Completion of financing discussions and hedge restructure

Avocet Mining PLC ("Avocet" or "the Company") today announces that it has completed discussions regarding financing with Macquarie Bank Limited ("Macquarie") and its largest shareholder, Elliott Management ("Elliott"), which is the beneficial owner of 27% of the Company's shares. The Company has executed financing agreements with both parties. The successful completion of these discussions has resulted in funding being secured for 2013 activities at the Company's key growth projects – Souma and Tri-K, a reduced hedge book at the Company's cash generative Inata gold mine, and a reduction of the minimum cash balance requirement at Inata's holding company Société des Mines de Bélahouro SA ("SMB").

Key points include:

- A new loan facility from Elliott of up to US$15 million to fund completion of the Tri-K feasibility study and general corporate activities;
- 29,020 hedged gold ounces bought back for a consideration of US$20 million, representing 17% of the previous total of 173,250 hedged ounces;
- Accelerated delivery of the remaining hedge gold ounces, reducing the hedge position to approximately 100,000 ounces by end of 2013 and eliminating it by 2016;
- Macquarie's current minimum cash balance requirement for Inata reduced from US$37 million to its previous level of US$12 million; and
- Souma's planned exploration costs in 2013 of US$9 million to be funded out of Inata's cash flow, subject to certain conditions agreed with Macquarie.

Following the above hedge buy back, the Company has a cash balance of US$24.3 million prior to the initial draw down on the Elliott loan facility. Further details of the Elliott loan facility and the hedge restructure agreed with Macquarie are provided in this release.

Commenting on this update, CEO David Cather said:

"Since announcing our reduced reserve, our objective has been to put in place financing that reduces the burden of Inata's hedge while ensuring sufficient funds are available during 2013 to progress our key projects at Tri-K and Souma. With today's announcement we have achieved this objective.

Over the rest of the year we will complete the Tri-K feasibility study and Souma drilling programme, and I fully expect Inata's reserves to grow through further metallurgical test work and other initiatives to improve the mine's operating efficiencies. I am therefore *confident that by the end of 2013 the Company will have clearly demonstrated the significant value to be realised from its portfolio of quality assets."*

Management Conference Call

The Company will host a conference call for investors and analysts at 9am (UK) on Monday 25 March 2013.

Dial in details are as follows:

Participant dial-in numbers:
UK: 08444 933800
Norway: 21563013
Alternative number: +44 (0)1452 555 566

Conference ID # 26569396

A recording of the conference call will also be made available on the Avocet website later on the same day.

FOR FURTHER INFORMATION PLEASE CONTACT

Avocet Mining PLC	Pelham Bell Pottinger Financial PR Consultants	J.P. Morgan Cazenove Corporate Broker	Arctic Securities Financial Adviser & Market Maker	SEB Enskilda Financial Adviser & Market Maker
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NOTES TO EDITORS

Avocet Mining is a gold mining and exploration company listed on the London Stock Exchange (ticker: AVM.L) and the Oslo Børs (ticker: AVM.OL). The Company's principal activities are gold mining and exploration in West Africa.

In Burkina Faso the Company owns 90% of the Inata Gold Mine. The deposit at Inata currently comprises a Mineral Resource of 4.7 million ounces and a Ore Reserve of 0.9 million ounces. The Inata Gold Mine poured its first gold in December 2009 and produced 135,189 ounces of gold in 2012.

Other assets in Burkina Faso include eight exploration permits surrounding the Inata Gold Mine in the broader Bélahouro region. The most advanced of these projects is Souma, some 20 kilometres from the Inata Gold Mine, where there is a Mineral Resources estimate of 0.8 million ounces, with exploration ongoing to grow this figure further.

In Guinea, Avocet owns exploration licences in the north east of the country. Mineral Resource development has been ongoing since 2005 and the Tri-K project is the most advanced, which currently has a Mineral Resource estimate of 3.2 million ounces and a feasibility study is underway.

