24 August 2015

Unaudited Interim Results for the six months ended 30 June 2015

Avocet Mining PLC ("Avocet" or "the Company") today announces its unaudited interim results for the six months ended 30 June 2015.

Highlights

- H1 2015 gold production of 39,859 ounces, 11% lower than H1 2014, reflecting complex ore body and knock-on effects of the strike at Inata in December 2014;
- H1 2015 cash cost of US$1,021 per ounce, 18% lower than H1 2014, as a result of cost reduction initiatives and the weakening of the local currency against the US dollar;
- Loan finance extended from Avocet's largest shareholder: US$3.0 million drawn down in H1 2015, with a further US$0.9 million approved to provide corporate costs until end October 2015;
- Exploitation permit granted for Tri-K in March 2015. Work continues to optimise mine economics and seek finance for construction;
- Strong safety record: over 5.7 million man-hours worked since previous LTI at Inata.

KEY FINANCIAL METRICS	**Six months ended 30 June 2015 Unaudited**	Six months ended 30 June 2014 Unaudited
Gold production (ounces)	**39,859**	44,798
Average realised gold price (US$/oz)	**1,203**	1,287
Total cash production cost (US$/oz)	**1,021**	1,246
Loss before tax and exceptional items (US$000)	**(7,051)**	(20,222)
Loss before tax (US$000)	**(37,660)**	(46,002)
Loss per share (US cents per share)	**(14.38)**	(26.50)
EBITDA (US$000)	**(2,912)**	(2,921)
Net cash generated by operations (US$000)	**8,949**	4,371

David Cather, Chief Executive Officer, commented:

"As expected, the knock-on effects of the strike, combined with an increasingly complex ore body, have made gold production very challenging at Inata. As a result, our guidance for 2015 full year has been adjusted down to 75-80,000 ounces. However our aggressive approach to cost reduction has yielded benefits and allowed us to generate cash to reduce our creditors, and this remains our priority for the remaining Life of Mine.

Our growth story is now based on two prospects: the Souma deposit, located 20 kilometres from the Inata plant, and the Tri-K project in Guinea. In Guinea, we are committed to optimising the design of the Tri-K project and making it as attractive as possible for financiers. Subject to financing, we remain focused on commencing construction as soon as possible."

FOR FURTHER INFORMATION PLEASE CONTACT

Avocet Mining PLC	Bell Pottinger Financial PR Consultants	J.P. Morgan Cazenove Corporate Broker
David Cather, CEO Mike Norris, FD	Daniel Thöle	Michael Wentworth-Stanley
+44 20 3709 2570	+44 20 2772 2500	+44 20 7742 4000

NOTES TO EDITORS

Avocet Mining PLC ("Avocet" or the "Company") is an unhedged 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 Inata Gold Mine poured its first gold in December 2009 and produced 86,037 ounces of gold in 2014. Other assets in Burkina Faso include five 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.

In Guinea, Avocet owns 100% of the Tri-K Project in the north east of the country. Drilling to date has outlined a Mineral Resource of 3.0 million ounces, and in October 2013 the Company announced a maiden Ore Reserve on the oxide portion of the orebody, which is suitable for heap leaching, of 0.5 million ounces. As an alternative, the potential exists to exploit the entire 3.0 million ounce Tri-K orebody via the CIL processing method. The Company announced on 2 April 2015 that an exploitation permit had been awarded for Tri-K.

CHIEF EXECUTIVE OFFICER'S REVIEW

The Company has faced considerable challenges across a number of fronts during the first six months of 2015.

The strategy at Inata has been to maximise cash generation at the mine in response to the production disruption which resulted from the strike at the end of 2014. This will remain the goal over the remaining mine life.

In particular, a number of cost saving initiatives, including resizing the expatriate and local workforce, amending mining plans, and eliminating non-essential spend on support functions, have proved successful, and production costs for H1 2015 were some 27% lower than for the same period in 2014. However, the fall in the gold price, which dropped from a high of over US$1,300 per ounce in February to below US$1,100 in July, has partially offset these successes. Primarily as a result of these lower spot prices, the Company has recognised an impairment of US$30.6 million against the Inata gold mine.

The production estimate for 2015 has now been adjusted to 75-80,000 ounces. The production challenges, together with lower gold prices seen to date in the year, have put pressure on Inata's cashflows, and discussions continue with the mine's key creditors to ensure their continued support for the mine.

Avocet's growth story is now based on two prospects: the Souma deposit, located 20 kilometres from the Inata plant, and the Tri-K project in Guinea.

At Souma, a programme of infill drilling has now been completed, and although test results have not yet been finalised, early indications point to there being further areas of mineralisation in the Dynamite region in particular. Completion of the test work will indicate to what extent Souma might provide satellite ore feed to Inata, with minimal capital cost, or whether the deposit would be best suited to a low cost standalone heap leach operation benefiting from synergies with Inata.

In Guinea, the Company continues to work towards ensuring that its financing and project development plans will allow it to start construction as early as possible in 2016. The Company has received encouragement from the Guinean government, which is keen for Avocet to establish the first new gold mine in a number of years. The new mining code and the nationwide review of licences have been successfully completed while the ebola outbreak in Guinea appears to have moderated.

We have also been successful in securing the continued financial support of our largest shareholder, Elliott Management, during the year, with US$3.9 million loans for corporate and development activities agreed in January and April. Subject to Elliott's approval for the final drawdown of US$0.4 million, the Company has funding in place expected to last until the end of October 2015, after which further financing will be required.

The mining sector as a whole is undergoing a difficult time at present, with uncertain commodity prices, and cautiousness from capital markets which means there can be no guarantee that the Company will be able to secure the funding it requires for its development projects. However, we remain resolute in our determination to optimise our cashflows at Inata, while developing Souma and Tri-K to provide Avocet's next phase of production.

