note 6a.

Disposal of discontinued operations to Golden Peaks Resources Limited

In 2011, Avocet completed the sale of PT Arafura Mandiri Semangat ('PT Arafura') and PT Aura Celebes Mandiri ('PT ACM') to Reliance Resources Limited, a company owned by Golden Peaks Resources Limited ('Golden Peaks'). Consideration was in the form of 7.9 million Golden Peaks shares, which are classed as available for sale financial assets and are recognised at fair value at the reporting date (note 18). Golden Peaks announced that it had changed its name to Reliance Resources in January 2012. Reliance Resources is listed on the Toronto Stock Exchange. PT Arafura and PT ACM held non-core exploration projects in Indonesia. The carrying value of the assets was included in the balances of the disposal group held for sale at 31 December 2010. Further details of the profit on disposal are included in note 5d.

a) Profit on disposal of discontinued operations to J&Partners L.P.

	31 December 2012 US$000	31 December 2011 US$000
Consideration received	**2,000**	197,000
Company share of cash held in subsidiaries at completion	**–**	15,192
Working capital and other adjustments	**–**	(6,529)
Net consideration	**2,000**	205,663
Less transaction costs paid and accrued	**(20)**	(16,739)
Net assets disposed (6b)	**(2,085)**	(99,596)
Foreign currency translation reserve recycled on disposal	**–**	627
Pre-tax profit on disposal of discontinued operations	**(105)**	89,955
Taxation[1]	**–**	–
Post-tax profit on disposal of discontinued operations	**(105)**	89,955

1 The Company anticipates that no UK tax will be payable on the disposal of its operations in South East Asia on the basis that the sale qualifies for the UK substantial shareholding exemption.

b) Carrying amounts of assets and liabilities of discontinued operations sold to J&Partners L.P.

	2012 At date of asset disposal US$000	2011 At date of asset disposal US$000
Assets		
Goodwill	**–**	13,555
Intangible assets	**2,085**	21,694
Property, plant and equipment	**–**	62,852
Deferred tax assets	**–**	1,977
Inventories	**–**	21,199
Trade and other receivables	**–**	9,512
Other assets held for sale	**–**	1,020
Cash	**–**	17,343
	2,085	149,152
Liabilities		
Trade and other payables	**–**	(13,381)
Tax liabilities	**–**	(3,108)
Deferred tax liabilities	**–**	(3,492)
Other liabilities	**–**	(21,520)
	–	(41,501)
Net assets	**2,085**	107,651
Non-controlling interest share of assets disposed	**–**	(8,055)
Net assets disposed	**2,085**	99,596

c) Cash flows on disposal of discontinued operations to J&Partners L.P.

	31 December 2012 US$000	31 December 2011 US$000
Disposal consideration	**2,000**	197,000
Advance payment in respect of estimated cash held by subsidiaries at completion	**–**	10,057
Transaction costs paid	**(20)**	(15,461)
Net cash received in the period	**1,980**	191,596
Actual cash held in subsidiaries sold	**–**	(17,343)
Net cash movement on disposal of subsidiaries	**1,980**	174,253

In addition to the cash free debt free purchase consideration of US$197.0 million, a further US$10.1 million was received in respect of cash balances in the disposed subsidiaries as estimated at the time of signing of the sale agreements in December 2010. Actual cash balances at that date, which are subject to review and finalisation as part of the completion accounts, are expected to be US$17.3 million, US$15.2 million of which is attributable to the Group. On agreement of the completion accounts, the Company will receive a further payment in respect of cash held at completion, and will also receive or pay amounts related to working capital, being the difference between estimates at 24 December 2010 and actual balances in the completion accounts.

d) Disposal of exploration assets to Golden Peaks Resources Limited

	31 December 2011 US$000
Consideration received	2,486
Net liabilities held for sale	114
Profit on disposal	2,600
Net cash received in the period	173

Consideration received was in the form of shares in Golden Peaks Resources Limited with a fair value of US$2.3 million, and cash of US$0.2 million.

7. PROFIT FOR THE PERIOD BEFORE TAX

	31 December 2012 US$000	31 December 2011 US$000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**27,679**	39,020
Depreciation of property, plant and equipment held under finance lease	**317**	–
Operating lease charges	**5,593**	418
Audit services:		
– fees payable to the Company's auditor for the audit of the Company and Group accounts	**156**	160
Fees payable to the Company's auditor for other services:		
– interim review services	**67**	19
– tax services	**18**	40
– transaction services, principally relating to listing on London Stock Exchange	**16**	476

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

In accordance with IAS 24 – Related party transactions, key management personnel, including all executive and Non-executive Directors, are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	31 December 2012 US$000	31 December 2011 US$000
Wages and salaries	**3,408**	2,197
Share based payments	**305**	1,749
Social security costs	**344**	322
Bonus	**721**	1,386
Pension costs – defined contribution plans	**120**	–
Total remuneration of key management personnel	**4,898**	5,654

During 2012 the Executive Committee of Avocet Mining PLC was expanded to include Heads of Department. Therefore, the remuneration of these individuals has been included in the disclosure of Key Management Remuneration for 2012.

9. TOTAL EMPLOYEE REMUNERATION (INCLUDING KEY MANAGEMENT PERSONNEL)

	31 December 2012 US$000	31 December 2011 US$000
Wages and salaries	**32,480**	38,324
Social security costs	**1,690**	3,251
Bonus	**2,949**	4,510
Share based payments	**2,068**	2,496
Pension costs – defined contribution plans	**174**	–
Total employee remuneration	**39,361**	48,581
The average number of employees during the period was made up as follows:		
Directors	**8**	7
Management and administration	**103**	99
Mining, processing and exploration staff	**775**	1,107
	886	1,213

Included within share based payments in 2011 are employee bonuses related to the disposal of the South East Asian assets, the expense for which is included within the profit on disposal of discontinued operations.

10. PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS

Profit before taxation and exceptional items is calculated as follows:

	31 December 2012 US$000	31 December 2011 US$000
(Loss)/profit from operations	**(114,953)**	58,182
Exceptional impairment of mining assets – continuing operations	**135,300**	–
Exceptional administrative expenses – continuing operations	**–**	3,078
Exchange gains/(losses) – continuing operations	**519**	(116)
Net finance expense – continuing operations	**(2,591)**	(4,687)
Net finance items – discontinued operations	**–**	(26)
Profit before tax and exceptional items	**18,275**	56,431

11. EXCEPTIONAL ITEMS

	31 December 2012 US$000	31 December 2011 US$000
Profit on disposal of other financial assets	–	8,990
Profit on disposal of non-core exploration licences	–	2,600
Profit on disposal of investments	–	11,590
Impairment of mining assets	**(135,300)**	–
(Loss)/profit on disposal of subsidiaries	**(105)**	89,955
Restructure of hedge	–	(39,757)
Expenses of listing on London Stock Exchange	–	(3,078)
Exceptional (loss)/profit before taxation	**(135,405)**	58,710
Taxation	**23,678**	6,957
Exceptional (loss)/profit after taxation	**(111,727)**	65,667
Non-controlling interest	**11,162**	(3,280)
Attributable to equity shareholders of the parent	**(100,565)**	62,387

Impairment of mining assets

In 2012 Avocet recognised an impairment of non-current mining assets in respect of the Inata Gold Mine. Further details are provided in note 16.

Profit on disposal of investments

Profit on disposal of other financial assets

During 2011, Avocet disposed its entire holding of shares in Avion Gold Corp ('Avion') for cash consideration of US$16.5 million. The Avion shares were acquired as consideration for the disposal of the Houndé group of licences in 2010. The shares were recorded in the statement of financial position at fair value, with movements in fair value recognised in equity, in accordance with IAS 39. On the disposal of the shares, accumulated gains previously recognised in equity were transferred to the income statement and recognised in the profit on disposal.

Disposal of non-core exploration licences or entities

Avocet completed the sale of PT Arafura and PT ACM to Reliance Resources Limited, a company owned by Golden Peaks. Consideration was in the form of 7.9 million shares in Golden Peaks, a company listed on the Toronto Stock Exchange, and US$0.2 million in cash. The shares are recognised at fair value. PT Arafura and PT ACM held non-core exploration projects in Indonesia, and the carrying value of the intangible assets were included in the balances of the disposal group held for sale at 31 December 2010. Further details are provided in note 6d.

In 2010 Avocet completed the disposal of the Houndé group of licences in exchange for 10,300,000 shares in Avion. An exceptional gain on disposal of US$5.1 million was realised. The shares in Avion were held as an available for sale asset until their disposal in 2011.

Profit on disposal of subsidiaries

Profit on disposal of subsidiaries relates to the profit on disposal of the majority of Avocet's South East Asian assets. Further details of the profit on disposal are included in note 6a.

Restructure of hedge

On 27 July 2011, Avocet announced the restructure of SMB's forward contracts for delivery of gold bullion ('the hedge'). The restructure consisted of eliminating 58,432 ounces under the forward contracts at a cost of US$39.8 million and extending the delivery profile of the remaining ounces by four years to June 2018. Further details are provided in note 26.

Expenses of listing on the London Stock Exchange

In view of the Company's strategic developments, the Board took the decision to seek admission to trade on the London Stock Exchange Main Market, as the best platform to support the Company's growth. This admission was duly granted and trading on the London Stock Exchange commenced on 8 December 2011. As a non-recurring and significant item, the cost of this listing has been disclosed as exceptional.

