



# Avocet Mining

## 2012 Financial Results Presentation

March 2013

focused on **west africa**



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## KEY MESSAGES

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Better equipped at end of 2012 to unlock value from a portfolio of quality assets

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Conservative management focussed on value generation, not production growth

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Three key focus areas will unlock value:

- Operational – opportunity to improve LOM plan with minor plant modifications

- Financial – addressing the Group financing and focussing on cash flow

- Resource development - new areas will contribute to Inata Ore Reserve

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Inata is cash generative

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Medium term growth opportunities on track





# Introduction

## 2012 - OPERATIONAL HIGHLIGHTS



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Gold production of 135,189 oz. (2011: 166,744 oz.), in line with guidance

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Cash cost per oz. US\$1,000 (2011: US\$693)

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2.5 million LTI free hours at year end, LTIFR of 0.087 for 2012

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Operational improvements delivered at Inata

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Executive and operational management teams restructured to focus on operational excellence

## 2012 - RESOURCE HIGHLIGHTS



Group Mineral Resource up 39% to 8.7 million oz.

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22% increase Inata's Mineral Resource to 4.21 million oz. – mostly at Far South and Minfo

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0.48 million oz. of low grade oxide material added to Mineral Resources in Inata surrounds

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Souma development successful, 38% Mineral Resources increase to 0.78 million oz. at higher grade of 1.48 g/t Au

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Tri-K Mineral Resource expanded 44% to 3.22 million oz. with growth of Kodiéran, feasibility study underway

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2012 Group-wide discovery cost of US\$15.40 per ounce

## 2012 - FINANCIAL HIGHLIGHTS



Discussions ongoing with regard to financial restructuring

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EBITDA of US\$48.3 million (2011: US\$84.1 million)

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Profit before tax and exceptional items US\$18.3 million (2011: US\$40.3 million)

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Cash on balance sheet of US\$54.9 million (2011: US\$105 million)

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Group debt reduced to US\$5 million (2012: US\$29 million)

## 2012 - KEY OBJECTIVES REVIEW



### Commence expansion construction at Inata Gold Mine

- Decision taken to conserve capital



### Implement cost saving initiatives at Inata Gold Mine

- Numerous savings achieved but at lower production levels



### Progress near term exploration targets in Bélahouro

- 0.7 million oz. of Mineral Resources increase within Bélahouro



### Improve confidence of Mineral Resource at Koulékoun

- Scale of Mineral Resource at Koulekoun defined, initial economic assessment undertaken



### Commence Feasibility Study on Koulékoun

- Feasibility Study commenced Q4 2012







## Inata Gold Mine

## INATA GOLD MINE



- First gold poured 2009
- Open pit mining across three operational pits
- Ore body consists of Inata and Minfo trends
  - Mining on Inata trend to date
- Owner-operator mining fleet
- Processing via conventional CIL plant
- Mining licence extends to 2027, across 26km<sup>2</sup>
  - Application in progress to extend mining licence to include Filio







- Strong safety performance
  - LTIFR 0.087 for 2012
- Ore and waste mined 33.1M tonnes (2011: 25.2M tonnes)
- Strip ratio 11.5:1 (2011: 9.1:1)
- Ore processed 2.6M tonnes (2011: 2.5M tonnes)
- Recoveries reduced to 87% (2011: 91%)
  - Lower head grade
  - Presence of preg-robbing carbon
- Production of 135,000 oz. in 2012 (2010: 167,000)
- Cash cost per oz. US\$1,000 (2011: US\$693)

- New management team in place
- Average daily mining volumes with owner operated equipment increased 17% in over the year
- Mining rates reached 110,000 tpd on several occasions in Q4 2012
  - Targeting 107,000 tpd in 2013
- Operational improvement initiatives:
  - revised haul cycles
  - operator training programmes
  - improved supervisor monitoring
  - loading optimisation
  - detailed revision of SOP's
- Maintenance planning in process plant resulted in increased uptime



## INATA – REVISED ORE RESERVE



- Ore Reserve reduced from 1.85M oz. to 0.92M oz.
  - Assumes no improvements to current processing plant
  - 22% increase in Ore Reserve grade to 2.07 g/t Au
  - 42% reduction in LOM stripping ratio
- Lower gold price assumption of US\$1,200/oz. vs. US\$1,400
  - US\$1,400 assumption → Ore Reserve of 1.17M oz.
  - Result in higher cash generation over 5-6 years
- Reduction further attributed to:
  - Depletion – 0.16M oz.
  - Reduced recovery – 0.25M oz.
  - Harder ore/ Lower throughput – 0.20M oz.
  - Higher costs – 0.05M oz.