INATA OPERATIONAL REVIEW

Gold production and cash costs

	2014					2015		
	Q1	Q2	Q3	Q4	FY 2014	Q1	**Q2**	**H1**
Ore mined (k tonnes)	621	818	591	499	2,529	393	**397**	**790**
Waste mined (k tonnes)	4,351	3,583	2,116	1,445	11,495	1,420	**3,563**	**4,983**
Total mined (k tonnes)	4,972	4,401	2,707	1,944	14,024	1,813	**3,960**	**5,773**
Ore processed (k tonnes)	483	537	554	329	1,903	437	**471**	**908**
Average head grade (g/t)	1.61	1.44	1.53	2.92	1.77	2.50	**2.27**	**2.38**
Process recovery rate	86%	88%	85%	61%	79%	52%	**67%**	**59%**
Gold Produced (oz)	23,148	21,650	21,736	19,503	86,037	17,011	**22,848**	**39,859**
Cash costs (US$/oz)								
Mining	464	508	395	306	422	262	**313**	**291**
Processing	402	478	461	431	442	540	**408**	**464**
Administration	223	242	239	232	234	236	**155**	**190**
Royalties	90	89	88	83	88	75	**76**	**76**
	1,179	1,317	1,183	1,052	1,186	1,113	**952**	**1,021**

Gold production in Q1 2015 reflected the impact of the strike which took place in December 2014. During January, the plant returned to operation, treating stockpiled material initially, which was more carbonaceous, until mining activities recommenced in February, following the repopulation of mining crews.

Sales revenues were therefore low during Q1, putting pressure on the mine's creditors, who showed considerable support during this difficult period. In Q2, the mine schedule was amended in order to bring forward lower PRI ("Preg-robbing Index") and higher grade material that had originally been planned for the second half of the year. This more favourable ore allowed some catch-up of payments to Inata's suppliers in Q2.

However, much of the remaining ore remains challenging, with variable PRI levels, as well as additional complicating factors such as arsenic and gold locked up in sulphidic ores. Recovery levels are therefore likely to remain unpredictable.

These production challenges, as well as the recent fall in gold prices, have underlined the importance of the cost saving initiatives undertaken at the mine. These have included a reduction in senior managers, a resizing of the mine fleets in line with lower anticipated strip levels, and the elimination of non-essential spend in administration and support activities. Running costs are now 20% lower than during 2014.

This represents a considerable achievement on the part of the management and workforce at Inata, who have maintained impressive levels of professionalism and commitment, especially as safety and environmental standards have remained high. By 23 August 2015, the mine had exceeded 5.7 million LTI-free hours worked, while Avocet's community activities, through its Foundation, have continued unabated.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Total gold sold in H1 2015 amounted to 39,740 ounces, compared with 46,105 in the first half of 2014. Combined with average realised gold prices of US$1,203 per ounce compared with US$1,287 in H1 2014 this translated into a fall in revenue of US$11.6 million, or 20%, from US$59.4 million in H1 2014 to US$47.8 million in the first half of 2015.

The loss at the gross margin level reduced from US$13.1 million in H1 2014 to US$6.6 million in H1 2015. As well as the effect of cost reduction measures and the benefit of a weaker West African Franc de la Communauté Financière d'Afrique ("FCFA") against the US dollar, this also reflected lower depreciation resulting from previous asset impairments at Inata. Cost savings have also been achieved at the corporate level, with administrative costs down 40% against the comparative period in 2014.

The FCFA weakened over the period by approximately 10% against the US dollar, which meant that the Company's debts in FCFA benefitted from an exchange gain of US$4.7 million. After taking into account finance costs of US$3.5m (H1 2014: US$3.9 million), which largely related to interest on the Elliott and Ecobank loan facilities, the loss before taxation and exceptionals was US$7.1 million (compared with US$20.2 million in H1 2014).

As a result of lower gold price assumptions for 2015-17, an impairment of US$30.6 million was recognised in the period against Inata's assets, and the loss before tax was therefore US$37.7 million compared with US$46.0 million in H1 2014.

The Group tax charge benefitted from the release of a US$4.6 million deferred tax provision, explained in note 13 to the accounts. The loss for the period was US$33.1 million compared with US$55.6 million in the previous year.

EBITDA, an indicator of underlying cash generation which excludes working capital movements, showed a loss of US$2.9 million, in line with H1 2014. However, net cash generated by operating activities, after interest and tax, was US$6.7 million, compared to US$0.8m in H1 2014, with the variance reflecting working capital movements during the respective periods.

With the focus on cash conservation, capex was reduced in the period to US$2.7 million (H1 2014: US$6.9 million), the largest element of which was the continued work on the second tailings dam, which is near completion. No exploration costs were capitalised during the period.

Two new Elliott loans of US$1.5 million each were drawn down in January and April. Capital repayments under the Ecobank loan facility totalled US$4.5 million, while the Ecobank VAT facility payments (net of further advances) totalled US$2.2 million.

OUTLOOK

Gold production at Inata in 2015 is now expected to be lower than previous guidance, at 75-80,000 ounces. Combined with lower production, the weakening gold price poses an increasing threat to Inata's cash generation and its efforts to reduce the mine's creditor balance and maintain its life of mine. However, management remains focused on these areas.

In Guinea, efforts are focused on optimising the design and economics of the Tri-K project, in order to secure financing to commence development as soon as possible.

DAVID CATHER
Chief Executive Officer

DIRECTORS RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- The interim management report includes a fair review of the information required by:
  i) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