12. FINANCE INCOME AND EXPENSE

	31 December 2012 US$000	31 December 2011 US$000
Finance income		
Bank interest received	**125**	125
Finance expense		
Bank interest paid	**1,112**	3,158
Other finance costs	**1,604**	1,654
Net finance expenses	**2,716**	4,812

13. TAXATION

	31 December 2012 US$000	31 December 2011 US$000 (restated)
Current tax:		
Current tax on profit for the year	**–**	–
Overseas tax on dividend paid by subsidiary	**–**	865
Overseas tax – discontinued operations	**–**	3,354
Current tax charge	**–**	4,219
Deferred tax:		
Origination and reversal of temporary differences in respect of PPE in Burkina Faso	**(9,232)**	2,560
Changes in assessment of the expected application of mining allowances in Burkina Faso	**(5,297)**	2,413
Continuing operations income statement movement in deferred tax liability (note 24)	**(14,529)**	4,973
Change in expected recovery of deferred tax asset (note 24)	**–**	1,459
Origination and reversal of temporary differences in respect of PPE (discontinued operations)	**–**	(631)
Deferred tax (credit)/charge	**(14,529)**	5,801
Total tax (credit)/charge for the year	**(14,529)**	10,020

Factors affecting the tax charge for the year:

	31 December 2012 US$000	31 December 2011 US$000 (restated)
(Loss)/profit for the period before tax	**(117,130)**	115,141
(Loss)/profit for the period multiplied by the UK standard rate of corporation tax 24.5% (2011: 26.5%)	**(28,697)**	30,512
Effects of:		
Disallowable expenses	**19,391**	5,984
Carry forward/(utilisation) of tax losses	**64**	(5,428)
Difference in local tax rate	**–**	2,452
Gains not taxable	**10**	(26,255)
Withholding tax suffered on dividends from subsidiary	**–**	865
Adjustment in respect of prior periods	**(5,297)**	431
Change in expected recovery of deferred tax asset	**–**	1,459
Tax (credit)/charge for the period	**(14,529)**	10,020

The above table includes a restatement of the 2011 information to provide additional detail in respect of the factors affecting the deferred tax charge in that year. This analysis, agreed after discussions with the Financial Reporting Council, has also been adopted for 2012.

The Group contains entities with tax losses and deductible temporary differences for which no deferred tax asset is recognised. The total unrecognised losses and deductible temporary differences amount to approximately US$138.9 million. A deferred tax asset has not been recognised because the entities in which the losses and allowances have been generated either do not have forecast taxable profits in the foreseeable future, or the losses have restrictions whereby their utilisation is considered to be unlikely.

In November 2012, following the completion of a tax audit in Burkina Faso covering the years 2009 to 2011, the Company received an assessment indicating tax payments were due in the amount of US$25.5 million. The Company has rejected this assessment on the basis that the assumptions on which the calculations have been based were inaccurate and fundamentally flawed. On the basis that management is confident in the robustness of their position, after taking advice from its professional tax advisers in Burkina Faso, no provision has been made in respect of this assessment which the Company is in the process of challenging.

14. EARNINGS PER SHARE

Earnings per share are analysed in the table below, which also shows earnings per share after adjusting for exceptional items.

	31 December 2012 Shares	31 December 2011 Shares
Weighted average number of shares in issue for the year		
– number of shares with voting rights	**199,021,381**	198,926,024
– effect of share options in issue	**1,306,698**	2,770,349
Total used in calculation of diluted earnings per share	**200,328,079**	201,696,373

Potential ordinary shares are treated as dilutive, when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As such, potential ordinary shares for 2012 are anti-dilutive and are therefore not included in diluted earnings per share. Note 28 outlines share options in issue, none of which were exercisable at the period end.

	31 December 2012 US$000	31 December 2011 US$000
Earnings per share from continuing operations		
(Loss)/profit for the year from continuing operations	**(102,496)**	(820)
Adjustments:		
Adjusted for non-controlling interest	**9,811**	465
Loss for the year attributable to equity shareholders of the parent	**(92,685)**	(355)
Loss per share		
– basic (cents per share)	**(46.57)**	(0.18)
– diluted (cents per share)	**(46.57)**	(0.18)
Earnings per share from continuing operations before exceptional items		
Loss for the year attributable to equity shareholders of the parent	**(92,685)**	(355)
Adjustments:		
Add back impairment of mining assets	**135,300**	–
Less tax benefit from impairment of mining assets	**(23,678)**	–
Add back non-controlling interest in impairment of mining assets	**11,162**	–
Less exceptional profit on disposal of other financial assets	**–**	(8,990)
Add back restructure of hedge	**–**	39,757
Less tax benefit from restructure of hedge	**–**	(6,957)
Add back non-controlling interest on restructure of hedge	**–**	3,280
Add back expenses of listing on London Stock Exchange	**–**	3,078
Profit for the year attributable to equity shareholders of the parent from continuing operations before exceptional items	**7,775**	29,813
Earnings per share		
– basic (cents per share)	**3.91**	14.99
– diluted (cents per share)	**3.91**	14.99

14. EARNINGS PER SHARE CONTINUED

	31 December 2012 US$000	31 December 2011 US$000
Earnings per share from discontinued operations		
(Loss)/profit for the year from discontinued operations	**(105)**	105,941
Adjustments:		
Adjusted for non-controlling interest	**–**	(2,167)
(Loss)/profit for the year attributable to equity shareholders of the parent	**(105)**	103,774
(Loss)/earnings per share		
– basic (cents per share)	**(0.05)**	52.17
– diluted (cents per share)	**(0.05)**	52.17
Earnings per share from discontinued operations before exceptional items		
Profit for the year attributable to equity shareholders of the parent	**(105)**	103,774
Adjustments:		
Add/(less) loss or profit on disposal of subsidiaries	**105**	(89,955)
Less profit on disposal of investments	**–**	(2,600)
Profit for the period attributable to equity shareholders of the parent from discontinued operations before exceptional items	**–**	11,219
Earnings per share		
– basic (cents per share)	**–**	5.64
– diluted (cents per share)	**–**	5.64

15. INTANGIBLE ASSETS

	Note	31 December 2012 US$000	31 December 2011 US$000
At 1 January		**42,390**	11,091
Additions		**32,271**	31,874
Capitalised depreciation	17	**822**	–
Transferred to property, plant and equipment	17	**(19,661)**	–
Impairment of exploration assets	16	**(6,380)**	–
Transferred to disposal group		**–**	(575)
At 31 December		**49,442**	42,390

Year end balances are analysed as follows:

	31 December 2012 US$000	31 December 2011 US$000
Burkina Faso	**26,577**	28,525
Guinea	**22,574**	13,655
Mali	**291**	210
Total	**49,442**	42,390

Capitalised depreciation represents the depreciation of items of property, plant, and equipment which are used exclusively in the Group's exploration activities. The consumption of these assets is capitalised as an intangible asset, in accordance with accounting standards/industry practice.

Transfers to property, plant and equipment include US$18.7 million, being the cost of increasing the Inata Reserve from the level acquired in 2009 when Avocet acquired Wega Mining. These ounces formed part of the increased reserve announced on 3 February 2012 and the cost is being depreciated in accordance with the Group accounting policy. Items of property, plant and equipment with a value of US$0.9 million that are used in the exploration activities have been transferred from intangible to tangible assets.

In the event that insufficient funds were available to continue the development of the Company's exploration projects in Guinea and in Burkina Faso (see note 2 discussion of Going Concern), the Group would need to consider whether an impairment of the carrying value of these assets was necessary, with reference to the expected sale value of the discontinued projects.

16. IMPAIRMENT OF NON-CURRENT ASSETS

In accordance with IAS 36 Impairment of Assets, at each reporting date the Company assesses whether there are any indicators of impairment of non-current assets. When circumstances or events indicate that non-current assets may be impaired, these assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value, and, where this is the result, an impairment is recognised. Recoverable value is the higher of value in use ('VIU') and fair value less costs to sell. VIU is estimated by calculating the present value of the future cash flows expected to be derived from the cash generating unit ('CGU'). Fair value less costs to sell is based on the most reliable information available, including market statistics and recent transactions. The Inata Mine has been identified as the CGU. This includes all tangible non-current assets, intangible exploration assets within the mine licence area, and net current assets (excluding cash). The CGU does not include exploration assets at Souma or in Guinea, these assets are held in different entities and there have not been any indications of impairment.

As a result of the review of impairment indicators, the Company has concluded that the recent reduction in Inata's Ore Reserve and subsequent revision to the life of mine represented an indication of impairment. An assessment was therefore carried out of the fair value of Inata's assets, using the discounted cash flows of Inata's latest estimated life of mine plan to calculate their VIU. As a result of this review, a pre-tax impairment loss of US$135.3 million has been recorded in 2012, being an impairment of intangible exploration costs of US$6.4 million, and mine development costs of US$128.9 million (2011: US$nil).

When calculating the VIU, certain assumptions and estimates are made. Changes in these assumptions can have a significant effect on the recoverable amount and therefore the value of the impairment recognised. Should there be a change in the assumptions which indicated the impairment, this could lead to a revision of recorded impairment losses in future periods. The key assumptions are outlined below:

Assumption	Judgements	Sensitivity
Timing of cash flows	Cash flows are forecast over the expected life of the mine. The current life of mine plan forecasts mining activities to continue until 2017, with a further three years during which stockpiles will be processed and rehabilitation costs will be incurred.	An extension or shortening of the mine life would result in a corresponding increase or decrease in impairment, the extent of which it is not possible to quantify.
Production costs	Production costs are forecast based on detailed assumptions, including staff costs, consumption of fuel and reagents, maintenance, and administration and support costs.	A change in production costs of 10% would increase or decrease the pre-tax impairment attributable by US$34.0 million[1].
Gold price	Analyst consensus prices were used for the forecast of revenue from gold sales, based on an average consensus at January 2013 for the period 2013–2020. Prices range from US$1,835 per ounce in 2013 to US$1,350 per ounce from 2017.	A change of 10% in the gold price assumption would increase or decrease the pre-tax impairment recognised in the year by US$48.0 million[1].
Discount rate	A discount rate of 10% (pre-tax) has been used in the VIU estimation.	A change in the discount rate of one percentage point would increase or decrease the pre-tax impairment recognised in the year by US$4.0 million[1].
Ore Reserves and gold production	The life of mine plan is based on Ore Reserves of 0.92 million for the Inata Mine. The Ore Reserve is estimated in accordance with the principles of the JORC Code and was reviewed and approved by Clayton Reeves (refer to pages 22 and 23 of this Annual Report).	A 10% increase or decrease in ounces produced, compared with the current Ore Reserve, would increase or decrease the pre-tax impairment recognised in the year by US$72.0 million[1].

