Avocet Mining

Improved Inata mine plan and Q2 results

8th August 2013

focused on **west africa**

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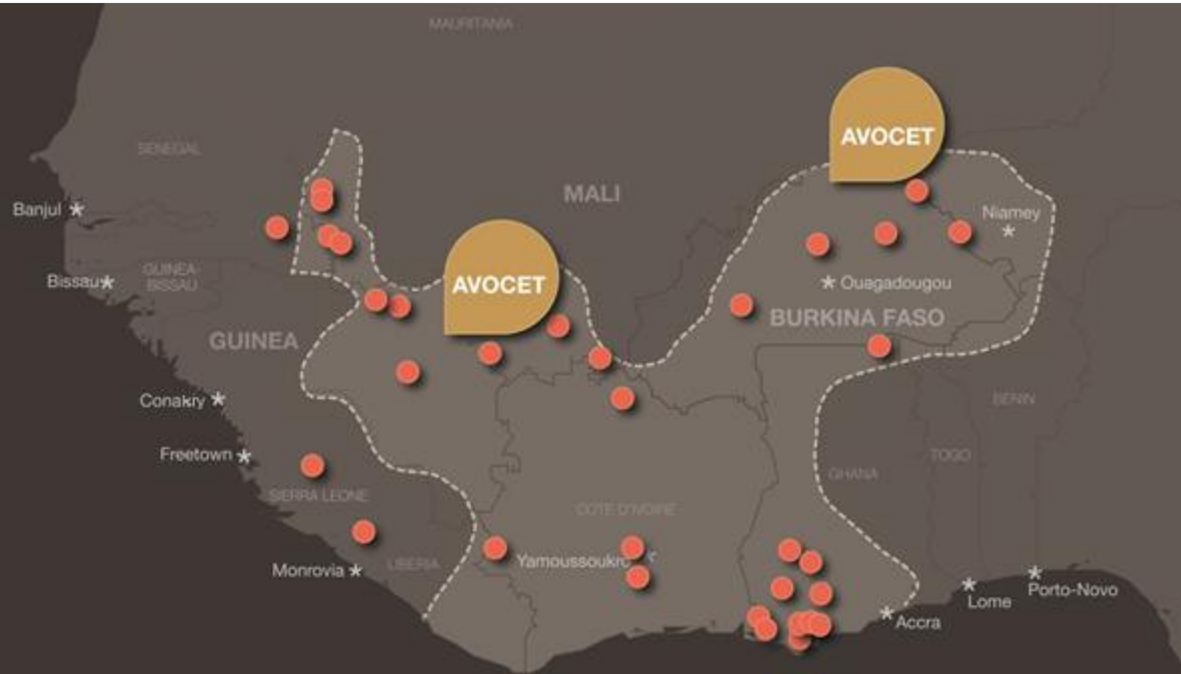
Quality assets in a highly prospective region

Inata Gold Mine

- Producing mine with significant exploration potential
- Cash generative asset even at lower prices
- Upside from satellite **Souma** deposit 20km from Inata process plant – currently 0.8Moz with significant growth potential
- Inata Mineral Resources of 5.5 Moz., including 0.8 Moz. at Souma



Tri-K Development Project

- Feasibility study commenced in Q4 2012
- Potential to be Guinea's next producing gold mine - first under new mining code
- Low capex development plan assumes initial heap leach project

Highlights

- **Improved Inata life of mine plan**
  - Stronger cash generation - US$65m in hedge period, US$190m thereafter;
  - 36% increase in life of mine recovered ounces;
  - Inata cash flows to fund US$6m carbon blinding circuit with completion by mid-2014; and
  - Capex reduced to an average of US$7m p.a. over the next five years.
- **Q2 results**
  - Q2 production of 31,245 ounces at total cash cost of US$1,238 per ounce;
  - Four million hours without a lost time injury reached during June;
  - Access to higher grade, high recovery Minfo oxide ore in Q2 - recovery of 91% achieved in June and 12,072 ounces recovered;
  - Similar results expected in H2 with processing of oxide ore through to mid-2014;
  - Mining costs to fall in Q3 after end of waste catch-up campaign and stand down of mining contractor during the quarter; and
  - EBITDA for the quarter of US$0.8m (Q1 2013: US$6.7m).

New life of mine plan: 36% increase in production, cash generative even at lower prices

