Avocet Mining PLC

Annual Report and Accounts 2015

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About us

Avocet Mining PLC ('Avocet' or 'the Company') is a West African gold mining and exploration Company. The Company operates the Inata gold mine in Burkina Faso and has exploration projects in Burkina Faso and Guinea.

Inata Gold Mine, Burkina Faso

The Inata gold mine is an open pit gold mine located in northern Burkina Faso and has been operational since Avocet completed construction in late 2009.

The Mineral Resource estimate within the Bélahouro group of exploration licences, including the Inata and Souma projects, comprises 4.2 million ounces at a grade of 1.69 g/t Au, and includes an Ore Reserve of 0.24 million ounces at a grade of 1.48 g/t Au. Production in 2015 was 74,755 ounces.

The Souma project, which is located approximately 20 kilometres east of the Inata processing plant, is being progressed up the development curve with the objective of submitting a Mining Licence application as soon as the Feasibility Study has been completed. Mineralisation at Souma is quartz hosted, and does not have the same carbonaceous ore types as seen at Inata. Two exploitation methods are being evaluated: either treating the high grade ore at Inata, or heap leaching the ore at a standalone processing facility at Souma, or a combination of both methods.

Mineralisation along both the Inata and Souma trends remains open along strike and at depth, and it is anticipated that further exploration at both projects will add additional ounces to the Inata life of mine plan.

Tri-K, Guinea

Tri-K received its exploitation permit in March 2015 from the Guinea Government following the submission of a Feasibility Study in October 2013.

The project is based on the development of the oxide portion of the orebody by way of heap leaching. Since submitting the Feasibility Study, further work has been undertaken to re-engineer the project and reduce capital and operating expenditure significantly. The Feasibility Study submitted in October 2013 was based on an Ore Reserve of 480,000 ounces and showed a 7 year life of mine, producing an average of 55,000 ounces of gold per year. A new Ore Reserve has not yet been completed.

The Company also intends to review extending the mine life through the exploitation of the 2.4 million ounces of resources which remain beneath the oxide zone of the orebodies by Carbon-in-Leach ('CIL') or other means.

As part of the Company's business review, Avocet has been seeking appropriate partners for financing, developing and operating the project. These discussions are ongoing and Avocet is working to ensure that its financing and project development plans will allow it to start construction as soon as possible.

STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the year ended 31 December 2015.

The Strategic Report is a requirement of the Companies Act for the year ended December 2015. The report provides a fair review of the Company, its performance and the challenges it faces.

The review of the business and operations, including key factors likely to affect the future development of the business, are included in the Chairman's statement and Chief Executive's statement on page 3 and pages 4 to 5 respectively, and include discussions on the key non-financial performance indicators (including tonnes of waste and ore mined and milled, grades, recoveries, gold produced, and Lost Time Injuries). These are also analysed on pages 22 to 23 under Review of Operations.

The financial review on pages 6 to 9 includes an analysis of the development and performance of the business of the Company during the 2015 financial year and the position of the Company at year end. This section includes an analysis of the key financial performance indicators in the year (revenues, gross profit, cash costs per ounce, profit before tax, taxation, EBITDA, operating cashflows, and capex).

The Group's Business Plan and Strategy are outlined on page 10, while risk management and internal controls within the business (including the Company's viability statement) are outlined on pages 11 to 13. In addition, the key risks and uncertainties faced by the business are set out on pages 14 to 16.

An outline of the Company's safety and health performance is summarised on pages 17 to 18. Information concerning environmental matters, the Company's employees, and social, community and human rights issues are discussed in the sustainable development section on pages 19 to 21.

The Strategic Report, as set out on pages 2 to 21, has been approved by the Board.

By order of the Board

J Wynn
Finance Director and Company Secretary

CHAIRMAN'S STATEMENT

During 2015, the strategic focus was to optimise cashflow generation at the Inata gold mine, while looking to exploit the upside opportunities represented by the Souma deposit in Burkina Faso, and the Tri-K project in Guinea.

The fall in the gold price during the year, together with a series of operational challenges at the mine itself, meant that revenues from gold sales at Inata were lower than in 2014; however this was to some extent partly mitigated by continued hard-won cost reductions. Nevertheless, tight margins put pressure on plans to repay supplier credit balances and financial obligations, and at times required difficult negotiations with the mine's stakeholders.

The continued operation of the mine is testament to the flexibility and adaptability shown not only by Inata staff and management, but also by its creditors and wider stakeholders. It is likely that compromises will remain necessary on all sides for the remainder of the mine life, as it remains clear that the best way to maximise the repayment of the mine's debts is for it to be allowed to continue in operation.

One effect of this cashflow shortage was that the programme of drilling and test work undertaken in respect of the Souma deposit during the year was put on hold, and is now dependent on raising external finance in order to be completed. We believe that the funding required for this exercise, which should allow the completion of a Feasibility Study and application for a mining permit to be made before the end of 2016, is value-adding, and likely to be in the interests of all stakeholders.

The award of the mining permit at Tri-K on 27 March 2015 represented a key milestone in the development of that project. However, the exercise to raise the finance necessary for the construction of the mine, which is currently estimated to be approximately US$60 million, was affected by the downturn experienced by the mining sector globally, as well as by the ebola crisis in Guinea.

Many of the traditional sources of mining finance (bank debt and equity markets) have been particularly averse to financing junior mining projects in developing markets, with only those projects with the clearest and most certain returns being funded. Tri-K offers a unique opportunity for investors to participate in what we believe to be a far larger project than the initial heap leach outlined in the Feasibility Study, and we continue to target investors who have an appetite for growth combined with a tolerance of the specific project and jurisdictional risks.

We hope to be able to provide further details with regard to the financing of Tri-K, which remains an evolving situation, in due course.

At the corporate level, in September, Mike Norris stepped down as Finance Director after more than eight years, and was replaced by Jim Wynn, who had previously been Head of Finance and Company Secretary. In addition, at the AGM in May 2015, Mike Donoghue stood down as a Director, having joined the Board in 2006. I would like to thank both for their contributions to the Company.

2015 was undoubtedly another difficult year for Avocet Mining PLC, and many challenges remain. However the recent rise in the gold price, allied with some increase in financing and M&A activity in the sector, give cause for cautious optimism.

Russell Edey
Chairman

CHIEF EXECUTIVE'S STATEMENT

2015 Highlights

- 74,755 ounces produced at Inata
- Costs at Inata reduced in spite of challenging production and cashflow environment
- Economics of Tri-K improved – capex estimates reduced from US$88 million to US$60 million
- No Lost Time Injury ('LTI') incidents in 2015 – nearly 7 million LTI-free man hours by 31 December 2015

Inata Gold Mine, Burkina Faso

Operations at Inata during 2015 were marked by continuous cashflow pressures, and the need to ensure production levels were maintained in order to generate sufficient gold sales to meet payment obligations.

The mine produced 74,755 ounces at a cash cost of US$1,058 per ounce, compared with 86,037 ounces at US$1,186 per ounce in 2014. Realised gold prices fell from US$1,263 per ounce in 2014 to US$1,167 in 2015. Despite the fall in production, the mine was able to keep cash costs below spot prices.

In December 2014, an illegal strike took place which resulted in the mine being closed for several weeks. By January 2015, the plant returned to operation, using stockpiled ore until the mining crews were re-manned and mining operations returned to normal during February. This disruption affected gold production, and in particular mining in Q1 2015, resulting in the need to adapt the mine schedule to ensure adequate production was maintained to meet ongoing cashflow requirements.

Pressure on cashflows at the mine was further intensified by lower gold prices in the year. In particular, spot prices fell below US$1,100 per ounce in July and again in November.

In September 2015, an attempted military coup took place in Burkina Faso which meant the mine was unable to export gold shipments for three weeks. This put pressure on already strained relationships with key suppliers, and a short term loan of 5bn CFA (US$8 million) was negotiated with Coris Bank to ensure the continued delivery of critical supplies.

Cashflow shortages at the mine affected almost all aspects of operations: the mine schedule developed at the start of the year had to be revised in order to source cleaner oxide ore to meet short-term cash requirements; the lack of available funds for maintenance catalysed innovative, low-cost solutions, which were necessary in order to maintain mining volumes; managing gold recovery levels became difficult as ore types varied frequently from oxides to preg-robbing lithologies; and deliveries of critical supplies to site were at times delayed as a result of late payment of invoices.

In spite of these challenges, mining volumes of 14.1 million tonnes exceeded 2014 levels (14.0 million tonnes), while plant throughput of 1.9 million tonnes was in line with the previous year. Grades varied throughout the year – during the first half, higher grade carbonaceous materials were mined, while in later quarters, lower grade, cleaner ores were used for mill feed. Average grades in the year were 1.85 g/t compared to 1.77 g/t in 2014.

Recovery levels decreased from 79% to 67% year-on-year, due to the increase in metallurgically inferior carbonaceous ore treated in 2015.

Souma, Burkina Faso

Exploration activity in Souma during 2015 consisted of additional resource and metallurgical drilling, intended to increase the size and improve the understanding of the deposit, which lies 20km due east of the Inata mine.

The results that have been received to date have been encouraging, and once all assay results have been reported the mineralization models will be updated and new resource models generated.

The Company will then look to advance the project towards a Feasibility Study in 2016, with the target of submitting an application for a mining permit early in 2017.

Tri-K, Guinea

Following the award of a mining permit for the Tri-K project on 27 March 2015, the Company's focus has been to raise finance for construction. In spite of unfavourable market conditions, as well as the ebola crisis which affected travel to and from the region for much of the year, progress has been made with a number of parties who are interested in investing in the project.

The Government has been kept informed of our progress, and have indicated their ongoing support for the project. I hope to be able to provide a more substantive update shortly.

Corporate Review

As with our operations in West Africa, the Company has been successful in reducing its cost base at the corporate level. UK head office administration costs in 2015 were over 60% lower than in the previous year. Funding for these costs, as well as the Company's support teams in Guinea and Mali, came largely from loans extended by an affiliate of Elliott Management, Avocet's largest shareholder, which extended loans totalling almost US$4 million in the year.

It is encouraging that the gold price in Q1 2016 has enjoyed a 15% increase and has been sustained over US$1,200 per ounce, which has buoyed Inata's cashflows and enhanced Tri-K's economics. In addition, recent M&A deals in the West African gold mining space may prove to be early indicators of a return of investor interest in the sector.

David Cather
Chief Executive Officer

FINANCIAL REVIEW

Financial highlights[1]

Year ended 31 December	**2015 Audited**	2014 Audited
US$000		
Revenue	**85,038**	110,444
Gross loss	**(4,895)**	(19,272)
Loss from operations	**(52,518)**	(137,537)
EBITDA	**(1,996)**	(2,231)
Loss before tax	**(55,698)**	(140,135)
Analysed as:		
Loss before taxation and exceptional items	**(10,550)**	(28,443)
Exceptional items	**(45,148)**	(111,692)
Loss for the year	**(49,705)**	(149,788)
Net cash generated by operations (before interest and tax)	**7,305**	12,095
Net cash inflow/(outflow)	**1,040**	(10,385)

[1] Prepared in accordance with International Financial Reporting Standards.

Revenue
Group revenue for the year was US$85.0 million compared with US$110.4 million in 2014. The Group sold 72,872 ounces at an average realised price of US$1,167 per ounce during 2015, compared with 87,425 ounces sold at an average realised price of US$1,263 per ounce in 2014. The lower revenue reflected lower gold production in the year, as well as a fall in the average realised spot price.

Gross loss and unit cash costs
The Group gross loss in 2015 was US$4.9 million compared with US$19.3 million in 2014, an improvement of US$14.4 million. The impact of lower gold production and spot prices was offset by a reduction in costs, particularly in mining, as well as a reduction in the depreciation charge in the year following the decision in June 2015 to impair in full the remaining Inata fixed assets.

Unit cash costs at Inata decreased from US$1,186 per ounce in 2014 to US$1,058 per ounce in 2015.

The table below reconciles the Group's cost of sales to the cash cost per ounce. Further detail is provided in note 4 of the financial statements.

Year ended 31 December	**2015 US$000**	2014 US$000
Cost of sales	**89,933**	129,716
Depreciation and amortisation	**(5,374)**	(23,614)
Changes in inventory	**(5,895)**	(895)
Adjustments for exploration expenses and other costs not directly related to production	**426**	(3,172)
Cash costs of production	**79,090**	102,035
Gold produced (ounces)	**74,755**	86,037
Cash cost per ounce (US$/oz)	**1,058**	1,186

Loss before tax
The Group reported a loss before tax of US$55.7 million in the year ended 31 December 2015, compared with a loss of US$140.1 million in the year ended 31 December 2014.

In 2015, the Group recognised a number of impairments in relation to its mining and exploration assets. The assets of Inata were impaired by a total of US$45.1 million (2014: US$105.5 million) during the year, primarily as a result of lower gold prices, and changes in production assumptions which had the effect of shortening the mine life and reducing the expectation of cash generation.

Before exceptional items, the loss before tax for the year ended 31 December 2015 was US$10.6 million compared with a loss of US$28.4 million for the year ended 31 December 2014.

Taxation
The Group reported a credit in the tax expense line in the income statement of US$6.0 million in 2015 (2014: tax charge US$9.7 million), analysed as follows:

Year ended 31 December	**2015 US$000**	2014 US$000
Inata, Burkina Faso	**(6,012)**	9,641
Avocet Mining PLC, UK	**19**	12
	(5,993)	9,653

The 2015 tax credit in Burkina Faso included the release of a US$3.1 million provision in respect of a tax assessment undertaken in 2012 covering the years 2009-2011, following an agreement reached with the Burkinabe tax authorities in the year.

The 2015 tax line also includes the release of a US$3.1 million deferred tax provision in respect of interest tax ('IRVM') that would be due on settlement of loan interest invoices payable by the Company's Burkinabe subsidiary, Société des Mines de Bélahouro SA ('SMB'). This provision was released on the basis that the Company no longer expects these balances to be settled.

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 improved from a loss of US$2.2 million in 2014 to a loss of US$2.0 million in 2015. This reflected the movements described above in respect of the gross loss, with the exception of depreciation, which is excluded from EBITDA, as well as reflecting a reduction in head office and corporate costs of some US$4.1 million compared with 2014.

A reconciliation of Loss before tax and exceptionals to EBITDA is set out below:

Year ended 31 December	**2015 US$000**	2014 US$000
Loss before tax and exceptionals	**(10,550)**	(28,443)
Depreciation and amortisation	**5,374**	23,614
Exchange gains	**(3,136)**	(5,856)
Finance income	**–**	(2)
Finance expense	**6,316**	8,456
EBITDA	**(1,996)**	(2,231)

Cash flow and liquidity
A total cash inflow of US$1.0 million was reported for the year ended 31 December 2015. Net cash generated by operating activities (before interest and tax) totalled US$7.3 million, while capital expenditures amounted to US$3.8 million.

Financing during the year represented an inflow of US$1.8 million including the loan repayments of US$10.2 million to Ecobank, finance lease payments of US$0.4 million, and proceeds from debt of US$3.9 million from Manchester Securities Corp (an affiliate of Elliott, Avocet's largest shareholder) and US$8.5 million from Coris Bank.

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

	2015			2014		
	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	**4,816**	**(66,203)**	**(61,387)**	15,201	(76,475)	(61,274)
Net cash generated by/(used in) operating activities	**3,038**	–	**3,038**	5,208	–	5,208
Deferred exploration costs	**–**	–	**–**	(28)	–	(28)
Property, plant and equipment	**(3,793)**	–	**(3,793)**	(11,613)	–	(11,613)
Net loan repayments	**2,222**	**(2,222)**	–	(4,371)	4,371	–
Other movements including foreign exchange	**(427)**	**2,365**	**1,938**	419	5,901	6,320
At 31 December	**5,856**	**(66,060)**	**(60,204)**	4,816	(66,203)	(61,387)

Included within cash at 31 December 2015 was US$3.9 million of restricted cash (31 December 2014: US$4.2 million), representing a US$2.1 million debt service reserve account held in relation to the Ecobank loan (2014: US$2.3 million), and US$1.8 million (2014: US$1.9 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.

Company debt at 31 December 2015 consisted of US$22.5 million owed to Manchester Securities Corp, US$35.2 million due to Ecobank, and US$8.5 million due to Coris Bank. The Manchester loan, of which US$18 million is secured over the Company's Guinean assets, is owed by Avocet Mining PLC (the parent Company), while the Ecobank and Coris loans, which are secured over various assets of the Inata mine, are owed by SMB in Burkina Faso.

Depreciation
The Group's depreciation charge decreased from US$23.6 million in the year ended 31 December 2014 to US$5.4 million in the year ended 31 December 2015. This decrease is primarily the result of the impairments applied to the fixed assets in Burkina Faso, which were fully written down at the half-year.

Year ended 31 December	**2015 US$000**	2014 US$000
Inata	**5,374**	23,614
Other	**–**	–
	5,374	23,614

Capital expenditure

The Group's capital expenditure in the year was US$3.8 million analysed as follows:

	2015			2014		
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
Inata gold mine (Burkina Faso)	**–**	**3,765**	**3,765**	–	11,613	11,613
Tri-K project (Guinea)	**–**	**–**	**–**	28	–	28
Head office (UK)	–	**28**	**28**	–	–	–
	–	**3,793**	**3,793**	28	11,613	11,641

Capital investment both in property, plant and equipment and in exploration activity was reduced compared with 2014 in order to conserve cash. Capex during the year mainly related to the completion of the second tailings management facility, and upgrades and refurbishments to mining plant and equipment.

Non-financial Key Performance Indicators ('KPIs')

The Company's non-financial KPIs primarily relate to gold production (see Review of Operations pages 22 to 23) and safety at the mine (see page 17 to 18 for further details).

Jim Wynn
Finance Director

BUSINESS MODEL AND STRATEGY

Business model

Avocet's business model is based on finding resources, developing them to production and generating value through operational performance. This benefits not only shareholders, but also a wide range of stakeholders, who grant Avocet the social licence to operate.

- Exploration and development – effective mineral resource development allows further ounces to be brought into the life of mine plan of existing assets and new projects to be added to the Company's portfolio of operations. Successful exploration carried out at a below industry-standard discovery cost.
- Operational results – continuous improvement at mining operations, delivery against production and cost targets, responding as required to operating challenges
- Value – economic value generated from operation assets distributed amongst stakeholders including investors, governments, employees and local communities
- Social Licence – maintaining a social licence among our stakeholders enables us to continue operations and expand the Company's reach in discovering new ounces in existing and new territories

Business Strategy

The strategy of Avocet remains to develop its asset base in order to maximise value for its shareholders. In view of the financial constraints under which the Company has operated in recent times, along with much of the global mining sector, the Board of Avocet Mining PLC also acknowledges that the interests of the Group's creditors must also be met in the first instance.

The Inata gold mine has now been in operation since December 2009. As its mining plan has advanced, pits have become deeper, ores harder and less weathered, with lower grades and recoveries and more challenging metallurgy, and consequently production levels have fallen. This has meant that the primary challenge has been to ensure cashflows remain sufficient to meet the mine's ongoing obligations, including its creditors. Lower gold prices and ongoing production challenges have made the meeting of these obligations difficult, and given the short remaining mine life at Inata, the continued solvency of the operation is likely to depend on the support of its creditors (both trade and financial). Avocet's primary strategic objective with Inata is to ensure the fullest possible repayment of creditors.

Avocet also holds a number of exploration licences in Burkina Faso and Guinea. It is the Company's strategy to look for ways to develop these assets in order to generate value for the Group's shareholders and other stakeholders. Of the licences in Burkina Faso, the Souma deposit is the most advanced, and discussions are underway to secure finance to ensure the work can be completed in 2016 to allow an application to be made for a mining permit by the end of the year. In Guinea, since the award of an exploitation permit (mining licence) at Tri-K, the Company's key priority has been to identify finance and operating partners to ensure construction commences as soon as possible.

2016 Business Plan

The 2016 Business Plan includes the following key objectives:

- Inata – manage the Inata gold mine to maximise cashflows, while operating within the safety and compliance standards set by the Group
- Tri-K – conclude project development plans and secure investment that will allow construction of a mine to commence as early as possible
- Souma – raise funding to initiate a Feasibility Study and the process of applying for a mining licence
- Head Office - secure longer term funding to allow the Company to meet all ongoing corporate obligations

RISK MANAGEMENT AND INTERNAL CONTROL

VIABILITY STATEMENT

Changes to the UK Corporate Governance Code section C2 were introduced in 2014, and set out a number of additional reporting and disclosure obligations in relation to the management and assessment of risks that are relevant to the viability of the Company. These changes apply to years commencing on or after 1 October 2014, and are therefore applicable to this Annual Report.

Principal risks facing the Group

The Board considers the key risks facing the Group to be those set out in the section Principal Risks and Uncertainties on pages 14 to 16. The Board monitors these risks regularly and on an ongoing basis, not only at Board and Committee meetings, but through ad hoc meetings and telephone discussions, as well as emails and update reports from senior management.

Period over which viability has been assessed

Guidelines issued in conjunction with the updated UK Corporate Governance Code include the strong recommendation that Boards consider the viability of their Companies over periods considerably longer than the 12 month term used for assessment of the Going Concern basis (see note 1 to the accounts).

It is indisputable that the ability of the Company to continue as a Going Concern for a 12 month period, let alone any longer term, is, and has for some time, been a serious concern. The Board are acutely aware of this fact, and have devoted a considerable amount of time to the discussion of the relevant issues, risks, and the appropriate responses and mitigating actions.

Under normal circumstances, a mining Company in possession of one or more operating assets would view the length of the life of mine for those assets, and possibly longer, as an appropriate timeframe over which to consider the risks to the liquidity and viability of the Company.

However in Avocet's current circumstance, the threats to its solvency are more immediate. The risks considered most relevant to the consideration of the Company's viability over the next 12 months, which are addressed in detail in note 1 to the Financial Statements, are set out below:

Continued financial support from Elliott

Avocet Mining PLC owed, at 31 March 2016, US$23.9 million to an affiliate of Elliott Associates. These loans, which were made to fund the Tri-K Feasibility Study and ongoing administrative and corporate costs, are repayable on demand.

However, the most likely means for these loans to be repaid, or restructured, is as part of a financing arrangement with a third party with respect to the Tri-K project.

In addition, the Company is likely to rely upon short-term funding from Elliott for its corporate and administrative costs in Guinea until such time as a financing deal has been concluded with regard to Tri-K. Such a deal may take some time to conclude.

Provided Elliott remain confident that discussions regarding Tri-K remain positive and are likely to lead to a favourable outcome with regard to their loan, the Board believes that Elliott have every reason to remain supportive.

Should Elliott request the repayment of these loans, or withhold the provision of short-term loans to cover corporate costs until such time as a restructuring of the loans is achieved, the Company would be obliged at short notice to seek alternative funding, which would be a considerable challenge.

Ability to secure financing for Tri-K

Since 2013, the Company has been actively pursuing funding for its Tri-K project in Guinea. A Feasibility Study for this project was submitted in September 2013, which outlined a heap leach operation with a capex of approximately US$88 million. Since then, work has been undertaken to revise the design of the project with the result that the capex estimation has now reduced to approximately US$60 million.

A mining permit for the project was awarded on 27 March 2015.

Financing discussions in 2014 and 2015 were made more challenging by the slump in the mining sector, which resulted in many institutions restricting their focus to larger and more profitable projects, frequently in jurisdictions with a lower perceived risk. In addition, the ebola crisis in West Africa meant that potential investors were unable or unwilling to undertake site visits necessary for their due diligence procedures.

Nevertheless, interest in the project picked up in the latter part of 2015 and into 2016, buoyed by an increase in the gold price.

At the present time, the Company is in discussions with a number of parties who are interested in investing in the project, and bringing it into production. The precise nature of the investments under discussion varies, and all aspects remain subject to negotiation.

However, until a deal has been formally concluded with a preferred financing partner, there can be no guarantee that the Tri-K project will be funded.

Loss of Tri-K permits

Under the terms of the Guinean Mining Code, if the holder of a mining permit has not commenced construction activity within 12 months of the award of the permit (ie by 27 March 2016), it can be liable to penalties commencing at US$100k per month. If such activity has not commenced within a further six months, then the permit may be withdrawn by the government.

The Company has held a number of meetings with senior members of the Guinean government, at which extenuating circumstances were discussed (notably the bear market for mining finance, and the ebola crisis in Guinea).

Nevertheless, if the securing of financing for the project is not secured, then there is a risk that the Government of Guinea will apply penalties (which may in itself discourage investment in the project), and may ultimately withdraw the permit.

Moreover, any deal involving the external financing of the project will require the approval of the Guinea Government – not only if such proposals involve alterations to the construction plan, but also because any material change in ownership requires approval under the terms of the Mining Code.