1 Sensitivities provided are on a 100% basis, pre-tax. 10% of the post-tax impairment would be attributed to the non-controlling interest.

17. PROPERTY, PLANT AND EQUIPMENT

		Mining property and plant					
		Mine development costs	Plant and machinery	Vehicles, fixtures, and equipment	Exploration property and plant	Office equipment	
Year ended 31 December 2011	Note	West Africa US$000	West Africa US$000	West Africa US$000	West Africa US$000	UK US$000	Total US$000
Cost							
At 1 January 2012		192,727	75,070	48,231	2,812	952	319,792
Additions		13,149	12,519	7,337	1,494	169	34,668
Additions to mine closure		1,108	–	–	–	–	1,108
Transfer from intangible exploration assets	15	18,725	–	–	936	–	19,661
Impairment of mining assets	16	(128,920)	–	–	–	–	(128,920)
At 31 December 2012		**96,789**	**87,589**	**55,568**	**5,242**	**1,121**	**246,309**
Depreciation							
At 1 January 2012		41,576	18,146	11,658	–	458	71,838
Charge for the year		15,382	5,478	7,019	–	117	27,996
Charge for the year – capitalised	15	–	–	–	822	–	822
At 31 December 2012		**56,958**	**23,624**	**18,677**	**822**	**575**	**100,656**
Net Book Value at 31 December 2012		**39,831**	**63,965**	**36,891**	**4,420**	**546**	**145,653**
Net Book Value at 31 December 2011		151,151	56,924	36,573	2,812	494	247,954

The addition in respect of closure provisions reflects increases during the year of anticipated closure liabilities at the Group's operations. On the recognition or increase of a provision, an addition is made to property, plant and equipment of the same amount. The cost of this addition is charged against profits on a unit of production basis over the life of the mine. The total charge to the income statement for continuing operations for the year ended 31 December 2012 in respect of mine closure provisions is US$0.4 million (2011: US$0.4 million for continuing operations) which is included in the Group's depreciation charge.

Included within property, plant and equipment are assets held under finance leases with a net book value of US$3.2 million (2011: US$3.5 million) and assets in the course of construction with a value of US$8.0 million (2011: US$nil), principally being the construction of the second tailings management facility. Assets in the course of construction will not be depreciated until they are completed and brought into use.

	Mining property and plant					
	Mine development costs	Plant and machinery	Vehicles, fixtures, and equipment	Exploration property and plant	Office equipment	
Year ended 31 December 2011	West Africa US$000	West Africa US$000	West Africa US$000	West Africa US$000	UK US$000	Total US$000
Cost						
At 1 January 2011	169,733	59,235	40,447	2,812	570	272,797
Additions	21,588	15,835	7,784	–	382	45,589
Increase in closure provisions	1,406	–	–	–	–	1,406
At 31 December 2011	**192,727**	**75,070**	**48,231**	**2,812**	**952**	**319,792**
Depreciation						
At 1 January 2011	19,920	7,656	4,919	–	324	32,818
Charge for the year	21,656	10,490	6,740	–	134	39,020
At 31 December 2011	**41,576**	**18,146**	**11,658**	**–**	**458**	**71,838**
Net Book Value at 31 December 2011	**151,152**	**56,924**	**36,573**	**2,812**	**494**	**247,954**
Net Book Value at 31 December 2010	149,814	51,579	35,528	2,812	246	239,979

During 2012, management reassessed the sub-categories of property, plant, and equipment. The 2011 property, plant, and equipment table has been re-presented on the same basis to allow for a consistent comparison. There is no change to the recognition or measurement basis of property, plant, and equipment.

18. OTHER FINANCIAL ASSETS

	31 December 2012 US$000	31 December 2011 US$000
At 1 January	**1,828**	20,293
Additions	**–**	2,313
Disposals	**–**	(17,390)
Fair value adjustment	**(1,229)**	(3,388)
At 31 December	**599**	1,828

Other financial assets represent available for sale financial assets which are measured at fair value. The fair value adjustment is the periodic re-measurement to fair value, with gains or losses on re-measurement recognised in equity.

Additions during 2011 relate to shares in Golden Peaks Resources Limited, a company listed on the Toronto Stock Exchange. The shares were acquired as consideration for the disposal of two of the Group's assets in South East Asia. Further details are provided in notes 6d and 11.

Other financial assets disposed of during 2011 represented the Company's interest in Avion Gold Corporation (note 11). 10,300,000 Avion shares were acquired in the prior year as consideration for the disposal of the Houndé group of licences (note 11). This shareholding did not enable Avocet to exercise significant influence over the activities of Avion. Therefore, the shares were accounted for as an available for sale financial asset and were measured at fair value, with gains or losses on re-measurement recognised in equity.

On disposal, accumulated losses previously recognised in equity were recognised in the income statement as an exceptional loss (note 11).

19. INVENTORIES

	31 December 2012 US$000	31 December 2011 US$000
Consumables	**33,844**	27,612
Work in progress	**20,001**	12,707
Finished goods	**3,104**	196
Total inventories	**56,949**	40,515

Consumables represent stocks of mining supplies, reagents, lubricants and spare parts held on site. The remoteness of the Inata Gold Mine requires large balances of such supplies to be held in store.

Work in progress reflects the cost of gold contained in stockpiles and in circuit. Finished goods represent gold that has been poured but has not yet been sold, whether in transit or undergoing refinement.

20. TRADE AND OTHER RECEIVABLES

	31 December 2012 US$000	31 December 2011 US$000
Payments in advance to suppliers	**9,524**	11,151
VAT	**14,766**	15,579
Prepayments	**834**	1,799
Total trade and other receivables	**25,124**	28,529

The reduction in VAT recoverable largely reflects claims that have been received in Burkina Faso.

21. CASH AND CASH EQUIVALENTS

	31 December 2012 US$000	31 December 2011 US$000
Cash at bank and in hand	**54,888**	105,236
Cash and cash equivalents	**54,888**	105,236

Included in Cash at bank and in hand at 31 December 2012 was US$46.9 million held by SMB, the operating entity which owns the Inata gold mine. The transfer of funds into and out of SMB remains subject to the approval of Macquarie Bank Limited, under the terms of the facility agreement governing the loan and hedge obligations. Included within this amount was US$38.4 million of restricted cash (31 December 2011: US$14.6 million), representing a minimum account balance held in SMB's Macquarie Bank Limited account of US$37.0 million (2011: US$14.0 million), and US$1.4 million (2011: US$0.6 million) relating to amounts held on restricted deposit in Burkina Faso for the purposes of environmental rehabilitation work, as required by the terms of the Inata mining licence.

At 31 December 2011, US$60.0 million of cash and cash equivalents was held on short-term deposit, with a maturity of less than one month. No cash was held on short-term deposit at 31 December 2012.

22. TRADE AND OTHER PAYABLES

	31 December 2012 US$000	31 December 2011 US$000
Trade payables	**21,397**	11,986
Social security and other taxes	**191**	240
Deferred revenue	**751**	–
Accrued expenses	**19,684**	13,318
Total trade and other payables	**42,023**	25,544

23. OTHER FINANCIAL LIABILITIES

Current financial liabilities	31 December 2012 US$000	31 December 2011 US$000
Interest bearing debt	**5,000**	24,000
Finance lease liabilities	**1,105**	711
Total current financial liabilities	**6,105**	24,711

Non-current financial liabilities	31 December 2012 US$000	31 December 2011 US$000
Interest bearing debt	**–**	5,000
Finance lease liabilities	**2,434**	3,018
Total non-current financial liabilities	**2,434**	8,018

Interest bearing debt

The Group had interest bearing debt of US$5.0 million (31 December 2011: US$29.0 million).

Inata project finance facility

The Company acquired, through its takeover of Wega Mining in 2009, a US$65.0 million project finance facility with Macquarie Bank Limited. Interest on the loan is calculated at market rates (LIBOR) plus a margin. The weighted average interest on the loan during the year was 5.6% (31 December 2011: 5.43%).

US$24.0 million (31 December 2011: US$24.0 million) of repayments were made during the year under the terms of the facility agreement. The final repayment of US$5.0 million is due by 31 March 2013.

The facility is secured primarily on the Inata Gold Mine and various assets within the Wega Mining group of companies. There is no cross guarantee to the parent, nor to other Avocet companies.

Included in the project facility agreement are a number of covenants, including a minimum Reserve tail covenant (requiring the number of ounces of Ore Reserves forecast to be extracted after all loan and hedge liabilities are satisfied to be at least 25% of the total Ore Reserve for the LoM), as well as various financial covenants comparing quarterly production and costs against agreed LoM plans, and ratios comparing the Net Present Value ('NPV') of LoM cash flows to loan balances. All covenants comparing NPVs to loan balances will fall away on repayment of the remaining loan balance of US$5.0 million (currently due to be on 31 March 2013); however all other elements of the facility, including security and covenants not calculated with reference to the outstanding loan balance, will remain in place until all obligations are settled, including outstanding hedged ounces.