DAVID CATHER
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 Unaudited	30 June 2014 Unaudited
		US$000	US$000
Revenue	2	**47,809**	59,353
Cost of sales	2	**(54,374)**	(72,441)
Gross loss		**(6,565)**	(13,088)
Administrative expenses		**(1,451)**	(2,492)
Share based payments		**(206)**	(754)
Impairment of mining and exploration assets	3,8	**(30,609)**	(25,780)
Loss from operations		**(38,831)**	(42,114)
Finance items			
Exchange gains		**4,681**	7
Finance expense		**(3,510)**	(3,897)
Finance income		**-**	2
Loss before taxation		**(37,660)**	(46,002)
Analysed as:			
Loss before taxation and exceptional items		**(7,051)**	(20,222)
Exceptional items	3	**(30,609)**	(25,780)
Loss before taxation		**(37,660)**	(46,002)
Taxation		**4,595**	(9,588)
Loss for the period		**(33,065)**	(55,590)
Attributable to:			
Equity shareholders of the parent company		**(30,119)**	(52,758)
Non-controlling interest		**(2,946)**	(2,832)
		(33,065)	(55,590)
Earnings per share			
- basic (cents per share)	5	**(14.38)**	(26.50)
- diluted (cents per share)	5	**(14.38)**	(26.50)
EBITDA [1]	4	**(2,912)**	(2,921)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended	
		30 June 2015	30 June 2014
	Note	**Unaudited**	Unaudited
		US$000	US$000
Loss for the period		**(33,065)**	(55,590)
Revaluation of other financial assets		**-**	(74)
Total comprehensive income for the period		**(33,065)**	(55,664)
Attributable to:			
Equity holders of the parent company		**(30,119)**	(52,832)
Non-controlling interest		**(2,946)**	(2,832)
Total comprehensive income for the period		**(33,065)**	(55,664)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	**30 June 2015 Unaudited**	31 December 2014 Audited
		US$000	US$000
Non-current assets			
Intangible assets	6	**17,206**	17,206
Property, plant and equipment	7	**1,728**	32,750
		18,934	49,956
Current assets			
Inventories	9	**31,451**	41,004
Trade and other receivables	10	**3,759**	8,502
Cash and cash equivalents	11	**4,846**	4,816
		40,056	54,322
Current liabilities			
Trade and other payables		**45,570**	45,751
Other financial liabilities	12	**33,381**	32,648
		78,951	78,399
Non-current liabilities			
Other financial liabilities	12	**27,568**	35,902
Deferred tax liabilities	13	**-**	4,614
Other liabilities		**6,460**	6,493
		34,028	47,009
Net liabilities		**(53,989)**	(21,130)
Equity			
Issued share capital		**17,072**	17,072
Share premium		**146,391**	146,391
Other reserves		**17,895**	17,895
Retained earnings		**(199,527)**	(169,614)
Total equity attributable to the parent		**(18,169)**	11,744
Non-controlling interest		**(35,820)**	(32,874)
Total equity		**(53,989)**	(21,130)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2015

	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to the parent	Non-controlling interest	Total equity
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
At 31 December 2014 (Audited)	**17,072**	**146,391**	**17,895**	**(169,614)**	**11,744**	**(32,874)**	**(21,130)**
Loss for the period	-	-	-	(30,119)	(30,119)	(2,946)	(33,065)
Total comprehensive income for the period	**-**	**-**	**-**	**(30,119)**	**(30,119)**	**(2,946)**	**(33,065)**
Share based payments	-	-	-	206	206	-	206
At 30 June 2015 (Unaudited)	**17,072**	**146,391**	**17,895**	**(199,527)**	**(18,169)**	**(35,820)**	**(53,989)**

Six months ended 30 June 2014

	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to the parent	Non-controlling interest	Total equity
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
At 31 December 2013 (Audited)	**16,247**	**146,040**	**17,895**	**(34,350)**	**145,832**	**(19,206)**	**126,626**
Loss for the period	-	-	-	(52,758)	(52,758)	(2,832)	(55,590)
Revaluation of other financial assets	-	-	(74)	-	(74)	-	(74)
Total comprehensive income for the period	**-**	-	**(74)**	**(52,758)**	**(52,832)**	**(2,832)**	**(55,664)**
Share based payments	-	-	-	754	754	-	754
At 30 June 2014 (Unaudited)	**16,247**	**146,040**	**17,821**	**(86,354)**	**93,754**	**(22,038)**	**71,716**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014
		US$000	US$000
Cash flows from operating activities			
Loss for the period		**(33,065)**	(55,590)
Adjusted for:			
Depreciation of non-current assets	2,7	**5,310**	13,413
Impairment of mining and exploration assets	8	**30,609**	25,780
Share based payments		**206**	754
Taxation in the income statement	13	**(4,595)**	9,588
Non-operating items in the income statement		**(2,460)**	4,462
		(3,995)	(1,593)
Movements in working capital			
Decrease in inventory		**7,319**	2,689
Decrease/(increase) in trade and other receivables		**4,273**	(1,288)
Increase in trade and other payables		**1,352**	4,563
Net cash generated by operations		**8,949**	4,371
Interest paid		**(2,213)**	(3,564)
Net cash generated by operating activities		**6,736**	807
Cash flows from investing activities			
Payments for property, plant and equipment	7	**(2,663)**	(6,868)
Exploration and evaluation expenses		**-**	(28)
Net cash used in investing activities		**(2,663)**	(6,896)
Cash flows from financing activities			
Proceeds from new loans	12	**3,000**	6,948
Net loan repayments	12	**(6,776)**	(5,353)
Payments in respect of finance lease	12	**(288)**	(424)
Net cash (used in)/generated by financing activities		**(4,064)**	1,171
Net cash movement		**9**	(4,918)
Exchange gains		**21**	7
Total increase/(decrease) in cash and cash equivalents		**30**	(4,911)
Cash and cash equivalents at start of the period		**4,816**	15,201
Cash and cash equivalents at end of period		**4,846**	10,290

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated interim financial statements, which are unaudited, have been prepared in accordance with the requirements of International Accounting Standard 34 as adopted for use in the European Union. This condensed interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed report is to be read in conjunction with the Annual Report for the year ended 31 December 2014, which has been prepared in accordance with IFRS as adopted by the European Union, and any public announcements made by the Group during the interim reporting period.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The unaudited condensed financial statements for the six months ended 30 June 2015 have been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ending 31 December 2015. The accounting policies are not different to those set out in note 1 to the Group's audited financial statements for the year ended 31 December 2014, with the exception of certain amendments to accounting standards or new interpretations issued by the International Accounting Standards Board, which were applicable from 1 January 2015. These have not had a material impact on the Group.