Based on the discussions held with interested parties as well as senior Government representatives, the Board has a reasonable expectation that, provided financing terms can be agreed upon, the Government is likely to be sympathetic to proposals that result in a mine being constructed at Tri-K of at least the scale and economics outlined in the Feasibility Study.

Gold price

The profitability of both the Tri-K project and the Inata gold mine (including surrounding deposits) depend on the gold price.

The NPV_{16} of the Tri-K project, based on the latest financial results, indicate that a break-even gold price would be around US$1,050 per ounce, with every subsequent increase of US$50 per ounce adding around US$8 million in value.

The cash costs at Inata during 2015 and into 2016 have ranged between US$1,000 and US$1,100 per ounce, therefore a modest fall in gold prices from current levels would result in margins becoming extremely tight, which would make the servicing of the mine's debts and creditors challenging.

The rise in the gold price since January 2016, however, has given cause to believe that the decline in spot prices seen between 2012 and 2015 may be at an end. In financial forecasts, the Company uses US$1,200 per ounce. The Board believe this to be a reasonable long term price, in line with market consensus forecasts.

Nevertheless, it remains clear that a sustained fall in the gold price would put severe pressure on the operations at Inata, and would also threaten the economic viability of the Tri-K project – as well as the Avocet Group as a whole.

Support from Inata's creditors

The Inata gold mine at the end of March 2016 had approximately US$34 million in trade creditors, and a further US$44 million in bank and other debt facilities. Many of the balances owing to suppliers are overdue, and the mine has faced a number of demands to bring balances within credit limits.

There can be no guarantee that one or more creditors might not refuse to allow critical supplies to be delivered to the mine, or might otherwise initiate legal action that could disrupt operations.

However, Inata's management have spent a considerable amount of time discussing the mine's predicament with key suppliers, pointing to the fact that the best means to ensure creditors are repaid is to allow supplies to continue to be made, and for the mine to produce gold.

The recent uptick in gold prices, together with improved production plans and lower operating costs, are clearly encouraging signs for the mine's creditors and wider stakeholders.

Souma permit

The future of the Inata gold mine beyond 2018 will rely upon the successful completion of a Feasibility Study for the Souma deposit, located 20km north-east of the Inata plant.

The work needed to complete the study, which is expected to cost between US$5-7 million, must be completed in order for an application for a mining permit to be submitted by July 2017.

The Company is currently in negotiation with its financiers with regards to the funding of this activity. However, until any financing package is negotiated, there can be no guarantee that this funding will be made available.

Longer-term Viability

Although the Directors do not believe they can provide a meaningful assurance as to the viability of the Company beyond the 12 month period covered by the Going Concern review, the Board does nevertheless continue to review plans for the operation Company over the longer term.

Such reviews include the following:

- The requirement for management to produce Life of Mine Plans for Inata and Tri-K to cover the full periods of production of those mines (currently three years and five years respectively)
- Review of exploration options within existing permits, which might further extend production
- Consideration and discussion of financial restructuring scenarios to safeguard the Company's liquidity beyond the near term
- Longer-term views on commodity prices (notably gold and oil)

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Avocet Mining PLC has identified the risks in the table below as being those that are most likely to have a material impact on the prospects of the Company, based on their knowledge of the economic and other exogenous factors likely to affect the liquidity and continued operation of the Company and its assets, as well as their experience in the type of issues that specifically affect mining operations.

Risk	**Comment**	**Business Impact**	**Mitigation**
Continued financial support from Elliott	The Company has a debt owing to an affiliate of Elliott Associates which is repayable on demand. If Elliott were to invoke that demand, it is unlikely that the Company would be able to source funds in the short term to meet this repayment obligation, and would therefore become insolvent. Furthermore, the Company has been reliant on loan funding from this affiliate in order to continue operating, and this reliance is likely to continue until such time as a refinancing of the Group is concluded. Were such financing to be withheld, the Company would find it a challenge to find additional financing necessary to continue in operation.	High	The continued support of Elliott as a shareholder, but also, through its affiliate, as a lender, remains subject to progress being made with regard to the financing of the Tri-K project in particular (over which Elliott hold security). The Company remains in constant communication with this lender, and as recently as April 2016 secured further financing for its corporate activities.
Ability to secure financing for Tri-K	The Company requires funding totalling US$60 million in order to finance the construction of the Tri-K project in Guinea. It is currently in discussions with a number of potential partners in this regard. In the event that such negotiations do not succeed in a timely manner, then there is a risk that the Guinean authorities would withdraw the permit, which in turn might trigger a repayment demand from Elliott.	High	Financing mining projects in Guinea was highly challenging during 2015, particularly given the context of the ebola crisis; however the improved gold price and more benign conditions in the financial markets in 2016, together with the end of the ebola crisis, have led to an increase in interest in Tri-K. The Company is in discussions with a number of parties with regard to financing the project.
Loss of Tri-K permits	Under the Guinea Mining Code, construction activity should start within 12 months of the award of a mining permit in order to avoid penalties. The Code also states that failure to commence construction within 18 months of this date would allow the Government the right to withdraw the permit entirely. The loss of the Tri-K mining permit might trigger a repayment demand from Elliott.	High	The Company has discussed the prevailing unfavourable conditions for raising mining finance, as well as the specific challenges for projects in Guinea (including the ebola crisis), with the Guinean government (including the Minister of Mines). While no binding assurances have been made, the Company believes the Guinean authorities to be sympathetic to these issues. In addition, the recent changes to the Cabinet in Guinea give cause to believe that the Government is eager to prove itself to be a mining-friendly jurisdiction, in order to secure the inward investment needed to develop its considerable resources.

Risk	Comment	Business Impact	Mitigation
Gold price	The gold price is a key element in determining sales income for the Inata gold mine (and therefore its continued viability), but also the attractiveness of both the Tri-K and Souma projects to new investors. A fall in the gold price to approximately US$1,000 or lower is likely to mean that Inata, Tri-K and Souma are not economically viable, and therefore the Company itself could not continue.	High	The Board has no control over the gold price, so limited mitigating action is possible. Some financing packages might include an element of hedging, but the Board believes that the value for Tri-K and Souma in particular depend to a large extent on the upside offered in the event that the gold price continues to rise, and therefore hedging against the downside might remove this attraction.
Adverse action undertaken by key suppliers and creditors of Inata	The Inata gold mine has bank and trade creditors of over US$75m. The mine is committed to reducing these amounts as quickly as its cashflows allow. However in many instances, suppliers and financiers have demanded repayments that cannot be met by the cashflows of the operations, and negotiations have been necessary. In the event that one or more major creditor insists on full repayment in a timeframe that the cashflows of the mine do not permit, it is possible that that creditor might take legal recourse, which may lead to the insolvency of the Inata gold mine. It is also possible that if a supplier withholds the delivery of items critical to the operation of the Inata gold mine (such as fuel, reagents, explosives, etc), then the mine may not be able to continue in operation.	High	At prevailing gold prices and current production forecasts, the Inata gold mine continues to operate at a positive margin, which means that it will make a contribution to the repayment of its creditors. It is therefore in the interests of all creditors (as well as stakeholders) that the mine continues in operation in order to achieve this. If the mine were to close as a result of such legal action, it is likely that the prospects for repayment for the creditors would be considerably worse. Mine management, supported by head office, remain in constant communication with key creditors in this regard.
Loss of Souma permit	If financing cannot be sourced for the Souma project, it is possible that the legal entity that owns the exploration permit in which Souma sits might not be able to continue as a solvent entity.	Moderate	The Company is in discussion with a number of parties interested in financing Souma. However, the liquidity of the parent organisation, Avocet Mining PLC, is not dependent on the Souma project, which represents value upside rather than a critical factor for the viability of the Group.
Operating issues at Inata	The Inata gold mine has faced, and continues to face, a number of operating issues. These have included mechanical reliability of its mining fleet and plant; metallurgical uncertainty of its orebody; pit wall stability; strikes and staff relations; and maintaining timely delivery of supplies. Any one, or a combination of these, might lead to Inata becoming loss making, at which point it would become necessary to close the mine in order to prevent further losses being incurred.	High	In spite of challenging circumstances, the Inata team remains committed to dealing with the challenges that arise, as well as planning against foreseen difficulties in the future. In the event of the mine closing as a result of these matters, the consequences would be negative for Inata's stakeholders – including its creditors, employees and suppliers. However, the liquidity of the parent organisation, Avocet Mining PLC, is not currently dependent on Inata.

Risk	Comment	Business Impact	Mitigation
Civil unrest and terrorism	Recent events in Burkina Faso and elsewhere in West Africa have underlined the increased risk of terrorist and similar incidents to foreigners and to foreign-owned assets.	Moderate	The Company has increased its security arrangements both in Ouagadougou, on site, and for transit between the two. The chief objective for this is to safeguard the mine's staff, those of contractors/suppliers, and the Company's assets. However it remains a possibility that a terrorist action, or the threat of such an action, might make the continued operation of the mine unsafe. Under such circumstances, it may be necessary to close the mine.

SAFETY AND HEALTH

Avocet is committed to providing a safe, healthy and sustainable environment for all its employees, contractors, visitors and neighbours. The Company actively strives to identify and manage the potential direct and indirect effects of all its activities.

During 2015, the Company continued its successful harmonisation of Safety, Health and Environment teams at Inata into a single department. This included both cross-training of team members as well as the merging of the management systems, to provide a joined-up Safety, Health and Environment ('SHE') service to all activities at Inata.

At the Inata Gold Mine, safety and health governance is directed by the Management Safety Committee which meets regularly to lead all aspects of safety, health and environment, ensuring ongoing compliance with both Burkina Faso law as well as international best practice. Group safety, health and environment is the ultimate responsibility of the Avocet Mining PLC Board Safety, Health, Environment and Community ('SHEC') Committee.

Safety focus

The workforce of Avocet continued to deliver a world-class safety performance and 2015 was the second full calendar year without a Lost Time Incident ('LTI'). The end of the year saw the Company reach 823 LTI-free days which equated to 6.76 million hours. This achievement is especially satisfying as early in the year, it was necessary to recruit a large number of new employees to replace those lost as a result of the strike at the end of 2014. All the new starters were thoroughly inducted, and although 2015 was not an incident-free year, no serious injuries occurred either.

However operations teams have not been resting on their laurels. The Company has continued and will continue to make the safety of the workforce a priority. Through worker, supervisor and management focus, the Company strives to make this aspiration a reality. During 2015, general and targeted safety training were continued, along with safety, health and environment inspections, and the following were completed:

- 1,682 induction or specialist training sessions for SMB staff, contractors, and visitors including annual refresher training
- 173 unannounced workplace inspections, involving both workers and management, designed to assess compliance with safety best practices and policies, and where appropriate, identifying corrective action plans
- 159 safety meetings, attended by workers, supervisors and management, including contractors' representatives, which provide a forum at which ongoing and emerging issues and concerns can be discussed, and solutions discussed and developed
- 89 individual First Aider training sessions
- 12 Occupational Safety and Health Committee meetings and 12 management workplace walkabouts

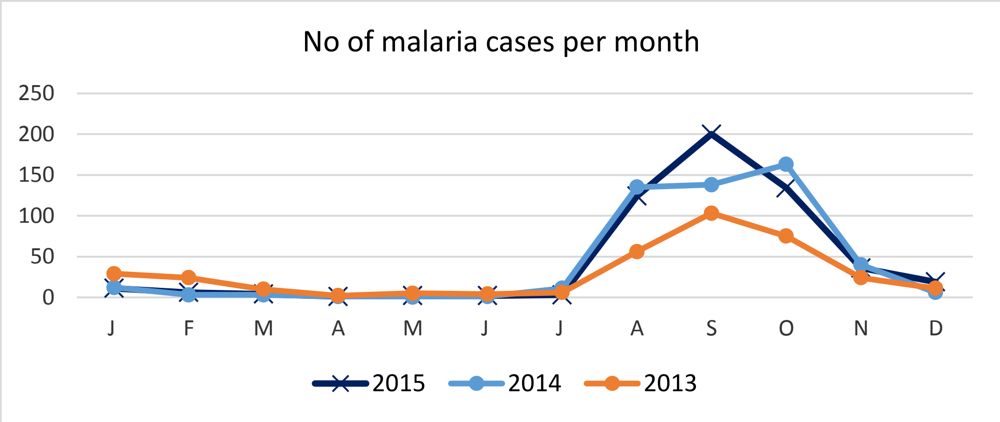
In addition to these general safety meetings and inspections, the following programmes continued throughout the year to reduce risk in areas where specific hazards have been identified:

- Fire drills, particularly around flammable materials such as the fuel storage area
- Fire prevention and fighting training delivered by the National Fire Brigade
- Driver training, focussing on both defensive and offensive driving techniques
- Emergency Response Team training, focusing on first aid and basic firefighting techniques

Health focus

The ongoing battle against Malaria was again the core focus of the medical teams' activities in 2015, working with the environment team to reduce mosquito populations and our malaria incidence rate. Management's control strategies included the continuation of the Internal Residual Spraying (IRS) regime but using a different insecticide to 2014 to prevent the development of insecticide resistance in the mosquito population, as well as fogging around accommodation camps and in local villages. Individual preventative actions were also reinforced through a poster campaign and tool box talks.

Despite the mosquito control measures total cases (542) were higher than in 2013 (349) and 2014 (513). An overwhelming majority of the cases were diagnosed in the rotational national workforce who split their time between the mine site or administration office (where mosquito control measures can be implemented), and their own homes (where we cannot). 2015 also saw very high rainfall and, importantly, a high number of individual rain events which meant that mosquito breeding sites remained viable for long periods which certainly contributed to the high number of cases.



SUSTAINABLE DEVELOPMENT

Environmental Focus

Robust environmental monitoring remains the cornerstone to ensuring we deliver on environmental compliance obligations. The Company monitors a wide range of environmental parameters including water quality, air quality, noise and vibration (during blasting) to evaluate potential impacts. Comprehensive monitoring recorded no exceedances of our statutory or self-imposed targets in 2015. Similarly, no adverse impacts related to blasting have been recorded around Inata.

Additional samples were also analysed to continue to develop a baseline dataset for the Souma Project environmental assessment. Throughout the year no analytical results were above target values and management continue to be confident that operations are having no adverse impacts on water quality.

During 2015, a major review and revamp of Inata waste management practices was conducted, and through a series of initiatives, significant improvements in both none-process waste collection and management have been made. Waste recycling has increased through improved segregation and selection at source, coupled with increased resale of reusable/recyclable waste through the Fondation Avocet pour le Burkina ('FAB'), which helps to fund community projects.

Greenhouse gases

Almost all of Avocet's emissions of CO_2 derive from its consumption of diesel, which is used as the fuel for the mining and auxiliary fleet, and in the generators used to generate electricity for the processing plant and site. The production of CO_2 is estimated using standard CO_2 production rates per litre of diesel fuel consumed.

In 2015, the Inata mine produced 13,795 tonnes of CO_2, or the equivalent of 0.18 tonnes per ounce of gold produced. The following table, which shows the equivalent results over the previous five years, indicates a gradual increase in the quantity of CO_2 emitted on a per ounce basis, which can be attributed primarily to longer haul distances as we mine reserves at some distance from the plan.

	2010	**2011**	**2012**	**2013**	**2014**	**2015**
CO_2 emissions (tonnes)	12,602	16,369	20,006	19,347	13,398	13,795
Gold produced (oz)	137,732	166,744	135,189	118,443	86,037	74,755
CO_2 production rate (tonnes per oz)	0.09	0.10	0.15	0.16	0.16	0.18

Community engagement

Since 2010, Avocet has used FAB to act as the vehicle for its community based projects in Burkina Faso. FAB is governed by representatives of Avocet, Avocet's local subsidiary SMB and local community leaders. Inata's Community Relations department manages the day to day running of FAB.

The primary focus of FAB's activities in 2015 was on three areas: community healthcare, education, and potable water. Within these focus areas were the following key activities:

Community healthcare

- Construction of a dispensary and pharmaceutical store, with shower and latrine facilities
- Construction of a maternity unit
- Completion of an additional hospital unit

Education

- Construction of a literacy education hall
- Establishment of electricity supplies to classrooms in six villages deemed to be directly impacted by mining activities.

Potable water

- Repairs and reinstatement of four water pumps
- Installation of two new borehole wells in local communities

These facilities are expected to provide clean drinking water for approximately 1,800 members of the local communities.

Extractive Industries Transparency Initiative ('EITI')

Avocet expressly supports the EITI and formally became an active supporting company in 2011. The primary objective of the EITI is to set a global standard for transparency on tax, royalty and other payments to governments through the verification and full publication of government revenues and company payments. 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, covering 2014 and 2015, presents key data on government payments in the countries in which Avocet operates. This includes taxes, royalty payments, custom duties and amounts collected by Avocet on behalf of employees.

	2015					2014				
US$000	**Burkina Faso**	**Guinea**	**Mali**	**UK**	**Total 2015**	Burkina Faso	Guinea	Mali	UK	Total 2014
Royalties[1]	**2,094**	**–**	**–**	**–**	**2,094**	4,284	–	–	–	4,284
Custom duties[2]	**4**	**8**	**–**	**–**	**12**	6,178	27	–	–	6,205
IRVM[3]	**–**	**–**	**–**	**–**	**–**	76	–	–	–	76
Land tax[4]	**16**	**12**	**–**	**–**	**28**	718	10	–	–	728
Permit renewal	**3**	**276**	**–**	**–**	**279**	15	–	–	–	15
Corporation tax	**504**	**–**	**–**	**–**	**504**	1,082	–	–	–	1,082
Total tax borne (EITI)	**2,621**	**296**	**–**	**–**	**2,917**	12,353	37	–	–	12,390
Net VAT (recovered)/paid[5]	**(4,680)**	**5**	**–**	**(50)**	**(4,725)**	(6,033)	5	–	(104)	(6,132)
Non-recoverable VAT on fuel[5]	**3,589**	**–**	**–**	**–**	**3,589**	3,247	–	–	–	3,247
Fuel tax[6]	**1,971**	**–**	**–**	**–**	**1,971**	1,536	–	–	–	1,536
Payroll tax - employer	**1,159**	**9**	**18**	**153**	**1,339**	2,090	23	25	218	2,356
Payroll tax - employee	**2,167**	**11**	**16**	**491**	**2,685**	4,084	15	23	665	4,787
Withholding tax[7]	**184**	**13**	**–**	**–**	**197**	839	67	–	–	906
Other	**16**	**14**	**1**	**–**	**31**	23	8	1	–	32
Total net payments to government	**7,027**	**348**	**35**	**594**	**8,004**	18,139	155	49	779	19,122

1 Royalties 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% from US$1,300 per ounce)

2 Customs duties are charged on the import of goods and equipment

3 IRVM (Impôt sur le revenu des valeurs mobilières) is taxation on interest paid on loans

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 Burkina Faso. Most VAT is recoverable (a process which can take six months or more), but in Burkina Faso VAT on fuel is not recoverable

6 In Burkina Faso, a levy of CFA 50 per litre of diesel has been applied as fuel tax ('TPP') since June 2013

7 Withholding tax ('WHT') 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 Burkina Faso. 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 supplier charges, increasing the cost to Avocet

Employees

Avocet's management are committed to the development and training of national staff, particularly local communities. During 2015, the percentage of non-Burkinabe staff at the Inata mine decreased from 5.3% (37 heads) in December 2014 to 4.4% (25 heads) by December 2015.

The Company is committed to developing a diverse workforce and to providing a work environment in which everyone is treated fairly and with respect. Its policies in this area are set out in full for all staff members in its Employee Handbooks, which include details of the Company's Code of Conduct and Ethics, Whistleblowing policy, and Anti-bribery and Government Payment policies.

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.

It is Avocet's policy that people with disabilities should have full and fair consideration for all vacancies. Employment of disabled people is considered on merit and with regard only to the ability of any applicant to carry out the role. The Company commits to endeavour to retain the employment of, and arrange suitable retraining for, any employees in the workforce who become disabled during their employment.

The Company is committed to gender equality throughout the organisation. During 2015, the average percentage of female employees was 6% (2014: 5%). There were no female Board members during 2015, however, due to the size of the Board, which consisted of just three Non-executive directors and two executive directors in the year.

REVIEW OF OPERATIONS

Inata Gold Mine

Production Statistics	**2015**	2014	2013	2012
Ore mined (k tonnes)	**1,313**	2,529	3,114	2,653
Waste mined (k tonnes)	**12,826**	11,495	30,100	30,474
Total mined (k tonnes)	**14,139**	14,024	33,214	33,127
Ore processed (k tonnes)	**1,865**	1,903	2,353	2,556
Average head grade (g/t)	**1.85**	1.77	1.75	1.95
Process recovery rate	**67%**	79%	86%	87%
Gold produced (oz)	**74,755**	86,037	118,443	135,189

Unit Cash Costs US$/oz	**2015**	2014	2013	2012
Mining	**318**	422	547	412
Processing	**462**	442	373	309
Administration	**203**	234	187	161
Royalties	**75**	88	96	118
Total	**1,058**	1,186	1,203	1,000

Gold produced at Inata in the year totalled 74,755 ounces, compared with 86,037 in 2014. Although a reduction of 13%, this production was achieved against a backdrop of a considerable number of operational and economic challenges.

External events, including the strike in December 2014 (the effects of which continued into Q1 2015), and the attempted military coup in September 2015, disrupted production, and therefore the receipt of revenues from gold sales, for a number of weeks. In addition, the gold price continued to fall to levels which tightened margins further still.

The squeeze on cashflows restricted the funds available to repay historic creditors, which resulted in disruption to the delivery of supplies to site in the year. The need to produce sufficient gold to meet immediate payment obligations meant that at various points, the mine schedule had to be revised in order to maximise short-term production.

During the first two quarters of the year, mining focused on higher grade, carbonaceous material, while in the second half, largely oxide ore was processed, which was lower grade, but offered better recoveries. Mining volumes, apart from in the first quarter (no mining activity took place in January as the mining crews were re-manned in the wake of the strike from the previous month), averaged 1.4 million tonnes per month in 2015.

Safety

In 2015, there were no Lost Time Injuries ('LTIs') reported at Inata, and by the end of the year, the number of man hours worked since the previous LTI had reached 6.76 million. More details on the mine's safety and health performance can be found in the Safety and Health Review on pages 17 and 18.

Souma

The Souma deposit is located within an exploration licence approximately 20 kilometres east of the Inata gold mine. Avocet owns 100% of the exploration licence, which extends until 2017.

In April 2015 a drilling and metallurgical test work programme commenced that is designed to increase the confidence in the resources already delineated, grow the resources and collect additional metallurgical data.

Although the drilling programme was completed by July 2015, cashflow shortages experienced by the Inata mine meant that funds were no longer available to complete the analysis required to deliver the expected increase in resource at Souma, as well as giving indication as to the preferred treatment strategy for the Souma ore.

Tri-K

Avocet's main project in Guinea is the Tri-K development project in eastern Guinea, located near to Kankan, Guinea's second largest city. Within the Tri-K project area a total Mineral Resource of 3.0 million ounces has been delineated in two deposits, Koulékoun and Kodiéran. In 2013, Feasibility Study work completed on the basis of a heap leach development of the oxide portion of the orebody showed that the project could support a 7 year life of mine, producing an average of 55,000 ounces of gold per year. A maiden Ore Reserve of 480,000 ounces (7.9 million tonnes grading 1.89 g/t Au) was also announced as part of the Feasibility Study.

A mining permit ('permis d'exploitation') for Tri-K was awarded on 27 March 2015. In addition, the surrounding exploration permits were extended for an additional year, and will now expire on 28 December 2016. Avocet owns 100% of all exploration permits it holds in Guinea.

Although no exploration or development activity took place at site during 2015, work continued to review and improve the design and costings of the heap leach study, with the result that construction capex is now believed to be approximately US$60 million (reduced from US$88 million in the Feasibility Study submitted to the government in 2013).

These improvements were the result of rationalising the design of pads and ponds; identifying lower-cost sources of mining and plant equipment; reflecting lower input costs (eg from fuel, cyanide and cement); and revisiting the overall footprint of the site's infrastructure.

For the rest of the year, the activities at Tri-K were focused on hosting potential financial investors and operating partners, who would help Avocet to commence construction, and bring the project into production.

The ebola crisis, together with security issues at Bamako (which serves as a hub for gaining access to the site), disrupted these activities, and meant that progress in financing negotiations was slower than had been hoped. However the recent improvements in the gold price, together with renewed M&A and financing activity in the mining sector in West Africa, have given renewed impetus to this initiative, and at the present time, a number of potential parties are in talks with regard to the project.

ORE RESERVES AND MINERAL RESOURCES

Burkina Faso

Avocet Mining PLC owns 90% of Société des Mines de Bélahouro SA ('SMB'), owner of the Inata gold mine. Avocet owns 100% of the exploration permits surrounding the Inata mining licence through its wholly owned subsidiary, Goldbelt Resources (West Africa) SARL.