New plan – 36% increase in LOM gold production

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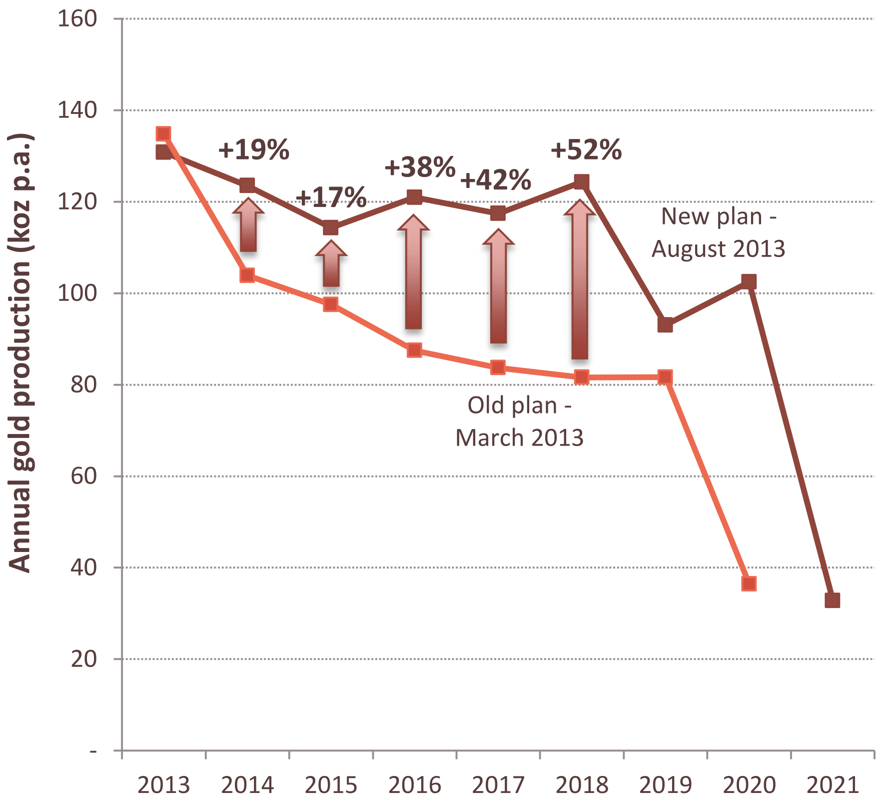
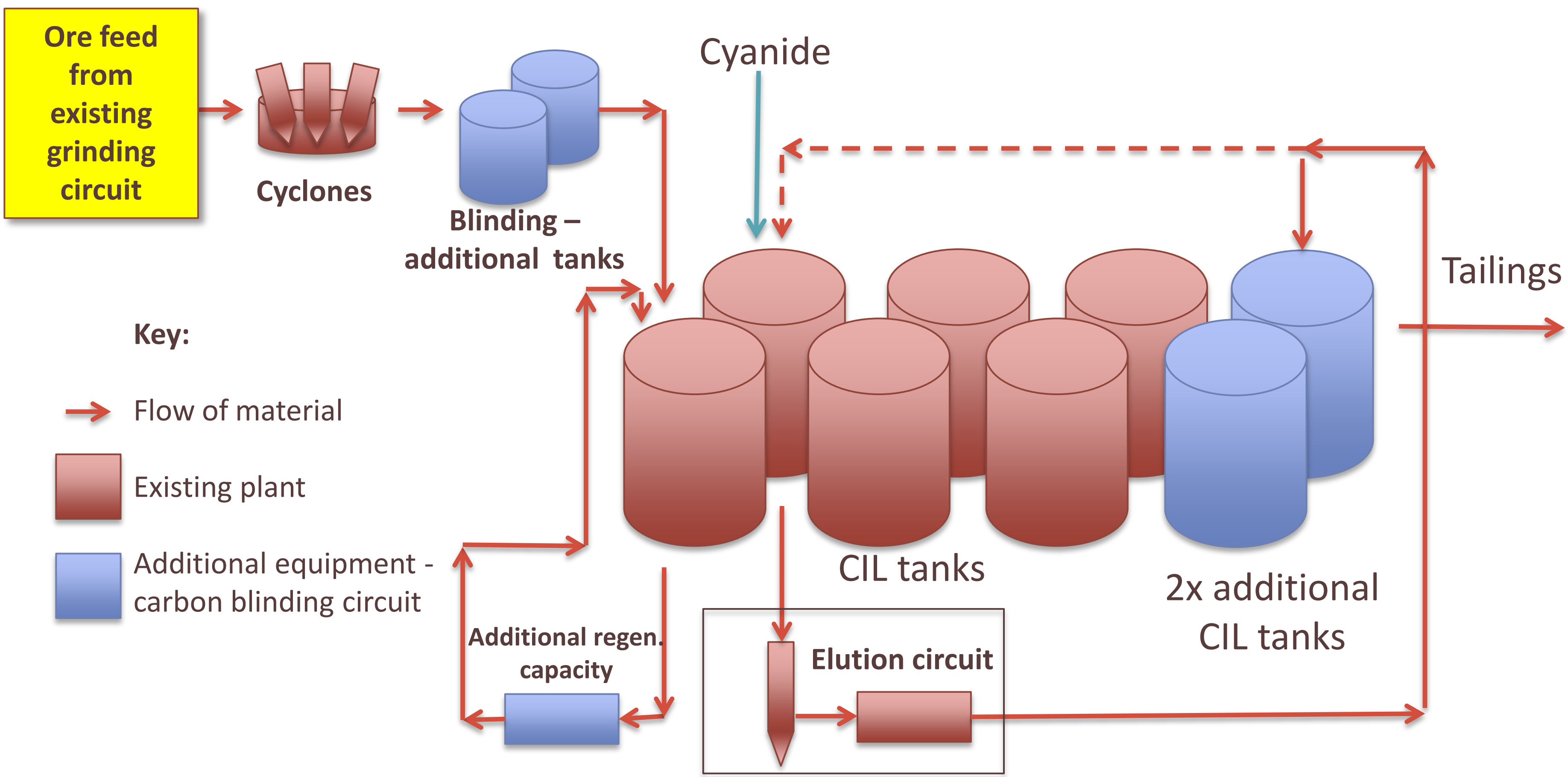
- LOM gold production of 960koz, up 36% from 707koz previously
- Significant improvements in LOM recoveries – up from 78% to 83%
- Mining spread more evenly over LOM and at lower annual rate
- Annual production up 21% from average of 96koz to 116koz
- Reduction in LOM cash costs
- Net cash generated higher than previous LOM
    - Especially in early years, even at prices below current spot