Finance lease liability

In 2009, SMB entered into an agreement with Total Burkina SA for the provision of fuel and lubricants to the Inata Gold Mine. Included in this agreement were terms relating to the construction of a fuel storage facility located on the Inata site. The construction and commissioning of the facility was completed during 2011. Under the terms of the agreement, the cost of the construction work was borne by Total Burkina SA, prior to being recovered from SMB over the subsequent seven years. Management has assessed that the terms of this part of the agreement represent a finance lease under IAS 17 and it has therefore recognised the liability on the balance sheet and capitalised the cost of the fuel storage facility in Property, Plant and Equipment.

Gross finance lease liabilities – minimum lease payments	31 December 2012 US$000	31 December 2011 US$000
No later than 1 year	**1,239**	761
Later than 1 year and no later than 5 years	**3,250**	3,212
Later than 5 years	**–**	970
	4,489	4,943
Future finance charges on finance leases	**(950)**	(1,214)
Present value of lease liabilities	**3,539**	3,729

Present value of lease liabilities	31 December 2012 US$000	31 December 2011 US$000
No later than 1 year	**1,105**	711
Later than 1 year and no later than 5 years	**2,434**	2,161
Later than 5 years	**–**	857
	3,539	3,729

24. DEFERRED TAX

	31 December 2012 US$000	31 December 2011 US$000
Assets		
At 1 January	**–**	1,459
Income statement movement (note 13)	**–**	(1,459)
At 31 December	**–**	–

The income statement expense in 2011 reflects a reassessment of the extent to which deferred tax assets might be recoverable against future taxable profits in the UK, following the agreement to sell the Group's assets in South East Asia, and the substantial completion of that sale.

	31 December 2012 US$000	31 December 2011 US$000
Liabilities		
At 1 January	**14,566**	9,593
Income statement movement (note 13)	**(14,529)**	4,973
At 31 December	**37**	14,566

At 31 December 2012 the Group had deferred tax liabilities of less than US$0.1 million (31 December 2011: US$14.6 million) in relation to continuing operations. This liability relates to temporary differences on the Inata Mine development costs and property, plant, and equipment. The reduction in the liability during 2012 reflects the impairment of mining assets, net of additions to mining property and plant during the year and of tax allowances on capital items used in the period.

25. OTHER LIABILITIES

	Mine closure US$000	Post retirement benefits US$000	Total US$000
At 1 January 2012	4,713	430	5,143
New amounts provided during the year	1,108	–	1,108
At 31 December 2012	**5,821**	**(430)**	**6,251**

Mine closure provisions represent management's best estimate of the cost of mine closure at its operation in Burkina Faso. It is estimated that approximately 60% of the restoration costs in respect of Inata will be incurred throughout the operating life of the mine, and approximately 40% from 2021 onwards. In accordance with the Group accounting policy, the amounts and timing of cash flows are reviewed annually and reflect any changes to life of mine plans.

The provision for post retirement benefits represents the Directors' best estimate of costs following the closure of a US subsidiary no longer owned by the Group. The above amount represents a full provision for the liability, based on the most recent actuarial valuation at 1 January 2013. The main assumptions used by the actuary were as follows:

	31 December 2012	31 December 2011
Rate of increase for pensions in payment	**0.0%**	0.0%
Discount rate	**6.1%**	5.1%
Inflation	**3.0%**	3.0%

The assets in the scheme and the expected long-term rate of return were:

	US$000	US$000
Cash	**234**	191
Present value of scheme liabilities	**(398)**	(445)
Deficit in scheme	**(164)**	(254)
Rate of return	**0.0%**	0.01%

26. FINANCIAL INSTRUMENTS

Categories of financial instrument:

	31 December 2012		31 December 2011	
	Measured at fair value	**Measured at amortised cost**	Measured at fair value	Measured at amortised cost
Categories	**Available for sale US$000**	**Loans and receivables including cash and cash equivalents US$000**	Available for sale US$000	Loans and receivables including cash and cash equivalents US$000
Financial assets				
Cash and cash equivalents	**–**	**54,888**	–	105,236
Other financial assets	**599**	**–**	1,828	–
Total Financial Assets	**599**	**54,888**	1,828	105,236
Financial liabilities				
Trade and other payables	**–**	**41,832**	–	25,304
Interest bearing borrowings	**–**	**5,000**	–	29,000
Finance lease liabilities	**–**	**3,539**	–	3,729
Total Financial Liabilities	**–**	**50,371**	–	58,033

	31 December 2012 US$000	31 December 2011 US$000
Results from financial assets and liabilities		
Other financial assets – fair value through other comprehensive income	**(1,229)**	(3,388)
Gain on disposal of financial assets through income statement	**–**	8,990

Gold produced from the Inata Gold Mine during the year was sold both at spot and into the Company's hedge book. A total of 136,856 ounces of gold were sold, of which 103,856 ounces were sold at spot (at an average realised price of US$1,664 per ounce), while 33,000 ounces were delivered to meet forward contracts (at an average realised price of US$949 per ounce).

Had spot prices been 10% lower in the period, pre-tax profit would have decreased by US$16.0 million (31 December 2011: US$13.0 million); had prices been 10% higher, pre-tax profit would have increased by US$16.0 million (31 December 2011: US$13.0 million).

Following the substantial completion of the disposal of Avocet's South East Asian assets on 24 June 2011, the Group announced the restructuring and partial buy back of the forward contracts on 27 July 2011, with the result that the hedged proportion of production from its one remaining producing mine, Inata, was reduced from approximately 60% to approximately 20%. The restructure consisted of eliminating 58,432 ounces under the forward contracts at a cost of US$39.8 million and extending the delivery profile of the remaining ounces by four years to June 2018. At 31 December 2011 214,500 ounces remained, with physical deliveries contracted at 8,250 ounces per quarter until June 2018, at a forward price of US$950 per ounce. The first physical deliveries under the restructured hedge took place in July 2011. At 31 December 2012, 181,500 ounces remained.

At 31 December 2012 these forward contracts represented a mark-to-market liability of US$132.8 million (31 December 2011: US$141.4 million) based on a gold price of US$1,658 per ounce at that date (2011: US$1,575). However, the forward contracts are considered to be outside of the scope of IAS 39, on the basis that they are for own use and gold produced will continue to be physically delivered to meet the contractual requirement in future periods, and therefore no value is reflected in the consolidated financial statements for the remaining contracts, as allowed by the exemption conferred by IAS 39.5. The restructuring of the contracts, as a response to the significant change in the Group's production profile following the disposal of the Penjom and North Lanut mines, has not changed the nature or purpose of the contracts, which continue to be held for own use, nor does it represent a practice of net settlement.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amounts as follows:

	31 December 2012 US$000	31 December 2011 US$000
Cash and cash equivalents	**54,888**	105,236
Available for sale financial assets	**599**	1,828
	55,487	107,064

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

Liquidity risk

The Group constantly monitors the cash outflows from day to day business and monitors longer term liabilities to ensure that liquidity is maintained. At the balance sheet date the Group's financial liabilities were as follows:

	31 December 2012 US$000	31 December 2011 US$000
Trade payables	**21,397**	11,986
Other short-term financial liabilities	**25,923**	38,079
Current financial liabilities (due less than one year)	**47,320**	50,065
Non-current financial liabilities (due greater than one year)	**3,250**	9,182
	50,570	59,247

The above amounts reflect contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

26. FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

	Weighted average interest rate %	At 31 December 2012 US$000	Weighted average interest rate %	At 31 December 2011 US$000
Cash and cash on hand	**0.0**	**54,888**	0.03	45,234
Short-term deposits	**n/a**	**–**	0.48	60,002
Cash and cash equivalents		**54,888**	0.15	105,236
Interest bearing debt	**5.57**	**(5,000)**	5.27	(29,000)
Net cash		**49,888**		76,236

Interest rate risk arises from the Group's long-term variable rate borrowings which expose the Group to cash flow interest rate risk. This risk is partially offset by cash held at variable rates. The remaining borrowings will be repaid by 31 March 2013.

An increase in interest rates of 100 basis points in the period would have resulted in additional interest costs of US$0.2 million in the year (31 December 2011: US$0.6 million).

Foreign currency risk

The Group's cash balances at 31 December 2012 and 31 December 2011 consisted of the following currency holdings:

	At 31 December 2012 US$000	At 31 December 2011 US$000
Sterling	**264**	318
US dollars	**51,968**	101,900
Other	**2,656**	3,018
	54,888	105,236

The Group may be exposed to transaction foreign exchange risk due to its transactions not being matched in the same currency. The Group currently has no currency hedging in place.

In Burkina Faso, local currency payments account for approximately 51% of total payments. The Burkina Faso CFA, which has a fixed exchange rate to the euro, strengthened by 4% against the US dollar in the year. It is estimated that without the weakening CFA profit would have been US$2.9 million higher.

There is no material difference between the fair values and the book values of these financial instruments.

Measurement of fair value

The Company measures the fair value of its financial assets and liabilities in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available for sale financial assets were valued in line with Level 1, based on quoted market prices of the shares.

27. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, and to provide an adequate return to shareholders.

The Group manages the capital structure through a process of constant review and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, adjust dividends paid to shareholders, return capital to shareholders, or seek additional debt finance.

28. SHARE BASED PAYMENTS

Performance Share Plan ('PSP') shares

Details of the number of PSP shares that were outstanding during the year were as follows:

	31 December 2012		31 December 2011	
	Number	**Weighted average award value (£)**	Number	Weighted average award value (£)
Outstanding at the beginning of the period	**–**	**–**	–	–
Granted during the period	**1,220,000**	**1.48**	–	–
Exercised during the period	**–**	**–**	–	–
Cancelled or expired during the period	**(500,000)**	**1.77**	–	–
Outstanding at the period end	**720,000**	**1.28**	–	–
Exercisable at the period end	**–**	**–**	–	–

The fair value of these PSP shares has been determined using a third party Monte Carlo simulation model, which takes into account the relative Total Shareholder Return ('TSR') projected by the Company compared with its comparator group, to arrive at an assumed payout based on its final share price and ranking. The payout is then discounted at a risk free rate back to the date of award.