The Company's Burkina Faso Mineral Resource estimates are presented in the tables below, quoted for blocks above a nominated cut-off grade of 0.8g/t Au. The Inata and Minfo Mineral Resources were depleted to the end December 2015 mining surface.

Inata's Ore Reserves were estimated to be 0.23 million ounces as at 31 December 2015 based on optimised pits shells determined on a gold price assumption of US$1,100 per ounce, reduced from 0.33 million ounces as at 31 December 2014. Cut off grades within the US$1,100 per ounce shells were based on a gold price assumption of US$1,250 per ounce. The reduction in Ore Reserves is largely attributable to mining depletion.

A portion of Measured Resources (1.0 million tonnes) has been classified as Probable Ore Reserves. This downgrading in confidence is due to uncertainty relating to the metallurgical modifying factors under JORC (2012) for material with an active carbon content. The introduction of the carbon blinding circuit in 2014 was a significant step to mitigate this drop in recovery, but a capped metallurgical recovery has been used until actual performance consistently supports a calculated value for metallurgical recovery.

The financial analysis of the Ore Reserve Statement is independent of future financing requirements.

Inata, Minfo and Filio Trends

Ore Reserve estimates are reported beneath the 31 December 2015 topographic surface and above an effective weighted average 0.78 g/t Au economic cut-off grade within mine designs based on economic shell optimisations. Mineral Resources are reported above a 0.8 g/t Au cut-off and below the 31 December 2015 topographic surface. Changes to the Mineral Resources are after mining depletion during 2015.

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	2,320,000	1.69	125,800	2,090,000	1.68	113,200
Probable	1,390,000	1.51	67,600	1,250,000	1.52	60,800
ROM stockpiles	1,220,000	1.06	41,700	1,100,000	1.07	37,500
Ore Reserves total	4,930,000	1.48	235,100	4,440,000	1.48	211,500
Mineral Resources						
Measured	8,140,000	1.66	435,700	7,330,000	1.66	392,100
Indicated	22,500,000	1.75	1,264,700	20,250,000	1.75	1,138,200
Measured + Indicated	30,640,000	1.73	1,700,400	27,580,000	1.73	1,530,300
Inferred	29,310,000	1.61	1,518,600	26,380,000	1.61	1,366,700
Mineral Resources total	59,950,000	1.67	3,219,000	53,960,000	1.67	2,897,000

Note: rounding errors may occur

Souma

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Mineral Resources						
Measured	–	–	–	–	–	–
Indicated	2,410,000	2.32	179,500	2,410,000	2.32	179,500
Measured + Indicated	2,410,000	2.32	179,500	2,410,000	2.32	179,500
Inferred	9,220,000	1.67	496,100	9,220,000	1.67	496,100
Mineral Resources total	11,630,000	1.81	675,600	11,630,000	1.81	675,600

Ouzeni and Pali

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Mineral Resources						
Measured	–	–	–	–	–	–
Indicated	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–
Inferred	5,190,000	1.62	269,700	5,190,000	1.62	269,700
Mineral Resources total	5,190,000	1.62	269,700	5,190,000	1.62	269,700

Total Burkina Faso

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	2,320,000	1.69	125,800	2,090,000	1.68	113,200
Probable	1,390,000	1.51	67,600	1,250,000	1.52	60,800
ROM stockpiles	1,220,000	1.06	41,700	1,100,000	1.07	37,500
Ore Reserves total	4,930,000	1.48	235,100	4,440,000	1.48	211,500
Mineral Resources						
Measured	8,140,000	1.66	435,700	7,330,000	1.66	392,100
Indicated	24,910,000	1.80	1,444,200	22,660,000	1.80	1,317,700
Measured + Indicated	33,050,000	1.77	1,879,900	29,990,000	1.77	1,709,800
Inferred	43,720,000	1.63	2,284,400	40,790,000	1.63	2,132,500
Mineral Resources total	76,770,000	1.69	4,164,300	70,780,000	1.69	3,842,300

Tri-K, Guinea
Mineral Resources as at 31 December 2015.

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	7,909,000	1.89	480,000	7,909,000	1.89	480,000
Ore Reserves total	7,909,000	1.89	480,000	7,909,000	1.89	480,000
Mineral Resources						
Measured	–	–	–	–	–	–
Indicated	41,300,000	1.51	1,998,000	41,300,000	1.51	1,998,000
Measured + Indicated	41,300,000	1.51	1,998,000	41,300,000	1.51	1,998,000
Inferred	25,200,000	1.26	1,020,000	25,200,000	1.26	1,020,000
Mineral Resources total	66,500,000	1.41	3,018,000	66,500,000	1.41	3,018,000

Note: rounding errors may occur

The information in this report that relates to Inata Ore Reserves in Burkina Faso is based on information compiled by Mr Oumar Diakite, who is a qualified Mining Engineer but not a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Tri-K 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 appears.

The information in this report that relates to Exploration results is based on information supplied by Mr Robert Seed, a competent person. Robert Seed is employed by Avocet Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Robert Seed consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS AND GOVERNANCE

This section aims to provide a transparent view of Avocet Mining PLC which not only complies with the UK Corporate Governance Code but applies best practice where possible. It includes:

– Current board of Directors;
– Report of the Directors;
– Report on corporate governance; and
– Remuneration report.

CURRENT BOARD OF DIRECTORS

Executive Directors

David Cather – Chief Executive Officer
David was appointed Chief Executive Officer in July 2012, after joining the Company as Chief Operating Officer in April 2012. David is a 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.

Jim Wynn – Finance Director & Company Secretary
Jim joined Avocet Mining in November 2008 and was appointed Finance Director in September 2015. 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.

Non-Executive Directors

Russell Edey - Chairman and Non-executive Director
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 worked at Rothschilds from 1977 until 2014, and sat on the Boards of a number of its subsidiaries. Prior to that, he worked for Anglo American Corporation of South Africa Limited in South Africa and Australia. He currently sits on the Board of the BlackRock World Mining Trust plc and the Genesis Emerging Markets Fund.

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

Barry Rourke – Non-executive Director
Barry was appointed Non-Executive Director and Chairman of Avocet Mining PLC's Audit Committee in July 2010. 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.

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

Gordon Wylie – Non-executive Director
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 as Chairman of Lydian International. In the past five years, he has also served on the boards of Oxus Gold plc, Central Asian Gold and Continental Gold Limited.

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

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 2015.

The Company
Avocet Mining PLC, the parent company of the Avocet Group, is registered and domiciled in the United Kingdom. Further details relating to the Company, including its registered office, are set out in the Shareholders' Information section on page 103.

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 in the CEO's statement as well as the operational reviews on Inata, Souma and Tri-K, and the financial review. An overview of the Company's activities is set out on page 1, and a description of the Company's business model is also set out on page 10.

Future developments
The Group's future developments are outlined in the Strategic Report.

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 25 April 2016, the issued share capital of the Company stood at 209,496,710. No new shares were issued during 2015. Details relating to Share Capital and the purchase and transfer of Treasury and Own Shares are set out in notes 28 and 29 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$49.7 million (2014: US$149.8 million). The results for the year are explained in the Financial Review on pages 6 to 9.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015.

Events after the reporting period
In March 2016, the Company received notification from HM Revenue and Customs that its VAT registration status had been challenged on the grounds that its management fees were not considered taxable supplies due to not having been fully settled in cash. The Company believes that these were valid taxable supplies in respect of bona fide services performed by Avocet Mining PLC on behalf of its subsidiaries (notably the Inata gold mine), and the non-payment was the result of temporary cashflow shortages and other restrictions in connection with its subsidiary's loan facilities. In the event that the VAT registration were to be held to be invalid (which the Board considers a remote possibility), the total VAT reclaimed that would be repayable by the Company would be approximately £950k (US$1.4 million).

There were no other 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 and milled, grades, recoveries, and gold produced, as well as lost time injuries ('LTIs'). Financial KPIs include revenues, gross profit, cash costs per ounce, profit before tax, taxation, EBITDA, operating cashflows, and capex. 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 Strategic Report on pages 14 to 16. Financial risk and capital management disclosures are provided within notes 21, 24 and 25 to the financial statements.

Directors and their interests in shares
The names of the current Directors are shown on page 27 and details of their interests in the share capital of the Company are shown on page 46.

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

Substantial shareholders

At 25 April 2015, 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.[1]	28,245,037	13.51
UBS AG	20,175,000	9.65
Prelas AS	14,318,027	6.85
Bank of America Merrill Lynch	9,411,426	4.50
Halifax Share Dealing Limited	7,562,373	3.62
Hargreaves Lansdown Asset Management	7,211,663	3.45
TD Direct Investing (Europe) Limited	6,864,724	3.28

[1] – Elliott also holds a beneficial interest in 29,648,233 Contracts For Difference ('CFDs'), and 4 million warrants.

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 regular discussions are held with these suppliers. However, given sufficient advance warning, 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.

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 page 19.

Corporate governance

A report on corporate governance is provided on pages 32 to 38.

Employees

The Company has a policy of equal opportunities throughout the organisation, and is proud of its culture of diversity and tolerance. Further details are set out within the Strategic Report on page 21. Employees benefit from regular communication both informally and formally with regard to Company issues (external and internal developments, updates, etc), including a monthly newsletter distributed at the mine site and in the corporate office in Burkina Faso. Employees are made aware of the Company's share ownership policy, both to ensure compliance with listing rules but also to make them aware of the opportunity to participate in the Company's share performance. Share-based payment schemes are also available to senior staff, as set out in the Remuneration Report.

Disclosure table pursuant to Listing Rule LR9.8.4

Listing Rule	Information to be disclosed	Disclosure
9.8.4(1)	Interest capitalised by the Group	None in year
9.8.4(2)	Unaudited financial information	None in year
9.8.4(4)	Long term incentive scheme only involving a Director	None – see Remuneration Report
9.8.4(5)	Directors' waivers of emoluments	Non-executive Directors proposed and approved fee reductions and D Cather voluntarily waived a portion of his salary – See Remuneration Report for details
9.8.4(6)	Directors' waivers of future emoluments	See above
9.8.4(7)	Non pro-rata allotments for cash (issuer)	None in year
9.8.4(8)	Non pro-rata allotments for cash (major subsidiaries)	None in year
9.8.4(9)	Listed company is a subsidiary of another company	Not applicable
9.8.4(10)	Contracts of significance involving a director	None in year
9.8.4(11)	Contracts of significance involving a controlling shareholder	None in year
9.8.4(12)	Waiver of dividends	None in year
9.8.4(13)	Waiver of future dividends	None in year
9.8.4(14)	Agreement with a controlling shareholder per LR9.2.2AR	No controlling shareholders in year therefore not applicable

Health, safety and sustainable development
Details of the Group's activities relating to safety and health are set out on pages 17 to 18, and those relating to sustainable development are provided on pages 19 to 21. This latter section also includes the disclosures in relation to the Company's greenhouse gas emissions.

Going concern
The Board believe there to be a material uncertainty over the ability of the Company to continue as a Going Concern. These matters are set out in full in note 1 to the financial statements.

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;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the Annual Report and the financial statements, taken as a whole, provide the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The Directors believe that the Annual Report and accounts taken as a whole are fair, balanced and understandable, and confirm that the narrative sections of the Annual Report are consistent with the financial statements, and accurately reflect the Company's performance.

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 with 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 the Company faces.

David Cather
Chief Executive Officer

26 April 2016

REPORT ON CORPORATE GOVERNANCE

Chairman's introduction

Over the course of 2015 the Company continued to face challenges in raising financing in order to develop its assets in Guinea and in Burkina Faso.

However, although such matters are clearly at the forefront of our minds, the Board takes its responsibilities regarding the governance of the Company very seriously, not only to ensure the Company meets its compliance obligations as a Company listed on the London and Oslo stock exchanges, but also in order to ensure it remains in the best possible shape to rebuild for the future, once a refinancing has been achieved.

Russell Edey
Chairman

26 April 2016

REPORT ON CORPORATE GOVERNANCE

Throughout the year ended 31 December 2015 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, except with regard to the frequency of external assessment of Board performance, as described below.

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 three Non-executive Directors (including a Non-executive Chairman), 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 2015, 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, and offers training, 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.

The Chairman and other Board members consider the training and development needs of each Director, and concluded that none was necessary in the year, as all Directors were adjudged to have sufficient experience and knowledge, including J Wynn, who although newly promoted to the Board in the year, served as Company Secretary and Head of Finance for a number of years prior to his appointment.

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, and G Wylie to be independent.

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	SHEC Committee
R Edey	Chairman	08 Jul 2010	Independent	Member	Member	Chair	–	Member
BJ Rourke	NED	08 Jul 2010	Independent	Chair	Chair	Member	–	Member
M Donoghue[1]	NED	11 Jul 2006	Independent	–	–	Member	Chair[1]	Member
G Wylie	NED	22 Feb 2012	Independent	Member	Member	Member	Member/ Chair	Chair
D Cather	CEO	18 Jul 2012	Executive	–	–	–	Member	–
M Norris[2]	FD	10 Jul 2007	Executive	–	–	–	–	–
J Wynn[2]	FD	7 Sep 2015	Executive	–	–	–	–	–

[1] M Donoghue stood down as a Director at the AGM on 19 June 2015. He was replaced as Chair of the Technical Committee by G Wylie
[2] M Norris stood down as Finance Director on 7 September 2015, and was replaced by J Wynn

Board performance
The Board undertakes a regular 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 had been listed on the main board of the London Stock Exchange. The Board acknowledges that the next external review is overdue, however this has been deferred for reasons of cost constraint.

The most recent internal review was completed in April 2015, prior to which Board members were asked to submit assessments of the performance of the Board as a whole, as well as individual Directors, the Senior Independent Director, and the Chairman, against a range of criteria, and requested to provide further details on areas where improvements could be found. The results of this exercise were then fed back to the Board, and discussed at a Board meeting on 27 April 2015.

Board and Committee meetings
Attendance at Board and committee meetings by the relevant Board members during 2015 is set out below (note that 'n/a' indicates that a Director was not a member of the committee at any time during the year):

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Technical Committee	SHEC Committee
RP Edey	10/10	3/3	3/3	1/1	n/a	1/1
BJ Rourke	10/10	3/3	3/3	1/1	n/a	1/1
MJ Donoghue	5/5	n/a	n/a	0/0	0/0	1/1
G Wylie	9/10	3/3	3/3	1/1	1/1	1/1
M Norris	8/8	n/a	n/a	n/a	n/a	n/a
DC Cather	10/10	n/a	n/a	n/a	1/1	n/a
J Wynn	2/2	n/a	n/a	n/a	n/a	n/a

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), BJ Rourke, and G Wylie.

Operations
The Nomination Committee meets at least once a year, or more frequently as required. In 2015, it met formally only once, to review the resignation of M Norris and to recommend the appointment of J Wynn as Finance Director in his place, having considered the requirements of the role, as well as J Wynn's skills and experience.

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.

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 satisfied that the appropriate balance of skills and experience is in place to manage the business for the foreseeable future.

Following the resignation of N Harwerth in 2013, the Board has not included any female members. Although the Board values equality in all areas, it does not believe it would be in the interests of the Company at the present time to seek to add an additional member to the Board in order to address the issue of gender balance.

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 chairman, are to be determined by the Board. The current membership of the Committee comprises BJ Rourke (Chair), RP Edey, and G Wylie.

Operations

The Remuneration Committee meets at least twice a year, or more frequently as required. In 2015, the Remuneration Committee met three times. The Committee considered the remuneration levels of Executive Directors during 2015, and made a recommendation regarding the salary level for J Wynn on his appointment to the Board. In addition, the Committee considered the remuneration strategy for the Group as a whole, particularly in the context of scarce funds.

Further details on remuneration matters are set out in the Remuneration Report on pages 39 to 49.

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 senior management 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 G Wylie and R Edey. 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 2015, the Committee met on three 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 2015, the Audit Committee considered the key areas of risk and judgement relevant to the Company. These included:

- The ongoing liquidity and going concern of the Group – in particular to consider the risks to the interests of the Company's creditors and stakeholders of continuing in operation, and whether or not the Company continued to be a going concern;
- The valuation and impairment of the Company's assets, both at 31 December 2014 and 30 June 2015 – including an assessment of the cost and carrying value of the Inata gold mine and Tri-K projects, based on internal cashflow forecasts, market valuations, and other indications from third parties;

- Legal matters (including the progress of the PT LT case); and
- The adequacy of financial controls at Inata.

In addition to matters raised at the Committee meetings, Avocet management submits working papers and notes outlining the key issues, which are circulated to the Committee for consideration ahead of the meetings.

The Chairman of the Audit Committee, BJ Rourke, seeks to visit the operations approximately once each year in order to review the controls environment in place, and follow up on any issues that may arise. However, in light of production and cash issues in the year, no such visit was undertaken during 2015, and instead, assurance as to the adequacy of internal controls was obtained through a discussion with finance staff.

During 2015, the Audit Committee considered the performance of the Group's external auditors. Upon reviewing the plans and results of the 2014 audit work, the Audit Committee was satisfied with the way in which the 2014 year end audit was conducted, as well as the independence of the auditor, noting that a new partner, C Smith, had taken over the audit for the year end.

It was noted that Grant Thornton had been the Company's auditors for over 15 years, although the partner leading the audit, as well as the audit team, had changed regularly over this period.

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 (e.g. 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 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 re-appointment to the shareholders at the AGM on 19 June 2015.

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 required.

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 G Wylie, and DC Cather (Chief Executive Officer). The Committee's mandate requires that the chairman be a Non-executive Director with technical expertise, and G Wylie has significant experience of working in mining companies, over a long career as a mining and exploration geologist.

Operations
The Committee meets either formally or informally as frequently as required. During 2015, it met formally just once, however in addition it held a number of informal discussions in person and by teleconference throughout the year, notably to consider the ongoing production issues at Inata, as well as the technical options for Souma and Tri-K.

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), BJ Rourke, and RP Edey.

Operations
The SHEC Committee met once during the year. At that meeting, it focussed 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.

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 cashflows and forecasts. The appropriateness of the going concern basis for the preparation of the 2015 financial statements is discussed in detail in note 1 to the financial statements.

Auditors
A resolution to re-appoint 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, for 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. The Board review the effectiveness and adequacy of internal controls on an annual basis, and is satisfied 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.

During 2015, the key financial risk faced by the Company as a whole was identified as being liquidity, and in particular, the ability of the subsidiaries within the Group to meet obligations as they fell due. Considerable focus was placed on this area by all finance teams, and by the Audit Committee and members of the Board.

Finance teams were asked to maintain updated and detailed cashflow projections, which were reviewed by senior management and reported to the Board and Audit Committee. Details of discussions with creditors and potential funding providers were reported to the Committee by the Finance Director, and a considerable amount of time was spent ensuring that the Company was able to meet its obligations and responsibilities.

The financial reporting systems of the Group are subject to internal and external review. The accounts of the main operating entities in Burkina Faso are subject to both IFRS group audits (undertaken by Grant Thornton) as well as local compliance audits in accordance with SYSCOA and OHADA (undertaken by Fidexco). Reconciliations are undertaken between sub-ledgers and general ledgers, as well as between internal accounts and third party statements (bank statements, supplier statements, and other third party sources). Financial results and KPIs are reported from subsidiaries on a monthly basis, and reviewed and consolidated by head office staff.

Employees
The Company's employee matters are discussed in the Strategic Report on page 21.

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 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 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;
- Safety, Health, and Environmental risks are monitored by the SHEC Committee; and
- Technical Operating risks are overseen by the Technical Committee.

The key risks that relate to the Group have been set out on pages 14-16, 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.

REMUNERATION REPORT

This report is presented to shareholders by the Board and provides information on Directors' remuneration for the year ended 31 December 2015. This report complies with the requirements of both the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code. As such this report is divided into three sections; the Annual Statement highlights key decisions on remuneration, the Directors' Remuneration Policy details the Group's remuneration policies and links to strategy, and the Annual Report on Remuneration focuses on the implementation of the remuneration policy in 2015, and how we intend to implement our remuneration policy in 2016.

ANNUAL STATEMENT

In setting the Remuneration strategy for 2015, the Remuneration Committee was required to take into consideration the shortage of cash across the Group, as well as the low share price. While the Committee recognised the importance of incentivising Executive Directors, these constraints effectively meant that it was impossible to set appropriate targets that would be affordable, or acceptable to shareholders. As a result, no bonus targets were set, and no share awards were made of any kind during the year.

The Company has retained its remuneration schemes, as approved by shareholders, and these are set out in the report below. At the present time, while the Company focuses on refinancing, no awards are proposed under these schemes.

Barry Rourke
Chairman, Remuneration Committee

26 April 2016

DIRECTORS' REMUNERATION POLICY

Remuneration Policy for Executive Directors

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 framework for remuneration for the Executive Directors consists of six main elements, as follows:

Element and purpose	Operation	Opportunity	Performance measures
Base salary *Reflects competitive market, level, role and individual contribution*	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 Company when setting base salaries for the Executive Directors, to ensure the relativities are reasonable and commensurate with differences in experience, skill levels, and responsibility.	Salary increases will typically be in line with those for other Company employees. The Committee has discretion to award higher increases in exceptional circumstances, such as phased increases for a newly appointed Executive Director, a material change in complexity of the role or a material movement in market pay levels.	The salary review takes into account individual performance.
Pension *To allow individuals to save for an income on retirement*	All Executive Directors are eligible to participate in the Company's Defined Contribution Pension Scheme.	Minimum employer contribution of 3% of base salary. Employees may 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. The maximum employer contribution is 9% of salary.	None
Benefits *To support the individual in their undertaking of the role*	Executive Directors are eligible to receive benefits such as medical insurance and gym membership.	Benefits vary by role and individual. The Committee periodically reviews the cost of providing benefits and has discretion to approve additional benefits in exceptional circumstances, such as relocation or expat benefits. Excluding these, the cost of benefits will not exceed 10% of salary.	None
Share Incentive Plan *To allow UK tax residents to purchase shares in the Company under favourable tax terms*	A HMRC approved Share Incentive Plan that allows UK tax residents to receive bonus shares in the Company under favourable tax terms (provided they are held in the scheme for a minimum of 5 years).	Employees, including Executive Directors, may receive bonus shares each year up to the HMRC approved limit (currently £3,000 of gross pay).	None

Element and purpose	Operation	Opportunity	Performance measures
Annual incentive (including deferral) *Motivates the achievement of annual financial, operating and strategic goals, as well as individual performance goals*	Performance is assessed over one year against measures, weightings and targets that are set at the start of the year 50% of any award in excess of £30,000 is subject to mandatory deferral into Avocet shares which vest after a one-year holding period, subject to continued employment. The remainder of any award is paid in cash. No clawback or malus is operated in respect of this scheme.	Maximum opportunity of 75% of salary, with 50% of salary payable for an on-target level of performance and 25% payable for threshold performance. To ensure that awards appropriately reflect business performance, the Committee has discretion to adjust awards upwards or downwards within the maximum award level of 75% of salary.	Key performance indicators include gold production, cash costs, profitability and specific strategic milestones, as well as personal performance. Health, safety and environmental performance acts as an over-ride at the discretion of the Remuneration Committee (which in extreme circumstances could lead to a zero bonus)
Performance Share Plan *Drives long-term value creation and aligns executives' and shareholders' interests*	Awards are made annually and vest after 3-years subject to performance. Performance is assessed based on TSR performance targets set at the start of the performance period. Awards may be delivered in shares or nil-cost options Any award finally vesting may be increased to take into account dividend payments in the period. No clawback or malus is operated in respect of this scheme.	Maximum award of 200% of salary based on face value of award. The Committee's policy is to determine the appropriate award sizes on an annual basis, taking into account performance of both the Company and the individual. 25% of an award vests for threshold performance, with straight-line vesting between threshold and maximum. No award vests for below the threshold level of performance.	Avocet's TSR over the 3-year period relative to comparable gold-mining companies. Details of performance targets will be provided in the annual report for the year in which the award is made, providing they are not commercially sensitive.
Share Option Plan *To provide a means of alignment to shareholders' interests that is appropriate also for use below the senior executive level*	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. Grants of options will vest after three years, subject to performance and be exercisable for up to 10 years from grant. No clawback or malus is operated in respect of this scheme.	Maximum award of 200% of salary based on face value of award. The Committee's policy is to determine the appropriate award sizes on an annual basis, taking into account performance of both the Company and the individual. Up to 25% of an award vests for threshold performance.	The Remuneration Committee will determine the appropriate performance measures to apply to each option award prior to grant, tailored to the strategic objectives of the Company at the relevant time. Measures may include, but are not limited to, a minimum level of share price growth. Vesting will also be subject to the Remuneration Committee's satisfaction that underlying financial performance is at a sufficient level such that vesting is appropriate. Details of performance measures and targets will be provided in the annual report for the year in which the award is made, providing they are not commercially sensitive.