Significant improvement in production and cash generation

Carbon blinding circuit – new process flow



Simple project with little or no disruption to operations during construction

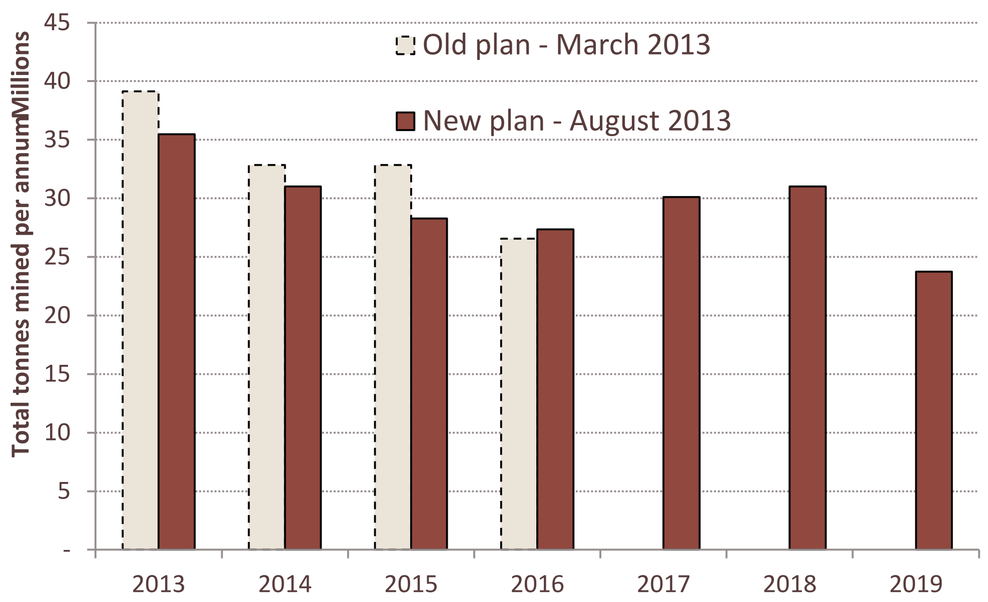
Carbon blinding circuit

- New carbon blinding circuit will achieve significantly higher recoveries
  - Carbon blinding refers to negating effects of active carbon in certain ore types
  - Higher recovery rates over the life of the mine
  - High grade ore previously excluded from LOMP due to high PRI values is now economic
- Blinding circuit is a simple project with estimated capex of US$6m, in contrast to previous estimates for a more complex solution
  - Capex of US$6m will be met from Inata's own cash generation
  - Orders have already been placed for the longest lead time items
- Inata plant will continue processing benign oxide material until carbon blinding circuit is complete - scheduled by mid-2014

Low capex solution of US$6m – funded from Inata operating cash flow

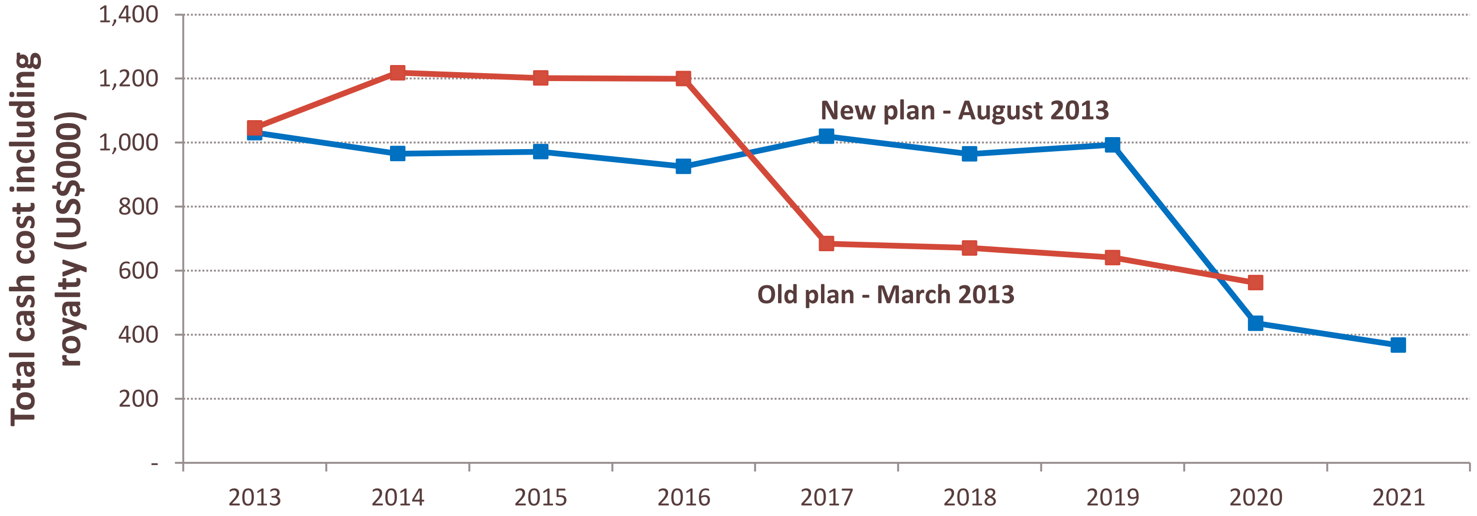
New mine plan – improved mining schedule