The Company's statutory financial statements for the year ended 31 December 2014 are available on the Company's website www.avocetmining.com. The auditor's report on those financial statements was unqualified and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

Going Concern

The Company has three loans due to an affiliate of Elliott Associates, its largest shareholder, as follows:

1. First loan - taken out in March 2013, under which US$17.7 million was outstanding at 23 August 2015, comprising US$15.0 million principal and US$2.7 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$1.5 million taken out in January 2015, plus US$0.1 million accrued interest; and
3. Third loan – secured demand loan of US$2.4 million, of which US$2.0 million had been drawn down at 24 August 2015. The remaining US$0.4 million is at Elliott's discretion. This loan is secured against various Group assets in Burkina Faso.

These loans reflect the fact that Avocet's single mine, Inata in Burkina Faso, has been unable to repay intercompany debts to the Company that relate to the mine's construction and subsequent lending. The weak gold market and Inata's disappointing operational performance in the last three years mean that the Company has to date been unable to raise sufficient equity to provide funding for corporate purposes or to repay the above loans. In the absence of funding from Inata or the capital markets, the Company envisages that repayment of the above loans will be achieved through the development or sale of its Tri-K project in Guinea or its Souma exploration project in Burkina Faso.

Société des Mines de Bélahouro (SMB), the Avocet subsidiary that owns Inata, has debt of US$38.4 million with Ecobank and trade creditors totalling US$36.1 million. Inata continues to struggle operationally and work continues to optimise cashflows by improving recoveries and reducing costs. Based on current circumstances the mine is not presently expected to be able to make debt repayments to Avocet. The liabilities of SMB are non-recourse to Avocet.

Since the start of 2014, the Company has conducted a business review in response to the financial status of the group, including considering various options for maximising the value of its assets for the benefits of shareholders, namely at Inata, Souma and Guinea. The aim of this review, which remains ongoing, is to secure sufficient funding to address the Elliott loans as well as any ongoing funding for corporate activities and Inata. During this time a US$1.2 million placing in August 2014 and the second and third Elliott loans have provided funds for corporate activities. While business review discussions have progressed with various parties interested in the development or sale of Tri-K or Souma, it cannot be guaranteed that such funding for the Company or the wider group will be secured.

Subject to Elliott’s approval for the final drawdown of US$0.4 million, the Company currently has funding for corporate activities which is expected to last until end October 2015.

A further uncertainty relates to the ongoing arbitration case between the Company and J&Partners, the buyer of Avocet’s South East Asian assets in 2011. As outlined in more detail in Note 15 Contingent Liabilities below, the arbitration hearing was held in January 2015, and the arbitrator’s decision is pending. During the period, Avocet and J&Partners submitted cost recovery claims of US$1.8 million and US$4.2 million respectively. The Company is advised that it has a better than evens chance of success in the arbitration. Should the arbitration in the English courts be decided in Avocet’s favour, it would be entitled to seek recovery of a proportion of its costs from J&Partners. Should the arbitration be decided in J&Partners’ favour, J&Partners would be entitled to seek recovery of a proportion of its costs from Avocet. No amount has been provided for an adverse cost recovery award. However if the arbitrator were to rule in favour of J&Partners, it is possible that a cost claim of several million US dollars might be made against the Company.

The combination of these circumstances represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the Board has a reasonable expectation that the Company will succeed in securing funding for the next twelve months, based on its view of the prospects for Tri-K and Souma, the parties involved and the nature of early stage discussions, as well as its view of success in the J&Partners arbitration. The Board has therefore continued to adopt the going concern basis in preparing the financial statements for the period ended 30 June 2015.

Should the Board's judgement prove wrong and sufficient funding arrangements are not obtained as envisaged, the presentation of the Group financial statements on the going concern basis would be inappropriate and the Group financial statements would need to be represented on a break up basis.

Estimates

Certain amounts included in the condensed consolidated interim 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.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2014, with the exception of those highlighted in the exceptional items and impairments notes to these financial statements.

Principal risks and uncertainties

Avocet Mining PLC is exposed to a variety of risks and uncertainties which may have a financial, operational or reputational impact on the Group.

The principal risks and uncertainties facing the Group at the year end were set out in detail in the Directors and Governance section of the Annual Report 2014 (pages 19-21), and have not changed significantly since. Key headline risks relate to the following:

- Availability of finance for Tri-K, Souma and head office
- Ability to meet loan and creditor obligations at Inata
- Gold prices
- Oil and other commodity prices
- Reliability of Mineral Resource and Ore Reserve estimates
- Operating risks
- Changes in fiscal and regulatory regimes
- Political risk

The Annual Report 2014 is available on the Group's website www.avocetmining.com.

2. Segmental reporting

IFRS 8 requires the disclosure of certain information in respect of reportable operating segments. One of the criteria for determining reportable operating segments is the level at which information is regularly reviewed by the Chief Operating Decision Maker (CODM) for the purposes of making economic decisions. In this report, operating segments for continuing operations are determined as the UK, Burkina Faso operations (which includes the Inata gold mine as well as exploration activity within the Inata and wider Bélahouro licence areas), and Guinea (which includes the Tri-K project and its support functions).

2. Segmental Reporting

For the six months ended 30 June 2015 (unaudited)		UK	Burkina Faso	Guinea	Total
		US$000	**US$000**	**US$000**	**US$000**
INCOME STATEMENT					
Revenue		**-**	47,809	-	47,809
Cost of Sales		**-**	(53,764)	(610)	(54,374)
Cash production costs:					-
- mining		-	(11,607)	-	(11,607)
- processing		-	(18,508)	-	(18,508)
- overheads		-	(7,555)	-	(7,555)
- royalties		-	(3,013)	-	(3,013)
		-	(40,683)	-	(40,683)
Changes in inventory		-	(6,691)	-	(6,691)
Expensed exploration and other cost of sales	(a)	-	(1,169)	(521)	(1,690)
Depreciation and amortisation	(b)	-	(5,221)	(89)	(5,310)
Gross loss		**-**	**(5,955)**	**(610)**	**(6,565)**
Administrative expenses and share based payments		(1,451)	-	-	(1,451)
Share based payments		(206)	-	-	(206)
Impairment of mining and exploration assets		-	(30,609)	-	(30,609)
Loss from operations		**(1,657)**	**(36,564)**	**(610)**	**(38,831)**
Exchange gains		47	4,634	-	4,681
Net finance items		(1,107)	(2,403)	-	(3,510)
Loss before taxation		**(2,717)**	**(34,333)**	**(610)**	**(37,660)**
Taxation		(19)	4,614	-	4,595
Loss for the period		**(2,736)**	**(29,719)**	**(610)**	**(33,065)**
Attributable to:					
Equity shareholders of parent company		(2,736)	(26,773)	(610)	(30,119)
Non-controlling interest		-	(2,946)	-	(2,946)
Loss for the period		**(2,736)**	**(29,719)**	**(610)**	**(33,065)**
EBITDA	(c)	**(1,657)**	**(734)**	**(521)**	**(2,912)**