Remuneration Policy for Non-Executive Directors

Element and purpose	Operation	Opportunity	Performance measures
Annual fee *To reflect the responsibilities and time spent by the Directors on the affairs of the Company*	Annual fees are reviewed annually by the Board taking into account independent advice Non-executive Directors do not vote on any increases of their own fees Committee Chairs receive an additional fee to reflect additional responsibilities and time commitment	Fees will be varied in line with the outcome of the annual review	Not applicable

Awards under previous remuneration policies
Any awards or remuneration commitments made to directors under previous remuneration policies will continue to be honoured.

Approach to recruitment remuneration
In considering the remuneration levels for new directors, the Committee takes into account the market rate for similar roles, as well as considering the remuneration levels offered to existing and previous directors of the Company. The new director would be entitled to the same remuneration schemes as the current directors, as set out below.

Element	Approach	Maximum annual award
Base salary	Base salary on appointment will be determined based on the skills and experience of the individual, as well as the prevailing market remuneration level for the role. Should the Committee consider it appropriate to appoint an Executive Director below the median market remuneration level, it may determine a phased salary increase schedule to be applied over a number of years	Not applicable
Pension	In line with existing policy	
Benefits		
Annual Incentive	Annual Incentive, Performance Share Plan and Share Option Plan awards will be in line with existing policy. Awards may be pro-rated for time where the Executive Director joins part-way through a year	75% of salary
Performance Share Plan		200% of salary (based on face value[1] of PSP award)
Share Option Plan		200% of salary (based on face value[1] of Option award)

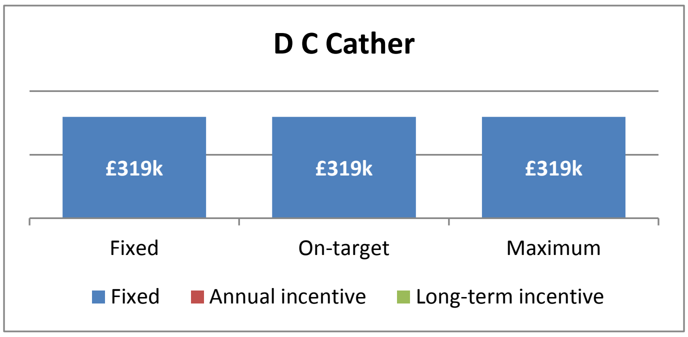
[1] Face value is based on the underlying share price at the date of the award. The final value of the award at the time of vesting may be lower, depending on whether performance conditions are met (in the case of PSP awards), or whether the share price at the time of exercise exceeds the grant price (in the case of Options).

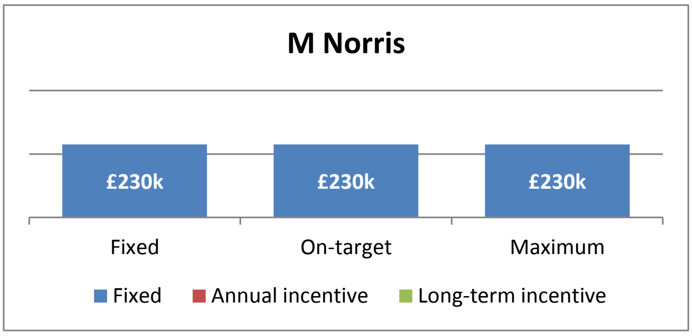
No compensation is normally offered for the forfeit of remuneration from previous employment. However, under exceptional circumstances, the Committee has discretion to make a one-off award to a newly appointed Executive Director in recognition of any amount forfeited. Any such award will be made on a like-for-like basis, with a fair-value no higher than that of the awards forfeited, taking into account time to vesting and any performance conditions that may apply. It may also be necessary for the Committee to utilise Listing Rule 9.4.2 R to make an award under a different structure to the current incentive plans outlined in the policy table.

Where an Executive Director is appointed as a result of internal promotion, any contractual commitments made prior to their promotion may be honoured.

When recruiting a new Non-Executive Director, the Board will determine the appropriate fee level in line with the policy stated above.

Remuneration scenarios
During the year, D Cather was entitled to a gross salary of £300k plus benefits of £26k, M Norris received £208k plus benefits of £21k (prior to his resignation in September 2015), and J Wynn received £52k plus benefits of £6k (following his appointment in September 2015). With effect from October 2015, D Cather voluntarily waived 10% of his gross salary, in order to conserve cash for the Company. No Director received a target in respect of the Annual Incentive Scheme, nor an Share Options or PSP shares, therefore there is no additional remuneration that could be achieved for either On-target or Maximum performance in respect of 2015. J Wynn was appointed to the Board in September 2015.





Service contracts
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 to Executive Directors for compensation for loss of office. Payments equivalent to the notice period may be made by the Company's subsidiary, Resolute West Africa Limited, in the event that insufficient funds are held at Avocet Mining PLC following a change of ownership of that subsidiary.

Other than as outlined above, there are no additional payments for Directors that are triggered by a change of control, nor are there any other remuneration-related contractual provisions such as side-letters.

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.

Exit payment policy
The Company's policy is to limit severance payments on termination to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Any payment in lieu of notice will be limited to salary and benefits, and will be subject to mitigation. Below we have outlined how incentives are typically treated in specific circumstances.

Annual bonus: Executive directors who leave during a year other than for misconduct may, at the discretion of the Committee, be entitled to receive a bonus which is pro-rated for the proportion of the year worked, subject to the extent of achievement of the performance targets at the date of termination.

PSP and Share Option awards: For good leavers (normally defined as a participant ceasing to be employed by the Group by reason of death, injury, ill-health or disability, retirement with the agreement of the Board, redundancy, the employing company ceasing to be part of the Group, or any other reason which the Board permits), awards may vest within 30 days of cessation, subject to pro-rating for the proportion of the vesting period elapsed, and the extent to which performance conditions are determined to have been achieved. For leavers for any other reason, awards lapse on cessation.

In the event of a change of control, awards may vest, subject to pro-rating for the proportion of the vesting period elapsed and the extent to which performance conditions are determined to have been achieved.

The Committee retains discretion to adjust the treatment of awards, within the rules of the relevant plans, to reflect individual circumstances and to ensure fairness for participants and shareholders.

In the event of compromise agreements being entered into, it is normal practice to include the payment of relevant moderate legal fees (e.g. £500) for the departing Director, as is normal practice.

Difference between director remuneration policy and that for other employees
The remuneration policy for senior executives is consistent with that for Executive Directors, including participation in the Company's PSP and Share Option schemes. Below this level employees participate in incentive schemes tailored to their role, as appropriate, and receive salaries and benefits which are consistent with local market practice.

Consideration of employment conditions
When setting Executive Director remuneration, the Committee considers the remuneration and overall conditions for all employees. The Committee does not annually consult with employees when deciding the remuneration policy for Executive Directors, however the Committee receives regular updates on salary increases, bonus and share awards made to Group employees and is aware of how the remuneration of Directors compares to that of other employees. These matters were taken into account when conducting the most recent review of executive remuneration.

Consideration of shareholder views
The Committee is always open to feedback from shareholders on remuneration policy, and consults formally with them in advance of any significant changes being made. Our current remuneration policy remains unchanged since the approval at the Company's Annual General Meeting in May 2013. Shareholder feedback since then has also been reflected, for example in the addition of a performance condition to any future awards made under the Share Option Plan to Executive Directors. During 2015, the Committee was conscious of the underperformance of the Company, and took this into account, along with the shortage of available funds and the low share price, in concluding that no performance bonuses would be payable, either in cash or in share-based payments, in respect of 2015.

ANNUAL REPORT ON REMUNERATION

This section of the report presents the remuneration paid to or receivable by directors in respect of 2015, as well as how we intend to implement our policy for 2016.

Single figure of total remuneration - audited

	Salary US$000		Benefits[1] US$000		Pension US$000		Annual Incentive US$000		Long-Term Incentive[2] US$000		Total $000	
12 months ended	Dec 2014	**Dec 2015**	Dec 2014	**Dec 2015**	Dec 2014	**Dec 2015**	Dec 2014	**Dec 2015**	Dec 2014	**Dec 2015**	Dec 2014	**Dec 2015**
Executive Directors												
DC Cather	494	**447**	1	–	44	**40**	**–**	**–**	–	**–**	539	**487**
AM Norris	412	**320**	5	**4**	37	**29**	–	**–**	–	**–**	454	**349**
J Wynn	–	**77**	–	**2**	–	**7**	–	**–**	–	**–**	–	**86**
Non-executive Directors												
RP Edey	115	**46**		–	–	**–**	**–**	**–**	–	**–**	115	**46**
MJ Donoghue	74	**25**	–	–	–	**–**	**–**	**–**	–	**–**	74	**25**
BJ Rourke	74	**38**	–	–	–	**–**	**–**	**–**	–	**–**	74	**38**
G Wylie	74	**38**	–	–	–	**–**	**–**	**–**	–	**–**	74	**38**
RA Pilkington[5]	18	**–**	–	–	–	**–**	**–**	**–**	–	**–**	18	**–**

Notes
1 Benefits include healthcare and dental cover
2 Reflects the total value on vesting of long-term incentives with performance periods ending in the year. Note no options were exercised by Directors in 2014 or 2015
3 A Norris stood down from the Board on 7 September 2015
4 J Wynn was appointed to the Board on 7 September 2015
5 R Pilkington stood down from the Board on 8 May 2014

2015 annual incentive outcomes - audited

During 2015, the Company was under considerable pressure to conserve cash, in order to meet its obligations to creditors and financiers as far as possible. Early in the year, it became apparent that, in order for there to be sufficient cash available to support an annual incentive payment to Directors and Senior Management, the performance of the Company in those KPIs normally used as a basis for target-setting (gold production, cash costs, cashflow, etc) would need to be substantially above levels that might be reasonably expected. On that basis, the Remuneration Committee felt that no annual incentive targets were appropriate.

Long-term incentives vesting in 2015 - audited

Performance Share Plan vesting in 2015

A total of 1,455,000 PSP awards were made in March 2013, whose vesting condition was based on the performance of the Company's share price between 1 January 2013 and 31 December 2015. The Committee set the following relative TSR performance targets for the 2012 PSP award:

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%

The comparator group for the 2012 award comprised the following companies: Resolute Mining, Endeavour Mining, Perseus Mining, Amara Mining PLC, Randgold Resources, Nevsun Resources, Acacia Mining[1], Semafo, Centamin, Asanko Gold[2,] Orezone Gold, Ampella Mining, GoldenStar Resources, Banro, High River Gold, Teranga Gold, Gryphon Minerals, and PMI Gold.

1 Formerly African Barrick Gold
2 Formerly Keegan Resources

At the end of the performance period, Avocet's relative TSR performance was below median, which meant that no shares vested.

Share Option Plan vesting in 2015

Details of those options held by Directors which vested in 2015 and 2014 are set out on pages 46 to 48. None of these options had any embedded value on the date on which they became exercisable.

Scheme interests awarded during 2015 – audited
No share options were awarded to any staff during 2015.

Payments to past directors - audited
No payments were made to past Directors in 2015

Payments for loss of office - audited
No loss of office payments were made to Directors in 2015

Sums Paid by Third Parties
Neither of the Executive Directors received any additional fees during the year relating to external appointments.

Relative importance of spend on pay

	2015 (US$m)	2014 (US$m)	% change
Aggregate employee remuneration	23.0	28.0	-18%
Dividends incl. share buybacks	-	-	n/a

Aggregate employee remuneration reduced in 2015 compared to 2014 as a result of a reduction in the workforce across the Group, together with the suspension of Bonus payments as a result of cash constraints and the underperformance of the Company.

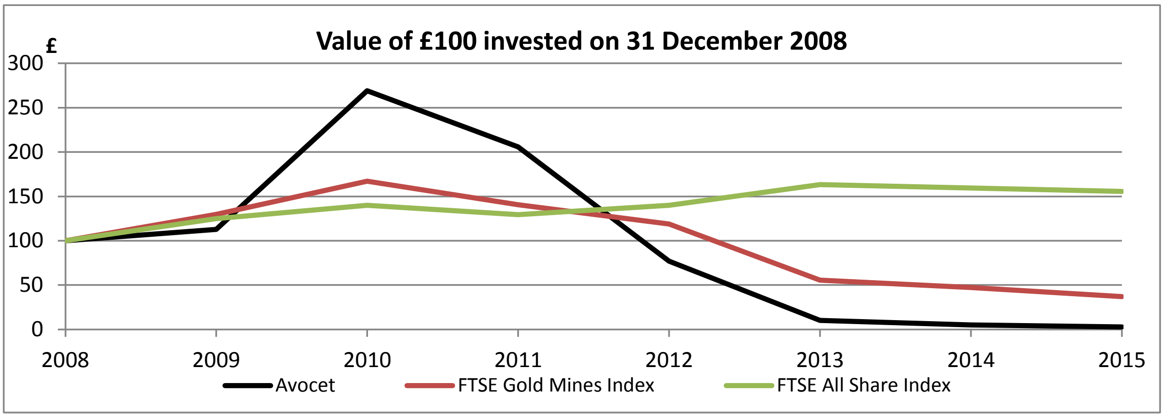
No dividends have been paid, nor are any proposed, in respect of 2014 or 2015.

Percentage change in CEO remuneration
The table below sets out the percentage change in CEO salary, taxable benefits, and annual bonus from 2014 to 2015 compared to the wider employee population.

	CEO	Other employees
Salary	0%	-32%
Taxable benefits	-100%	-11%
Annual bonus	n/a	n/a

D Cather was not awarded a pay rise in 2014 or 2015, and received no Bonus for either year. The other employee group above represents all Avocet employees, excluding the Executive Directors.

CEO remuneration and Company performance
The chart below 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 2010 to 31 December 2015. 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.



		2009	2010	2011	2012	2013	2014	2015
CEO single figure of total remuneration (US$000)		1,166	1,820	679	828	546	539	487
Annual incentive as a percentage of maximum		100%	100%	41%	35%	0%	0%	0%
Long-term incentives as a percentage of maximum	Share options[1]	0%	0%	0%	25%	0%	0%	0%
	PSP shares[2]	n/a	n/a	n/a	0%	n/a	n/a	n/a

[1] Prior to May 2011, options were awarded based under an old Share Option scheme
[2] PSP performance period in respect of the first awards made to David Cather in 2012 is three years. The 2012 award was not completed until 31 December 2014, while the 2013 awards did not complete until 31 December 2015. No awards were made in 2014 or 2015.

Implementation of remuneration policy in 2016

Executive Directors

Executive Director salaries for 2015 were as follows:

	2016 salary (£)	2015 Salary (£)	% increase
D Cather	300,000[1]	300,000	0%
M Norris	-	250,000	n/a
J Wynn	200,000	200,000[2]	0%

[1] D Cather waived 10% of his contractual salary entitlement with effect from October 2015.
[2] J Wynn was appointed to the Board on 7 September 2015, at a salary of £200,000.

In view of the recent performance of the Company, and taking into account relevant benchmarking, the Committee decided not to increase salaries for Executive Directors in 2016.

Non-Executive Directors

Non-Executive Director fees for the years 2013-2016 are as follows:

Position	2016	2015	2014	2013
Chairman of the Board	£30,000	£30,000	£70,000	£70,000
Non-executive Directors' fees	£25,000	£25,000	£30,000	£30,000
Additional fees for chairmanships:				
Technical Review Committee	-	-	£15,000	£15,000
SHEC Committee	-	-	£15,000	£15,000
Audit Committee	-	-	£10,000	£10,000
Remuneration Committee	-	-	£5,000	£5,000

Fee levels for Non-executive Directors were reduced in 2013 and 2015. The Chairman's fee was fixed at £30,000 per annum, with the other Non-executive Directors' fees at £25,000. No additional fees are payable in 2016 in respect of committee chairmanships.

Directors' shareholdings - audited

The beneficial interests of Directors and Persons Discharging Managerial Responsibility ('PDMRs') in the shares of the Company at 31 December 2015 were as follows:

	Shares owned	Restricted shares held in EBT/SIP			PSP shares	Share options	
		EBT	SIP	Total		Performance conditions	No performance Condition
D Cather	50,000	14,925	-	14,925	-	750,000	250,000
R Edey	150,325	-	-	-	-	-	-
J Wynn	31,894	-	2,367	2,367	-	274,917	100,000
	232,219	**14,925**	**2,367**	**17,292**	**-**	**1,024,917**	**350,000**

The following share options held by PDMRs have performance conditions:

Date of grant	17 May 2009	18 Mar 2010	26 Mar 2013
Date first exercisable	17 May 2012	18 Mar 2013	26 Mar 2016
Grant price (Pence)	75.00	105.00	20.50
Performance condition	See I below	See I below	See II below
D Cather	-	-	750,000
J Wynn	4,917	75,000	195,000
Total	**4,917**	**75,000**	**945,000**

Performance conditions outlined are as follows:

I. The share price change between the date of grant and the date of exercise must be higher than the change in the value of the FTSE Gold Mining Index over the same period
II. In order to be fully exercisable, the 30-day volume-weighted average price ('VWAP') for Avocet shares must exceed 80 pence in the period between the Grant Date and the 26 March 2016. If the maximum 30-day VWAP during this service period is between 40 pence and 80 pence, the number of options which become exercisable will be a pro rata scale between 25% of the number of options awarded (for 40 pence) and 100% of the options awarded (for 80 pence). If the maximum 30-day VWAP during the service period does not reach 40 pence, no options will be exercisable.

None of the other share options are subject to outstanding performance conditions, other than the discretion retained by the Remuneration Committee to disallow the exercise of any options for any reason, for instance if it believes underlying business performance to be insufficiently strong.

There are no shareholding guidelines currently in place for any of the directors.

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, Annual Incentive 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.

During the year ended 31 December 2015, there were no movements of shares held under the EBT:

	EBT shares allocated at 31 December 2014	**EBT shares allocated during the period**	**EBT shares released/ cancelled during the period**	**EBT shares allocated at 31 December 2015**	**Date on which shares vest**
Executive Directors					
DC Cather	14,925	-	-	14,925	02/05/14
Others					
Others	23,608	-	(16,788)	6,820	
Total	**38,533**	**-**	**(16,788)**	**21,745**	

The EBT held 334,300 shares at 31 December 2015.

During the year ended 31 December 2015, there were no share allocations or releases were made under the SIP.

	SIP shares allocated at 31 December 2014	**SIP shares allocated during the period**	**SIP shares released/ cancelled during the period**	**SIP shares allocated at 31 December 2015**	**Latest date on which shares vest**
Executive Directors					
J Wynn	2,367	-	-	2,367	13/05/15
Others					
Others	1,951	-	(1,951)	-	
Total	**4,318**	**-**	**-**	**2,367**	

The SIP held 1,901 shares at 31 December 2015.

Share Option Schemes
In 2011, the Company introduced a new Share Option Plan. Prior to 2011, the Company awarded share options under an older scheme, originally introduced in 1999. All new awards are made under the newer scheme, however some outstanding awards under the older scheme are still outstanding, 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 2014	Options exercised/ cancelled during the period	Options granted during the period	Options held at 31 December 2015	Exercise price (pence)	Date of grant	Date from which exercisable	Expiry date
DC Cather	250,000	-	-	250,000	75.00	01/08/12	01/08/15	01/08/22
	750,000			750,000	20.50	26/03/13	26/03/16	26/03/23
	1,000,000	**-**	**-**	**1,000,000**				
J Wynn	4,917	-	-	4,917	75.00	17/05/09	17/05/12	17/05/16
	75,000	-	-	75,000	105.00	18/03/10	18/03/13	18/03/17
	13,333	-	-	13,333	219.33	23/05/11	21/02/12	21/02/18
	13,333	-	-	13,333	219.33	23/05/11	21/02/13	21/02/18
	13,334	-	-	13,334	219.33	23/05/11	21/02/14	21/02/18
	60,000	-	-	60,000	229.75	12/03/12	12/03/15	12/03/22
	100,000	(100,000)	-	-	67.50	13/12/13	n/a	n/a
	195,000	-	-	195,000	20.50	26/03/13	26/03/16	26/03/23
	130,000	(130,000)	-	-	20.50	26/03/13	n/a	n/a
	604,917	**-**	**-**	**374,917**				

M Norris, a Director until 8 September 2015, held a total of 1,150,488 options which expired during the period.

No options became exercisable during 2014 or 2015.

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

Grant date	Exercise price (pence)	No of options	Exercise date	Expiry date
26-Mar-13	20.50	945,000	26-Mar-16	26-Mar-23
08-Mar-13	23.50	870,000	08-Mar-16	08-Mar-23
17-May-09	75.00	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	450,000	25-Jun-12	25-Jun-16
18-Mar-10	105.00	375,000	18-Mar-13	18-Mar-17
23-May-11	219.33	30,000	21-Feb-12	21-Feb-18
		30,000	21-Feb-13	21-Feb-18
		30,000	21-Feb-14	21-Feb-18
12-Mar-12	229.75	160,000	12-Mar-15	12-Mar-22
Total		**3,144,917**		

<u>Performance Share Plan ('PSP') awards</u>
PSP awards held by the Directors during the year were as follows:

	No of PSP shares	Date of award	Expiry date	Performance period begins	Performance period ends	Date of cancellation	Final no of shares awarded
DC Cather	250,000	01/08/12	01/08/15	01/01/12	31/12/14	01/01/15	-
	750,000	26/03/13	26/03/16	01/01/13	31/12/15	01/01/16	-
J Wynn	195,000	26/03/13	26/03/16	01/01/13	31/12/15	01/01/16	-
	1,000,000						

All remaining PSP awards were cancelled on 1 January 2016 as their performance conditions were not met.

<u>Share Price Movements During 2015</u>
The mid-market closing price of the Company's shares at 31 December 2015 was £0.026 (31 December 2014: £0.045). The highest and lowest trading prices of the Company's shares during the year were £0.081 and £0.020 respectively.

<u>Dilution</u>
Taking account of all shares newly issued as a consequence of incentive schemes over the ten-year period to 31 December 2015 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.

Interests of Directors and Persons Discharging Managerial Responsibility (‘PDMRs’)
Prior to his appointment to the Board of Directors, the Company deemed J Wynn to be a PDMR (equivalent to a Primary Insider for the Oslo Børs) on the basis of his role as Head of Finance and Company Secretary. There were no other PDMRs during 2015.

The Remuneration Committee and its advisors
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 37.

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 participate directly in discussions which concern his own remuneration. The Company Secretary also attends.

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.

Shareholder voting
The following table provides the results of the vote on the 2014 Remuneration Report at the 2015 AGM:

	Shares owned	% of votes cast
For	49,780,577	99.7%
Against	112,736	0.2%
Withheld	25,197	<0.1%
Total	**49,918,510**	

The number of votes against the motion to accept the 2014 Remuneration Report was not significant.

This report has been approved by the Board.

Barry Rourke
Chairman, Remuneration Committee

26 April 2016

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

What we have audited

Avocet Mining PLC's financial statements 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 Cash Flow Statement and the related notes.

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.

Basis for qualified opinion on Group financial statements

With respect to physical stock contained in ore stockpile, in circuit and in finished goods of $11.5m included within inventory of $17.3m as disclosed in note 17, the audit evidence available to us was limited because we were unable to observe the counting of this physical stock due to safety concerns arising from acts of terrorism within Burkina Faso. Owing to the nature of the Group's accounting records, we were unable to obtain sufficient appropriate audit evidence regarding the quantities of this stock by using other audit procedures.

Our opinion on the financial statements is modified

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2015 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.

Emphasis of matter - Going concern and carrying value of the Tri-K asset

In forming our opinion on the group financial statements, we have considered the adequacy of the disclosure made in notes 1 and 15 to the Group financial statements concerning the Group's ability to continue as a going concern and to proceed with its Tri-K project.

The Group and Company have agreed terms with an affiliate of Elliott Associates, the Company's largest shareholder, to increase the limit under the Second Loan to US$3.05 million, with an additional US$0.8 million to be drawn down in four equal monthly tranches beginning from 25 April 2016. However, thereafter, there can be no certainty that Elliott will be willing to remain supportive, nor to provide on-going financing, particularly if the discussions around financing Tri-K become protracted or become less likely to lead to a satisfactory outcome.

At the present time, the Company is in discussions with a number of parties who are interested in investing in the Tri-K project, and bringing it into production. The precise nature of the investments under discussion varies, and all aspects remain subject to clarification and negotiation. At 31 December 2015 the Tri-K asset was recorded in the consolidated statement of financial position at a carrying value of $18.9m.

Under the terms of the Guinean Mining Code, if the holder of a mining permit has not commenced construction activity within 12 months of the award of the permit (i.e. by 27 March 2016), it can be liable to penalties commencing at US$100,000 per month. If such activity has not commenced within a further six months, then the permit may be withdrawn by the government.