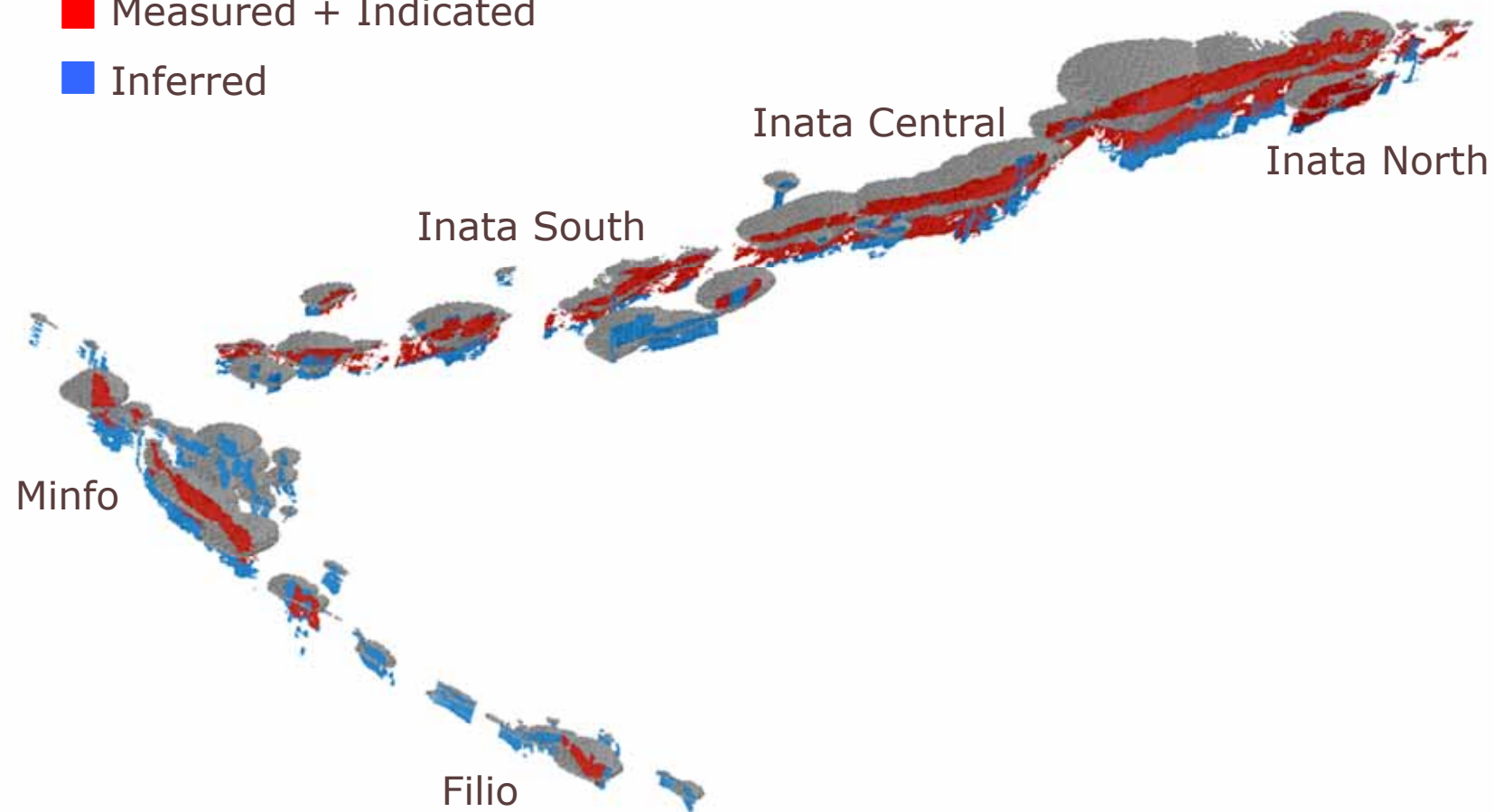


## INATA – RESOURCE MODEL AND PIT SHELL



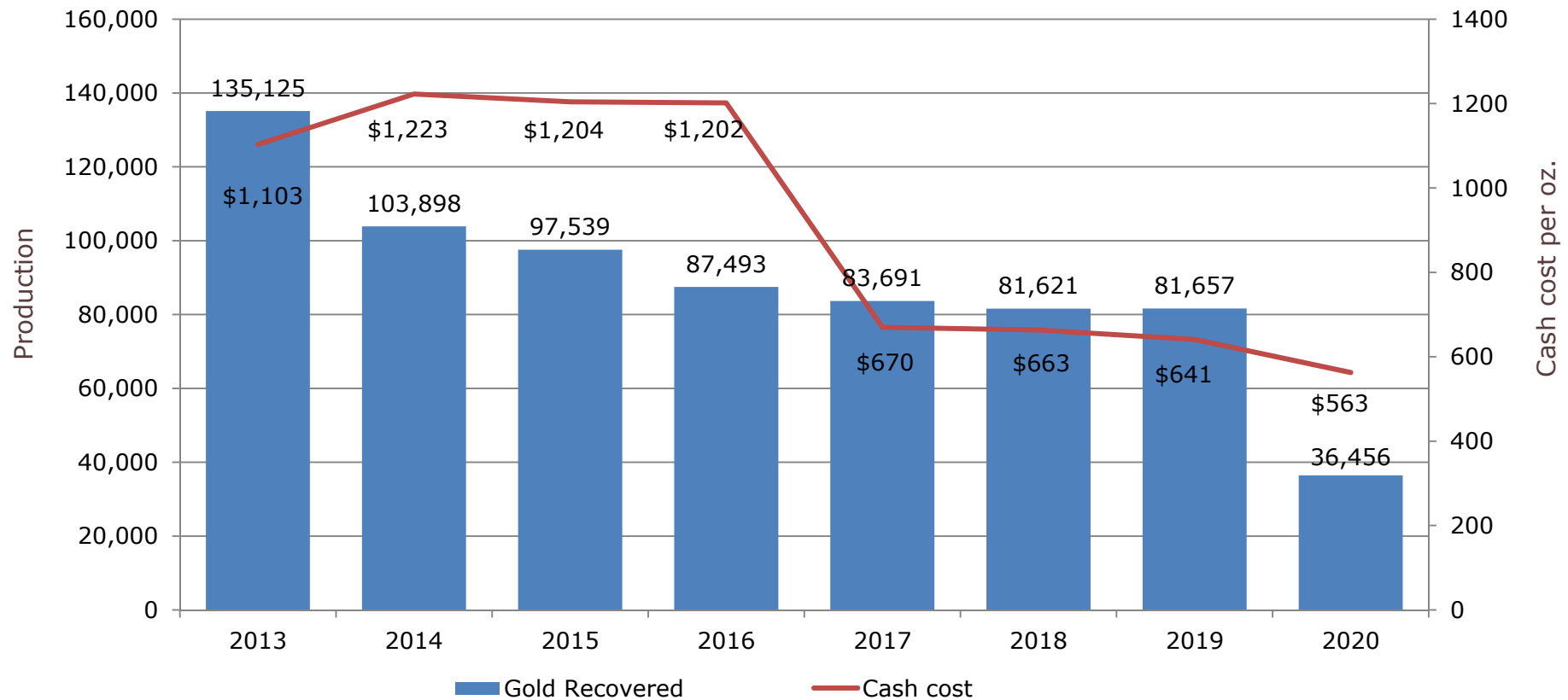
■ Measured + Indicated

■ Inferred



- Potential addition of 0.25 million oz. through upgrading of inferred Mineral Resource