- Ability to process high PRI ore as it is mined, rather than it being stockpiled
    - Ore stockpile peaks at 2.6Mt, down from 5.3Mt previously
- Mining therefore spread more evenly over LOM and at lower annual rate
- Nine million fewer tonnes mined in gold hedge period of 2013-2016



Mining cost in 2013-2016 per ounce down 14%

New mine plan: reduced costs



- Carbon blinding circuit allows plant to process high grade, high PRI ore earlier at increased recoveries, raising production
- Increase in gold produced, together with reduced mining volumes, results in approximately US$200/oz reduction in cash cost during 2013-16
- Life of mine cash costs (incl. royalties) of US$906/oz, down from US$964/oz
- Life of mine all in cash cost (incl. capex) of US$958/oz, down from US$1,028/oz

Significant reduction in cash cost per ounce

Tri-K feasibility study on track

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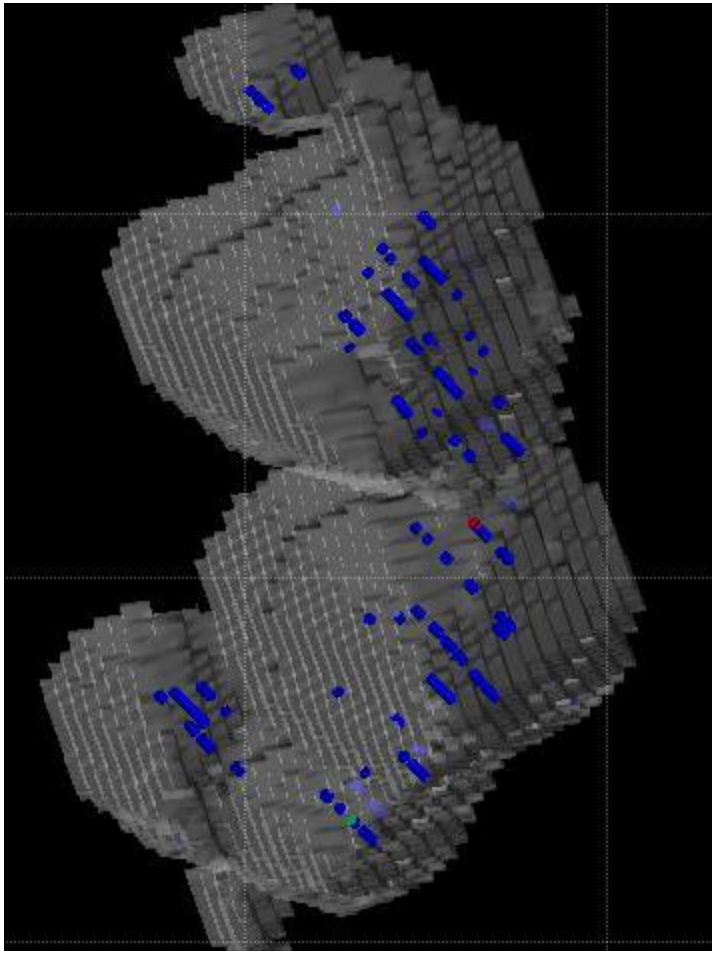
- ESIA submitted and presentation to Government in July
- Required drilling for maiden Ore Reserve complete
- Complete feasibility & mining permit application in H2 2013
- Heap leach project will target oxide portion of Orebody
  - Approximately 0.6Moz estimated to be amenable to heap leach, subject to metallurgical testing
- Exploitation of fresh material to be considered at a later date