Date of award	Expiry date	Number of shares	Reference period begins	Reference period ends	Share price at award (£)	Volatility rate	Risk free rate	Fair value (£)
12 Mar 2012	12 Mar 2015	235,000	01 Jan 2011	01 Jan 2013	2.34	45.8%	0.55%	1.83
12 Mar 2012	12 Mar 2015	235,000	01 Jan 2012	01 Jan 2014	2.34	45.8%	0.55%	1.71
01 Aug 2012	01 Aug 2015	250,000	01 Jan 2012	01 Jan 2014	0.85	56.5%	0.17%	0.37
Total	**720,000**					**49.5%**	**0.42%**	**1.28**

Share options

Details of the number of share options and the weighted average exercise price ('WAEP') outstanding during the year are as follows:

	31 December 2012		31 December 2011	
	Number	**WAEP (£)**	Number	WAEP (£)
Outstanding at the beginning of the period	**5,784,654**	**1.17**	8,111,553	1.06
Granted during the period	**2,461,411**	**1.67**	728,101	2.20
Exercised during the period	**(653,659)**	**0.86**	(2,125,000)	0.96
Cancelled or expired during the period	**(922,892)**	**2.06**	(930,000)	0.74
Outstanding at the period end	**6,669,514**	**1.26**	5,784,654	1.17
Exercisable at the period end			1,316,553	1.19

28. SHARE BASED PAYMENTS CONTINUED

Options granted between 2005 and 2010 were subject to market performance conditions. The fair value of these options has been arrived at using a third party Monte Carlo simulation model, taking into consideration the market performance criteria. Options granted between 1 January 2011 and 1 August 2012 have no market performance criteria and have been valued using the Black Scholes model. Options granted on 13 December 2012 are valued using a Monte Carlo simulation model. The assumptions inherent in the use of these models are as follows:

Date of grant	Vesting period (years)	Date of vesting	Expected life (years)	Risk free rate	Exercise price (£)	Volatility of share price	Fair value (£)	Number outstanding
15/11/2006	3	15/11/2009	5	4.83%	1.03	53.57%	0.45	787,894
09/07/2008	3	09/07/2011	5	4.94%	1.54	45.08%	0.59	450,000
17/05/2009	3	17/05/2012	5	1.91%	0.75	49.97%	0.28	25,000
25/06/2009	3	25/06/2012	5	2.13%	0.81	50.16%	0.30	1,020,000
12/11/2009	3	12/11/2012	5	1.92%	0.91	51.22%	0.40	500,000
18/03/2010	3	18/03/2013	4	2.42%	1.05	55.86%	0.47	13,142
18/03/2010	3	18/03/2013	5	2.85%	1.05	52.30%	0.46	961,858
28/07/2010	3	28/07/2013	5	2.38%	1.24	52.74%	0.52	500,000
23/05/2011	0.75	21/02/2012	2.75	1.46%	2.19	53.98%	0.57	61,613
23/05/2011	1.75	21/02/2013	3.75	1.88%	2.19	53.98%	0.69	13,333
23/05/2011	2.75	21/02/2014	4.75	2.25%	2.19	53.98%	0.79	365,000
27/07/2011	1	27/07/2012	3	0.61%	2.25	53.83%	0.85	10,088
27/07/2011	2	27/07/2013	4	0.81%	2.25	53.83%	0.96	10,088
27/07/2011	3	27/07/2014	5	1.15%	2.25	53.83%	1.05	10,087
12/08/2011	1	12/08/2012	3	0.60%	2.36	53.61%	0.77	3,333
12/08/2011	2	12/08/2013	4	0.67%	2.36	53.61%	0.88	3,333
12/08/2011	3	12/08/2014	5	0.88%	2.36	53.61%	0.97	3,334
15/08/2011	1	15/08/2012	3	0.62%	2.30	53.73%	0.90	3,333
15/08/2011	2	15/08/2013	4	0.69%	2.30	53.73%	1.01	3,333
15/08/2011	3	15/08/2014	5	0.90%	2.30	53.73%	1.10	3,334
12/03/2012	0.6	12/10/2012	5	1.02%	2.34	45.80%	0.76	6,411
12/03/2012	3	12/03/2015	5	1.02%	2.30	45.80%	0.76	945,000
01/08/2012	3	01/08/2015	5	0.59%	0.75	56.47%	0.25	250,000
13/12/2012	3	13/12/2015	3	0.40%	0.66	46.60%	0.15	720,000

Exercise prices are determined using the closing share price on the day prior to the option grant.

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

The Group recognised total expenses of US$2.1 million related to share based payment transactions during the year (US$1.9 million in the year ended 31 December 2011).

Further details of the PSP and Share Option Plan are provided in the Remuneration Report on pages 48 to 54.

29. CONSOLIDATED CASH FLOW STATEMENT

In arriving at net cash flow from operating activities, the following non-operating items in the income statement have been adjusted for:

Exceptional non-operating items

	31 December 2012 US$000	31 December 2011 US$000 (restated[1])
Loss/(profit) on disposal of subsidiaries – discontinued operations	**105**	(89,955)
Profit on disposal of investments – continuing operations	**–**	(8,990)
Profit on disposal of investments – discontinued operations	**–**	(2,600)
Exceptional non-operating items in the income statement	**105**	(101,545)

1 Refer to note 1 for further details.

Other non-operating items in the income statement

	31 December 2012 US$000	31 December 2011 US$000
Exchange losses in operating activities – continuing operations	**2,149**	1,979
Finance income – continuing operations	**(125)**	(125)
Finance expense – continuing operations	**2,716**	4,812
Net finance items – discontinued operations	**–**	(175)
Other non-operating items in the income statement	**4,740**	6,491
Total non-operating items in the income statement	**4,845**	(95,054)

30. SHARE CAPITAL

	31 December 2012		31 December 2011	
	Number	US$000	Number	US$000
Authorised:				
Ordinary share of 5p	**800,000,000**	**69,732**	800,000,000	69,732
Allotted, called up and fully paid:				
Opening balance	**199,546,710**	**16,247**	197,546,710	16,086
Issued during the year	**–**	**–**	2,000,000	161
Closing balance	**199,546,710**	**16,247**	199,546,710	16,247

No new shares were issued in 2012. The Company issued a total of 2,000,000 shares during 2011. 930,114 shares were issued to satisfy Executive Committee bonuses, 435,412 to satisfy employee share option exercises, and 634,474 were issued into the Employee Benefit Trust.

31. OTHER RESERVES

	Merger reserve US$000	Acquisition reserve US$000	Investment in own and treasury shares US$000	Revaluation of other financial assets US$000	Foreign exchange US$000	Total US$000
At 31 December 2010	19,901	(1,992)	(371)	12,628	466	30,632
Movement in year	–	–	(3,611)	(13,113)	–	(16,724)
Reclassification on disposal of subsidiaries	–	–	–	–	(627)	(627)
Transfer to retained earnings	–	1,992	–	–	–	1,992
At 31 December 2011	19,901	–	(3,982)	(485)	(161)	15,273
Movement in year	–	–	2,073	(1,229)	–	844
At 31 December 2012	**19,901**	**–**	**(1,909)**	**(1,714)**	**(161)**	**16,117**

In 2012, the Company allotted no new shares to the EBT. Over the course of the year, a total of 54,770 shares were released from the EBT for the purpose of satisfying employee share awards, at a weighted average cost of US$0.15 million.

At 31 December 2012, the Company held 481,968 Own Shares (of which 480,067 were held in the EBT and 1,901 were held in the Share Incentive Plan).

During 2012, the Company issued from Treasury shares a total of 210,975 shares for the satisfaction of employee share awards (share bonuses and the exercise of options).

At 31 December 2012, the Company held 442,009 Treasury shares.

During the year the Company conducted a review of the reserves position, and as a result a reclassification was made between the share premium account, other reserves, and retained earnings.

32. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2012 or 31 December 2011.

In April 2011, Avocet was informed that a law suit had been filed against it in the District Court of South Jakarta, Indonesia by PT Lebong Tandai ('PT LT'), Avocet's former partner in a joint venture in Indonesia (the 'First PT LT Case'). The law suit relates to a challenge as to the legality of the sale of Avocet's South East Asian assets. PT LT asserts that it is entitled to acquire all of these assets pursuant to an agreement allegedly entered into between PT LT and Avocet in April 2010. In its law suit, PT LT has claimed damages totalling US$1.95 billion, comprising US$450 million loss in respect of an alleged on-sale by PT LT of part of the assets, US$500 million loss in respect of financing arrangements allegedly entered into by PT LT, and US$1 billion for loss of reputation. In November 2011, Avocet challenged the jurisdiction of the District Court to hear the law suit on the basis that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia. The District Court subsequently found in Avocet's favour and dismissed the case. In January 2012, PT LT lodged an appeal to the Indonesian High Court against the District Court's decision. Despite the appeal by PT LT, which has yet to be heard, the Board of Avocet is encouraged that the District Court has ruled in Avocet's favour in the first instance. The Board also remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.