The ultimate outcome and timing of discussions with potential investors cannot presently be determined, and the carrying value of Tri-K assumes that funding will be received within the required period to bring it into production.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Furthermore, if the Group is unable to secure adequate investment from potential investors, the carrying value of the Tri-K intangible asset may become impaired and its carrying value may not be recoverable. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Other matter

We have reported separately on the parent company financial statements of Avocet Mining PLC for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited. That report includes an emphasis of matter.

Who are we reporting to

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.

Our assessment of risk
In arriving at our opinions set out in this report, we highlight the following risks that in our judgement, had the greatest effect on our audit.

Going concern
The risk: the financial statements are prepared on a going concern basis in accordance with International Accounting Standard (IAS) 1 'Presentation of Financial Statements'. As the directors' assessment of the Group's ability to continue as a going concern requires significant judgement we identified going concern as a significant risk requiring special audit consideration, specifically given the Group's dependency on timing of funding.

Our response: our audit work included, but was not restricted to, the following:

- We considered the directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year end through discussion at Audit Committee and confirming that the additional funding from Elliott has been received, as disclosed in Note 1; and
- We confirmed that discussions are on-going by reviewing documentation in place in respect of negotiations with third parties in relation to funding and developing the Tri-K asset.

The Group's assessment of going concern is included in note 1 to the financial statements. As noted in the Report on Corporate Governance on page 37, the Audit Committee also considered the liquidity and going concern of the Group as one of the key areas of risk and judgement relevant to the Group for the year. Our audit report for the Group and parent company includes an emphasis of matter in respect of going concern.

Carrying value of the Tri-K asset
The risk: as at 31 December 2015 the Group has incurred significant exploration costs for sites in Guinea which have been capitalised as intangible assets in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources'. At 31 December 2015 the Tri-K asset was recorded in the consolidated statement of financial position at a carrying value of $18.9m. Given current gold prices and the Group's difficulties in securing finance, an impairment review in accordance with IAS 36 'Impairment of assets' was required. Impairment calculations by management are highly judgemental and have a high degree of estimation uncertainty as disclosed in note 7. We therefore identified the carrying value of the Tri-K asset as a significant risk requiring special audit consideration.

Our response: our audit work included, but was not restricted to, the following:

- We obtained evidence that Avocet has valid permits to exploit the related intangible asset, by inspecting the signed permit provided by the client;
- We inspected documentation in place in respect of discussions with third parties in relation to funding and developing the Tri-K asset; and
- We assessed and challenged the directors' judgements surrounding the feasibility of Tri-K (including the need for future funding) and in forming their assessment of the recoverable amount, by reviewing the underlying support for the key assumptions to ensure that the carrying value is appropriate. This included the use of our internal valuations team to assist in the audit of the discount factors used for the Tri-K impairment model.

The Group's disclosures of judgements and sources of estimation uncertainty relating to deferred exploration expenditure are disclosed in notes 1 and 2 to the Group financial statements. The Group's accounting policy in respect of intangible assets is included in note 3 to the Group financial statements and related disclosures are included in note 15. As noted in the Report on Corporate Governance on page 37, the Audit Committee also considered the valuation and impairment of the Group's assets as a one of the key areas of risk and judgement relevant to the Group for the year. Our audit report for the Group includes an emphasis of matter in respect of the carrying value of the Tri-K asset.

Inventory – Ore stockpile
The risk: the measurement and valuation of ore stockpile included in inventory, together with its net realisable value, involves significant judgement by the directors as to the quantum and quality of the gold ore held in the stockpile. At 31 December 2015 ore stockpile was recorded in the consolidated statement of financial position at a net realisable value of $7.3m We therefore identified the valuation of ore stockpile as a significant risk requiring special audit consideration.

Our response: with respect to ore stockpile included in inventory the audit evidence available to us was limited because we were unable to observe the counting of the physical stock contained in ore stockpile due to safety concerns arising from acts of terrorism within Burkina Faso. We were able to view documents which supported our understanding of the controls in place, but we were unable to obtain sufficient appropriate audit evidence regarding the ore stockpile quantities by using other audit procedures.

The Group's accounting policy in respect of inventory is included in note 3 to the Group financial statements and related disclosures are included in note 17. Our audit report for the Group includes a qualification in respect of physical stock contained in ore stockpile, and also ore in circuit and in finished goods held within inventory as disclosed in note 17.

Litigation
The risk: the Group is the subject of legal actions. Assessing whether amounts should be disclosed or provided for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' requires the directors to exercise significant judgement, depending on the case. We therefore identified litigation as a risk requiring particular audit consideration.

Our response: Our audit work included, but was not restricted to, the following:

- We reviewed Board minutes to understand all on-going legal actions and their status;
- Letters were sent to legal representatives enquiring about any outstanding legal matters and responses were received. We reviewed those responses to ensure that there were no material unrecorded liabilities, contingent or otherwise; and

- We discussed the status of all on-going legal matters with the Audit Committee.

The Group accounting policy in respect of provisions, contingent liabilities and contingent assets is included in note 3 to the Group financial statements and disclosures in relation to litigation are included in note 30. As noted in the Report on Corporate Governance on page 37, the Audit Committee also considered legal matters as one of the key areas of risk and judgement relevant to the Group for the year.

Our application of materiality and an overview of the scope of our audit

Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the Group financial statements as a whole to be $2.7m (2014 $6.8m), which was 5% of the loss before income taxes in the year to 31 December 2015. This benchmark is considered the most appropriate because, as an operating company, this is an important measure of performance.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2014 to reflect the reduced loss incurred in the year ended 31 December 2015.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% (2014: 60%) of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be $0.13m (2014: $0.3m). In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit
A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

The overall approach to the Group audit included the Group audit team performing a full scope audit of the financial information of the UK head office, in respect of the parent company and the Group consolidation, and of the West Africa mining operations site in Burkina Faso, which covers 100% of revenue. Specified audit procedures were performed by the Group audit team on certain material balances and transactions within the West Africa Exploration entities in Burkina Faso and Guinea.

Our approach was based on a thorough understanding of Avocet Mining plc's business and is risk based. We identified and concentrated our resources on areas of higher risk, including those areas of concern to the directors. We undertook substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Our audit approach included the use of our internal valuations team to assist in the audit of the discount factors used for the Tri-K impairment model. We have evaluated the adequacy of the work of these experts in respect of our audit.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.
- Under the Listing Rules, we are required to review:
- the directors' statements in relation to going concern and longer-term viability, set out on pages 32 and 13 respectively; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

In respect solely of the limitation on our work relating to inventory, described in the Basis for qualified opinion on Group financial statements paragraph, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit. We have nothing to report in respect of any of the other matters above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the directors are responsible for:
As explained more fully in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What are we responsible for:
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

26 April 2016

Consolidated income statement

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 US$000	Year ended 31 December 2014 US$000
Revenue		**85,038**	110,444
Cost of sales	4	**(89,933)**	(129,716)
Gross loss		**(4,895)**	(19,272)
Administrative expenses		**(2,061)**	(5,717)
Share based payments		**(414)**	(856)
Net impairment of assets	5,7	**(45,148)**	(111,692)
Loss from operations		**(52,518)**	(137,537)
Finance items			
Exchange gains		**3,136**	5,856
Finance expense	12	**(6,316)**	(8,454)
Loss before taxation		**(55,698)**	(140,135)
Analysed as:			
Loss before taxation and exceptional items	9	**(10,550)**	(28,443)
Exceptional items	5	**(45,148)**	(111,692)
Loss before taxation		**(55,698)**	(140,135)
Taxation	13	**5,993**	(9,653)
Loss for the year		**(49,705)**	(149,788)
Attributable to:			
Equity shareholders of the parent company		**(45,732)**	(136,120)
Non-controlling interest		**(3,973)**	(13,668)
Loss for the year		**(49,705)**	(149,788)
Earnings per share:			
Basic loss per share (cents per share)	14	**(21.88)**	(67.09)
Diluted loss per share (cents per share)	14	**(21.88)**	(67.09)
EBITDA[1]	6	**(1,996)**	(2,231)

[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 2015

	Note	**Year ended 31 December 2015**	Year ended 31 December 2014
		US$000	US$000
Loss for the year		**(49,705)**	(149,788)
Total comprehensive loss for the year		**(49,705)**	(149,788)
Attributable to:			
Equity holders of the parent		**(45,732)**	(136,120)
Non-controlling interest		**(3,973)**	(13,668)
Total comprehensive loss for the year		**(49,705)**	(149,788)

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

Consolidated statement of financial position

At 31 December 2015

	Note	**31 December 2015 US$000**	31 December 2014 US$000
Non-current assets			
Intangible assets	15	**17,206**	17,206
Property, plant and equipment	16	**1,692**	32,750
		18,898	49,956
Current assets			
Inventories	17	**17,274**	41,004
Trade and other receivables	18	**6,648**	8,502
Cash and cash equivalents - unrestricted	19	**1,934**	533
Cash and cash equivalents - restricted	19	**3,922**	4,283
		29,778	54,322
Current liabilities			
Trade and other payables	20	**42,681**	45,751
Other financial liabilities	21	**45,973**	32,648
		88,654	78,399
Non-current liabilities			
Financial liabilities	21	**21,960**	35,902
Deferred tax liabilities	22	**1,670**	4,614
Provisions	23	**6,813**	6,493
		30,443	47,009
Net liabilities		**(70,421)**	(21,130)
Equity			
Issued share capital	28	**17,072**	17,072
Share premium		**146,391**	146,391
Other reserves	29	**17,895**	17,895
Retained earnings		**(214,932)**	(169,614)
Total equity attributable to the parent		**(33,574)**	11,744
Non-controlling interest		**(36,847)**	(32,874)
Total equity		**(70,421)**	(21,130)

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

RP Edey **J Wynn**

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

Avocet Mining PLC is registered in England No. 03036214

Consolidated statement of changes in equity

For the year ended 31 December 2015

	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 2014		**16,247**	**146,040**	**17,895**	**(34,350)**	**145,832**	**(19,206)**	**126,626**
Loss for the year		–	–	–	(136,120)	(136,120)	(13,668)	(149,788)
Total comprehensive income for the year		**–**	**–**	**–**	**(136,120)**	**(136,120)**	**(13,668)**	**(149,788)**
Issue of shares		825	351	–	–	1,176	–	1,176
Share based payments		–	–	–	856	856	–	856
At 31 December 2014		**17,072**	**146,391**	**17,895**	**(169,614)**	**11,744**	**(32,874)**	**(21,130)**
Loss for the year		–	–	–	(45,732)	(45,732)	(3,973)	(49,705)
Total comprehensive income for the year		**–**	**–**	**–**	**(45,732)**	**(45,732)**	**(3,973)**	**(49,705)**
Issue of shares		-	-	–	–	-	–	-
Share based payments		–	–	–	414	414	-	414
At 31 December 2015		**17,072**	**146,391**	**17,895**	**(214,932)**	**(33,574)**	**(36,847)**	**(70,421)**

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

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	**Year ended 31 December 2015 US$000**	Year ended 31 December 2014 US$000
Cash flows from operating activities			
Loss for the year		**(49,705)**	(149,788)
Adjusted for:			
Depreciation of non-current assets	16	**5,374**	23,614
Net impairment	5, 7	**45,148**	111,692
Share based payments		**414**	856
Taxation in the income statement	13	**(5,993)**	9,653
Other non-operating items in the income statement	27	**1,409**	199
		(3,353)	(3,774)
Movements in working capital			
Decrease in inventory		**8,281**	2,063
Decrease in trade and other receivables		**1,082**	3,029
Increase in trade and other payables		**1,295**	10,777
Net cash generated by operations		**7,305**	12,095
Interest paid		**(3,767)**	(5,981)
Income tax paid		**(500)**	(906)
Net cash generated by operating activities	6	**3,038**	5,208
Cash flows from investing activities			
Payments for property, plant and equipment		**(3,793)**	(11,613)
Exploration and evaluation expenses		**–**	(28)
Net cash used in investing activities		**(3,793)**	(11,641)
Cash flows from financing activities			
Net proceeds from equity issued		**–**	1,175
Loans repaid	21	**(10,169)**	(4,371)
Proceeds from debt	21	**12,391**	–
Payments in respect of finance leases	21	**(438)**	(744)
Net cash flows generated by/(used in) financing activities		**1,784**	(3,940)
Net cash movement		**1,029**	(10,373)
Exchange gains/ (losses)		**11**	(12)
Total increase/(decrease) in cash and cash equivalents		**1,040**	(10,385)
Cash and cash equivalents at start of the year		**4,816**	15,201
Cash and cash equivalents at end of the year		**5,856**	4,816

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 2015

1. 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 2015.

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.

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 2.

The Parent Company financial statements in notes 38 to 51 present information about the Company as a separate entity rather than about the Group, and have been prepared under Financial Reporting Standard 101 "Reduced disclosure framework" (FRS101) (2014: UK GAAP) as permitted by the Companies Act 2006.

In issue but not effective for periods commencing on 1 January 2015

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 January 2015 are:

IFRS 9 Financial Instruments (IASB effective date 1 January 2018)[2]
IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016) [2,4]
IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) [2]
IFRS 16 Leases (effective 1 January 2019) [2]
Defined Benefit Plans: Employee Contributions (Amendments to IAS19) (IASB effective date 1 July 2014) [2,5]
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016) [5]
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016) [5]
Annual Improvements to IFRSs 2010-2012 Cycle (IASB effective date generally 1 July 2014) [2,5]
Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016) [5]
Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016) [5]
Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016) [5]
Amendments to IFRS 10, IFRS 12 and IAS28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016) [2]
Disclosure Initiative : Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016) [5]
Disclosure Initiative: Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017) [2]
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016) [3]
Amendments to IAS12: Recognition of Deferred Tax assets for unrealised Losses (effective 1 January 2017) [2]

[1] Not adopted by the EU (as at 16 Feb 2016)
[2] EU mandatory effective date is financial years starting on or after 1 February 2015
[3] Endorsement postponed indefinitely
[4] It has been decided not to launch the endorsement process – The EC will wait for a completely new standard
[5] Endorsed

The Directors anticipate that the above pronouncements, where relevant, will be adopted in the Group's financial statements for the year beginning 1 January 2015 and will have little impact on the Group's accounting policies or results.

Going concern

Continued financial support from Elliott

The Company has the following loans, which totalled US$23.9 million on 31 March 2016, due to an affiliate of Elliott Associates, its largest shareholder:

1. First Loan - taken out in March 2013, under which US$18.7 million was outstanding at 31 March 2016, comprising US$15.0 million principal and US$3.7 million accrued interest. The first loan was due on 31 December 2013 and is secured against the Tri-K exploration asset in Guinea;
2. Second Loan - unsecured demand loan of US$2.5 million consisting of US$2.25 million principal plus accrued interest of US$0.27 million. The initial US$1.5 million was drawn down in January 2015, and a further US$0.75 million was drawn down in three equal tranches between January and March 2016; and
3. Third Loan - demand loan of US$2.6 million consisting of US$2.45 million principal plus accrued interest of US$0.19 million. The initial US$2.05 million was drawn down in August 2015 (of which US$1.55 million was used to repay a previous unsecured loan), and a further US$0.4 million was drawn down between September and October 2015. These amounts are secured over a range of Group assets including intragroup loans, shares in subsidiaries, and over the gold in circuit and gold in transit of the Inata gold mine.

The First Loan was entered into in March 2013 in order to finance the Tri-K Feasibility Study in Guinea. It had been intended to repay this facility by 31 December 2013 using cashflows from the Inata gold mine, however a fall in the gold price combined with production difficulties meant that this was not possible. Since 1 January 2014, this facility has been in default, and is therefore repayable on demand.

The Second Loan and the Third Loan were drawn down over the course of 2015 and into 2016, and were used to provide funding for corporate and administrative activities in London and in Guinea.

In addition, on 20 April 2016, the Company announced that it had agreed terms to increase the limit under the Second Loan to US$3.05 million, with the additional US$0.8 million to be drawn down in four equal monthly tranches beginning from 25 April 2016.

All of these loans are on demand, and if repayment was requested by Elliott, the Company would have considerable difficulty in raising external financing needed to settle these amounts in full.

Since 2014, the cashflow shortages resulting from gold prices and lower production at the Inata mine meant that the Company has relied primarily on loan financing from Elliott in order to meet its running costs of its head office and Guinea administrative functions.

These loans represent short-term facilities with high interest rates (between 11% and 14%). In order to become financially secure, the Company will need to negotiate a restructuring of these loans with Elliott.

This restructuring is most likely to come about as part of the financing of the Tri-K project in Guinea. The Company is in active discussions with several parties in this regard, and the Board has a reasonable expectation that these discussions will bear fruit.

Until such discussions are concluded, the Company will remain reliant on the support of Elliott, not only with regard to the repayment of the existing loans, but also for the provision of ongoing funding until the discussions around Tri-K financing, and the restructure of the Elliott loans, are concluded.

As the successful negotiation of these funding discussions represents the most likely means for Elliott to secure the repayment or satisfactory restructuring of its outstanding debts, the Board has a reasonable expectation of receiving ongoing support from Elliott in this regard.

However, thereafter, there can be no certainty that Elliott will be willing to remain supportive, nor to provide ongoing financing, particularly if the discussions around financing Tri-K become protracted or become less likely to lead to a satisfactory outcome for all parties. In the event that their support was withdrawn, the Company would need to agree funding from an alternative source at short notice, which is likely to be extremely challenging.

Ability to secure financing for Tri-K

Since 2013, the Company has been actively pursuing funding for its Tri-K project in Guinea. A Feasibility Study for this project was submitted in September 2013, which outlined a heap leach operation with a capex of approximately US$88 million. Since then, work has been undertaken to revise the design of the project with the result that the capex estimation has now reduced to approximately US$60 million.

A mining permit for the project was awarded on 27 March 2015.

Financing discussions in 2014 and 2015 were made more challenging by the slump in the mining sector, which resulted in many institutions restricting their focus to larger and more profitable projects, in jurisdictions with a lower perceived risk. In addition, the ebola crisis in West Africa meant that many potential investors were unable or unwilling to undertake site visits necessary for their due diligence procedures.

Nevertheless, interest in the project picked up in the latter part of 2015 and into 2016, buoyed by an increase in the gold price.

At the present time, the Company is in discussions with a number of parties who are interested in investing in the project, and bringing it into production. The precise nature of the investments under discussion varies, and all aspects remain subject to clarification and negotiation.

However, until a deal has been formally concluded with a preferred financing partner, there can be no guarantee that the Tri-K project will be funded.

Loss of Tri-K permits

The Company has received considerable pressure from the Guinean authorities to commence pre-production activity at the Tri-K site. Under the terms of the Guinean Mining Code, if the holder of a mining permit has not commenced construction activity within 12 months of the award of the permit (ie by 27 March 2016), it can be liable to penalties commencing at US$100k per month. If such activity has not commenced within a further six months (by 27 September 2016), then the permit may be withdrawn by the government.

The Company has held discussions with a number of senior members of the Government of Guinea (including the Prime Minister and the Minister of Mines and Geology), at which the challenges in raising financing in the prevailing climate were explained and acknowledged.

Nevertheless, if the securing of financing for the project is not secured, then there is a risk that the Government of Guinea will apply penalties (which may in itself discourage investment in the project), and may ultimately withdraw the permit.

Moreover, any deal involving the external financing of the project will require the approval of the Guinea Government – not only if such proposals involve alterations to the construction plan, but also because any material change in ownership requires approval under the terms of the Mining Code.

Based on the discussions held with interested parties as well as senior Government representatives, the Board has a reasonable expectation that, provided financing terms can be agreed upon, the Government is likely to be sympathetic to proposals that result in a mine being constructed at Tri-K of at least the scale and economics as those which were outlined in the Feasibility Study.

Gold price

The profitability of both the Tri-K project and the Inata gold mine (including surrounding deposits) depends on the gold price.

The NPV_{16} of the Tri-K project, based on the latest cashflow forecasts, indicates that a break-even gold price would be around US$1,050 per ounce, with every subsequent increase of US$50 per ounce adding around US$8 million in value.

The cash costs at Inata during 2015 and into 2016 have ranged between US$1,000 and US$1,100 per ounce, and therefore a modest fall in gold prices from current levels would result in margins becoming extremely tight, which would make the servicing of the mine's debts and creditors challenging.

The Company has no control over the gold price, and is not in a position to enter into any hedging arrangements in view of its financial difficulties.

The rise in the gold price since January 2016, however, has given cause to believe that the decline in spot prices seen between 2012 and 2015 may be at an end. In financial forecasts, the Company uses US$1,200 per ounce. The Board believe this to be a reasonable long term price.

Nevertheless, it remains clear that a sustained fall in the gold price would put severe pressure on the operations at Inata, and would also threaten the economic viability of the Tri-K project – as well as the Avocet Group as a whole.

Support from Inata's creditors

The Inata gold mine at the end of March 2016 had approximately US$34 million in trade creditors, and a further US$44 million in bank and other debt facilities. Many of the balances owing to suppliers are overdue, and the mine has faced a number of demands to bring balances within credit limits.

There can be no guarantee that one or more creditors might not refuse to allow critical supplies to be delivered to the mine, or might otherwise initiate legal action that could disrupt operations.

Inata's management have spent a considerable amount of time discussing the mine's predicament with key suppliers, pointing to the fact that the best means to ensure creditors are repaid is to allow supplies to continue to be made, and for the mine to produce gold.

The recent uptick in gold prices, together with improved production plans and lower operating costs, are encouraging developments for Inata's creditors and wider stakeholders.

Souma permit

The future of the Inata gold mine beyond 2018 will rely upon the successful completion of a Feasibility Study for the Souma deposit, located 20km east of the Inata plant.

The work needed to complete the study, which is expected to cost between US$5-7 million, must be completed in order for an application for a mining permit to be submitted by July 2017.

The Company is currently in negotiation with its financiers with regards to the funding of this activity. However, until any financing package is negotiated, there can be no guarantee that this funding will be made available.

Conclusion

The above areas of risk represent material uncertainties that may cast significant doubt over the ability of the Group to continue as a Going Concern and that it may be unable to realise all of its assets and discharge all of its liabilities in the normal course of business. Nevertheless, the Directors have a reasonable expectation that these risks can be managed, or will not come to pass, and accordingly the Financial Statements have been prepared on a Going Concern basis and do not include the adjustments that would result if the Group were unable to continue as a Going Concern.

2. 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. 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 life of mine Ore Reserves. Certain relevant judgements are discussed in note 7 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. Certain relevant judgements are discussed in note 7 in respect of the impairment of mining assets.

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 2015, which was triggered by a reduction in the gold price, as well as a reassessment of the Inata life of mine plan.

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 of uncertainties, 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 7.

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 intercompany recharges.

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 works 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.

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. At year end, US$1.0 million of VAT recoverable was written off as a result of uncertainty relating to its recoverability.

3. 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 are 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.

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. The Group's operating segments are determined as the UK, Burkina Faso (which includes the Inata mine as well as exploration activity within the Bélahouro licence area), and Guinea (which includes the Tri-K project).

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.

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 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. Exploration property and plant is depreciated over 3–7 years on a straight-line basis.

The following depreciation methods and asset life estimates are used for the components of mining and exploration 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

Deferred stripping costs
Stripping costs incurred during the development phase of the mine as part of initial pit stripping are capitalised as mine development costs within mining property and plant. Subsequently, these costs are depreciated from the point at which commercial production commences using the units of production method and life of mine ore reserves. Changes to life of mine ore reserves are accounted for prospectively.

Stripping costs incurred during the production stage of the mine are treated as either part of the cost of inventory produced or a non-current deferred stripping asset, depending on the expectation of when the benefit of the stripping activity is realised through the processing of ore.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced in the current period, the directly attributable costs of that mining activity is treated as part of the ore stockpile inventory.

To the extent that the benefit from the stripping activity is the improved access to ore that will be mined in future periods, and the cost is material, the directly attributable costs are treated as a non-current 'stripping activity asset'. Stripping activity costs are only capitalised during a sustained period of waste stripping, such as significant push backs or pit expansion. The costs of short term variations from a life of mine stripping ratio are absorbed as part of current period mining costs or ore stockpiles, rather than being capitalised.

Stripping activity assets are depreciated using the unit of production method based on the ore reserves for the component of the orebody for which the stripping activity relates.

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 Cash Generating Unit ('CGU'). A CGU is the smallest group of assets that generates 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 , 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, or impaired, 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 loans, overdrafts, forward contracts 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.

Forward contracts are designated as held for trading financial assets or liabilities at fair value through profit or loss, in accordance with IAS39, on the basis that they represent derivatives not designated as hedging instruments. As a result the forward contracts are recognised at fair value as defined under IFRS 13.

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 in the income statement.

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.