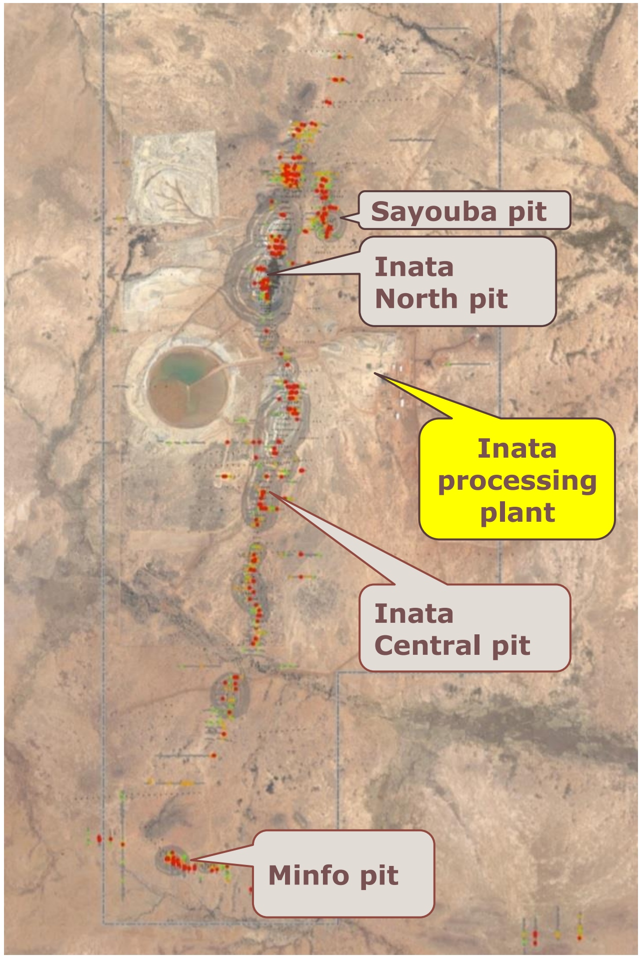


Potential to be Guinea's first mine under the new mining code

Q2 Results review

Inata gold mine – Q2 2013 results

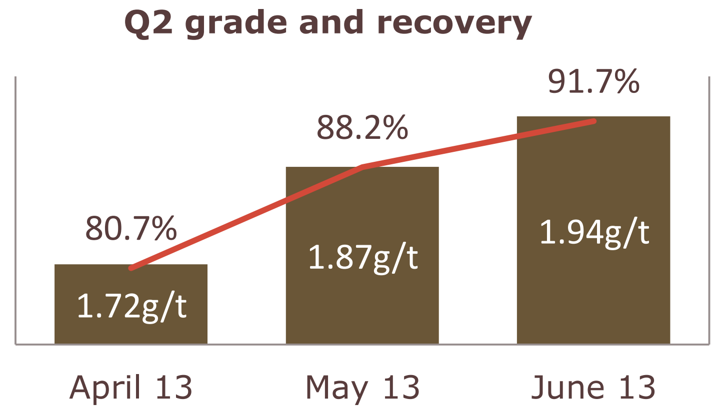
	Q1 2013		Q2 2013
Ore mined (k tonnes)	817		**971**
Waste mined (k tonnes)	9,127		**8,700**
Total mined (k tonnes)	9,944		**9,670**
Ore processed (k tonnes)	616		**620**
Average head grade (g/t)	1.65		**1.84**
Process recovery rate	82%		**87%**
Gold Produced (oz)	30,481		**31,245**
Cash costs (US$/oz)			
Mining	542		**582**
Processing	360		**371**
Administration	163		**188**
Royalties	104		**97**
	1,169		**1,238**

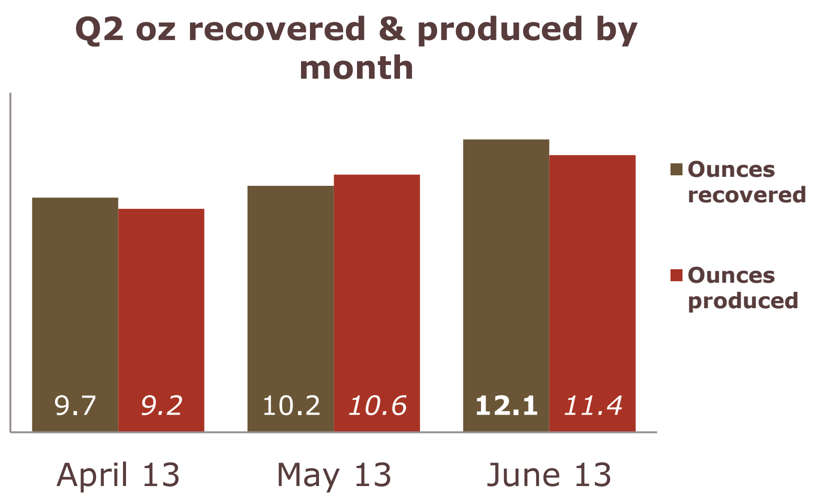


Q2 production and costs in line with expectations

Progress during Q2

- Mining of ore at Minfo pit commenced during quarter
  - Near surface oxide material
  - Higher grade ore with recoveries >90%
  - Ramp up of Minfo material in April and May
- June first full month of Minfo ore, with 12,072 ounces recovered – similar results expected in H2 2013
- Oxide ore scheduled until mid-2014
- Carbon blinding circuit will allow processing of high PRI ore at significantly higher recoveries





Access to higher grade, high recovery oxide ore in Q2 – continues into 2014

Cost saving culture

- 2013 capex of US$18m, incl. US$3m carbon blanking project in H2
  - Excluding this, capex is US$5m below original US$20m
  - Savings on TMF & fleet component changes
  - Second lube truck built in-house
- Reduced average LOM capex of US$7m p.a. over next five years
- Mining contractor stood down
  - Equates to US$1.1m per month saving
- 25% reduction in expat headcount
- Rationalisation of accommodation & office in Ouagadougou
- Reduced travel to/from site
- Corporate cost savings
  - Head office headcount reduced by equivalent of 5 full time positions