(a) Other cost of sales represents costs not directly attributable to production, including exploration expenditure expensed;
(b) Includes amounts in respect of the amortisation of mine closure provision at Inata;
(c) EBITDA represents earnings before exceptional items, finance items, tax, depreciation and amortisation. EBITDA is not defined by IFRS but is commonly used as an indication of underlying cash generation.

2. Segmental Reporting (continued)

At 30 June 2015 (unaudited)	UK	Burkina Faso	Guinea	Total
	US$000	**US$000**	**US$000**	**US$000**
STATEMENT OF FINANCIAL POSITION				
Non-current assets	-	-	18,934	18,934
Inventories	-	31,386	65	31,451
Trade and other receivables	256	3,461	42	3,759
Cash and cash equivalents	166	4,552	128	4,846
Total assets	**422**	**39,399**	**19,169**	**58,990**
Current liabilities	(22,796)	(55,823)	(332)	(78,951)
Non-current liabilities	-	(34,028)	-	(34,028)
Total liabilities	**(22,796)**	**(89,851)**	**(332)**	**(112,979)**
Net (liabilities)/assets	**(22,374)**	**(50,452)**	**18,837**	**(53,989)**

For the six months ended 30 June 2015 (unaudited)		UK	Burkina Faso	Guinea	Total
		US$000	**US$000**	**US$000**	**US$000**
CASH FLOW STATEMENT					
Loss for the period		(2,736)	(29,719)	(610)	(33,065)
Adjustments for non-cash and non-operating items	(d)	1,285	27,809	(24)	29,070
Movements in working capital		(2,181)	14,224	901	12,944
Net cash (used in)/generated by operations		**(3,632)**	**12,314**	**267**	**8,949**
Net interest paid		-	(2,213)	-	(2,213)
Purchase of property, plant and equipment		-	(2,663)	-	(2,663)
Financing – loan drawdowns		3,000	-	-	3,000
Financing costs – loan repayments		-	(6,776)	-	(6,776)
Other cash movements	(e)	653	(742)	(178)	(267)
Total (decrease)/increase in cash and cash equivalents		**21**	**(80)**	**89**	**30**

(d) Includes depreciation and amortisation, share based payments, taxation in the income statement, and other non-operating items in the income statement;
(e) Other cash movements include cash flows from financing activities, intragroup transfers, and exchange gains or losses.

2. Segmental Reporting (continued)

For the six months ended 30 June 2014 (unaudited)		UK	Burkina Faso	Guinea	Total
		US$000	**US$000**	**US$000**	**US$000**
INCOME STATEMENT					
Revenue		**-**	**59,353**	**-**	**59,353**
Cost of Sales		**-**	**(71,684)**	**(757)**	**(72,441)**
Cash production costs:					
- mining		-	(21,741)	-	(21,741)
- processing		-	(19,652)	-	(19,652)
- overheads		-	(10,395)	-	(10,395)
- royalties		-	(4,011)	-	(4,011)
		-	(55,799)	-	(55,799)
Changes in inventory		-	722	-	722
Expensed exploration and other cost of sales	(a)	-	(3,194)	(757)	(3,951)
Depreciation and amortisation	(b)	-	(13,413)	-	(13,413)
Gross loss		**-**	**(12,331)**	**(757)**	**(13,088)**
Administrative expenses		(2,474)	-	(18)	(2,492)
Share based payments		(754)	-	-	(754)
Impairment of mining and exploration assets		-	(25,780)	-	(25,780)
Loss from operations		**(3,228)**	**(38,111)**	**(775)**	**(42,114)**
Net finance items		(654)	(3,234)	-	(3,888)
Loss before taxation		**(3,882)**	**(41,345)**	**(775)**	**(46,002)**
Taxation		(12)	(9,576)	-	(9,588)
Loss for the period		**(3,894)**	**(50,921)**	**(775)**	**(55,590)**
Attributable to:					
Equity shareholders of parent company		(3,894)	(48,089)	(775)	(52,758)
Non-controlling interest		-	(2,832)	-	(2,832)
Loss for the period		**(3,894)**	**(50,921)**	**(775)**	**(55,590)**
EBITDA	(c)	**(3,228)**	**1,082**	**(775)**	**(2,921)**

(a) Other cost of sales represents costs not directly attributable to production, including exploration expenditure expensed;
(b) Includes amounts in respect of the amortisation of mine closure provision at Inata;
(c) EBITDA represents earnings before exceptional items, finance items, tax, depreciation and amortisation. EBITDA is not defined by IFRS but is commonly used as an indication of underlying cash generation.