4. SEGMENTAL REPORTING

For the year ended 31 December 2015	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
INCOME STATEMENT				
Revenue	**–**	**85,038**	**–**	**85,038**
Cost of Sales	**–**	**(89,008)**	**(925)**	**(89,933)**
Cash production costs:				
– mining	–	(23,772)	–	(23,772)
– processing	–	(34,492)	–	(34,492)
– overheads	–	(15,256)	–	(15 256)
– royalties	–	(5,570)	–	(5,570)
	–	(79,090)	–	(79,090)
Changes in inventory	–	(5,895)	–	(5,895)
Expensed exploration and other cost of sales[1]	–	1,198	(772)	426
Depreciation and amortisation[2]	–	(5,221)	(153)	(5,374)
Gross loss	**–**	**(3,970)**	**(925)**	**(4,895)**
Administrative expenses and share based payments	(2,475)	–	–	(2,475)
Net impairment of assets	–	(45,148)	–	(45,148)
Loss from operations	**(2,475)**	**(49,118)**	**(925)**	**(52,518)**
Net finance items	(2,768)	(412)	–	(3,180)
Loss before taxation	**(5,243)**	**(49,530)**	**(925)**	**(55,698)**
Analysed as:				
Loss before tax and exceptional items	(5,243)	(4,382)	(925)	(10,550)
Exceptional items (impairments)	–	(45,148)	–	(45,148)
Taxation	(19)	6,012	–	5,993
Loss for the year	**(5,262)**	**(43,518)**	**(925)**	**(49,705)**
Attributable to:				
Equity shareholders of parent company	(5,262)	(39,545)	(925)	(45,732)
Non–controlling interest	–	(3,973)	–	(3,973)
Loss for the year	**(5,262)**	**(43,518)**	**(925)**	**(49,705)**
EBITDA[3]	**(2,475)**	**1,251**	**(772)**	**(1,996)**

[1] Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised and foreign exchange.
[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 2015	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
STATEMENT OF FINANCIAL POSITION				
Non-current assets	–	–	18,898	18,898
Inventories	–	17,212	62	17,274
Trade and other receivables	217	6,211	220	6,648
Cash and cash equivalents – unrestricted	173	1,640	121	1,934
Cash and cash equivalents – restricted	–	3,922	–	3,922
Total assets	**390**	**28,985**	**19,301**	**48,676**
Current liabilities	(25,043)	(63,280)	(331)	(88,654)
Non–current liabilities	–	(30,443)	–	(30,443)
Total liabilities	**(25,043)**	**(93,723)**	**(331)**	**(119,097)**
Net (liabilities)/assets	**(24,653)**	**(64,738)**	**18,970**	**(70,421)**

For the year ended 31 December 2015	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
CASH FLOW STATEMENT				
Loss for the year	(5,262)	(43,518)	(925)	(49,705)
Adjustments for non–cash and non-operating items[1]	765	45,786	(199)	46,352
Movements in working capital	(1,067)	10,363	1,362	10,658
Net cash (used in)/generated by operations	**(5,564)**	**12,631**	**238**	**7,305**
Net interest paid	–	(3,767)	–	(3,767)
Tax paid	–	(500)	–	(500)
Purchase of property, plant and equipment	–	(3,765)	(28)	(3,793)
Loans advanced/(repaid)	3,928	(1,706)	–	2,222
Other cash movements[2]	1,664	(1,963)	(128)	(427)
Total increase/(decrease) in cash and cash equivalents	**28**	**930**	**82**	**1,040**

[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 cash flows from financing activities, and exchange losses.

For the year ended 31 December 2014	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
INCOME STATEMENT				
Revenue	**–**	**110,444**	**–**	**110,444**
Cost of Sales	**–**	**(128,645)**	**(1,071)**	**(129,716)**
Cash production costs:				–
– mining	–	(36,296)	–	(36,296)
– processing	–	(38,084)	–	(38,084)
– overheads	–	(20,118)	–	(20,118)
– royalties	–	(7,537)	–	(7,537)
	–	(102,035)	–	(102,035)
Changes in inventory	–	(895)	–	(895)
Expensed exploration and other cost of sales[1]	–	(2,101)	(1,071)	(3,172)
Depreciation and amortisation[2]	–	(23,614)	–	(23,614)
Gross loss	**–**	**(18,201)**	**(1,071)**	**(19,272)**
Administrative expenses and share based payments	(6,573)	–	–	(6,573)
Net impairment of assets	(74)	(105,547)	(6,071)	(111,692)
Loss from operations	**(6,647)**	**(123,748)**	**(7,142)**	**(137,537)**
Net finance items	(1,695)	(903)	–	(2,598)
Loss before taxation	**(8,342)**	**(124,651)**	**(7,142)**	**(140,135)**
Analysed as:				
Loss before tax and exceptional items	(8,268)	(19,104)	(1,071)	(28,443)
Exceptional items (impairments)	(74)	(105,547)	(6,071)	(111,692)
Taxation	(12)	(9,641)	–	(9,653)
Loss for the year	**(8,354)**	**(134,292)**	**(7,142)**	**(149,788)**
Attributable to:				
Equity shareholders of parent company	(8,354)	(120,624)	(7,142)	(136,120)
Non-controlling interest	–	(13,668)	–	(13,668)
Loss for the year	**(8,354)**	**(134,292)**	**(7,142)**	**(149,788)**
EBITDA[3]	**(6,573)**	**5,413**	**(1,071)**	**(2,231)**

[1] Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised and intercompany charges.
[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 2014	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
STATEMENT OF FINANCIAL POSITION				
Non–current assets	–	30,933	19,023	49,956
Inventories	–	40,936	68	41,004
Trade and other receivables	352	7,992	158	8,502
Cash and cash equivalents	145	4,632	39	4,816
Total assets	**497**	**84,493**	**19,288**	**104,278**
Current liabilities	(19,355)	(58,673)	(371)	(78,399)
Non–current liabilities	(164)	(46,845)	–	(47,009)
Total liabilities	**(19,519)**	**(105,518)**	**(371)**	**(125,408)**
Net (liabilities)/assets	**(19,022)**	**(21,025)**	**18,917**	**(21,130)**

For the year ended 31 December 2014	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
CASH FLOW STATEMENT				
Loss for the year	(8,354)	(134,292)	(7,142)	(149,788)
Adjustments for non–cash and non–operating items[1]	2,632	137,405	5,977	146,014
Movements in working capital	797	14,248	824	15,869
Net cash (used in)/generated by operations	**(4,925)**	**17,361**	**(341)**	**12,095**
Net interest (paid)/received	(755)	(5,226)	–	(5,981)
Tax paid	–	(906)	–	(906)
Purchase of property, plant and equipment	–	(11,613)	–	(11,613)
Deferred exploration expenditure	–	–	(28)	(28)
Loans repaid	–	(4,371)	–	(4,371)
Proceeds from equity issued	1,175	–	–	1,175
Other cash movements[2]	723	(1,800)	321	(756)
Total decrease in cash and cash equivalents	**(3,782)**	**(6,555)**	**(48)**	**(10,385)**

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 cash flows from financing activities, and exchange losses.

5. EXCEPTIONAL ITEMS

	31 December 2015 US$000	31 December 2014 US$000
Impairment of Burkina Faso assets	**(45,148)**	(105,547)
Impairment of Guinea exploration asset	**–**	(6,071)
Impairment of available for sale financial assets	**–**	(74)
Exceptional loss	**(45,148)**	(111,692)

Net impairments of Burkina Faso assets

The Group recognised a net impairment of non–current assets of US$45.1 million (2014: US$105.5 million) in respect of the Inata cash generating unit, and Bélahouro exploration licences, driven by a reduction in the forecasted gold price and changes in the life of mine plan, together with lower expected cash recoveries from VAT and inventory balances. Further details are provided in note 7.

Impairment of Guinea exploration asset

No impairment (2014: US$6.1 million) was recognised in the capitalised exploration costs (intangible assets) in relation to the Tri-K project in Guinea. Further details are provided in note 7.

Impairment of available for sale financial assets

At 31 December 2013 management concluded that the decline in the share price of Golden Peaks Resources Limited reflected a permanent diminution in the value of that asset. Management considered the fall to be indicative of the investment's ability to provide a future return and was therefore not considered a short term fluctuation in the market value. The cumulative loss that had been recognised directly in other comprehensive income was reclassified from equity and recognised in profit or loss as a cumulative impairment of US$2.2 million. During 2014, the remaining value of the assets was impaired to nil.

6. EBITDA

Earnings before interest, tax, depreciation and amortisation ('EBITDA') represents profit before depreciation/amortisation, interest and taxes, as well as excluding any exceptional items and profit or loss from discontinued operations and changes in fair value of forward contracts.

Reconciliation of loss before taxation to EBITDA

	31 December 2015 US$000	31 December 2014 US$000
Loss before taxation	**(55,698)**	(140,135)
Exceptional Items (see note 5)	**45,148**	111,692
Depreciation	**5,374**	23,614
Exchange gains	**(3,136)**	(5,856)
Net finance income	**–**	(2)
Net finance expense	**6,316**	8,456
EBITDA	**(1,996)**	(2,231)

Reconciliation of EBITDA to net cash generated by/(used in) operating activities

	31 December 2015 US$000	31 December 2014 US$000
EBITDA	**(1,996)**	(2,231)
Working capital	**7,260**	15,869
Net interest paid	**(3,767)**	(5,981)
Income tax paid	**(500)**	(906)
Provisions and other non–cash costs	**2,041**	(1,543)
Net cash generated by operating activities	**3,038**	5,208

7. IMPAIRMENT OF ASSETS

Net impairment of Burkina Faso assets in 2015

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 asset 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 CGU. This includes all tangible non-current assets, intangible exploration assets, and net current assets excluding cash.

At 30 June 2015, the Company revised its near term gold price assumptions down to US$1,100 per ounce (from US$1,200 per ounce at 31 December 2014) for 2015-2017, the period covered by the current Inata life of mine. These lower gold prices, together with the production uncertainties associated with the complex ore types which remain to be processed in the life of mine, were considered by management to be an indication of impairment of the Inata cash generating unit.

The combined impact of lower gold price assumptions, together with a mine life which was six months shorter than at 31 December 2014, led the Company to recognise an impairment of US$30.6 million at 30 June 2015.

US$28.4 million of this impairment was set against the carrying value of the fixed assets of Inata (which were reduced to nil in the Balance Sheet), with the remaining US$2.2 million set against the value of the stockpiled ore.

When calculating the VIU, certain assumptions and estimates were 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 in the following table.

Assumption	Judgements	Sensitivity
Timing of cash flows	Cash flows were forecast over the current life of the mine, which forecasts mining activities to occur until April 2017, with a further four months during which stockpiles would be processed and rehabilitation costs would be incurred.	An extension or shortening of the mine life would have resulted in a corresponding increase or decrease in impairment, the extent of which it was not possible to quantify.
Production costs	Production costs were forecast based on detailed assumptions, including staff costs, consumption of fuel and reagents, maintenance, and administration and support costs.	A change of 10% in production costs excluding royalties would have varied the pre-tax impairment attributable by US$15.1 million[1].
Gold price	A gold price of US$1,100 per ounce was assumed.	A change of 10% in the gold price assumption would have varied the pre-tax impairment recognised in the year by US$18.1 million[1].
Discount rate	A discount rate of 20% (pre-tax) was used in the VIU estimation, based on estimations of Avocet's cost of capital, adjusted for specific risk factors related to Inata including liquidity and production risks.	An increase in the discount rate of five percentage points would have decreased the pre-tax impairment recognised in the year by US$0.1million[1].
Gold production	The June 2015 life of mine plan showed total gold production of 0.21 million ounces.	A 10% change in ounces produced would have varied the pre-tax impairment recognised in the year by US$18.1 million[1].

At 31 December 2015, a further US$14.5 million of impairments were recognised. Although a new LoMP indicated a longer mine life (extending until 2019), its cashflow remain insufficiently robust to warrant a reversal of the impairments previously booked, and in fact the carrying value of the mine's fixed assets was held at nil by impairing a further US$1.3 million of additions.

In addition, inventory spares were impaired by US$5.6 million as a result of an obsolescence review, particularly in the context of a short mine life, and a further US$7.6 million of stockpile value was written down as a result of revising the expected recoveries of the gold it contained. The total impairment for 2015 for Inata was therefore US$45.1 million.

Impairment of Inata at prior reporting dates

At 31 December 2014 the Company concluded that the reduction in the market forecasted gold price and the decrease in the expected gold recovered from the change in Inata's life of mine plan were indicators of impairment. An assessment was carried out of the fair value of Inata's CGU, using the discounted cash flows of the mine's latest estimated life of mine plan to calculate their VIU. As a result of this review, a pre-tax impairment loss of US$105.5 million was recorded in 2014, being an impairment of mining property and plant of US$83.9 million, spares parts inventory of US$15.9 million, and VAT recoverable of US$5.7 million. The 2014 impairment also included an impairment of US$26.6 million in respect of capitalised exploration costs.

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

When calculating the VIU, certain assumptions and estimates were 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 in the following table.

Assumption	Judgements	Sensitivity
Timing of cash flows	Cash flows were forecast over the expected life of the mine. The life of mine plan in December 2014 forecasted mining activities to occur until April 2017, with a further four months during which stockpiles would be processed and rehabilitation costs would 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 was not possible to quantify.
Production costs	Production costs were forecast based on detailed assumptions, including staff costs, consumption of fuel and reagents, maintenance, and administration and support costs.	An increase in production costs excluding royalties of 10% would have increased the pre-tax impairment attributable by US$17.9 million[1].
Gold price	Management have used a gold price of US$1,200 per ounce, in line with market consensus estimates and management's own view of gold prices over the period of the Life of Mine.	A decrease of 10% in the gold price assumption would have increased the pre-tax impairment recognised in the year by US$21.9 million[1].
Discount rate	A discount rate of 20% (pre-tax) was used in the VIU estimation, based on estimations of Avocet's own cost of capital, adjusted for specific risk factors related to the Inata LoMP (liquidity risk, production risk, etc).	An increase in the discount rate of five percentage points would have decreased the pre-tax impairment recognised in the year by US$0.7million[1].
Gold production	The life of mine plan was based on gold production of 0.25 million ounces for the Inata Mine.	A 10% decrease in ounces produced, compared with the life of mine gold production, would have increased the pre-tax impairment recognised in the year by US$21.9 million[1].

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

The Inata mine has undergone a number of impairments in recent years, which have been summarised below.

At 31 December 2012 the Company concluded that the reduction in Inata's Ore Reserve and subsequent revision to the life of mine represented an indication of impairment. A review was therefore carried out of the carrying 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 was recorded in 2012, being an impairment of intangible exploration costs of US$6.4 million, and mine development costs of US$128.9 million.

In accordance with IAS 36, the Company is required to assess at the end of each reporting period whether there is any indication that a previous impairment loss may no longer exist or may have decreased, as well as a requirement to review any indication of additional impairment. As a result of the Group's quarterly reporting during 2013, such reviews were carried out on a quarterly basis and during 2013 resulted in a reversal of impairment and subsequent impairments as described below. The impairment in the accounts for 2013 was recognised on a net basis and was in line with the impairment charge that would have been recognised if reviewed on an annual basis.

At 31 March 2013 the recognition of the forward contract liability at fair value during March 2013 was excluded from both the carrying amount of the CGU and the cash flows of the VIU calculation. The Company concluded that the requirements of an indication of a reversal of impairment were identified in relation to the Inata mining assets. An assessment was therefore carried out of the fair value of Inata's CGU, using the discounted cash flows of Inata's latest estimated life of mine plan to calculate the VIU. As a result of the review, a pre-tax partial reversal of impairment losses of US$72.2 million was recorded in 31 March 2013 and allocated to mine development costs

At 30 June 2013 the Company concluded that the fall in the gold spot price and market forecasts was considered to be an indicator for impairment. An assessment was 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$73.3 million was recorded at 30 June 2013, being an impairment of mine development costs.

At 30 June 2014, the Company reviewed its latest life of mine plan forecast (details of which were announced on 12 June 2014), and concluded that the reduction in gold production (and therefore cash generation) compared to previous forecasts represented an indicator of impairment. An assessment was carried out of the fair value of Inata's CGU, using the discounted cash flows of the mine's latest estimated life of mine plan to calculate their VIU. As a result of this review, a pre-tax impairment loss of US$25.8 million was recorded in the accounts at 30 June 2014, which was applied against the carrying value of mine development costs at Inata.

	31 December 2015 US$000	31 December 2014 US$000	31 December 2013 US$000	31 December 2012 US$000
Impairment at 31 December 2012	**–**	–	–	(135,300)
Impairment partial reversal at 31 March 2013	**–**	–	72,200	–
Impairment at 30 June 2013	**–**	–	(73,300)	–
Impairment at 31 December 2013	**–**	–	(29,400)	–
Impairment at 30 June 2014	**–**	(25,780)	–	–
Impairment at 31 December 2014	**–**	(79,767)	–	–
Impairment at 30 June 2015	**(30,609)**	–	–	–
Impairment at 31 December 2015	**(14,539)**	–	–	–
Net impairment	**(45,148)**	(105,547)	(30,500)	(135,300)

Impairment of Guinea exploration asset

During 2014, cost and production estimates for the Tri-K project in Guinea were revisited, with a view to optimising the project. The gold price assumption was also reduced to US$1,200 per ounce. Based on these revised estimates, an impairment assessment indicated that an impairment of the carrying value of the project was required, based on a fair value estimate of US$18.8 million for the Guinea exploration CGU. As a result, an impairment of US$6.1 million was recorded at 31 December 2014.

The deadlines in respect of the mining permit caused management to undertake an impairment review at 31 December 2015, however no impairment was deemed necessary, as the key assumptions which underpin the asset's valuation (similar to those stated for Inata above) remained unchanged, and the discount rate would need to be increased by 3% to 19% to create a material variance.

8. LOSS FOR THE PERIOD BEFORE TAX

	31 December 2015 US$000	31 December 2014 US$000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**5,292**	23,257
Depreciation of property, plant and equipment held under finance lease	**82**	357
Operating lease charges	**1,613**	1,262
Audit services:		
– fees payable to the Company's auditor for the audit of the Company and Group accounts	**160**	210
Fees payable to the Company's auditor for other services:		
– tax services	**18**	18

9. LOSS BEFORE TAXATION AND EXCEPTIONAL ITEMS

Loss before taxation and exceptional items is calculated as follows:

	31 December 2015 US$000	31 December 2014 US$000
Loss from operations	**(52,518)**	(137,537)
Impairment of Burkina Faso assets	**45,148**	105,547
Impairment of Guinea exploration asset	**–**	6,071
Impairment of available for sale financial assets	**–**	74
Exchange gains	**3,136**	5,856
Net finance expense	**(6,316)**	(8,454)
Loss before taxation and exceptional items	**(10,550)**	(28,443)

10. 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. The Company uses the same definition as for Persons Discharging Managerial Responsibility ('PDMRs'), an up-to-date list of whom can be found on the Company's website (wwww.avocetmining.com).

	31 December 2015 US$000	31 December 2014 US$000
Wages and salaries	**1,179**	1,572
Social security costs	**153**	182
Bonus	**–**	64
Share based payments	**–**	–
Pension costs – defined contribution plans	**104**	109
Total remuneration of key management personnel	**1,436**	1,927

11. TOTAL EMPLOYEE REMUNERATION (INCLUDING KEY MANAGEMENT PERSONNEL)

	31 December 2015 US$000	31 December 2014 US$000
Wages and salaries	**14,880**	23,647
Social security costs	**3,012**	2,130
Bonus	**69**	348
Redundancy payments	**4,504**	388
Share based payments	**413**	856
Pension costs – defined contribution plans	**104**	634
Total employee remuneration	**22,980**	28,003
The average number of employees during the period was made up as follows:		
Directors	**6**	6
Management and administration	**34**	59
Mining, processing and exploration staff	**534**	750
	574	815

12. FINANCE INCOME AND EXPENSE

	31 December 2015 US$000	31 December 2014 US$000
Finance income		
Bank interest received	**–**	2
Finance expense		
Interest on loans	**5,705**	6,655
Interest on finance leases	**152**	225
Other finance costs	**459**	1,576
	6,316	8,456
Net finance expense	**6,316**	8,454

The interest on loans of US$5.7 million consists of US$3.8 million in respect of the Inata facility with Ecobank Burkina and US$1.9 million in respect of the Elliott loan. The interest on finance leases relates to the fuel storage facility located on the Inata site. Other finance costs reflect costs incurred in respect of the Group's financing activities during the year.

13. TAXATION

	31 December 2015 US$000	31 December 2014 US$000
Current tax:		
Current tax on loss for the year	**–**	–
Current tax relating to prior years	**(3,049)**	5,039
Current tax (credit)/charge	**(3,049)**	5,039

In 2012, SMB (the subsidiary in Burkina Faso which operates the Inata mine) underwent a tax audit in respect of the years 2009, 2010, and 2011. The initial assessment of this tax audit, which was undertaken by the tax department of the Burkina Faso government, was that a total of US$25.5 million was due in taxes and penalties. A review of the assumptions underlying this conclusion led Avocet, along with its tax advisers, to believe that this assessment was factually inaccurate and based on incorrect application and interpretation of the Burkina Faso tax code. Avocet felt confident that, with the exception of some minor items which were settled without delay, the full amount would be revised on review and discussion with the Burkina Faso Director General of Taxes.

Following discussions with senior government representatives during 2013, the Company believed that the final amount to be settled would be US$3.5 million and paid this amount in December 2013 in what it believed to be full and final settlement. Subsequently, however, a revised assessment of US$8.5 million was received by the Company. The Company paid US$0.9 million during 2014 and accrued the remaining US$4.1 million as at 31 December 2014.

During 2015, the Company paid a further US$0.5 million in respect of this matter, however agreed to a final settlement amount that meant that US$3.0 million could be released from the provision.

	31 December 2015 US$000	31 December 2014 US$000
Deferred tax:		
Deferred tax provision in respect of withholding taxes on intra-group balances	**(2,944)**	4,614
Deferred tax (credit)/ charge	**(2,944)**	4,614
Total tax (credit)/charge for the year	**(5,993)**	9,653

The deferred tax liability of US$1.7 million (2014: US$4.6 million) relates to withholding tax ('WHT') and interest tax ('IRVM') that would be due in Burkina Faso on settlement of intragroup management fees and loan interest invoices. Restrictions on payments to Group companies as a result of Avocet's loan arrangements, together with limited cash availability, have led management to believe it is now unlikely that the loan interest balances will be paid, and accordingly it was considered appropriate to release this element of the provision during 2015.

Factors affecting the tax charge for the year:

	31 December 2015 US$000	31 December 2014 US$000
Loss for the period before tax	**(55,698)**	(140,135)
Loss for the period multiplied by the UK standard rate of corporation tax 20% (2014: 21.5%)	**(11,140)**	(30,129)
Effects of:		
Differences in taxation rate	**(4,190)**	(8,746)
Disallowable expenses	**12,724**	32,944
Gains not taxable	**(996)**	(1,259)
Tax provision in respect of withholding taxes on intra-group balances	**(2,944)**	4,614
Adjustment in respect of prior periods	**(3,049)**	12
Carry forward of tax losses	**3,602**	12,217
Tax (credit)/charge for the period	**(5,993)**	9,653

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$174 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.

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 2015 Shares	31 December 2014 Shares
Weighted average number of shares in issue for the year		
– number of shares with voting rights	**209,054,701**	202,893,879
– effect of share options in issue	**–**	–
Total used in calculation of diluted earnings per share	**209,054,701**	202,893,879

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 potential ordinary shares for 2015 and 2014 would decrease the loss per share, they are therefore not included in diluted earnings per share. Note 26 outlines share options in issue, none of which were exercisable at the period end.

	31 December 2015 US$000	31 December 2014 US$000
Earnings per share		
Loss for the year	**(49,705)**	(149,788)
Adjustments:		
Adjusted for non-controlling interest	**3,973**	13,668
Loss for the year attributable to equity shareholders of the parent	**(45,732)**	(136,120)
Loss per share		
– basic (cents per share)	**(21.88)**	(67.09)
– diluted (cents per share)	**(21.88)**	(67.09)
Earnings per share before exceptional items		
Loss for the year attributable to equity shareholders of the parent	**(45,732)**	(136,120)
Adjustments:		
Add back exceptional items	**45,148**	111,692
Add back non-controlling interest of exceptional items	**4,515**	10,447
Profit/(loss) for the year attributable to equity shareholders of the parent before exceptional items	**3,931**	(13,981)
Earnings per share before exceptional items		
– basic (cents per share)	**1.88**	(6.89)
– diluted (cents per share)	**1.88**	(6.89)

15. INTANGIBLE ASSETS

	Note	**31 December 2015 US$000**	31 December 2014 US$000
At 1 January		**17,206**	23,249
Additions		**–**	28
Impairment of exploration assets	5, 7	**–**	(6,071)
At 31 December		**17,206**	17,206

Year end balances are analysed as follows:

	31 December 2015 US$000	31 December 2014 US$000
Burkina Faso	**–**	–
Guinea	**17,206**	17,206
Total	**17,206**	17,206

As set out in note 7, an review of Tri-K determined a net fair value of US$18.8 million (2014: US$18.8 million) for the Guinea exploration CGU (which includes US$1.6 million of other net assets) resulting in a US$ nil (2014: US$6.1 million) impairment to intangible assets. Under the Guinea Mining Code, if construction on the project has not commenced within 12 months of the date of grant of the permit (27 March 2016), penalties may be incurred, and after a subsequent 6 months (27 September 2016) the permit may be withdrawn.