## INATA – LIFE OF MINE PLAN



- Assumes no expansionary capex on current plant
- Conservative assumptions



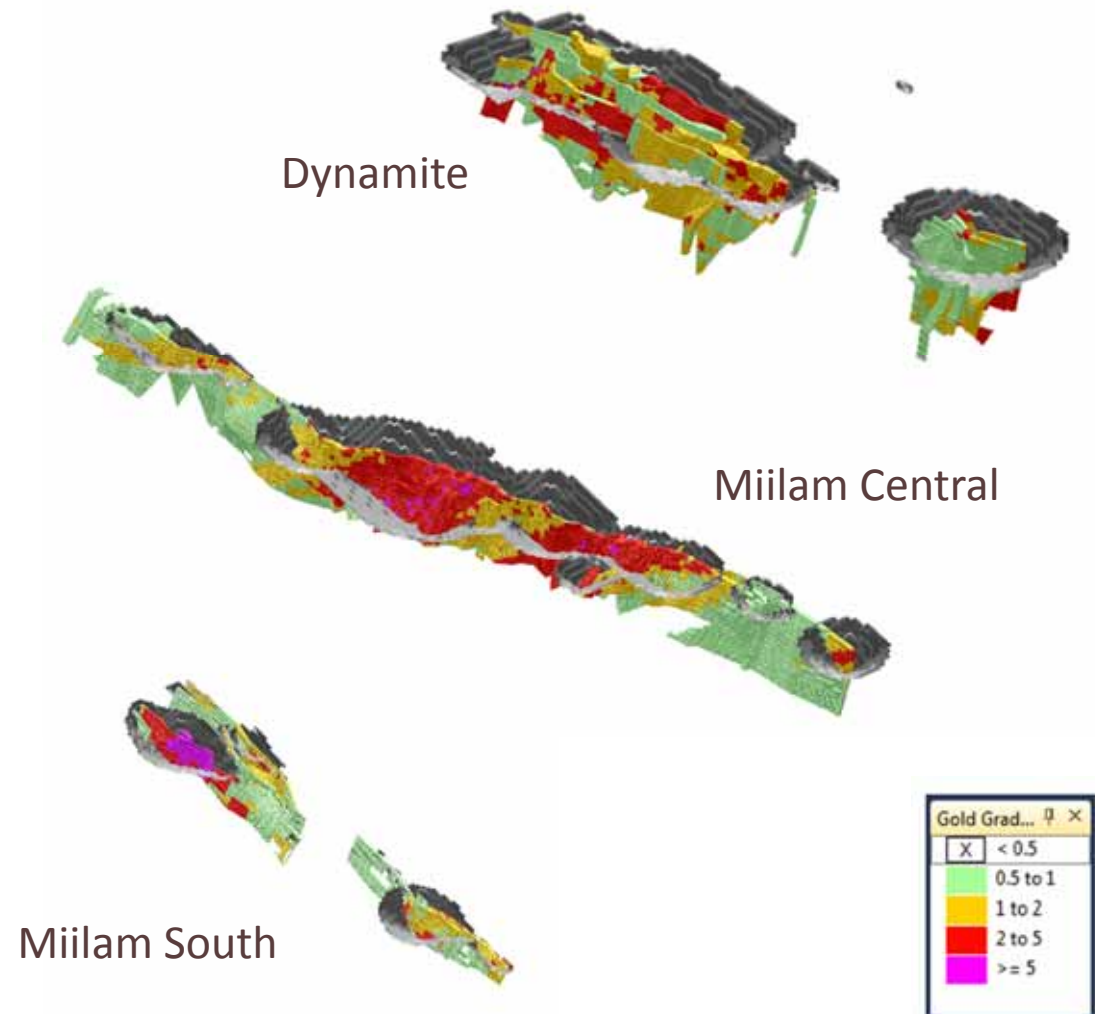
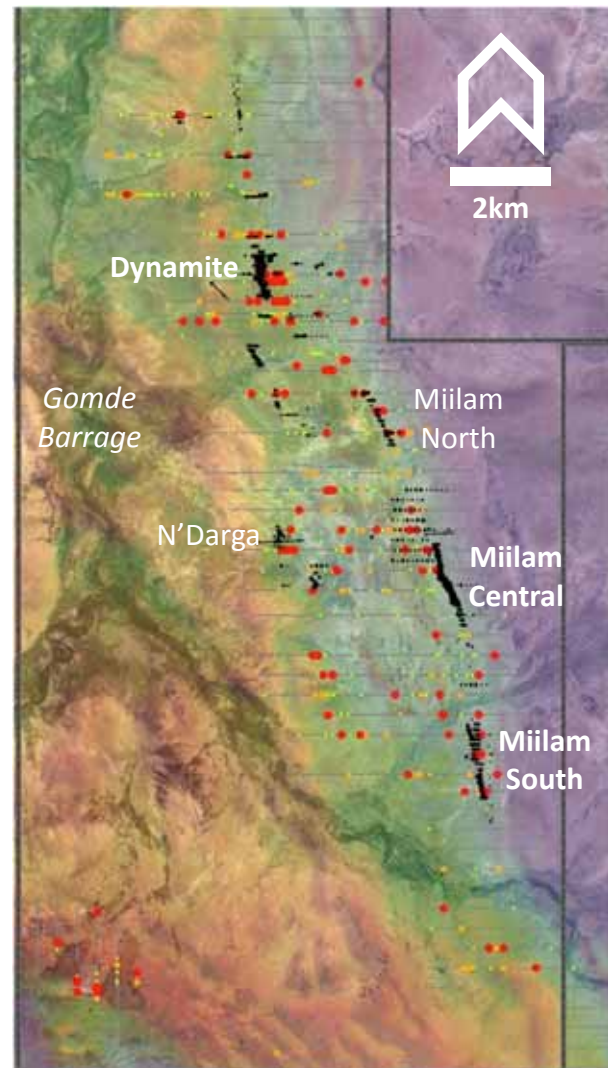
# Souma Project



- 20km from Inata Mine
- Current Mineral Resource of 0.78M oz. at 1.48 g/t Au
  - Upside Mineral Resource potential
  - High grade shoots
- Preliminary pitshell designs indicate:
  - Multiple moderate sized pits
  - Current pits predominantly in oxide and transition ore
  - Relatively low strip ratio
- Initial metallurgical testwork results:
  - Granitic ore is hard at all depths
  - No preg-robbing ore encountered to date
  - High recovery via conventional gravity/CIL plant