At 30 June 2014 (unaudited)	UK	Burkina Faso	Guinea	Total
	US$000	**US$000**	**US$000**	**US$000**
STATEMENT OF FINANCIAL POSITION				
Non-current assets	-	97,537	25,189	122,726
Inventories	-	56,161	69	56,230
Trade and other receivables	528	19,201	174	19,903
Cash and cash equivalents	462	9,667	161	10,290
Total assets	**990**	**182,566**	**25,593**	**209,149**
Current liabilities	(18,259)	(61,542)	(404)	(80,205)
Non-current liabilities	(164)	(57,064)	-	(57,228)
Total liabilities	**(18,423)**	**(118,606)**	**(404)**	**(137,433)**
Net (liabilities)/assets	**(17,433)**	**63,960**	**25,189**	**71,716**

For the six months ended 30 June 2014 (unaudited)		UK	Burkina Faso	Guinea	Total
		US$000	**US$000**	**US$000**	**US$000**
CASH FLOW STATEMENT					
Loss for the period		(3,894)	(50,921)	(775)	(55,590)
Adjustments for non-cash and non-operating items	(d)	1,418	52,575	-	53,993
Movements in working capital		(213)	5,633	544	5,964
Net cash (used in)/generated by operations		**(2,689)**	**7,287**	**(231)**	**4,367**
Net interest paid		(755)	(2,809)	-	(3,564)
Purchase of property, plant and equipment		-	(6,868)	-	(6,868)
Deferred exploration expenditure		-	-	(28)	(28)
Financing costs – loan repayments		-	(5,353)	-	(5,353)
Financing – VAT advances		-	6,948	-	6,948
Other cash movements	(e)	(21)	(725)	333	(413)
Total (decrease)/increase in cash and cash equivalents		**(3,465)**	**(1,520)**	**74**	**(4,911)**

(d) Includes depreciation and amortisation, share based payments, taxation in the income statement, and other non-operating items in the income statement;
(e) Other cash movements include cash flows from financing activities, intragroup transfers, and exchange gains or losses.

3. Exceptional items

	30 June 2015 (six months) Unaudited	30 June 2014 (six months) Unaudited
	US$000	US$000
Impairment of Inata mining assets	**(30,609)**	(25,780)
Exceptional loss	**(30,609)**	(25,780)

Impairments of Inata mining assets at 30 June 2015

In 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 Inata life of mine. This factor, together with the production 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 is now six months shorter than at 31 December 2014, have led the Company to recognise an impairment of US$30.6 million at 30 June 2015.

Further details are provided in note 8.

Impairments of Inata mining assets at 30 June 2014

In June 2014, Avocet recognised a US$25.8 million impairment of non–current mining assets in respect of the Inata Gold Mine driven by changes to the Life of Mine Plan (LoMP). Further details are provided in note 8.

4. EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA) represents profit before depreciation/amortisation, interest and taxes, as well as excluding any exceptional items.

	30 June 2015 (six months) Unaudited	30 June 2014 (six months) Unaudited
	US$000	US$000
Loss before taxation	**(37,660)**	(46,002)
Exceptional items	**30,609**	25,780
Depreciation	**5,310**	13,413
Exchange gain	**(4,681)**	(7)
Net finance expense	**3,510**	3,895
EBITDA	**(2,912)**	(2,921)

5. Earnings per Share

Earnings per share are analysed in the table below.

	30 June 2015 (six months) Unaudited	30 June 2014 (six months) Unaudited
	Shares	Shares
Weighted average number of shares in issue for the period		
- number of shares with voting rights	**209,496,710**	199,104,701
- effect of share options in issue[1]	**-**	-
- total used in calculation of diluted earnings per share	**209,496,710**	199,104,701

	US$000	US$000
Earnings per share		
Loss for the period	**(33,065)**	(55,590)
Less non-controlling interest	**2,946**	2,832
Loss for the period attributable to equity shareholders of the parent	**(30,119)**	(52,758)
Loss per share		
- basic (cents per share)	**(14.38)**	(26.50)
- diluted (cents per share) [1]	**(14.38)**	(26.50)

[1] As a result of the loss for each period, in calculating the diluted earnings per share the effect of share options in issue has been ignored for the 6 months ended 30 June 2015 and for the 6 months ended 30 June 2014.

6. Intangible assets

Intangible assets represent deferred exploration expenditure. The movement in the period is analysed below:

	Burkina Faso	**Guinea**	**Total**
	US$000	**US$000**	**US$000**
At 1 January 2015 (audited)	-	17,206	17,206
Movement	-	-	-
At 30 June 2015 (unaudited)	**-**	**17,206**	**17,206**

Intangible assets in Guinea consist of capitalised exploration and development costs in respect of the Tri-K project. No costs were capitalised during the six months to 30 June 2015.

The Company’s exploration assets in Burkina Faso and Mali were impaired to nil in previous periods.

7. Property, plant and equipment

Six months ended 30 June 2015	Note	Mining: Mine development costs	Mining: Plant and Machinery	Mining: Vehicles, fixtures, & equipment	Exploration property & plant	Office equipment	Total
		Burkina Faso	Burkina Faso	Burkina Faso	Guinea	UK	Total
		US$000	US$000	US$000	US$000	US$000	US$000
Cost							
At 1 January 2015 (audited)		76,114	45,035	60,813	3,095	770	185,827
Additions		1,971	692	-	-	-	2,663
Impairment of mining assets	8	(1,665)	(8,078)	(18,632)	-	-	(28,375)
At 30 June 2015 (unaudited)		**76,420**	**37,649**	**42,181**	**3,095**	**770**	**160,115**
Depreciation							
At 1 January 2015 (audited)		76,114	36,163	38,752	1,278	770	153,077
Charge for the period		306	1,486	3,429	89	-	5,310
At 30 June 2015 (unaudited)		**76,420**	**37,649**	**42,181**	**1,376**	**770**	**158,387**
Net Book Value							
At 30 June 2015 (unaudited)		-	-	-	**1,728**	**-**	**1,728**
At 1 January 2015 (audited)		-	8,872	22,061	1,817	-	32,750

8. Impairments

Impairments at 30 June 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 the CGU. This includes all tangible non-current assets, intangible exploration assets, and net current assets excluding cash.

In 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 current mine life which is six months shorter than at 31 December 2014, have led the Company to recognise an impairment of US$30.6 million at 30 June 2015.

US$28.4 million of this impairment has been set against the carrying value of the fixed assets of Inata (which have been 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 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.	A change of 10% in production costs excluding royalties would vary the pre-tax impairment attributable by US$15.1 million[1].
Gold price	A gold price of US$1,100 per ounce has been assumed.	A change of 10% in the gold price assumption would vary 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 decrease the pre-tax impairment recognised in the year by US$0.1million[1].
Gold production	The current life of mine plan shows total gold production of 0.21 million ounces.	A 10% change in ounces produced would vary the pre-tax impairment recognised in the year by US$18.1 million[1].