On 2 May 2012, Avocet was informed that a second law suit had been filed against it by PT LT, as well as against J&Partners Asia Limited, PT. J Resources Asia Pasifik Tbk and PT J Resources Nusantara – all being subsidiaries or affiliates of J&Partners L.P. ('J&Partners') which was the buyer of Avocet's South East Asian assets – in the District Court of South Jakarta, Indonesia (the 'Second PT LT Case'). The Second PT LT Case is based on almost identical grounds to the First PT LT Case with the addition of the further defendants and claims against them. In the Second PT LT Case, PT LT is seeking declarations that the assignment of Avocet's shares in the joint venture with PT LT to any third party other than PT LT is null and void, and that PT LT has the right to acquire the shares in the joint venture with Avocet. PT LT also seeks an order that all of the defendants (Avocet and J&Partners) must surrender/assign the shares in the joint venture to PT LT and that PT. J Resources Asia Pasifik Tbk or any other entity must not sell, assign or make any legal undertakings in respect of the shares in the joint venture and/or all the assets of Avocet in Indonesia. Finally, PT LT seek damages for material and immaterial injury of US$1.1 billion and US$1 billion respectively. In September 2012, Avocet disputed the jurisdiction of the Indonesian court over the Second PT LT Case for the same reasons that it disputed the jurisdiction of the Indonesian court in relation to the First PT LT Case, namely that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia, and also on the ground that the substance of the Second PT LT Case is the same as the First PT LT Case, over which the Indonesian court has already found that it did not have jurisdiction. The District Court subsequently found in Avocet's and the other defendant's favour and dismissed the case. In September 2012, PT LT informed the Court that it wished to appeal the decision on jurisdiction of the Second PT LT Case. To the Company's knowledge, the appeal of the Second PT LT Case has not yet been passed on to the High Court. Similar to the First PT LT Case, the Board of Avocet is encouraged that the District Court has ruled in Avocet's favour in the first instance and it remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.

The buyer, J&Partners, has claimed that in the event that PT LT was to be successful in its law suit against J&Partners (the Second PT LT Case), J&Partners would be entitled to be indemnified by Avocet for any losses it suffered as a result. Avocet rejects that claim, which is currently the subject of arbitration proceedings in London.

As any financial settlement is considered to be remote, this matter does not constitute a contingent liability, however the matter is disclosed in these financial statements to replicate statements already made by the Company.

33. CAPITAL COMMITMENTS

At 31 December 2012 the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US$1.4 million (31 December 2011: US$nil).

34. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

35. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2012 between the Company and Group companies that were not wholly-owned, in respect of management fees, technical services fees, technology and know-how fees, and interest on loans:

	Avocet Mining PLC		**Wega Mining AS**	
Year ended 31 December 2012	**Charged in the year US$000**	**Balance at 31 December 2012 US$000**	**Charged in the year US$000**	**Balance at 31 December 2012 US$000**
Société des Mines de Bélahouro SA (90%)	**7,584**	**21,326**	**6,933**	**108,736**

	Avocet Mining PLC		Avocet Mining (Malaysia) OHQ Sdn Bhd[1]		Wega Mining AS	
Year ended 31 December 2011	Charged in the year US$000	Balance at 31 December 2011 US$000	Charged in the year US$000	Balance at 31 December 2011 US$000	Charged in the year US$000	Balance at 31 December 2011 US$000
Société des Mines de Bélahouro SA (90%)	7,801	127,560	553	–	7,775	101,980
PT Avocet Bolaang Mongondow (80%)	1,025	n/a[1]	191	n/a[1]	–	n/a[1]
PT Gorontalo Sejahtera Mining (75%)	–	n/a[1]	29	n/a[1]	–	n/a[1]

1 Avocet Mining (Malaysia) OHQ Sdn Bhd, PT Avocet Bolaang Mongondow and PT Gorontalo Sejahtera Mining were sold during 2011.

Information on remuneration of Key Management Personnel is set out in note 8.

Dividends received by Directors during the year in respect of shares held in the Company amounted to US$0.05 million (31 December 2011: US$0.04 million).

36. UNAUDITED QUARTERLY INCOME STATEMENT FOR CONTINUING OPERATIONS

The following table presents an analysis of the 2012 results by quarter. This analysis has not been audited and does not form part of the statutory financial statements.

	Q1 2012 (Unaudited) US$000	Q2 2012 (Unaudited) US$000	Q3 2012 (Unaudited) US$000	Q4 2012 (Unaudited) US$000	**2012 (Audited) US$000**	2011 (Audited) US$000
Revenue	60,256	49,255	50,146	44,453	**204,110**	213,375
Cost of sales	(36,007)	(42,734)	(45,689)	(44,264)	**(168,694)**	(156,652)
Cash production costs:						
– mining	(12,707)	(13,225)	(12,355)	(17,372)	**(55,659)**	(36,137)
– processing	(10,827)	(10,914)	(9,219)	(10,812)	**(41,772)**	(40,644)
– overheads	(4,685)	(4,789)	(5,521)	(6,767)	**(21,762)**	(23,232)
– royalties	(4,339)	(4,182)	(3,877)	(3,547)	**(15,945)**	(15,515)
	(32,558)	(33,110)	(30,972)	(38,498)	**(135,138)**	(115,528)
Changes in inventory	5,163	(97)	(5,662)	10,798	**10,202**	4,098
Expensed exploration and other cost of sales	(2,047)	(3,732)	(3,084)	(6,899)	**(15,762)**	(6,202)
Depreciation and amortisation	(6,565)	(5,795)	(5,971)	(9,665)	**(27,996)**	(39,020)
Gross profit	24,249	6,521	4,457	189	**35,416**	56,723
Administrative expenses	(2,154)	(3,166)	(3,630)	(4,052)	**(13,002)**	(9,657)
Impairment of mining assets	–	–	–	(135,300)	**(135,300)**	–
Exceptional administrative expenses	–	–	–	–	**–**	(3,078)
Share based payments	(559)	(471)	(517)	(520)	**(2,067)**	(1,941)
Profit/(loss) from operations	21,536	2,884	310	(139,683)	**(114,953)**	42,047
Restructure of hedge	–	–	–	–	**–**	(39,757)
Profit on disposal of investments	–	–	–	–	**–**	8,990
Finance items						
Exchange gains/(losses)	145	219	76	79	**519**	(116)
Finance expense	(858)	(743)	(720)	(395)	**(2,716)**	(4,812)
Finance income	16	98	11	–	**125**	125
Profit/(loss) before taxation	20,839	2,458	(323)	(139,999)	**(117,025)**	6,477
Analysed as:						
Profit/(loss) before taxation and exceptional items	20,839	2,458	(323)	(4,699)	**18,275**	40,322
Exceptional items	–	–	–	(135,300)	**(135,300)**	(33,845)
Taxation	(6,884)	(589)	(486)	22,488	**14,529**	(7,297)
Profit/(loss) for the period	13,955	1,869	(809)	(117,511)	**(102,496)**	(820)
Attributable to:						
Equity shareholders of the parent company	12,597	1,611	(918)	(105,975)	**(92,685)**	(355)
Non-controlling interest	1,358	258	109	(11,536)	**(9,811)**	(465)
	13,955	1,869	(809)	(117,511)	**(102,496)**	(820)
EBITDA	28,101	8,679	6,281	5,282	**48,343**	84,145

Independent auditor's report to the members of Avocet Mining PLC

We have audited the parent company financial statements of Avocet Mining PLC for the year ended 31 December 2012 which comprise the parent company balance sheet, the significant accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 38, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB's') Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:
- give a true and fair view of the state of the parent company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 38 to the financial statements concerning the Company's ability to continue as a going concern.

At 31 December 2012 the parent company had US$8.0 million of unrestricted funds outside Société des Mines de Bélahouro SA ('SMB'), which will be insufficient to continue its corporate and exploration activities as currently planned, without some funds being transferred from SMB or raised from other sources. The parent company and Macquarie Bank Limited are in discussions regarding arrangements to ease near term liquidity constraints at the Company and Group.

These conditions, along with the other matters explained in note 38 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters, where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group financial statements of Avocet Mining PLC for the year ended 31 December 2012. That report includes an emphasis of matter.

CHARLES HUTTON-POTTS
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
6 March 2013

Company balance sheet
At 31 December 2012

	Note	At 31 December 2012 US$000	At 31 December 2011 US$000
Fixed assets			
Intangible assets	40	**–**	1,704
Tangible assets	41	**546**	494
Shares in Group undertakings	42	**109,018**	109,018
Other investments	43	**599**	1,828
		110,163	113,044
Current assets			
Debtors due within one year	44	**112,219**	178,142
Cash at bank and in hand		**7,251**	75,574
		119,470	253,716
Creditors: amounts falling due within one year	45	**(3,524)**	(7,884)
Net current assets		**115,946**	245,832
Total assets less current liabilities		**226,109**	358,876
Net assets		**226,109**	358,876
Capital and reserves			
Called up share capital	47	**16,247**	16,247
Share premium account	48	**146,040**	149,915
Investment in own shares	49	**(233)**	(1,508)
Investment in treasury shares	49	**(1,676)**	(2,474)
Other reserves	50	**(1,714)**	(485)
Profit and loss account	51	**67,445**	197,181
Equity shareholders' funds		**226,109**	358,876

These financial statements were approved and signed on behalf of the Board of Directors on 6 March 2013.

RP Edey

AM Norris

The accompanying accounting policies and notes form an integral part of these financial statements.

Avocet Mining PLC is registered in England No 3036214

Notes to the Company financial statements
For the year ended 31 December 2012

37. FINANCIAL STATEMENTS OF THE PARENT COMPANY
The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to publish its individual profit and loss account and related notes. As permitted by the Act, the separate financial statements have been prepared in accordance with all applicable UK accounting standards.

38. SIGNIFICANT ACCOUNTING POLICIES
The financial statements have been prepared under United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). This differs from the Group financial statements which are prepared under IFRS. The principal accounting policies which differ to those set out in note 3 to the consolidated financial statements are noted below.

Investments in subsidiaries
Investments are included at cost less amounts written off.