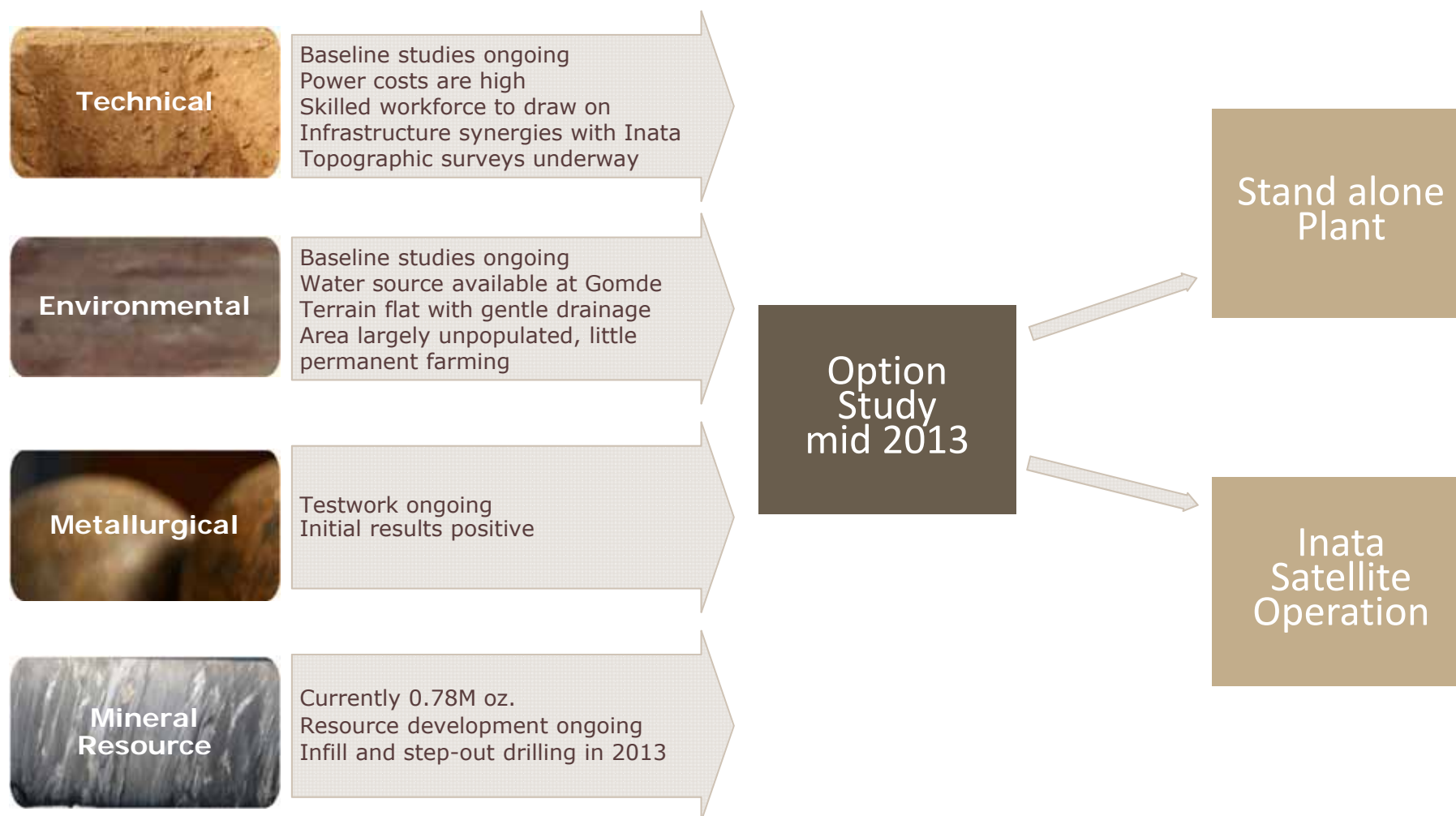


# SOUMA - RESOURCE MODEL AND PIT SHELL

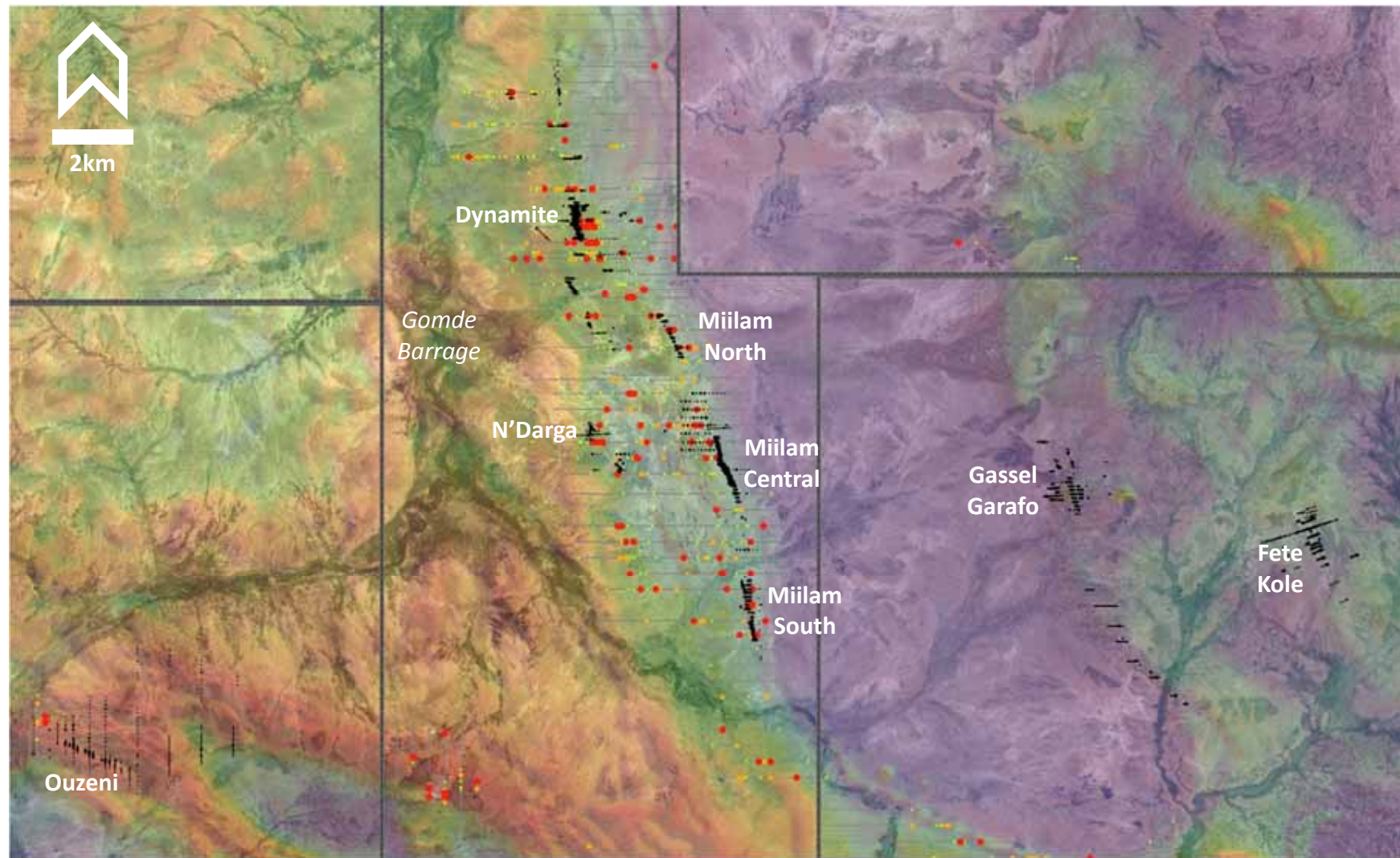


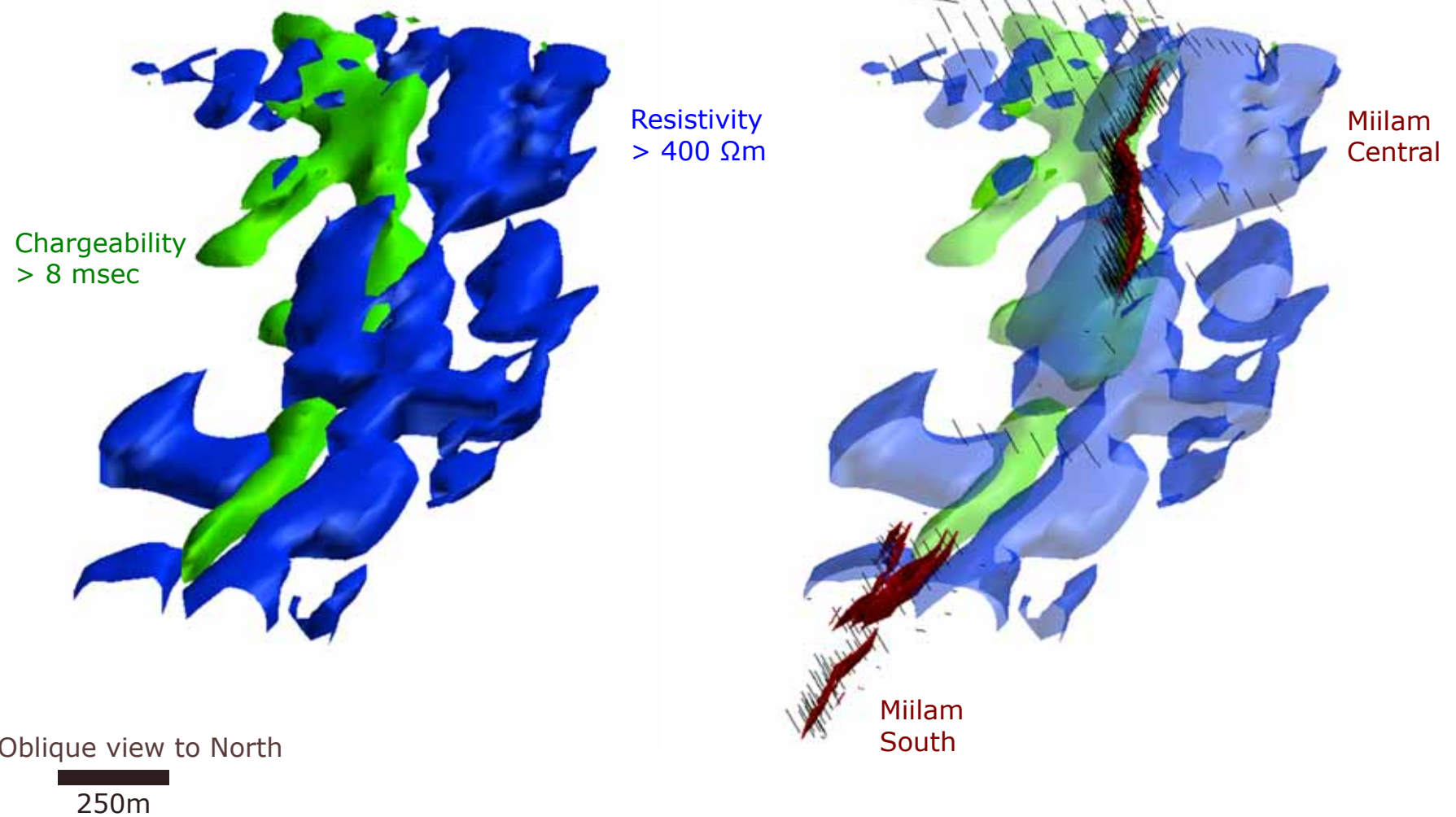


# SOUA DEVELOPMENT PROCESS



## SOUMA – EXPLORATION TARGETS







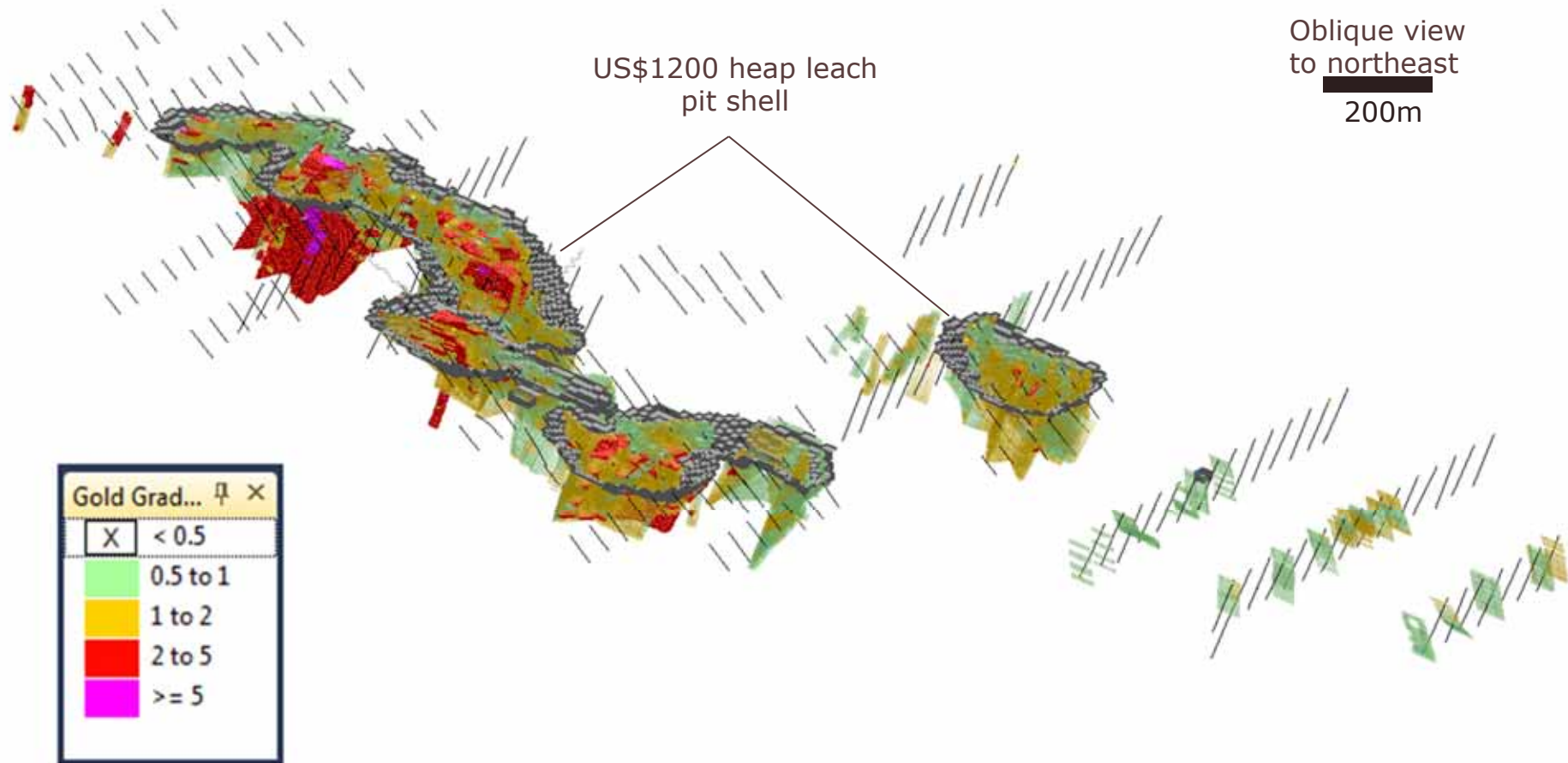
A photograph of a helicopter hoisting a load at dusk. The helicopter is in the upper right, with its rotors blurred. A long cable hangs from it, leading down to a small object on the ground. The ground is dark, and there are some structures in the background. The sky is a deep blue. An orange banner is overlaid on the left side of the image.

# Tri-K Project

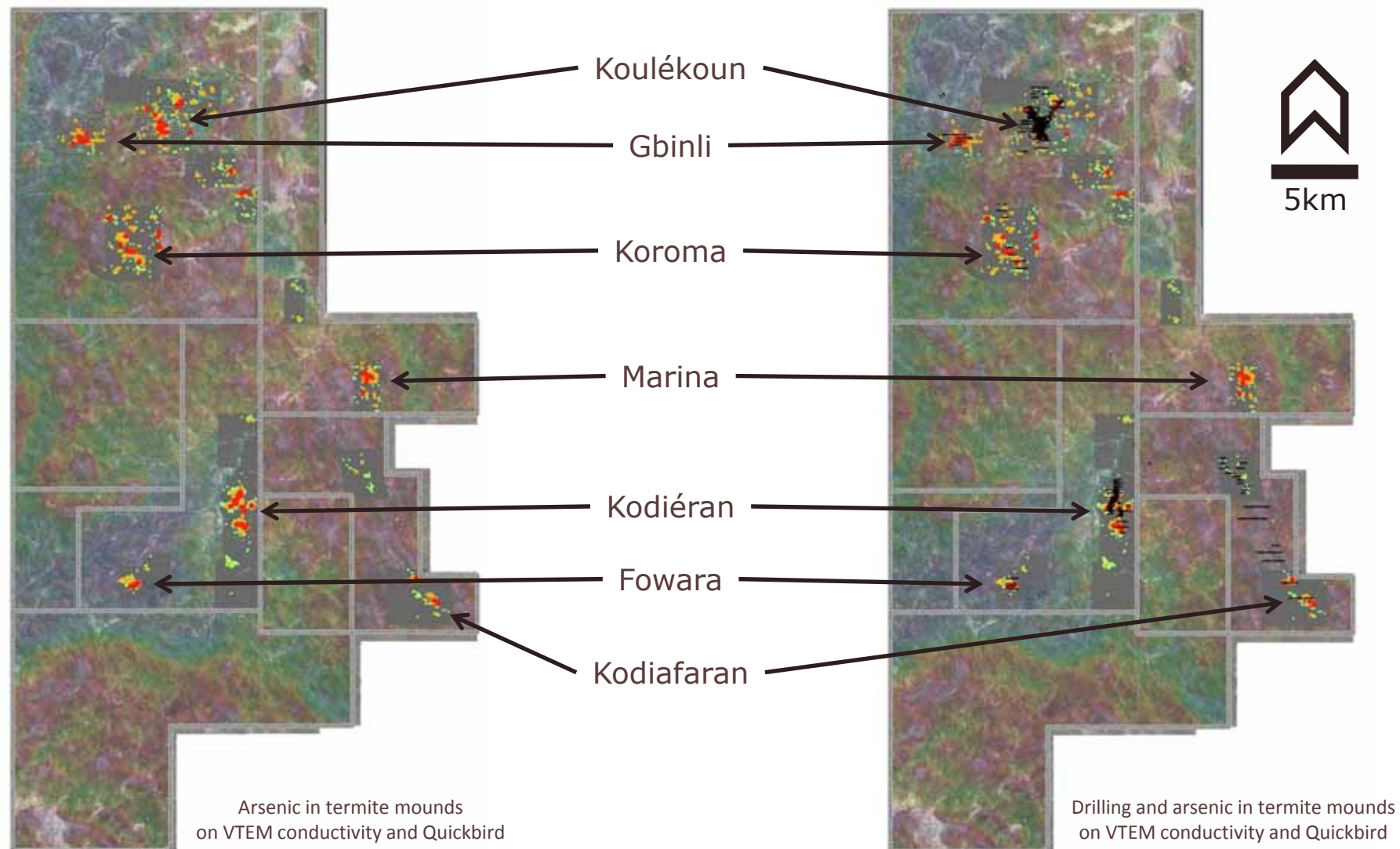
- One year extension of the expiring Koulékoun permit granted to Q3 2013
- Initial economic assessment conducted in-house indicated Tri-K would be a viable project
  - Phased development
  - Low capital heap leach operation
- Objective to define sufficient oxide Ore Reserves to support a low cost heap leach operation
- 43,190 metres of reverse circulation and diamond drilling in 2012
- Scale of the Mineral Resources at Koulékoun and Kodiéran defined
  - Approximately 44% of the Kodiéran Resource and 10% of Koulékoun is oxide
- Feasibility study commenced in Q4 2012
  - Metallurgical test work and engineering studies also commenced in the Q4 2012