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

While a lower gold price has been assumed for 2015-17, the period of Inata's current life of mine, the Company has retained its longer term gold price assumption of US$1,200 per ounce, in line with market consensus. Gold production from Tri-K is expected to be sold at these prices, and accordingly cashflow assumptions for the project are unchanged. Management therefore believes that no indication of impairment exists for these assets.

Impairments at 30 June 2014

In June 2014, Avocet recognised a US$25.8 million impairment of non–current mining assets in respect of the Inata Gold Mine driven by changes to the Life of Mine Plan (LoMP).

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 used at that time are outlined below:

Assumption	Judgements	Sensitivity
Timing of cash flows	Cash flows were forecast over the expected life of the mine. The life of mine plan forecasts at the time showed mining activities to continue until 2018, with a further 17 months during which stockpiles would be processed and rehabilitation costs 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 forecasted based on detailed assumptions, including staff costs, consumption of fuel and reagents, maintenance, and administration and support costs.	A change in production costs of 10% would have increased or decreased the pre-tax impairment attributable by US$56.5 million[1].
Gold price	Analyst consensus prices were used for the forecast of revenue from gold sales, based on an average consensus at July 2013 for the period 2013–2021. Prices ranged from US$1,278 per ounce in 2013 to US$1,230 in 2015, and US$1,260 per ounce from 2016.	A change of 10% in the gold price assumption would have increased or decreased the pre-tax impairment by US$69.0 million[1].
Discount rate	A discount rate of 10% (pre-tax) was used in the VIU estimation.	A change in the discount rate of one percentage point would have increased or decreased the pre-tax impairment recognised by US$6.7 million[1].
Gold production	The life of mine plan was based on gold production of 0.96 million for the Inata Mine.	A 10% increase or decrease in ounces produced, compared with the life of mine gold production, would have increased or decreased the pre-tax impairment recognised by US$81.8 million[1].

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

9. Inventories

	30 June 2015 Unaudited	31 December 2014 Audited
	US$000	US$000
Consumables	**13,231**	13,858
Work in progress	**17,175**	24,694
Finished goods	**1,045**	2,452
	31,451	41,004

Work in progress includes ore in stockpiles and gold in circuit, while finished goods represents gold in transit or undergoing refinement, prior to sale.

An impairment of US$2.2 million was recognised against Work in progress inventory at 30 June 2015, in respect of the ore stockpile.

10. Trade and other receivables

	30 June 2015 Unaudited	31 December 2014 Audited
	US$000	US$000
Payments in advance and deposits	**931**	2,296
VAT	**1,629**	4,682
Prepayments	**1,199**	1,524
	3,759	8,502

11. Cash and cash equivalents

	30 June 2015 Unaudited	31 December 2014 Audited
	US$000	US$000
Cash at bank and in hand	**4,846**	4,816
Cash and cash equivalents	**4,846**	4,816

Included within the cash balance of US$4.8 million at 30 June 2016 was US$3.9 million of restricted cash, representing a US$2.1 million minimum account balance held in relation to the Ecobank loan, and US$1.8 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.

In FCFA terms, these restricted cash balances remain unchanged since 31 December 2014, however have decreased in US dollar terms due to a weakening of the FCFA during the first half of 2015.

12. Other financial liabilities

	30 June 2015 Unaudited	31 December 2014 Audited
	US$000	US$000
Current liabilities		
Interest-bearing debt	**32,496**	31,679
Finance lease liabilities	**631**	715
Warrant on company equity	**254**	254
Total current other financial liabilities	**33,381**	32,648

	30 June 2015 Unaudited	31 December 2014 Audited
	US$000	US$000
Non-current liabilities		
Interest-bearing debt	**26,496**	34,524
Finance lease liabilities	**1,072**	1,378
Total non-current other financial liabilities	**27,568**	35,902
Total other financial liabilities	**60,949**	68,550

Interest-bearing debt

Interest-bearing debt includes US$20.6 million in respect of loans due to an affiliate of Elliott Associates, the Company's largest shareholder, US$36.1 million in respect of a loan due to Ecobank, and US$2.3 million of net advances from Ecobank, secured on VAT recoverable amounts which have been confirmed but not yet settled by the Burkina Faso government.

Elliott loan

The US$20.6 million Elliott debt held at 30 June 2015 consisted of a loan of US$15.0 million drawn down in March 2013 (the 'First Loan'), and two further loans of US$1.5 million each, drawn down in January and April 2015 (the 'Second Loan' and 'Third Loan' respectively). Accrued interest on these loans amounted to US$2.6 million.

As all three loans are on demand, they have been classified under Current Liabilities. The First Loan is secured against the Tri-K assets in Guinea, while the Second and Third Loans were unsecured at 30 June 2015.

Although the Third Loan was initially unsecured, a condition of its drawdown was that the Company would seek shareholder approval for its replacement with a secured facility. On 19 June 2015, a resolution was passed at a General Meeting of shareholders approving the drawdown of a secured loan of up to US$2.4 million, of which US$1.5 million was to be used to repay the unsecured facility drawn down in April 2015, with a further US$0.6 million to be made available for corporate purposes, and US$0.3 million to cover the costs of putting the security in place.

The security over certain Group assets in Burkina Faso was duly approved by the relevant authorities and US$2.0 million under the secured Third Loan facility was drawn down on 3 August 2015. The availability and draw down of the remaining US$0.4 million under this facility are at Elliott's discretion.

The assets secured by this Third Loan include shares in various group subsidiaries, intra-group loans, and gold inventory at the Inata mine. Further details of the terms of this facility are set out in the circular of 22 May 2015, and subsequent press releases.

Ecobank Inata loan

At 30 June 2015, a loan balance of US$36.1 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 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 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 (currently equal to 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 H1 2015, payments totalling US$6.4 million were made in respect of this loan, which was made up of US$4.5 million in loan repayments, US$1.6 million of interest, and US$0.3 million in VAT charged on interest. The weighted average interest on the loan during the year was 8.0%.

A weakening in the FCFA during the period resulted in a reduction in the loan value expressed in US dollars of US$4.0 million.