Financial review

Income statement

US$ million		Q2 2013	Q1 2013
Revenue		39.6	40.9
Cash costs		(38.7)	(35.6)
Other costs of sale and administration, and finance costs		(9.3)	(5.2)
Profit/(loss) from operations before exceptionals		(8.4)	0.1
Exceptional items	- Impairment of mining assets	(73.3)	-
	- Change in FV of forward contracts	60.8	-
	- Impairment reversal of mining assets	-	72.2
	- Impairment of exploration intangible	-	(0.3)
	- Loss on recognition of forward contracts	-	(96.6)
	- Restructure of forward contracts	-	(20.2)
Profit/(loss) before taxation		(20.9)	(44.8)
EBITDA		**0.8**	**6.7**

- EBITDA impacted by lower spot prices and timing of maintenance costs
- Exceptional items reflect the fall in gold prices during the quarter

Cash flow statement

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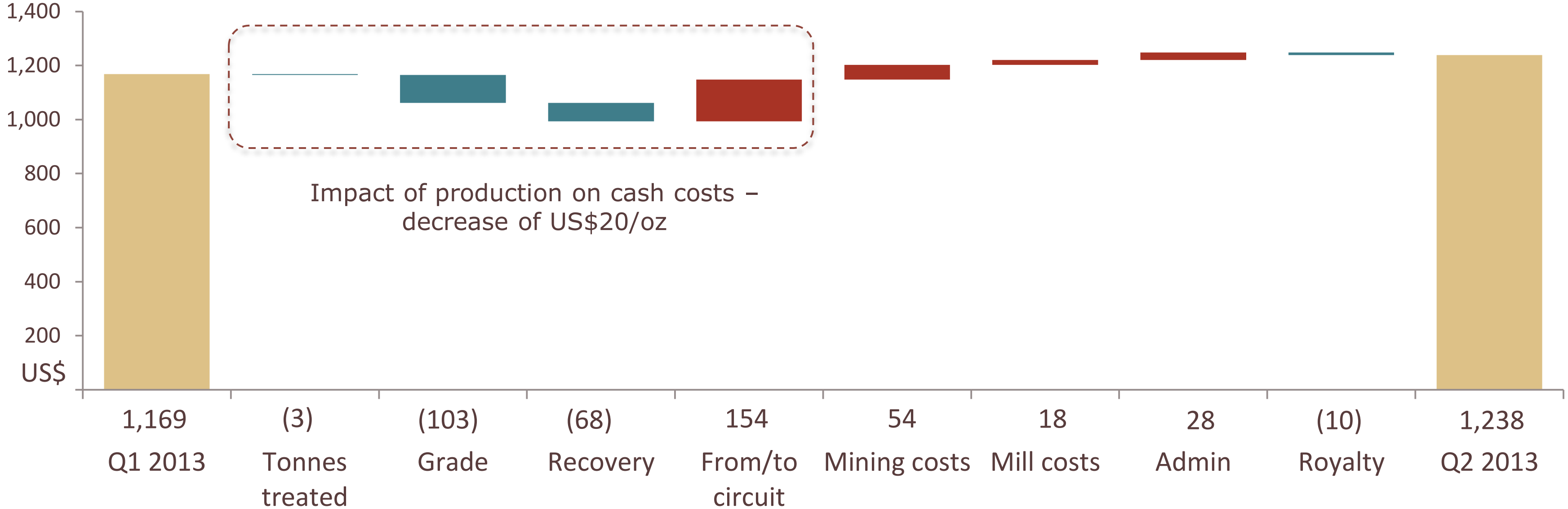
US$ million	Q2 2013	Q1 2013
EBITDA	**0.8**	**6.7**
Working capital	(11.4)	(1.2)
Hedge restructure	-	(20.2)
Provision/other	-	(0.7)
Net cash generated by operating activities	**(10.6)**	**(15.4)**
Capex	(4.0)	(5.4)
Exploration	(5.1)	(5.7)
Loan proceeds	5.0	5.0
Other cash movement	(0.5)	(0.5)
Total (decrease)/increase in cash	**(15.2)**	**(22.0)**
Opening cash	32.9	54.9
Closing cash	**17.7**	**32.9**
Loan balances outstanding	(15.0)	(10.0)
Closing net cash	**2.7**	**22.9**