Deferred tax
Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currency
The Company's financial statements have been reported in US dollars as the dollar is considered to be the Company's functional currency. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Going concern
At 31 December 2012, the Group held cash and cash equivalents of US$54.9 million, of which US$46.9 million was held by Société des Mines de Bélahouro SA ('SMB'), the operating entity which owns the Inata gold mine. US$38.4 million of SMB's cash balance was restricted for use by SMB, of which US$37.0 million represents a minimum balance held with Macquarie Bank Limited ('MBL') and US$1.4 million (2011: $0.6 million) relates to amounts held on restricted deposit in Burkina Faso for the purposes of environmental rehabilitation work, as required by the terms of the Inata mining licence. The transfer out of SMB of funds above the restricted cash balance remains subject to the approval of MBL, under the terms of the facility agreement governing the loan and hedge obligations.

At 31 December 2012 Avocet had US$8.0 million of funds outside SMB, which was insufficient to continue corporate and exploration activities as currently planned, without some funds being transferred from SMB.

The Company will announce that the Ore Reserve at Inata has reduced to 0.92 million ounces of gold from the previous Ore Reserve of 1.85 million ounces.

The new Ore Reserve and the new Life of Mine Plan ('LoMP') no longer provide adequate coverage of SMB's current hedge position to the satisfaction of MBL. Avocet has therefore been in negotiations with MBL to restructure the hedge and debt positions to reflect this shorter mine life, however while negotiations are in progress, restrictions imposed by MBL on surplus SMB cash mean that Avocet is unable to access cash from SMB that it previously expected to be available for use elsewhere in the Group.

On 14 February 2013, the Company provided an update to the market regarding discussions with MBL with regard to the hedge agreements at Inata, and the restricted cash at SMB.

Since this time, MBL and the Company have held a number of discussions regarding options to ensure adequate liquidity for the Company and satisfactory adjustments to the hedge arrangements.

The Directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and that, therefore, the possibility exists that the Company could be unable to continue to fund its corporate and exploration activities as currently envisaged. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company's financing plans will yield sufficient funding to remain a going concern. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

As negotiations evolve with financiers and advisers, the Company will make announcements as appropriate in due course.

39. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging:

	31 December 2012 US$000	31 December 2011 US$000
Auditors' remuneration		
– audit – Company	**10**	10
Non-audit services		
– interim review services	**66**	19
– other services relating to taxation	**–**	20
– transaction services, principally relating to listing on London Stock Exchange	**–**	476
Depreciation of owned tangible fixed assets	**117**	134
Operating lease charges	**110**	143

40. INTANGIBLE ASSETS

	Deferred exploration expenditure US$000
Cost	
At 1 January 2012	1,704
Disposals	(1,704)
At 31 December 2012	–
Net book value at 31 December 2012	–
Net book value at 31 December 2011	1,704

The disposal during the period related to completion of the sale of one of the last two exploration assets in South East Asia.

41. TANGIBLE FIXED ASSETS

	Office and IT equipment US$000	Total US$000
Cost		
At 1 January 2012	952	952
Additions	169	169
At 31 December 2012	**1,121**	**1,121**
Depreciation		
At 1 January 2012	458	458
Charge for the year	117	117
At 31 December 2012	**575**	**575**
Net book value at 31 December 2012	**546**	**546**
Net book value at 31 December 2011	494	494

42. SHARES IN GROUP UNDERTAKINGS

Subsidiary undertakings	31 December 2012 US$000	31 December 2011 US$000
Cost		
At 1 January	**109,018**	113,990
Additions	**–**	157
Disposals	**–**	(5,129)
At 31 December	**109,018**	109,018
Net book value at 31 December	**109,018**	109,018

The disposal in 2011 generated a profit on disposal of US$169.1 million, the detail of which is provided below:

	Year ended 31 December 2011 US$000
Consideration received	197,000
Company share of cash held in subsidiaries at completion	15,192
Working capital and other adjustments	(6,529)
Net consideration	205,663
Less transaction costs	(16,739)
Cost of investment disposed of	(5,129)
Intercompany loans	(14,708)
Pre-tax provisional profit on disposal of discontinued operations	169,087
Taxation[1]	–
Post-tax provisional profit on disposal of discontinued operations	169,087

1 The Company anticipates that no UK tax will be payable on the disposal of its operations in South East Asia on the basis that the sale qualifies for the UK substantial shareholding exemption.

During the period the principal trading subsidiaries of the Company, including those held indirectly by the Company, were as shown in the following table.

				Percentage of ordinary share capital held by	
Name of entity	Nature of business	Country of registration or incorporation & operation	Class of share capital held	Company	Group
Société des Mines de Bélahouro SA	Gold mining	Burkina Faso	Ordinary	–	90%
Goldbelt Resources West Africa SARL	Gold exploration	Burkina Faso	Ordinary	–	100%
Wega Mining Guinée SA	Gold exploration	Guinea	Ordinary	–	100%

This information is given only in respect of undertakings as are mentioned in s410 (2) of the Companies Act 2006.

43. OTHER INVESTMENTS

	31 December 2012 US$000	31 December 2011 US$000
At 1 January	1,828	–
Additions		2,313
Disposals		–
Fair value adjustment	(1,229)	(485)
At 31 December	599	1,828

Additions in 2011 related to the receipt of 7.9 million shares in Golden Peaks Resources Limited ('Golden Peaks') in consideration for the sale of two Indonesian subsidiaries, PT Arafura Mandiri Semangat and PT Aura Celebes Mandiri to Reliance Resources Limited, a company owned by Golden Peaks. Golden Peaks is listed on the Toronto Stock Exchange. The investment has been classified as available for sale and is therefore measured at fair value, with movements in fair value being recognised in equity.

44. DEBTORS

	31 December 2012 US$000	31 December 2011 US$000
(a) Due within one year		
Amounts owed by Group undertakings	111,867	177,103
Other debtors	88	916
Prepayments	264	123
	112,219	178,142

The Company has concluded that the recent reduction in Inata's Ore Reserve and subsequent revision to the life of mine plan are indicators of impairment of the Group carrying value of the Inata CGU. As a result, the recoverability of the intercompany loan between Avocet Mining PLC and Société des Mines de Bélahouro SA (the company which owns and operates the Inata Mine) has been reassessed. A provision of US$117.5 million has therefore been recognised. Further details are provided in note 16 of the Group accounts.

45. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	31 December 2012 US$000	31 December 2011 US$000
Other taxes and social security	**188**	237
Other creditors	**3**	1,770
Amounts due to Group undertakings	**–**	–
Accruals and deferred income	**3,333**	5,877
	3,524	7,884

46. PROVISIONS FOR LIABILITIES

	31 December 2012 US$000	31 December 2011 US$000
Deferred consideration		
Opening balance	**–**	4,507
Provisions made during the year	**–**	–
Utilised/released during the year	**–**	(4,507)
Closing balance	**–**	–

Deferred consideration was payable in respect of Avocet's 2002 acquisition of PT Avocet Bolaang Mongondow, based on projected net sale proceeds from future production. The Company's interest in PT Avocet Bolaang Mongondow was sold on 24 June 2011 and the associated deferred consideration liability was therefore released.

47. SHARE CAPITAL

	At 31 December 2012		31 December 2011	
	Number	US$000	Number	US$000
Authorised:				
Ordinary share of 5p	**800,000,000**	**69,732**	800,000,000	69,732
Allotted, called up and fully paid:				
Opening balance	**199,546,710**	**16,247**	197,546,710	16,086
Issued during the period	**–**	**–**	2,000,000	161
Closing balance	**199,546,710**	**16,247**	199,546,710	16,247

On 24 February 2011, the Company announced it was issuing a total of 2,000,000 new ordinary shares, for the satisfaction of employee share awards. Of these, 1,365,526 were allotted directly to employees (including Directors and senior managers), while 634,474 were allotted to the Employee Benefit Trust ('EBT') for the purpose of satisfying future employee share awards .

48. SHARE PREMIUM ACCOUNT

	Note	Share premium US$000
At 1 January 2012		149,915
Transfer between reserves	49,51,52	(3,875)
At 31 December 2012		**146,040**

49. INVESTMENT IN OWN SHARES AND TREASURY SHARES

	Own shares US$000	Treasury shares US$000
At 1 January 2012	1,508	2,474
Transfer between reserves	(1,121)	–
Purchased from the market	–	–
Released during the period	(154)	(798)
At 31 December 2012	**233**	**1,676**

In 2012, the Company allotted no new shares to the EBT. Over the course of the year, a total of 54,770 shares were released from the EBT for the purpose of satisfying employee share awards, at a weighted average cost of US$0.15 million.

At 31 December 2012, the Company held 481,968 Own Shares (of which 480,067 were held in the EBT and 1,901 were held in the Share Incentive Plan).

During 2012, the Company issued from Treasury shares a total of 210,975 shares for the satisfaction of employee share awards (share bonuses and the exercise of options).

At 31 December 2012, the Company held 442,009 Treasury shares.

During the year the Company conducted a review of the reserves position, and as a result a reclassification was made between the share premium account, other reserves, and retained earnings.

50. OTHER RESERVES

	Revaluation of other financial assets US$000	Total US$000
At 1 January 2012	(485)	(485)
Fair value adjustment	(1,229)	(1,229)
At 31 December 2012	**(1,714)**	**(1,714)**

Other reserves represent the revaluation to fair value of other financial assets. Refer to note 43 for further information.

51. PROFIT AND LOSS ACCOUNT

	31 December 2012 US$000
At 1 January 2012	**197,181**
Retained loss for the year	**120,618**
Final dividends	**(13,505)**
Share based payments	**2,462**
Net exercise of share options settled in cash	**(172)**
Loss on release of shares from treasury	**(697)**
Adjustment in respect of 2011 share issue	**2,794**
At 31 December 2012	**67,445**

On 30 September 2011, the Company paid an interim dividend of 2.1 pence per share. On 1 June 2012, the Company paid a final dividend of 4.2 pence per share.