16. 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 2015	Note	Burkina Faso US$000	Burkina Faso US$000	Burkina Faso US$000	Guinea US$000	UK US$000	Total US$000
Cost							
At 1 January 2015		**76,114**	**45,035**	**60,813**	**3,095**	**770**	**185,827**
Additions		3,072	692	–	28	–	3,792
Impairment	7	(2,766)	(8,078)	(18,632)	–	–	(29,476)
At 31 December 2015		**76,420**	**37,649**	**42,181**	**3,123**	**770**	**160,143**
Depreciation							
At 1 January 2015		**76,114**	**36,163**	**38,752**	**1,278**	**770**	**153,077**
Charge for the year		306	1,486	3,429	153	–	5,374
At 31 December 2015		**76,420**	**37,649**	**42,181**	**1,431**	**770**	**158,451**
Net Book Value at 31 December 2015		**–**	**–**	**–**	**1,692**	**–**	**1,692**
Net Book Value at 31 December 2014		–	8,872	22,061	1,817	–	32,750

Included within property, plant and equipment are assets held under finance leases with a net book value of US$ nil (2014: US$2.4 million) and assets in the course of construction with a value of US$ nil (2014: US$8.2 million), (principally being the construction of the second tailings management facility). Assets in the course of construction are not depreciated until they are completed and brought into use.

Year ended 31 December 2014	Note	Mining property and plant: Mine development costs Burkina Faso US$000	Mining property and plant: Plant and machinery Burkina Faso US$000	Mining property and plant: Vehicles, fixtures, and equipment Burkina Faso US$000	Exploration property and plant Guinea US$000	Office equipment UK US$000	Total US$000
Cost							
At 1 January 2014		**106,251**	**87,833**	**64,095**	**3,095**	**770**	**262,044**
Additions		1,656	8,275	1,682	–	–	11,613
Assets scrapped		–	–	(1,304)	–	–	(1,304)
Reclassification to inventory as spares		–	–	(2,578)	–	–	(2,578)
Impairment	7	(31,793)	(51,073)	(1,082)	–	–	(83,948)
At 31 December 2014		**76,114**	**45,035**	**60,813**	**3,095**	**770**	**185,827**
Depreciation							
At 1 January 2014		**64,886**	**32,100**	**31,230**	**1,070**	**770**	**130,056**
Charge for the year		11,228	4,063	8,115	208	–	23,614
Accumulated depreciation relating to scrapped assets		–	–	(593)	–	–	(593)
At 31 December 2014		**76,114**	**36,163**	**38,752**	**1,278**	**770**	**153,077**
Net Book Value at 31 December 2014		**–**	**8,872**	**22,061**	**1,817**	**–**	**32,750**
Net Book Value at 31 December 2013		41,365	55,733	32,865	2,025	–	131,988

17. INVENTORIES

	31 December 2015 US$000	31 December 2014 US$000
Consumables	**5,824**	13,858
Stockpile	**7,283**	21,709
Work in progress	**2,079**	2,985
Finished goods	**2,088**	2,452
Total inventories	**17,274**	41,004

Consumables represent stocks of mining supplies, reagents, lubricants and spare parts held on site. As a result of Inata's shorter life of mine, the value of slow-moving spares and consumables held at Inata was impaired by US$5.6 million in the year (2014: US$15.9 million).

The stockpile was impaired by US$7.6 million due to lower gold prices and recoveries reducing the expected Net Realisable Value.

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

18. TRADE AND OTHER RECEIVABLES

	31 December 2015 US$000	31 December 2014 US$000
Payments in advance to suppliers	**1,182**	2,296
VAT recoverable	**4,415**	4,682
Prepayments	**1,051**	1,524
Total trade and other receivables	**6,648**	8,502

A total of US$1.0 million (2014: US$5.7 million) of unrecovered VAT has been written down on the basis of being outstanding for more than 12 months by 31 December 2015.

19. CASH AND CASH EQUIVALENTS

	31 December 2015 US$000	31 December 2014 US$000
Cash at bank and in hand – unrestricted	**1,934**	533
Cash at bank and in hand - restricted	**3,922**	4,283
Cash and cash equivalents	**5,856**	4,816

Included within cash at 31 December 2015 was US$3.9 million of restricted cash (31 December 2014: US$4.3 million), representing a US$2.1 million debt service reserve account held in relation to the Ecobank loan (2014: US$2.3 million), and US$1.8 million (2014: US$1.9 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.

20. TRADE AND OTHER PAYABLES

	31 December 2015 US$000	31 December 2014 US$000
Trade payables	**36,059**	38,975
Corporation tax	**167**	3,735
Other	**156**	–
Social security and other taxes	**47**	102
Accrued expenses	**6,252**	2,939
Total trade and other payables	**42,681**	45,751

The Corporation tax liability consists of a provision in respect of a tax assessment for the years 2009, 2010 and 2011, as set out in note 13.

21. OTHER FINANCIAL LIABILITIES

Current financial liabilities	**31 December 2015 US$000**	31 December 2014 US$000
Interest bearing debt	**44,987**	31,679
Finance lease liabilities	**732**	715
Warrants on the Company's own equity	**254**	254
Total current financial liabilities	**45,973**	32,648

Non-current financial liabilities	**31 December 2015 US$000**	31 December 2014 US$000
Interest bearing debt	**21,073**	34,524
Finance lease liabilities	**887**	1,378
Total non-current financial liabilities	**21,960**	35,902
Total financial liabilities	**67,933**	68,550

Interest bearing debt
On 31 December 2015, the Group had interest bearing debt of US$66.1 million (31 December 2014: US$66.2 million).

Elliott loan
The Elliott loan of US$22.5 million (31 December 2014: US$16.7 million) is repayable on demand and is considered due at the time these accounts were completed. The settlement of the loan is discussed in note 1. US$4.0 million of new loan amounts were drawn down in the year. The loan is recognised as a current liability held at amortised cost and includes the US$18.9 million loan principal and accrued interest of US$3.6 million (2014: US$1.7 million). The weighted average interest on the loan during the year was 11.27%.

Ecobank Inata loan

At 31 December 2015, a loan balance of US$31.2 million (2014: US$44.5 million) was due in respect of a medium term loan facility with Ecobank Burkina Faso ('Ecobank'), which was drawn down in October 2013. The loan amount was provided and held in Francs de la Communauté Financière d'Afrique ('FCFA'), which is the legal currency of Burkina Faso. The Ecobank loan was provided to the Company's 90% subsidiary, Société des Mines de Bélahouro SA ('SMB'), which owns the Inata mine.

The Ecobank facility has a five year term and bears an interest rate of 8% per annum. Ecobank has the right to secure the balance against certain of the assets of SMB. Monthly debt service payments of 0.6 billion FCFA (currently equal to approximately US$1.1 million) comprising interest and principal will continue for the 60 month duration of the loan. The facility requires that an amount equal to two months' payments, 1.3 billion FCFA (US$2.1 million), be held as a debt service reserve account. Subject to the debt service reserve account requirement, there are no restrictions on SMB's use of loan proceeds or cash flow generated, including the transfer of funds from SMB to Avocet for corporate purposes. The Ecobank loan facility has no hedge requirement.

During 2015, payments totalling US$12.7 million were made in respect of this loan, which was made up of US$9.2 million in loan repayments, US$3.0 million of interest, and US$0.5 million in VAT charged on interest. The weighted average interest on the loan during the year was 8.73%.

The facility is recognised at amortised cost and the amounts due within twelve months are included as current US$12.6 million (2014: US$ 10.0 million) with the remaining balance of US$18.6 million (2014: US$ 34.5 million) included as non-current.

Ecobank VAT advance

Included within current interest bearing debt is a balance of US$4.0 million (2014: US$5.0 million) due to Ecobank as short-term loans secured on VAT recoverable amounts. Under an agreement with Ecobank, SMB is able to draw down a cash advance of up to 80% of any VAT rebates confirmed as payable by the Burkina Faso tax department. On receipt of the rebate, the advance is repayable. Net repayments of US$0.9 million were made in 2015, with US$0.1 million of FX movements.

Coris bank Inata loan

On 30 November 2015, the Company secured a short-term loan of 5.0 billion CFA (US$8.4 million) with Coris Bank International. The proceeds of the loan are being used to address temporary working capital shortages at the Inata mine in Burkina Faso. The loan amount was provided and held in FCFA, carries a coupon rate of 10% and is repayable monthly between January and June 2016. The loan is secured over the Inata mining permit and other assets of the mine (including the stockpile).

The Ecobank loan was made to SMB, which owns the Inata mine.

Warrant on company equity

A warrant on Avocet Mining PLC's equity was issued to Elliott as part of the loan facility transaction. The warrant has been treated as a financial instrument rather than a share based payment on the basis that the warrant was issued as part of the loan and not as a result of services provided. Furthermore, the warrant has been considered a liability rather than equity as the exercise price is quoted in GBP, and therefore the cash payment from Elliott will not be fixed when accounting in the Company's functional currency USD.

The warrant relates to 4,000,000 of ordinary shares with a strike price of GBP 0.40 and expires three years from issuance on 28 May 2013. The warrant was valued using a Black-Scholes model based on the 31 December 2013 closing share price of GBP 0.0953. Due to the subsequent fall in the share price, the revaluation of this liability was deemed to be non-material.

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 Mining property and plant.

Gross finance lease liabilities – minimum lease payments	**31 December 2015 US$000**	31 December 2014 US$000
No later than 1 year	**765**	754
Later than 1 year and no later than 5 years	**1,078**	1,758
Later than 5 years	**–**	–
	1,843	2,512
Future finance charges on finance leases	**(224)**	(419)
Present value of lease liabilities	**1,619**	2,093

Present value of lease liabilities	**31 December 2015 US$000**	31 December 2014 US$000
No later than 1 year	**732**	715
Later than 1 year and no later than 5 years	**887**	1,378
Later than 5 years	**–**	–
	1,619	2,093

22. DEFERRED TAX

	31 December 2015 US$000	31 December 2014 US$000
Liabilities		
At 1 January	**4,614**	–
Deferred tax (credit)/charge in the year	**(2,944)**	4,614
At 31 December	**1,670**	4,614

During 2015 the Group recorded deferred tax liabilities of US$1.7 million (2014: US$4.6 million) in relation to the withholding tax ('WHT') and interest tax ('IRVM') that would be due on settlement of intragroup management fees and loan interest invoices, as set out in note 13.

23. PROVISIONS

	Mine closure US$000	Post retirement benefits US$000	Total US$000
At 1 January 2015	6,329	164	6,493
New amounts provided during the year	320	–	320
At 31 December 2015	**6,649**	**164**	**6,813**

Mine closure provisions represent management's best estimate of the cost of mine closure at its operation in Burkina Faso. 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 management's 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 2016. The main assumptions used by the actuary were as follows:

	31 December 2015	31 December 2014
Rate of increase for pensions in payment	**0.0%**	0.0%
Discount rate	**5.8%**	6.0%
Inflation	**3.0%**	3.0%

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

	US$000	US$000
Cash	**314**	328
Present value of scheme liabilities	**(376)**	(380)
Deficit in scheme	**(62)**	(52)
Rate of return	**0.0%**	0.0%

24. FINANCIAL INSTRUMENTS

Categories of financial instrument:

Categories	**31 December 2015**		31 December 2014	
	Measured at fair value	**Measured at amortised cost**	Measured at fair value	Measured at amortised cost
	Available for sale asset and warrants on the Company's own equity US$000	**Loans and receivables including cash and cash equivalents US$000**	Available for sale asset and warrants on the Company's own equity US$000	Loans and receivables including cash and cash equivalents US$000
Financial assets				
Cash and cash equivalents	**–**	**5,856**	–	4,816
Other financial assets	**–**	**–**	–	–
Total Financial Assets	**–**	**5,856**	–	4,816
Financial liabilities				
Trade and other payables	**–**	**42,681**	–	45,751
Interest bearing borrowings	**–**	**66,060**	–	66,203
Finance lease liabilities	**–**	**1,619**	–	2,093
Warrants on the Company's own equity	**254**	**–**	254	–
Total Financial Liabilities	**254**	**110,360**	254	114,047

	31 December 2015 US$000	31 December 2014 US$000
Results from financial assets and liabilities		
Other financial assets – impairment	**–**	(74)

The impairment in 2014 related to the Company's shares in Golden Peak, an exploration company that management deemed in that year to be unlikely to return to profitability.

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 2015 US$000	31 December 2014 US$000
Cash and cash equivalents	**5,856**	4,816
	5,856	4,816

Credit risk on cash and cash equivalents is considered to be acceptable as the counterparties are either substantial banks with high credit ratings or with whom the Group has offsetting debt arrangements. 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. As disclosed in the going concern statement in note 1, the Group faces an ongoing requirement to manage the funds it is able to generate at its operating mine, Inata, as well as to raise new financing to fund corporate and development activities. This is an area which receives considerable focus from the Board and management on a daily basis, as cash balances have remained critically low for some period, and balances are due to key suppliers.

At the balance sheet date the Group's financial liabilities were as follows:

	31 December 2015 US$000	31 December 2014 US$000
Trade payables	**36,059**	38,975
Other short-term financial liabilities	**45,719**	32,433
Current financial liabilities (due less than one year)	**81,778**	71,408
Non-current financial liabilities (due greater than one year)	**21,960**	36,282
	103,738	107,690

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

Interest rate risk

	Weighted average interest rate %	**At 31 December 2015 US$000**	Weighted average interest rate %	At 31 December 2014 US$000
Cash and cash on hand	**0.0**	**5,856**	0.0	4,816
Short-term deposits	**n/a**	**–**	n/a	–
Cash and cash equivalents	**0.0**	**5,856**	0.0	4,816
Interest bearing debt	**9.56**	**(66,060)**	8.58	(66,203)
Net debt		**(60,204)**		(61,387)

Interest rate risk arises from the Group's long-term variable rate borrowings which expose the Group to cash flow interest rate risk.

An increase in interest rates of 100 basis points in the period would have resulted in additional interest costs of US$0.7 million in the year (31 December 2014: US$0.7 million).

Foreign currency risk

The Group's cash balances at 31 December 2015 and 31 December 2014 consisted of the following currency holdings:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Sterling	**73**	16
US dollars	**97**	516
Francs de la Communauté Financière d'Afrique ('FCFA')	**5,686**	4,284
	5,856	4,816

The Group's loan balances at 31 December 2015 and 31 December 2014 consisted of the following currency holdings:

	At 31 December 2015 US$000	At 31 December 2014 US$000
US dollars	**22,533**	16,667
Francs de la Communauté Financière d'Afrique ('FCFA')	**43,527**	49,536
	66,060	66,203

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 75% of total production costs. The Burkina Faso FCFA, which has a fixed exchange rate to the euro, weakened by 4% (2014: 13%) against the US dollar in the year. It is estimated that without this weakening, profit would have been US$2.4 million (2014: US$8.0 million) lower.

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 (i.e. as prices) or indirectly (i.e. 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.

25. 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. Further detail is provided in the Going Concern section of note 1.

26. SHARE BASED PAYMENTS

Performance Share Plan ('PSP') shares

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

	31 December 2015		31 December 2014	
	Number	**Weighted average award value (£)**	Number	Weighted average award value (£)
Outstanding at the beginning of the period	**1,260,000**	**0.07**	1,850,000	0.42
Granted during the period	**–**	**–**	–	–
Exercised during the period	**–**	**–**	–	–
Cancelled or expired during the period	**(1,260,000)**	**0.07**	(590,000)	1.18
Outstanding at the period end	**–**	**–**	1,260,000	0.07
Exercisable at the period end	**–**	**–**	–	–

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 2015		31 December 2014	
	Number	**WAEP (£)**	Number	WAEP (£)
Outstanding at the beginning of the period	**5,405,405**	**0.69**	9,150,524	0.69
Granted during the period	**–**	**–**	–	–
Exercised during the period	**–**	**–**	–	–
Cancelled or expired during the period	**(2,260,488)**	**0.81**	(3,745,119)	0.71
Outstanding at the period end	**3,144,917**	**0.61**	5,405,405	0.69
Exercisable at the period end	**–**	**–**	–	–

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 since 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
17/05/2009	3	17/05/2012	5	1.91%	0.75	49.97%	0.28	4,917
25/06/2009	3	25/06/2012	5	2.13%	0.81	50.16%	0.30	450,000
18/03/2010	3	18/03/2013	4	2.42%	1.05	55.86%	0.47	375,000
23/05/2011	0.75	21/02/2012	2.75	1.46%	2.19	53.98%	0.57	30,000
23/05/2011	1.75	21/02/2013	3.75	1.88%	2.19	53.98%	0.69	30,000
23/05/2011	2.75	21/02/2014	4.75	2.25%	2.19	53.98%	0.79	30,000
12/03/2012	3	12/03/2015	5	1.02%	2.30	45.80%	0.76	160,000
01/08/2012	3	01/08/2015	5	0.59%	0.75	56.47%	0.25	250,000
08/03/2013	3	08/03/2013	3	0.41%	0.23	47.22%	0.03	870,000
26/03/2013	3	26/03/2016	3	0.29%	0.20	47.47%	0.02	945,000
								3,144,917

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$ 0.4 million related to share based payment transactions during the year (US$0.9 million in the year ended 31 December 2014).

Further details of the PSP and Share Option Plan are provided in the Remuneration Report on pages 39 to 49.

27. 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:

Other non-operating items in the income statement

	31 December 2015 US$000	31 December 2014 US$000
Exchange gains in operating activities	**(2,559)**	(4,151)
Exchange gains in finance items	**(3,136)**	(5,856)
Finance income	**–**	(2)
Finance expense	**6,316**	8,456
Movement in provisions and other non-cash items	**788**	1,752
Other non-operating items in the income statement	**1,409**	199

28. SHARE CAPITAL

	31 December 2015		31 December 2014	
	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	**209,496,710**	**17,072**	199,546,710	16,247
Issued during the year	**–**	**–**	9,950,000	825
Closing balance	**209,496,710**	**17,072**	209,496,710	17,072

On 14 August 2014, the Company issued 9,950,000 new ordinary shares to existing investors, at a price of 7.13 pence per share (a discount of 5% to the closing price of 7.51 pence on the previous day, the date on which the terms where agreed). Elliott, Avocet's largest shareholder, subscribed for 2,550,000 of these shares, while Prelas AS, Avocet's second-largest shareholder, subscribed for 4,950,000, while two other Norwegian private investors J Roger and A Vohra subscribed for 2,000,000 and 450,000 shares respectively. No new shares were issued in 2015.

29. OTHER RESERVES

	Merger 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 2013	19,901	(1,845)	–	(161)	17,895
Movement in year	–	–	–	–	–
At 31 December 2014	**19,901**	**(1,845)**	**–**	**(161)**	**17,895**
Movement in year	–	–	–	–	–
At 31 December 2015	**19,901**	**(1,845)**	**–**	**(161)**	**17,895**

In 2015, the Company allotted no new shares to the EBT. No shares were released from the EBT in the year.

At 31 December 2015, the Company held 336,201 own shares (of which 334,300 were held in the EBT and 1,901 were held in the Share Incentive Plan).

At 31 December 2015, the Company held 442,009 treasury shares. During 2015, no shares were issued by the Company from treasury shares.

30. CONTINGENT LIABILITIES
There are no Contingent liabilities at 31 December 2015 (2014: US$ nil).

PT Lebong Tandai
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 was 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. In December 2011 the District Court found in Avocet's favour and dismissed the case. In January 2013, it was confirmed to Avocet that PT LT had lodged an appeal to the Indonesian High Court against the District Court's decision. In September 2013 the High Court released its decision on the appeal brought by PTLT and decided in Avocet's favour that the District Court's original decision was correct and that the District Court did not have jurisdiction to hear the matter. During October 2013, Avocet was informed that PT LT had appealed the High Court's decision to the Supreme Court of Indonesia. In May 2014, the Supreme Court ruled in Avocet's favour that the High Court's decision was correct and that the District Court did not have jurisdiction to hear the matter. The Company is unaware of whether PT LT has sought, or will seek, a judicial review of the Supreme Court's decision.

On 2 May 2012, Avocet was informed that PT LT had filed a second law suit 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 (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 seeks 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 had already found that it did not have jurisdiction. The District Court subsequently found in favour of Avocet and the other defendants and dismissed the case. In February 2013, PT LT appealed the District Court's decision on jurisdiction to the High Court. In January 2014 the High Court released its decision in favour of Avocet and the other defendants. During February 2014, Avocet was informed that PT LT had appealed the High Court's decision to the Supreme Court of Indonesia.

The Company understands that PT LT has filed a third law suit against J&Partners or its affiliates which makes similar arguments as the Second PT LT Case (the 'Third PT LT Case'). The Company understands that the South Jakarta District Court has dismissed the Third PT LT Case and that PTLT has appealed to the Indonesian High Court against the District Court's decision.

The Board 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 by PT LT. As any financial settlement with PT LT 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.

The buyer, J&Partners, notified Avocet that in the event PT LT were successful in actions against 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 disagreed that there was any such breach and initiated arbitration in the English courts to have any such claim dismissed.

The arbitration hearing took place in London in January 2015, and the verdict was delivered in December 2015. Although the verdict was partial and certain areas remained unresolved, the Company does not believe there to be any further contingent liabilities with regard to the arbitration.

31. CAPITAL COMMITMENTS

At 31 December 2015 the Group had entered into no contractual commitments for the acquisition of property, plant and equipment of (31 December 2014: US$1.0).

32. EVENTS AFTER THE REPORTING PERIOD

Claim for Repayment of VAT

In March 2016, the Company received notification from HM Revenue and Customs that its VAT registration status had been challenged on the grounds that its management fees were not considered taxable supplies due to not having been fully settled in cash. The Company believes that these were valid taxable supplies in respect of bona fide services performed by Avocet Mining PLC on behalf of its subsidiaries (notably the Inata gold mine), and the non-payment was the result of temporary cashflow shortages and other restrictions in connection with its subsidiary's loan facilities. In the event that the VAT registration were to be held to be invalid (which the Board considers a remote possibility), the total VAT reclaimed that would be repayable by the Company would be approximately £950k (US$1.4 million).

There were no other material post balance sheet events.

33. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2015 between the Company and Group companies that were not wholly-owned, in respect of management fees, and interest on loans:

	Avocet Mining PLC		**Wega Mining AS**	
Year ended 31 December 2015	**Charged in the year US$000**	**Balance at 31 December 2015 US$000**	**Charged in the year US$000**	**Balance at 31 December 2015 US$000**
Société des Mines de Bélahouro SA (90%)	**770**	**137,451**	**–**	**58,079**

	Avocet Mining PLC		Wega Mining AS	
Year ended 31 December 2014	Charged in the year US$000	Balance at 31 December 2014 US$000	Charged in the year US$000	Balance at 31 December 2014 US$000
Société des Mines de Bélahouro SA (90%)	6,647	138,328	662	58,080

Information on remuneration of Key Management Personnel is set out in note 10.

No dividends were received by Directors during 2014 or 2015 in respect of shares held in the Company.

34. ALL-IN SUSTAINING COSTS

The All-in sustaining cost ('AISC') has been reported in line with the guidance issued by the World Gold Council during 2014. The Company will continue to disclose cash costs in order to provide comparability to prior periods.

The AISCs below are based on the Avocet Group and include share based payments and general and corporate administrative costs.

	Q1 2015 (Unaudited)	Q2 2015 (Unaudited)	Q3 2015 (Unaudited)	Q4 2015 (Unaudited)	2015 (Audited)	2014 (Audited)
Gold produced (oz)	17,011	22,848	17,517	17,379	74,755	86,037
Total cash production cost (US$000)	18,933	21,750	19,384	19,023	79,090	102,035
Total cash production cost (US$/oz)	*1,113*	*952*	*1,107*	*1,094*	*1,058*	*1,186*
Other costs of sales (US$000)	(1,440)	3,130	1,414	(3,530)	(426)	2,426
Foreign exchange (US$000)	(1,951)	662	445	(1,715)	(2,559)	(4,151)
Sustaining capital expenditure (US$000)	1,466	1,197	872	258	3,793	4,680
Share based payments (US$000)	83	123	123	85	414	856
Administrative expenses (US$000)	1,009	442	716	(106)	2,061	5,717
All-in Sustaining Costs (US$000)	18,100	27,304	22,954	14,015	82,373	111,563
All-in Sustaining Costs (US$/oz)	*1,064*	*1,195*	*1,310*	*806*	*1,102*	*1,297*

35. GROUP STRUCTURE

All subsidiaries within the Avocet Group are 100% owned, with the exception of Société des Mines de Bélahouro SA ('SMB'), a Burkina Faso incorporated entity, which is 90% owned. In accordance with the Mining Code of Burkina Faso, the remaining 10% is owned by the Burkinabe Government, who are represented on the Board of SMB. It is not considered that the Governmental ownership represents a restriction on the activities of the company, nor on the free flow of its funds. All material contracts and financial arrangements are referred to the Board of SMB for approval.