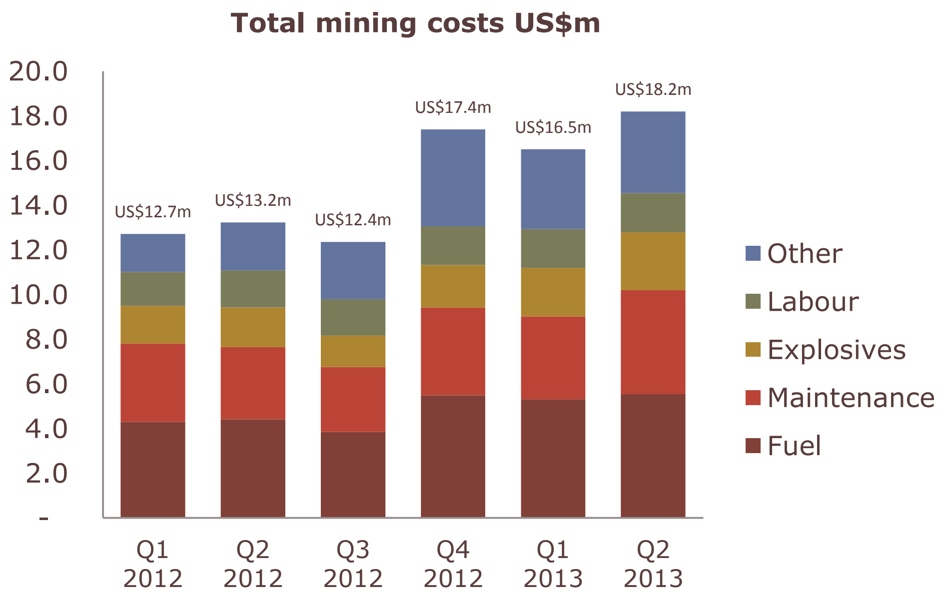
- Q2 working capital reflects:
  - increase in ore stockpile and spares/consumable inventory, ahead of the rainy season
  - fall in payables due to timing (in Q1 payables increased by US$8.1 million)
- Q2 capex includes
  - US$1.2 million mining equipment and rebuilds
  - US$1.6 million tailings facility
- Q2 exploration expenditure mainly comprises Tri-K feasibility study
- Loans proceeds represent draw downs under the Elliott loan

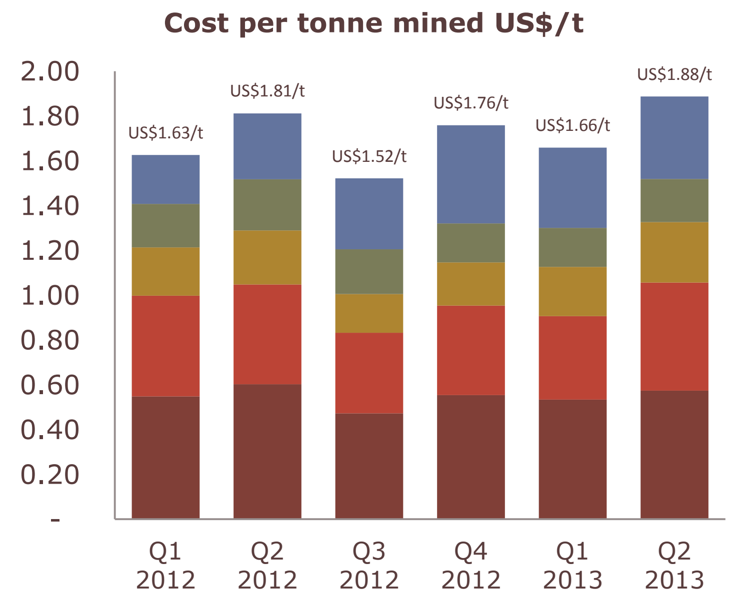
Cash costs



- The benefit of higher grade and recoveries was partially offset by an adverse movement in gold in circuit
  - in Q1 gold was drawn out of gold in circuit which increased gold produced, whereas in Q2 gold was added to the circuit, reducing production
- Timing of maintenance costs meant that mining and processing costs were higher than in the previous quarter, while insurance affected admin costs
- Lower royalty cost reflects the fall in gold prices during the quarter
- H2 costs to fall due to absence of AMS rental costs, lower mining volumes and higher production