The facility is recognised at amortised cost and the amounts due within twelve months are included as current US$9.6 million with the remaining balance of US$26.5 million included as non-current.

Ecobank VAT loan

Avocet's Burkinabe subsidiary SMB has an arrangement with Ecobank to allow short term funding to be drawn down, secured against recoverable VAT balances. Under the terms of this agreement, SMB is able to receive funding in the amount of 80% of any VAT balances that have been confirmed by the government of Burkina Faso, but for which actual payment has not yet been received, up to an aggregate maximum of approximately US$8 million (4 billion FCFA). The balance drawn down as at 30 June 2015 under this facility was US$2.3 million.

During H1 2015, advances under this facility amounted to US$1.0 million, while US$3.3 million was repaid out of the proceeds of VAT reclaimed in the period. The weaker FCFA reduced the value of this loan by US$0.4 million in US dollar terms during the period.

Warrants over Company shares

During 2013, 4 million warrants over shares in Avocet Mining PLC were issued to the Elliott Lender as consideration for the First Loan facility. The warrants have been treated as a financial instrument rather than a share based payment on the basis that the warrants were issued as part of the loan and not as a result of services provided. Furthermore, the warrants have been considered to be a liability rather than equity, on the basis that the exercise price is quoted in GBP, and therefore the cash payment from Elliott would not be fixed when accounted for by the Company, whose functional currency is USD.

These warrants have a strike price of GBP 0.40 and expire three years from their issuance on 28 May 2013. The warrants have been valued using a Black-Scholes model.

Finance lease liabilities

Also included within other financial liabilities are liabilities in respect of assets held under finance lease, US$0.6 million of which is included within current financial liabilities, and US$1.1 million is included within non-current financial liabilities.

13. Deferred tax

As at 31 December 2014, the Group recorded a deferred tax liability of US$4.6 million in relation to the withholding tax (WHT) and interest tax (IRVM) that would be due in Burkina Faso on settlement of intragroup management fees and loan interest invoices.

In view of the lower gold prices and production expected over the current Life of Mine at Inata, the Company does not believe it to be likely that these balances will be settled in full, and believes that fully providing for the possible WHT and IRVM is inappropriate. The tax provision has therefore been released in the period. In the event that some or all of the above amounts are settled, the WHT and IRVM balances will be expensed to the income statement as they arise.

14. Related party transactions

The table below sets out charges in the six month period and balances at 30 June 2015 between the Company (Avocet Mining PLC) and Group companies that were not wholly owned, in respect of management fees and interest on loans.

	Avocet Mining PLC		Wega Mining AS	
	Charged in six months ended 30 June 2015	**Balance at 30 June 2015**	**Charged in six months ended 30 June 2015**	**Balance at 30 June 2015**
	US$000	US$000	US$000	US$000
Société des Mines de Bélahouro SA (90%)	3,053	140,689	197	58,277

15. Contingent liabilities

<u>PT Lebong Tandai claim</u>

In the Annual Report for the year ended 31 December 2014, note 31 to the financial statements contains a description of Indonesian law suits brought by PT Lebong Tandai against Avocet and other parties. The Company is unaware of any new developments in the Indonesian case since the publication of the Annual Report on 30 April 2015.

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, has 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 disagrees 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 arbitrator's decision is pending. During the period, in response to a request by the arbitrator, Avocet and J&Partners submitted cost recovery claims of US$1.8 million and US$4.2 million respectively.

The Company is advised that it has a better than evens chance of success in the arbitration. Should the arbitration in the English courts be decided in Avocet's favour, it would be entitled to seek recovery of a proportion of its costs from J&Partners. Should the arbitration be decided in J&Partners' favour, J&Partners would be entitled to seek recovery of a proportion of its costs from Avocet. No amount has been provided for an adverse cost recovery award.

16. Unaudited quarterly income statement

	Quarter ended 31 March 2015 (Unaudited)	Quarter ended 30 June 2015 (Unaudited)	Half year ended 30 June 2015 (Unaudited)	Year ended 31 December 2014 (Audited)
	US$000	**US$000**	**US$000**	US$000
Revenue	21,048	26,761	47,809	110,444
Cost of sales	(24,135)	(30,239)	(54,374)	(129,716)
Cash production costs:				
- mining	(4,456)	(7,151)	(11,607)	(36,296)
- processing	(9,184)	(9,324)	(18,508)	(38,084)
- overheads	(4,012)	(3,543)	(7,555)	(20,118)
- royalties	(1,281)	(1,732)	(3,013)	(7,537)
	(18,933)	(21,750)	(40,683)	(102,035)
Changes in inventory	(4,426)	(2,265)	(6,691)	(895)
Expensed exploration and other cost of sales	1,440	(3,130)	(1,690)	(3,172)
Depreciation and amortisation	(2,216)	(3,094)	(5,310)	(23,614)
Gross loss	**(3,087)**	**(3,478)**	**(6,565)**	**(19,272)**
Administrative expenses	(1,009)	(442)	(1,451)	(5,717)
Share based payments	(83)	(123)	(206)	(856)
Net impairment of mining and exploration assets	-	(30,609)	(30,609)	(111,692)
Loss from operations	**(4,179)**	**(34,652)**	**(38,831)**	**(137,537)**
Exchange gains	5,567	(886)	4,681	5,856
Net finance costs	(1,943)	(1,567)	(3,510)	(8,454)
Loss before taxation	**(555)**	**(37,105)**	**(37,660)**	**(140,135)**
Analysed as:				
Profit before taxation and exceptional items	(555)	(6,496)	(7,051)	(28,443)
Exceptional items	-	(30,609)	(30,609)	(111,692)
Taxation	(19)	4,614	4,595	(9,653)
Loss for the period	**(574)**	**(32,491)**	**(33,065)**	**(149,788)**
Attributable to:				
Equity shareholders of the parent company	(708)	(29,411)	(30,119)	(136,120)
Non-controlling interest	134	(3,080)	(2,946)	(13,668)
	(574)	**(32,491)**	**(33,065)**	**(149,788)**
EBITDA [1]	(1,963)	(949)	(2,912)	(2,231)

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