The interest of the Government in SMB is shown in the financial statements under Non-controlling Interest in the income statement and statement of financial condition, as there are no other Non-controlling interests in the Group.

36. UNAUDITED QUARTERLY INCOME STATEMENT FOR CONTINUING OPERATIONS

The following table presents an analysis of the 2015 results by quarter. This analysis has not been audited and does not form part of the statutory financial statements.

	Q1 2015 (Unaudited) US$000	Q2 2015 (Unaudited) US$000	Q3 2015 (Unaudited) US$000	Q4 2015 (Unaudited) US$000	**2015 (Audited) US$000**	2014 (Audited) US$000
Revenue	**21,048**	**26,761**	**19,253**	**17,976**	**85,038**	110,444
Cost of sales	**(24,135)**	**(30,239)**	**(18,761)**	**(16,798)**	**(89,933)**	(129,716)
Cash production costs:						
– mining	(4,456)	(7,151)	(6,337)	(5,828)	**(23,772)**	(36,296)
– processing	(9,184)	(9,324)	(8,512)	(7,472)	**(34,492)**	(38,084)
– overheads	(4,012)	(3,543)	(3,285)	(4,416)	**(15,256)**	(20,118)
– royalties	(1,281)	(1,732)	(1,250)	(1,307)	**(5,570)**	(7,537)
	(18,933)	(21,750)	(19,384)	(19,023)	**(79,090)**	(102,035)
Changes in inventory	(4,426)	(2,265)	2,112	(1,316)	**(5,895)**	(895)
Expensed exploration and other cost of sales	1,440	(3,130)	(1,414)	3,530	**426**	(3,172)
Depreciation and amortisation	(2,216)	(3,094)	(75)	11	**(5,374)**	(23,614)
Gross (loss)/profit	(3,087)	(3,478)	492	1,178	**(4,895)**	(19,272)
Administrative expenses	(1,009)	(442)	(716)	106	**(2,061)**	(5,717)
Share based payments	(83)	(123)	(123)	(85)	**(414)**	(856)
Net impairment of assets	–	(30,609)	–	(14,539)	**(45,148)**	(111,692)
Loss from operations	(4,179)	(34,652)	(347)	(13,340)	**(52,518)**	(137,537)
Finance items						
Exchange gains/(losses)	5,567	(886)	(630)	(915)	**3,136**	5,856
Finance expense	(1,943)	(1,567)	(1,698)	(1,108)	**(6,316)**	(8,456)
Finance income	–	–	–	–	**–**	2
Loss before taxation	**(555)**	**(37,105)**	**(2,675)**	**(15,363)**	**(55,698)**	(140,135)
Analysed as:						
Loss before taxation and exceptional items	(555)	(6,496)	(2,675)	(824)	**(10,550)**	(28,443)
Exceptional items	–	(30,609)	–	(14,539)	**(45,148)**	(111,692)
Taxation	(19)	4,614	–	1,398	**5,993**	(9,653)
Loss for the period	**(574)**	**(32,491)**	**(2,675)**	**(13,965)**	**(49,705)**	(149,788)
Attributable to:						
Equity shareholders of the parent company	(708)	(29,411)	(2,471)	(13,142)	**(45,732)**	(136,120)
Non-controlling interest	134	(3,080)	(204)	(823)	**(3,973)**	(13,668)
	(574)	**(32,491)**	**(2,675)**	**(13,965)**	**(49,705)**	(149,788)
EBITDA	**(1,963)**	**(949)**	**(272)**	**1,188**	**(1,996)**	(2,231)

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

Our opinion on the financial statements is unmodified

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern and investment in subsidiary undertaking

In forming our opinion on the Company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 38 to the Company financial statements concerning the Company's ability to continue as a going concern and its ability to recover the carrying value of its investments in its subsidiary undertaking Wega Mining Guinée SA.

The Group has agreed terms with Elliott Associates, the Company's largest shareholder, to increase the limit under the Second Loan to US$3.05 million, with an additional US$0.8 million to be drawn down in four equal monthly tranches beginning from 25 April 2016. However, thereafter there can be no certainty that Elliott will be willing to remain supportive, nor to provide on-going financing, particularly if the discussions around financing the Tri-K project become protracted or become less likely to lead to a satisfactory outcome.

Wega Mining Guinée SA owns the Tri-K permit and the carrying value of Wega Mining Guinée SA of $18.8m in the Company's balance sheet at 31 December 2015 is dependent on Wega Mining Guinée SA's ability to proceed with the Tri-K project. At the present time, the Company is in discussions with a number of parties who are interested in investing in the Tri-K project, and bringing it into production. The precise nature of the investments under discussion varies, and all aspects remain subject to clarification and negotiation. At 31 December 2015 the Tri-K asset was recorded in the Group's consolidated statement of financial position at a carrying value of $18.9m.

Under the terms of the Guinean Mining Code, if the holder of a mining permit has not commenced construction activity within 12 months of the award of the permit (i.e. by 27 March 2016), it can be liable to penalties commencing at US$100,000 per month. If such activity has not commenced within a further six months, then the permit may be withdrawn by the government.

The ultimate outcome and timing of discussions with potential investors cannot presently be determined, and the carrying value of the Tri-K asset (and hence the Company's investment in Wega Mining Guinée SA) assumes that funding will be received within the required period to bring it into production.

These conditions together with the other matters explained in 38 to the Company financial statements indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. Furthermore, if the G***roup is unable to secure adequate investment from potential investors in the Tri-K intangible asset***, ***the*** C***ompany's investment in Wega Mining Guinée SA may become impaired and its carrying value may not be recoverable. The*** C***ompany financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.***

Other matter

We have reported separately on the Group financial statements of Avocet Mining PLC for the year ended 31 December 2015. That report includes a qualified opinion and an emphasis of matter.

Who we are reporting to

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.

What we have audited

Avocet Mining PLC's financial statements comprise the parent company balance sheet, the parent company statement of changes in equity and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice including FRS 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared 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:

- 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.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
26 April 2016

Company balance sheet

At 31 December 2015

	Note	At 31 December 2015 US$000	At 31 December 2014 US$000
Fixed assets			
Tangible assets	40	**–**	–
Shares in Group undertakings	41	**18,800**	28,072
		18,800	28,072
Current assets			
Debtors due within one year	42	**134**	269
Cash at bank and in hand		**168**	69
		302	338
Creditors: amounts falling due within one year	43	**(24,644)**	(19,462)
Net current liabilities		**(24,342)**	(19,124)
Total assets less current liabilities		**(5,542)**	8,948
Net (liabilities)/assets		**(5,542)**	8,948
Capital and reserves			
Called up share capital	44	**17,072**	17,072
Share premium account	45	**146,391**	146,391
Investment in own shares	46	**(169)**	(169)
Investment in treasury shares	46	**(1,676)**	(1,676)
Profit and loss account		**(167,160)**	(152,670)
Equity shareholders' funds		**(5,542)**	8,948

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

RP Edey **J Wynn**

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

Avocet Mining PLC is registered in England No. 03036214

Company statement of changes in equity

At 31 December 2015

	Share capital US$000	Share premium US$000	Investment in own shares and treasury shares US$000	Profit and loss account US$000	Total equity US$000
At 1 January 2014	**16,247**	**146,040**	**(1,845)**	**(45,364)**	**115,078**
Loss for the year	–	–	–	(108,163)	(108,163)
Total comprehensive income for the year	–	**–**	**–**	**(108,163)**	**(108,163)**
Issue of shares	825	351	–	–	1,176
Share based payments	–	–	–	857	857
At 31 December 2014	**17,072**	**146,391**	**(1,845)**	**(152,670)**	**8,948**
Loss for the year	–	–	–	(14,904)	(14,904)
Total comprehensive income for the year	–	**–**	**–**	**(14,904)**	**(14,904)**
Share based payments	–	–	–	414	414
At 31 December 2015	**17,072**	**146,391**	**(1,845)**	**(167,160)**	**(5,542)**

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

Avocet Mining PLC has transitioned from UK Generally Accepted Accounting Practice (UK GAAP) to Financial Reporting Standard 101 "Reduced disclosure framework", (FRS 101), for all periods presented. This differs from the Group financial statements which are prepared under IFRS. There were no measurement or recognition adjustments for the Company on the adoption of FRS 101.

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- Non-current asset held for sale and discontinued operation net cash flow disclosure
- The requirement to produce a balance sheet at the beginning of the earliest comparative period
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the Group as they are wholly owned within the Group
- Presentation of comparative reconciliations for property, plant and equipment, intangible assets, investment properties and agriculture Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Certain share based payment disclosures
- Business combination disclosures
- Disclosures in relation to impairment of assets
- Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
- Fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value)

The principal accounting policies which differ to those set out in note 3 to the consolidated financial statements are noted below.

Going concern

Continued financial support from Elliott

The Company has the following loans, which totalled US$23.9 million on 31 March 2016, due to an affiliate of Elliott Associates, its largest shareholder:

1. First Loan - taken out in March 2013, under which US$18.7 million was outstanding at 31 March 2016, comprising US$15.0 million principal and US$3.7 million accrued interest. The first loan was due on 31 December 2013 and is secured against the Tri-K exploration asset in Guinea;
2. Second Loan - unsecured demand loan of US$2.5 million consisting of US$2.25 million principal plus accrued interest of US$0.27 million. The initial US$1.5 million was drawn down in January 2015, and a further US$0.75 million was drawn down in three equal tranches between January and March 2016; and
3. Third Loan - demand loan of US$2.6 million consisting of US$2.45 million principal plus accrued interest of US$0.19 million. The initial US$2.05 million was drawn down in August 2015 (of which US$1.55 million was used to repay a previous unsecured loan), and a further US$0.4 million was drawn down between September and October 2015. These amounts are secured over a range of Group assets including intragroup loans, shares in subsidiaries, and over the gold in circuit and gold in transit of the Inata gold mine.

The First Loan was entered into in March 2013 in order to finance the Tri-K Feasibility Study in Guinea. It had been intended to repay this facility by 31 December 2013 using cashflows from the Inata gold mine, however a fall in the gold price combined with production difficulties meant that this was not possible. Since 1 January 2014, this facility has been in default, and is therefore repayable on demand.

The Second Loan and the Third Loan were drawn down over the course of 2015 and into 2016, and were used to provide funding for corporate and administrative activities in London and in Guinea.

In addition, on 20 April 2016, the Company announced that it had agreed terms to increase the limit under the Second Loan to US$3.05 million, with the additional US$0.8 million to be drawn down in four equal monthly tranches beginning 25 April 2016.

All of these loans are on demand, and if repayment was requested by Elliott, the Company would have considerable difficulty in raising external financing needed to settle these amounts in full.

Since 2014, the cashflow shortages resulting from gold prices and lower production at the Inata mine meant that the Company has relied primarily on loan financing from Elliott in order to meet its running costs of its head office and Guinea administrative functions.

These loans represent short-term facilities with high interest rates (between 11% and 14%). In order to become financially secure, the Company will need to negotiate a restructuring of these loans with Elliott.

This restructuring is most likely to come about as part of the financing of the Tri-K project in Guinea. The Company is in active discussions with several parties in this regard, and the Board has a reasonable expectation that these discussions will bear fruit.

Until such discussions are concluded, the Company will remain reliant on the support of Elliott, not only with regard to the repayment of the existing loans, but also for the provision of ongoing funding until the discussions around Tri-K financing, and the restructure of the Elliott loans, are concluded.

As the successful negotiation of these funding discussions represents the most likely means for Elliott to secure the repayment or satisfactory restructuring of its outstanding debts, the Board has a reasonable expectation of receiving ongoing support from Elliott in this regard.

However, thereafter, there can be no certainty that Elliott will be willing to remain supportive, nor to provide ongoing financing, particularly if the discussions around financing Tri-K become protracted or become less likely to lead to a satisfactory outcome for all parties. In the event that their support was withdrawn, the Company would need to agree funding from an alternative source at short notice, which is likely to be extremely challenging.

Ability to secure financing for Tri-K

Since 2013, the Company has been actively pursuing funding for its Tri-K project in Guinea. A Feasibility Study for this project was submitted in September 2013, which outlined a heap leach operation with a capex of approximately US$88 million. Since then, work has been undertaken to revise the design of the project with the result that the capex estimation has now reduced to approximately US$60 million.

A mining permit for the project was awarded on 27 March 2015.

Financing discussions in 2014 and 2015 were made more challenging by the slump in the mining sector, which resulted in many institutions restricting their focus to larger and more profitable projects, in jurisdictions with a lower perceived risk. In addition, the ebola crisis in West Africa meant that many potential investors were unable or unwilling to undertake site visits necessary for their due diligence procedures.

Nevertheless, interest in the project picked up in the latter part of 2015 and into 2016, buoyed by an increase in the gold price.

At the present time, the Company is in discussions with a number of parties who are interested in investing in the project, and bringing it into production. The precise nature of the investments under discussion varies, and all aspects remain subject to clarification and negotiation.

However, until a deal has been formally concluded with a preferred financing partner, there can be no guarantee that the Tri-K project will be funded.

Loss of Tri-K permits

The Company has received considerable pressure from the Guinean authorities to commence pre-production activity at the Tri-K site. Under the terms of the Guinean Mining Code, if the holder of a mining permit has not commenced construction activity within 12 months of the award of the permit (ie by 27 March 2016), it can be liable to penalties commencing at US$100k per month. If such activity has not commenced within a further six months (27 September 2016), then the permit may be withdrawn by the government.

The Company has held discussions with a number of senior members of the Government of Guinea (including the Prime Minister and the Minister of Mines and Geology), at which the challenges in raising financing in the prevailing climate were explained and acknowledged.

Nevertheless, if the securing of financing for the project is not secured, then there is a risk that the Government of Guinea will apply penalties (which may in itself discourage investment in the project), and may ultimately withdraw the permit.

Moreover, any deal involving the external financing of the project will require the approval of the Guinea Government – not only if such proposals involve alterations to the construction plan, but also because any material change in ownership requires approval under the terms of the Mining Code.

Based on the discussions held with interested parties as well as senior Government representatives, the Board has a reasonable expectation that, provided financing terms can be agreed upon, the Government is likely to be sympathetic to proposals that result in a mine being constructed at Tri-K of at least the scale and economics as those which were outlined in the Feasibility Study.

Gold price

The profitability of both the Tri-K project and the Inata gold mine (including surrounding deposits) depends on the gold price.

The NPV_{16} of the Tri-K project, based on the latest cashflow forecasts, indicates that a break-even gold price would be around US$1,050 per ounce, with every subsequent increase of US$50 per ounce adding around US$8 million in value.

The cash costs at Inata during 2015 and into 2016 have ranged between US$1,000 and US$1,100 per ounce, therefore a modest fall in gold prices from current levels would result in margins becoming extremely tight, which would make the servicing of the mine's debts and creditors challenging.

The Company has no control over the gold price, and is not in a position to enter into any hedging arrangements in view of its financial difficulties.

The rise in the gold price since January 2016, however, has given cause to believe that the decline in spot prices seen between 2012 and 2015 may be at an end. In financial forecasts, the Company uses US$1,200 per ounce. The Board believe this to be a reasonable long term price.

Nevertheless, it remains clear that a sustained fall in the gold price would put severe pressure on the operations at Inata, and would also threaten the economic viability of the Tri-K project – as well as the Avocet Group as a whole.

Support from Inata's creditors

The Inata gold mine at the end of March 2016 had approximately US$34 million in trade creditors, and a further US$44 million in bank and other debt facilities. Many of the balances owing to suppliers are overdue, and the mine has faced a number of demands to bring balances within credit limits.

There can be no guarantee that one or more creditors might not refuse to allow critical supplies to be delivered to the mine, or might otherwise initiate legal action that could disrupt operations.

Inata's management have spent a considerable amount of time discussing the mine's predicament with key suppliers, pointing to the fact that the best means to ensure creditors are repaid is to allow supplies to continue to be made, and for the mine to produce gold.

It is the belief of Inata's mine management that the recent uptick in gold prices, together with improved production plans and lower operating costs, give cause for cautious optimism with regards to the ability of Inata to meet its creditors.

Souma permit

The future of the Inata gold mine beyond 2018 will rely upon the successful completion of a Feasibility Study for the Souma deposit, located 20km east of the Inata plant.

The work needed to complete the study, which is expected to cost between US$5-7 million, must be completed in order for an application for a mining permit to be submitted by July 2017.

The Company is currently in negotiation with its financiers with regards to the funding of this activity. However, until any financing package is negotiated, there can be no guarantee that this funding will be made available.

Conclusion

The above areas of risk represent material uncertainties that may cast significant doubt over the ability of the Group to continue as a Going Concern and that it may be unable to realise all of its assets and discharge all of its liabilities in the normal course of business. Nevertheless, the Directors have a reasonable expectation that these risks can be managed, or will not come to pass, and accordingly the Financial Statements have been prepared on a Going Concern basis and do not include the adjustments that would result if the Group were unable to continue as a Going Concern.

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

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.

39. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging:

	31 December 2015 US$000	31 December 2014 US$000
Auditor's remuneration		
– audit – Company	**12**	12
Non-audit services		
– other services relating to taxation	**18**	16
Operating lease charges	**208**	224

40. TANGIBLE ASSETS

	Office and IT equipment US$000	Total US$000
Cost		
At 1 January 2015	1,119	1,119
At 31 December 2015	**1,119**	**1,119**
Depreciation		
At 1 January 2015	1,119	1,119
At 31 December 2015	**1,119**	**1,119**
Net book value at 31 December 2015	**–**	**–**
Net book value at 31 December 2014	–	–

All fixed assets were impaired to nil during 2013. No fixed assets were acquired during 2014 or 2015.

41. SHARES IN GROUP UNDERTAKINGS

Subsidiary undertakings	**31 December 2015 US$000**	31 December 2014 US$000
Cost		
At 1 January	**28,072**	104,201
Additions	**–**	–
Impairment	**(9,272)**	(76,129)
Disposals	**–**	–
At 31 December	**18,800**	28,072
Net book value at 31 December	**18,800**	28,072

In 2015, following a review of the underlying valuation of its assets, an impairment of US$9.3 million was recognised against the Company's investment in Wega Mining AS shares (2014: US$76.1 million). This impairment was primarily the result of a reduction in the estimated future cashflows (on a Value in Use basis) of the Inata gold mine, which were written down to nil in the Group accounts in the period. The carrying value of the investments of US$18.8 million is now based on the Value in Use of the Tri-K project in Guinea discounted at 16 per cent.

Shares in Wega Mining AS are pledged in favour of Manchester Securities Corp.

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.

42. DEBTORS DUE WITHIN ONE YEAR

	31 December 2015 US$000	31 December 2014 US$000
Due within one year		
Amounts owed by Group undertakings	**–**	–
Other debtors	**53**	106
Prepayments	**81**	163
	134	269

Following a review of the valuation of its underlying assets, the Company recognised an impairment of US$1.9 million against loans due from Group undertakings in the year. Prior to impairments, these loans had a book value of US$262 million, however the impairment in 2015, on top of impairments of US$117.5 million in 2012 and US$107.1 million in 2013 and US$35.5 million in 2014, have brought their carrying value to nil. Amounts owed to the Company by its subsidiaries are secured in favour of Manchester Securities Corp.

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

	31 December 2015 US$000	31 December 2014 US$000
Other taxes and social security	**47**	102
Other financial liabilities	**22,964**	15,905
Accruals and deferred income	**1,633**	3,455
	24,644	19,462

Other financial liabilities includes a loan of US$22.5 million due to Manchester Securities Corp (an affiliate of Elliott), US$0.3 million in respect of warrants also due to Elliott, (see note 21 to the Group accounts), and a US$0.2 million pension liability relating to ATI, Avocet's former operations in the USA.

44. SHARE CAPITAL

	31 December 2015		31 December 2014	
	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	**209,496,710**	**17,072**	199,546,710	16,247
Issued during the period	**–**	**–**	9,950,000	825
Closing balance	**209,496,710**	**17,072**	209,496,710	17,072

45. SHARE PREMIUM

	31 December 2015 US$000	31 December 2014 US$000
At 1 January	**146,391**	146,040
New shares issued in the period	**-**	351
At 31 December	**146,391**	146,391

46. INVESTMENT IN OWN SHARES AND TREASURY SHARES

	31 December 2015 US$000		31 December 2014 US$000	
	Own shares US$000	**Treasury shares US$000**	Own shares US$000	Treasury shares US$000
At 1 January	**169**	**1,676**	169	1,676
At 31 December	**169**	**1,676**	169	1,676

In 2015 and 2014, the Company allotted no new shares to the EBT. No shares were released from the EBT in 2015 or 2014.

At 31 December 2015, the Company held 336,201 Own Shares (of which 334,300 were held in the EBT and 1,901 were held in the Share Incentive Plan).

During 2015 and 2014, no shares were issued by the Company from Treasury shares. At 31 December 2015, the Company held 442,009 Treasury shares.

47. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2015 or 31 December 2014.

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 was 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. In December 2011 the District Court found in Avocet's favour and dismissed the case. In January 2013, it was confirmed to Avocet that PT LT had lodged an appeal to the Indonesian High Court against the District Court's decision. In September 2013 the High Court released its decision on the appeal brought by PTLT and decided in Avocet's favour that the District Court's original decision was correct and that the District Court did not have jurisdiction to hear the matter. During October 2013, Avocet was informed that PT LT had appealed the High Court's decision to the Supreme Court of Indonesia. In May 2014, the Supreme Court ruled in Avocet's favour that the High Court's decision was correct and that the District Court did not have jurisdiction to hear the matter. The Company is unaware of whether PT LT has sought, or will seek, a judicial review of the Supreme Court's decision.

On 2 May 2012, Avocet was informed that PT LT had filed a second law suit 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 (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 seeks 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 had already found that it did not have jurisdiction. The District Court subsequently found in favour of Avocet and the other defendants and dismissed the case. In February 2013, PT LT appealed the District Court's decision on jurisdiction to the High Court. In January 2014 the High Court released its decision in favour of Avocet and the other defendants. During February 2014, Avocet was informed that PT LT had appealed the High Court's decision to the Supreme Court of Indonesia.

The Company understands that PT LT has filed a third law suit against J&Partners or its affiliates which makes similar arguments as the Second PT LT Case (the 'Third PT LT Case'). The Company understands that the South Jakarta District Court has dismissed the Third PT LT Case and that PTLT has appealed to the Indonesian High Court against the District Court's decision.

The Board 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 by PT LT. As any financial settlement with PT LT 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.

The buyer, J&Partners, notified Avocet that in the event PT LT were successful in actions against 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 disagreed that there was any such breach and initiated arbitration in the English courts to have any such claim dismissed.

The arbitration hearing took place in London in January 2015, and the verdict was delivered in December 2015. Although the verdict was partial and certain areas remained unresolved, the Company does not believe there to be any further contingent liabilities with regard to the arbitration.

48. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2015 or 31 December 2014.

49. POST BALANCE SHEET EVENTS

Claim for Repayment of VAT

In March 2016, the Company received notification from HM Revenue and Customs that its VAT registration status had been challenged on the grounds that its management fees were not considered taxable supplies due to not having been fully settled in cash. The Company believes that these were valid taxable supplies in respect of bona fide services performed by Avocet Mining PLC on behalf of its subsidiaries (notably the Inata gold mine), and the non-payment was the result of temporary cashflow shortages and other restrictions in connection with its subsidiary's loan facilities. In the event that the VAT registration were to be held to be invalid (which the Board considers a remote possibility), the total VAT reclaimed that would be repayable by the Company would be approximately £950k (US$1.4 million).

There were no other material post balance sheet events.

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 broker and sponsor is 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 its operations are set out.

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 Cantor Fitzgerald Europe, J.P. Morgan Securities PLC, BMO Capital Markets Limited, KCG Europe Limited, Peel Hunt LLP, Shore Capital Stockbrokers Limited, and Winterflood Securities Limited.

HISTORICAL SHARE PRICES:

Quarter Ended	High pence	Low pence
31 March 2015	8.1	4.4
30 June 2015	5.2	4.3
30 September 2015	4.6	2.9
31 December 2015	3.7	2.0

Closing price:	
31 December 2015	2.6

Total number of shares in issue:	
31 December 2014	209,496,710
31 December 2015	**209,496,710**

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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