The Company has taken advantage of Section 408 of the Companies Act 2006 in electing not to publish its own profit and loss account.

52. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 December 2012 US$000	31 December 2011 US$000
Profit/(loss) for the financial period	**120,618**	174,652
New capital subscribed	**–**	161
Share premium arising on shares issued in the year	**–**	5,344
Dividends	**(13,505)**	(6,814)
(Increase)/reduction in investment in own shares	**154**	(1,137)
(Increase)/reduction in investment in treasury shares	**798**	(2,474)
Share based payments	**2,462**	(1,802)
Net exercise of share options settled in cash	**(172)**	(2,630)
Loss on release of shares from treasury	**(697)**	(664)
Fair value adjustment	**(1,229)**	(485)
Transfer between reserves in respect of 2011 share issue	**40**	–
Net change in equity shareholders' funds	**(132,767)**	164,151
Opening equity shareholders' funds	**358,876**	194,725
Prior year adjustment	**–**	–
Restated opening equity shareholders' funds	**–**	–
Closing equity shareholders' funds	**226,109**	358,876

53. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2012 or 31 December 2011.

In April 2011, Avocet was informed that a law suit had been filed against it in the District Court of South Jakarta, Indonesia by PT Lebong Tandai ('PT LT'), Avocet's former partner in a joint venture in Indonesia (the 'First PT LT Case'). The law suit relates to a challenge as to the legality of the sale of Avocet's South East Asian assets. PT LT assert that it is entitled to acquire all of these assets pursuant to an agreement allegedly entered into between PT LT and Avocet in April 2010. In its law suit, PT LT has claimed damages totalling US$1.95 billion, comprising US$450 million loss in respect of an alleged on-sale by PT LT of part of the assets, US$500 million loss in respect of financing arrangements allegedly entered into by PT LT, and US$1 billion for loss of reputation. In November 2011, Avocet challenged the jurisdiction of the District Court to hear the law suit on the basis that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia. The District Court subsequently found in Avocet's favour and dismissed the case. In January 2012, PT LT lodged an appeal to the Indonesian High Court against the District Court's decision. Despite the appeal by PT LT, which has yet to be heard and may take several months, the Board of Avocet is encouraged that the District Court has ruled in Avocet's favour in the first instance. The Board also remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.

On 2 May 2012, Avocet was informed that a second law suit had been filed against it, as well as against J&Partners Asia Limited, PT. J Resources Asia Pasifik Tbk and PT J Resources Nusantara – all being subsidiaries or affiliates of J&Partners L.P. ('J&Partners') which was the buyer of Avocet's South East Asian assets – in the District Court of South Jakarta, Indonesia by PT LT (the 'Second PT LT Case'). The Second PT LT Case is based on almost identical grounds to the First PT LT Case with the addition of the further defendants and claims against them. In the Second PT LT Case, PT LT is seeking a declaration that the assignment of Avocet's shares in the joint venture with PT LT to any third party other than PT LT is null and void, and that PT LT has the right to acquire the shares in the joint venture with Avocet. PT LT also seeks an order that all of the defendants (Avocet and J&Partners) must surrender/assign the shares in the joint venture to PT LT and that PT. J Resources Asia Pasifik Tbk or any other entity must not sell, assign or make any legal undertakings in respect of the shares in the joint venture and/or all the assets of Avocet in Indonesia. Finally PT LT seek damages for material and immaterial injury of US$1.1 billion and US$1 billion respectively. In September 2012, Avocet disputed the jurisdiction of the Indonesian court over the Second PT LT Case for the same reasons that it disputed the jurisdiction of the Indonesian court in relation to the First PT LT Case, namely that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia, and also on the ground that the substance of the Second PT LT Case is the same as the First PT LT Case, over which the Indonesian court has already found that it did not have jurisdiction. The District Court subsequently found in Avocet's and the other defendant's favour and dismissed the case. In September 2012, PT LT informed the Court that it wished to appeal the decision on jurisdiction. As we understand the appeal of the Second PT LT Case has not yet been passed on to the High Court. Similar to the First PT LT Case, the Board of Avocet is encouraged that the District Court has ruled in Avocet's favour in the first instance and it remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.

The buyer, J&Partners, has notified Avocet that in the event PT LT were successful in its law suit against Avocet and J&Partners, J&Partners would make a claim for damages against Avocet. The basis for the claim would be that Avocet had breached a warranty in the sales agreement, which is governed by English law, in which it stated that it was selling the assets free of encumbrance. Avocet strongly disagrees that there was any such breach and has initiated arbitration in the English courts to have any such claim dismissed.

As any financial settlement is considered to be remote, this matter does not constitute a contingent liability.

54. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2012 or 31 December 2011.

55. POST BALANCE SHEET EVENTS

There were no material post balance sheet events.

56. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2012 between the Company and Group companies that were not wholly-owned, in respect of management fees, technical services fees, technology and know-how fees, and interest on loans:

	Avocet Mining PLC		Wega Mining AS	
Year ended 31 December 2012	Charged in the year US$000	Balance at 31 December 2012 US$000	Charged in the year US$000	Balance at 31 December 2012 US$000
Société des Mines de Bélahouro SA (90%)	7,584	138,785	6,933	108,736

	Avocet Mining PLC		Avocet Mining (Malaysia) OHQ Sdn Bhd[1]		Wega Mining AS	
Year ended 31 December 2011	Charged in the year US$000	Balance at 31 December 2011 US$000	Charged in the year US$000	Balance at 31 December 2011 US$000	Charged in the year US$000	Balance at 31 December 2011 US$000
Société des Mines de Bélahouro SA (90%)	7,801	127,560	553	–	7,775	101,980
PT Avocet Bolaang Mongondow (80%)	1,025	n/a[1]	191	n/a[1]	–	n/a[1]
PT Gorontalo Sejahtera Mining (75%)	–	n/a[1]	29	n/a[1]	–	n/a[1]

1 Avocet Mining (Malaysia) OHQ Sdn Bhd, PT Avocet Bolaang Mongondow and PT Gorontalo Sejahtera Mining were sold during 2011.

Information on remuneration of Key Management Personnel is set out in note 8 of the Group financial statements.

Dividends received by Directors during the year in respect of shares held in the Company amounted to US$0.5 million (US$0.04 million).

Shareholder information

Avocet Mining PLC ordinary shares are listed on the Official List of the Main Market of the London Stock Exchange, and on the Oslo Børs.

The Company's lead brokers and sponsors are J.P. Morgan Cazenove Limited.

Avocet Mining PLC has a website (www.avocetmining.com) on which press releases and background information on the Company and some of its operations can be found.

The share price is quoted on a daily basis in the Financial Times. Shares may be bought or sold through a stockbroker who is a member of the London Stock Exchange, or through a stockbroker who is a member of the Oslo Børs.

Market makers in the shares of the Company are BMO Capital Markets Limited, Collins Stewart Europe Limited, Fox-Davies Capital Ltd, Investec Bank Plc, J.P. Morgan Securities Ltd, Liberum Capital Limited, Numis Securities Limited, Peel Hunt LLP, RBC Europe Limited, Renaissance Capital Limited, Shore Capital Stockbrokers Limited, Westhouse Securities Limited and Winterflood Securities Ltd. On the Oslo Børs, Arctic Securities AS and SEB Enskilda AS are market makers and liquidity providers for the Company.

HISTORICAL SHARE PRICES:

Quarter Ended	High £	Low £
31 March 2012	1.84	2.40
30 June 2012	0.90	1.89
30 September 2012	0.63	0.95
31 December 2012	0.64	0.92

Closing price:	
31 December 2012	£0.70

Total number of shares in issue:	
31 December 2011	199,546,710
31 December 2012	**199,546,710**

UNSOLICITED MAIL:

Avocet Mining PLC is aware that some shareholders have had occasion to complain that outside organisations, for their own purposes, have used information obtained from the Company's share registers. Avocet Mining PLC, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee. If you are in the UK and wish to stop receiving unsolicited mail then you should register with The Mailing Preference Service by letter, telephone or through its website.

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DMA House
70 Margaret Street
London W1W 8SS
Complaints Department – 020 7291 3321
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WARNING TO SHAREHOLDER – BOILER ROOM SCAMS

In recent years, many companies have become aware that their shareholders or potential shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority ('FSA') has reported that the average amount lost by investors is around £20,000.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice, FSA advice for UK investors is to check that the brokers are properly authorised by the FSA before proceeding by visiting www.fsa.gov.uk/register/and contacting the firm using the details on the register. To report the matter to the FSA, call +44 845 606 1234 or visit www.fsa.gov.uk/pages/consumerinformation.

Directors and advisers

Executive directors
DC Cather – Chief Executive Officer
AM Norris – Finance Director

Non-executive directors
RP Edey – Chairman
MJ Donoghue
N Harwerth
RA Pilkington
BJ Rourke
G Wylie

Company Secretary and registered office
JEGM Wynn
3rd Floor, 30 Haymarket
London SW1Y 4EX

Registrars and transfer office
Computershare Investor Services PLC
PO Box 82, The Pavilions, Bridgwater Road
Bristol BS99 7NH

Bankers
Barclays Bank PLC
Macquarie Bank Limited
Standard Chartered Bank
HSBC Bank

Stockbrokers
J.P. Morgan Cazenove Ltd

Auditor
Grant Thornton UK LLP

Solicitors
Field Fisher Waterhouse
Ashurst LLP
Norton Rose LLP

Financial advisors (United Kingdom)
N M Rothschild & Sons Limited

Financial advisors (Norway)
Arctic Securities ASA
SEB Enskilda Securities AS

Remuneration consultants
Kepler Associates

Notes

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