# TRI-K - KODIÉRAN RESOURCE MODEL



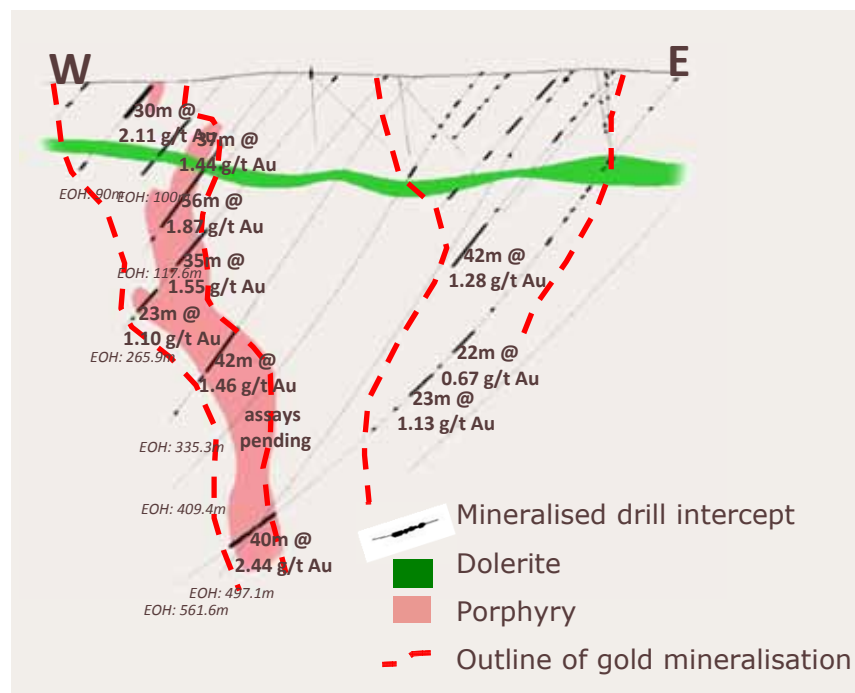
## TRI-K – EXPLORATION TARGETS



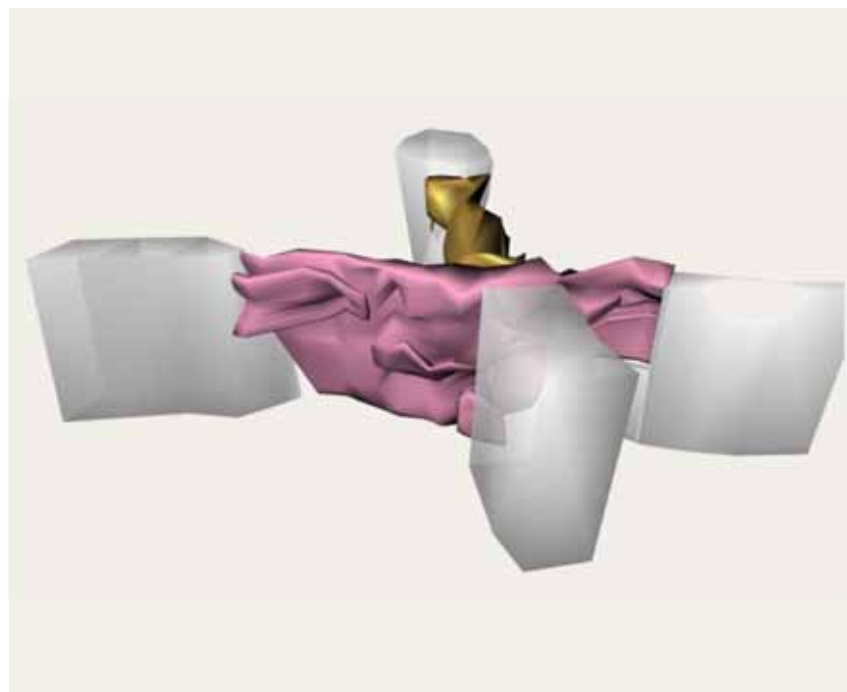
# TRI-K – KOULÉKOUN CROSS SECTION



Cross section Koulékoun deposit



3D model Koulékoun deposit



- Primary quartz-feldspar porphyry structure, with shallow cross cutting dolerite



# Financial Performance

AVOCET MINING 2012 FINANCIAL RESULTS PRESENTATION \* MARCH 2013



- Gold hedge with Macquarie Bank inherited on acquisition of Wega Mining in 2009
- Hedge book reduced in July 2011 after sale of South East Asian assets
  - US\$40 million to buy back 58k oz.
  - Remaining hedge reprofiled to deliver 8,250 oz. per quarter at US\$950 per oz. until June 2018
- As at end December 2012, outstanding hedge book of 181.5k oz., reduced to 173k oz. during Q1 2013
- Mark to market at end of February 2013 - US\$114 million



## INCOME CONTINUING OPERATIONS - 2012



US\$ million	2012	2011
Revenue	204.1	213.4
Cash costs	(135.1)	(115.5)
Other costs of sale and administration	(48.6)	(49.7)
Exceptional items- Impairment of mining assets	(135.3)	-
- Restructure of hedge	-	(39.8)
<b>Profit/(loss) before taxation</b>	<b>(117.1)</b>	<b>6.5</b>
EBITDA	48.3	84.1

- EBITDA in line with revised guidance – lower than 2011 due to fewer ounces produced and higher cash costs
- Impairment calculated on a market consensus forecast gold price, and a 10% discount rate, following decrease in Inata Ore Reserve