Mining cash costs

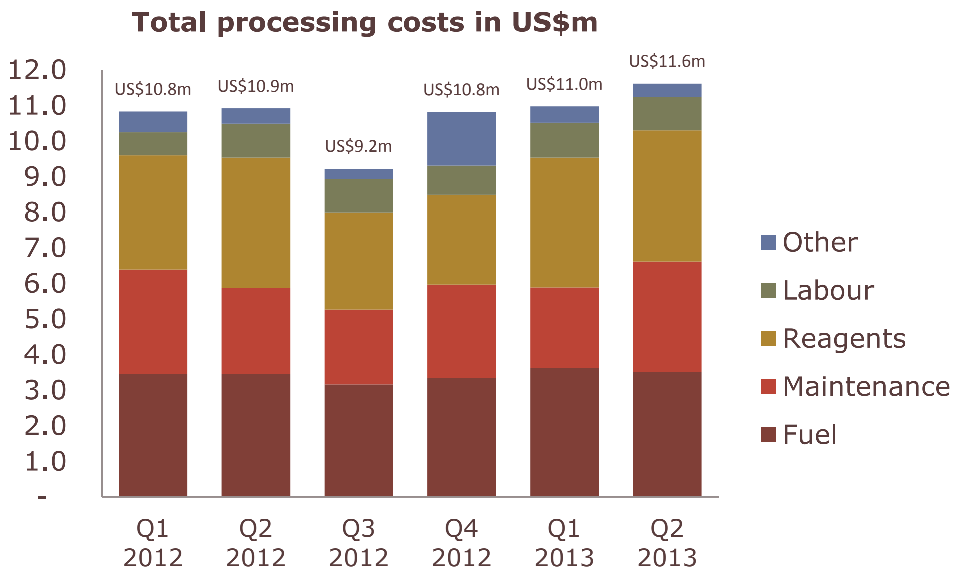


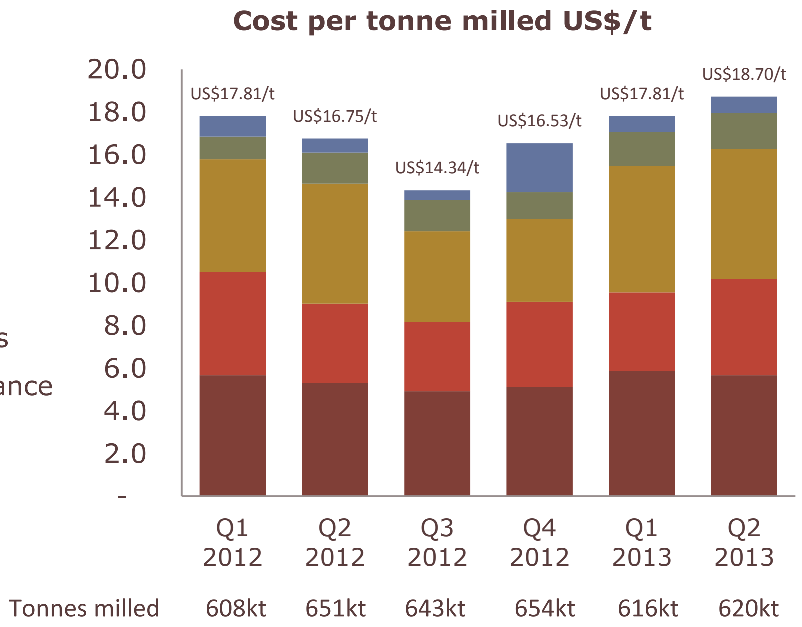


Tonnes mined	7.8m	7.3m	8.1m	9.9m	9.9m	9.7m

- Cost per tonne mined up 14% on 3% fewer tonnes mined
- Higher maintenance and explosive costs account for the majority of the increase
- AMS now demobilised – saving of ~US$1.1m/month rental costs in H2

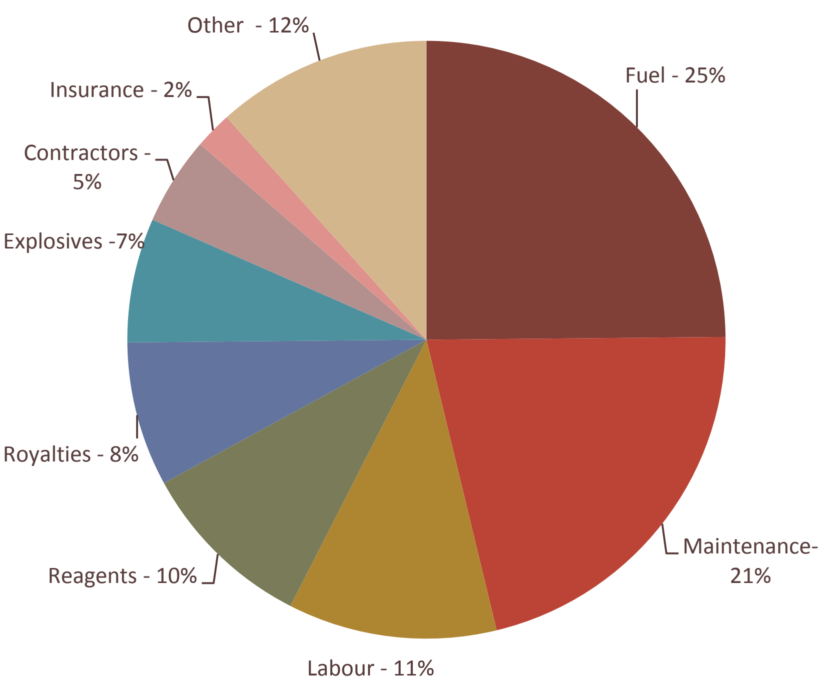
Processing cash costs





- Cost per tonne milled up 5% with 1% higher tonnes milled
- Increase mainly reflects higher maintenance due to liner changes and motor replacements in both the SAG mill and one ball mill
- Reagent costs include higher usage and price increases for some products

Total cash costs – Q2 2013



	Mining US$	Processing US$	Admin US$	Royalties US$	Total US$
Fuel	177	112	18	-	307
Maintenance	149	99	17	-	265
Labour	59	30	53	-	153
Reagents	-	118	-	-	112
Royalties	-	-	-	97	97
Explosives	83	-	-	-	83
Contractors and consultants	34	2	24	-	60
Insurance	-	-	25	-	25
Other (incl. AMS rental)	83	10	51	-	137
Total per oz.	**582**	**371**	**188**	**97**	**1,238**
Total US$ millions	**18.2**	**11.6**	**5.9**	**3.0**	**38.7**

H2 2013 outlook

Focussed on optimising cash flow at Inata

Similar monthly production expected as in June, with processing of oxide ore through rest of year

Progress carbon blinding project

Complete Tri-K feasibility study

Refinancing a priority, with discussions centred on Inata LOM and Tri-K feasibility study

Avocet Mining – a West African focused gold mining and exploration company

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