Macquarie hedge restructure

Inata's recent reduction in Ore Reserves and revised life of mine plan resulted in restrictions being placed by Macquarie on the use of cash within SMB, the Company's trading subsidiary that holds Inata, pending agreement on restructuring Inata's hedge. Avocet has now concluded discussions with Macquarie with regards to restructuring Inata's hedge, which stood at 173,250 ounces prior to the restructuring.

The restructure involves a reduction of the hedge commitment and a rescheduling of remaining gold deliveries as follows:

- 29,020 hedge ounces bought back using US$20 million of existing cash in SMB;
- hedge deliveries in the last three quarters of 2013 will total 44,230 ounces, reducing the hedge to 100,000 ounces by end of 2013;
- hedge deliveries are then scheduled to be *pro rata* with Inata's updated life of mine production profile with approximately 36,000 ounces in 2014, 34,000 ounces in 2015, and 30,000 ounces in 2016;
- the revised hedge profile will be at a strike price of US$938 per ounce; and
- including the 8,250 ounces already delivered into the hedge in Q1 2013, Inata is now scheduled to deliver a total of 52,480 hedge ounces in 2013, compared with 33,000 ounces prior to the restructure.

Following the hedge restructure, the minimum cash balance required by Macquarie to be held in SMB has fallen from US$37 million to US$12 million. Subject to this ongoing minimum balance, the following has been agreed in respect of cash held in SMB:

- up to US$10 million may be spent on Souma exploration, although a payment will be required to buy back further hedge ounces (a "matching payment"), equal to the amount by which Souma expenditure exceeds US$5 million. Souma's exploration programme budget for the remainder of 2013 is approximately US$9 million;
- once the level of hedged ounces falls below 100,000 ounces, which is currently scheduled in Q1 2014, the Company will have access to 50% of Inata's surplus cash, with a matching payment being required to buy back further hedge ounces; and
- once the level of hedged ounces falls below 80,000 ounces, which is expected to occur in mid-2014, the Company will have access to Inata's surplus cash (cash above the US$12 million minimum balance) without restrictions; and
- The Company has the option to defer Inata's remaining US$5 million debt repayment to Macquarie to any date before 30 September 2013, at an interest rate of LIBOR plus 10%.

Elliott loan facility

The hedge restructuring agreed with Macquarie, including the US$20 million hedge buy back, means that funds previously held in SMB are no longer available to fund the Tri-K project in Guinea and general corporate activities. The Company has entered into a loan agreement with Manchester Securities Corp. ("the Elliott Lender"), an affiliate of its largest shareholder Elliott which is the beneficial owner of approximately 27% of the Company's shares, which, under the UK Listing Rules, makes the Elliott Lender a related party for the Company. The Elliott loan facility ensures that sufficient funds will be available to complete the feasibility study at Tri-K as well as for general corporate purposes.

The following sets out the principal terms of the loan facility between the Elliott Lender and the Company:

- Two facilities, comprising an initial facility of US$5 million provisionally expected to be drawn down at the end of March 2013, which, following receipt of shareholder approval (as detailed below), will be replaced by a second facility of US$15 million;
- The second facility will be split into three tranches of US$5 million each, the first tranche of which will be drawn down following shareholder approval to repay the amounts drawn under the initial facility. The second and third tranches are provisionally expected to be drawn down at the beginning of June 2013 and the beginning of September 2013, respectively;
- Prior to the second facility of US$15 million becoming available to the Company for draw-down, as the Elliott Lender is a related party for the Company, shareholder approval will be required for:
  - approving the terms of the second facility of US$15 million;
  - granting of security over any and all assets owned by the Company in Guinea; and
  - issuance of warrants over four million ordinary shares with an exercise price of 40 pence per share and a three year term, with customary anti-dilution provisions, to the Elliott Lender.
- Repayment of all three tranches of the second facility of US$15 million by 31 December 2013; and
- Interest rate of 9% on all amounts drawn under the facilities.

During the course of April 2013, a related party circular is expected to be posted to the Company's shareholders convening a general meeting to be held in due course for the purpose of approving the above terms.