## CASH FLOW STATEMENT - 2012



US\$ million	2012	2011
EBITDA	48.3	84.1
Working capital	0.3	(40.0)
<b>Provisions/other non-cash</b>	3.8	1.1
Hedge restructure	-	(39.8)
Operating cash flow	52.4	5.4
Capex	(35.1)	(47.7)
Exploration	(31.8)	(31.8)
Loan repayment	(24.0)	(49.0)
Disposals	2.0	190.9
Dividends	(13.2)	(6.5)
<b>Other cash movement</b>	<b>(0.6)</b>	<b>(5.6)</b>
Net cash flow	(50.3)	55.7
<b>Opening cash</b>	<b>105.2</b>	<b>49.5</b>
<b>Closing cash</b>	<b>54.9</b>	<b>105.2</b>

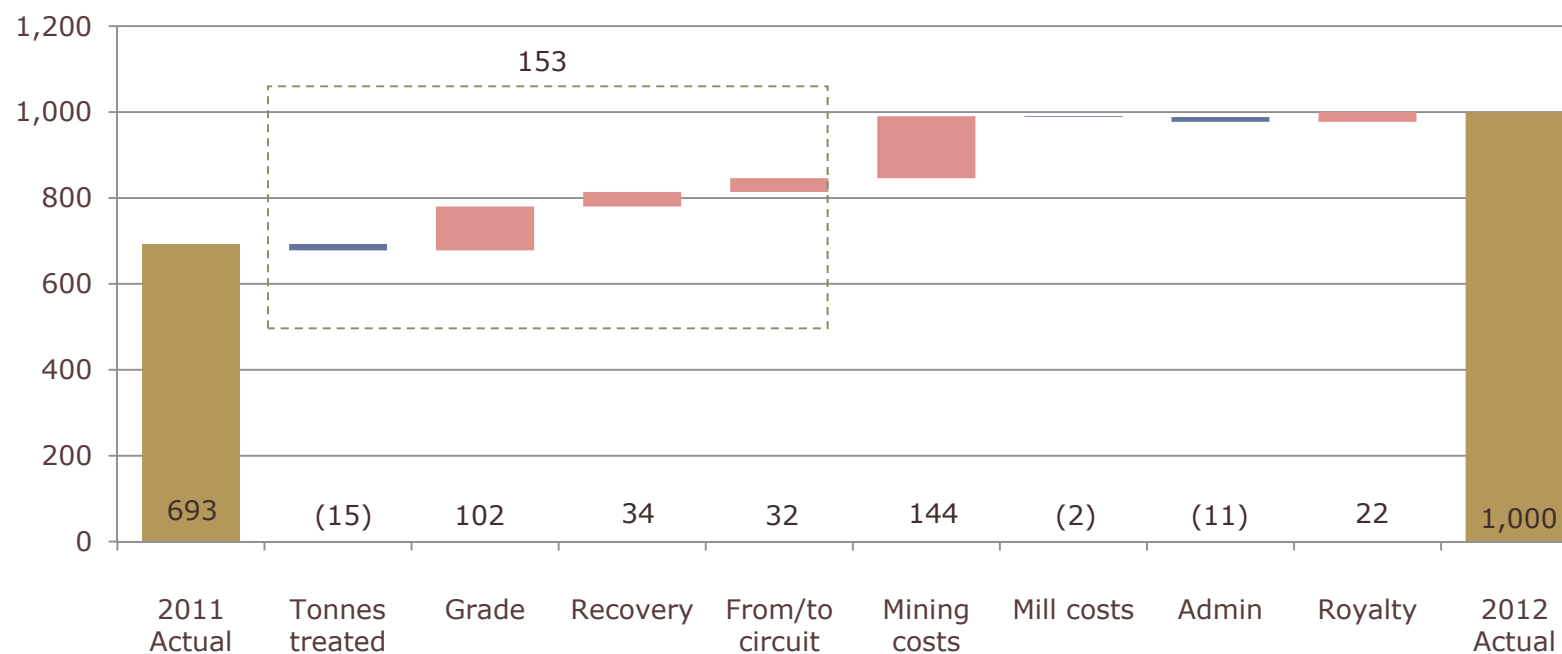
- Operating cash flow increased due to improved working capital management
- Capex includes
  - US\$14.7 million mining equipment and rebuilds
  - US\$8.1 million tailings facility
  - US\$6.5 million plant capex
  - US\$5.8 million earthworks, building and other
- US\$24 million loans repaid to Macquarie
  - Only US\$5 million remaining
  - Net cash at year end of US\$50 million

## WORKING CAPITAL MOVEMENT - 2012



US\$m	Q1	Q2	Q3	Q4	2012
Inventory					
- ore stockpile	(1.1)	0.7	2.6	(4.8)	(2.6)
- gold in circuit/dore	(4.1)	(0.6)	3.1	(6.0)	(7.6)
- spares and consumables	(4.7)	(2.4)	(5.8)	6.7	(6.2)
- total inventory	(9.9)	(2.3)	(0.1)	(4.1)	(16.4)
Receivables	(2.3)	2.0	1.4	2.0	3.1
Payables	(2.5)	11.6	(7.6)	12.1	13.6
Working capital movement	(14.7)	11.3	(6.3)	10.0	0.3

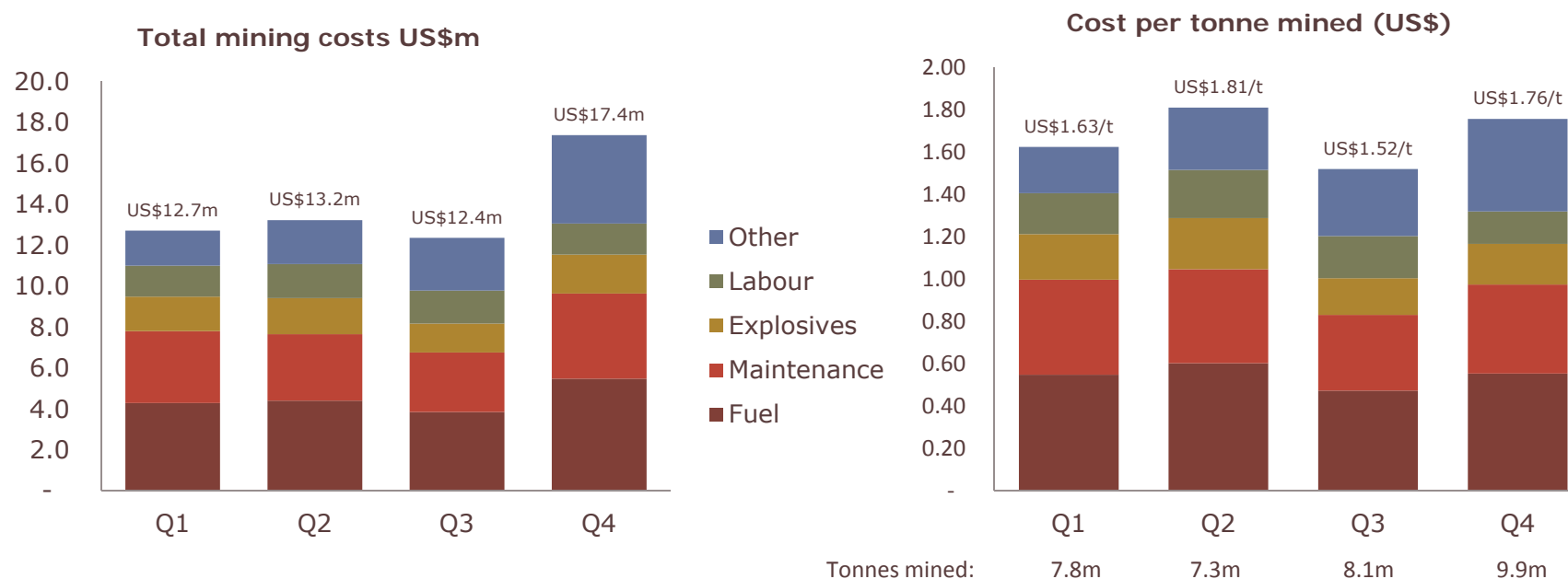
## 2012 VS. 2011 CASH COSTS



- Lower production contributed to an increase in cash costs of US\$153/oz., notably due to lower grades
- Mining cost per ounce increased due to greater pit depth, increased hauling distance and an increase in the stripping ratio to 11.5 (2011: 9.1)
- Royalties increased with higher gold prices

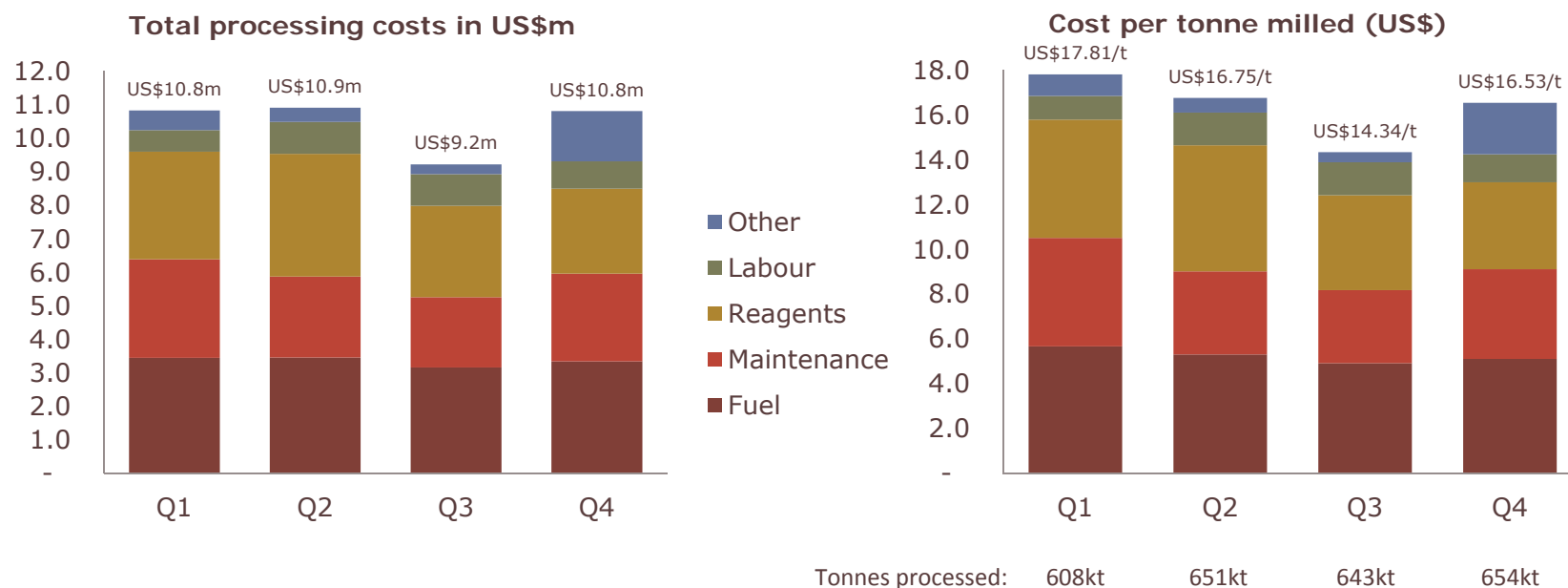


# MINING CASH COSTS - 2012



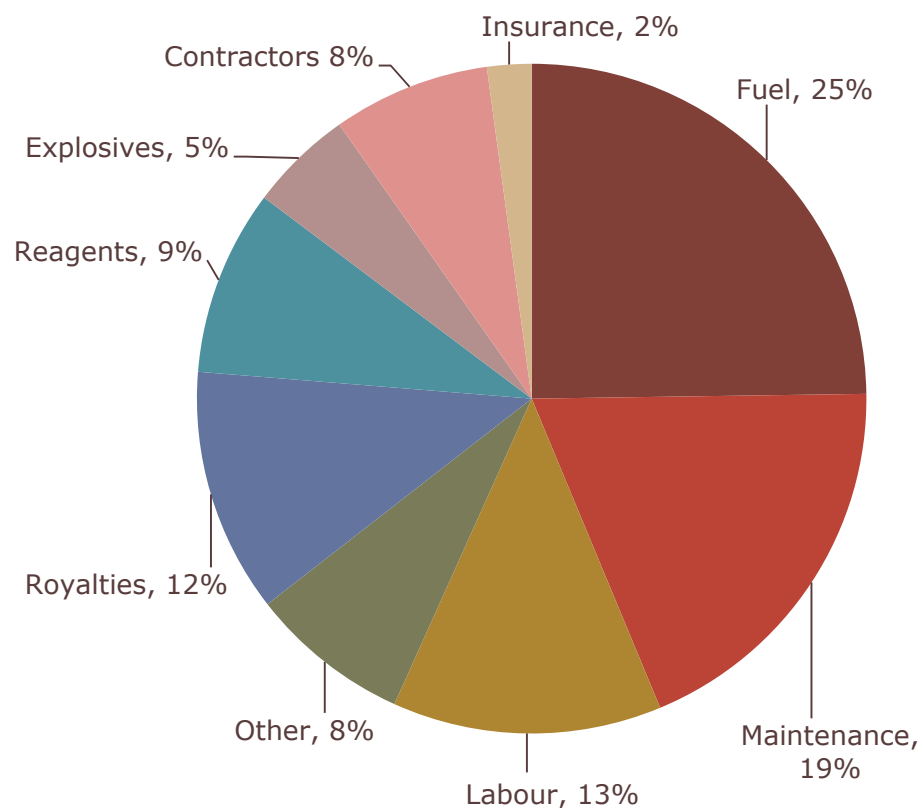
- Mining costs per tonne increased 16% on 21% more tonnes mined
- Higher fuel costs due to increased usage, reflecting longer haul profiles, and higher tonnes mined
- Maintenance costs increased due to timing of maintenance cycle, stable on a per tonne basis
- Other includes consultants (Alexander Proudfoot) and equipment rental (AMS)

# PROCESSING CASH COSTS - 2012



- Milling costs up 16% on 2% more tonnes treated
- Higher maintenance in Q4 2012 reflects SAG mill liner change
- Other includes consultants (Alexander Proudfoot)

# TOTAL CASH COSTS PER OUNCE – 2012



US\$/oz. Produced					
	Mining	Processing	Admin	Royalties	Total
Fuel	133	99	15	-	248
Maintenance	102	75	13	-	189
Labour	47	25	58	-	130
Royalties	-	-	-	118	118
Reagents	-	90	-	-	90
Explosives	50	-	-	-	50
Contractors	39	18	19	-	76
Insurance	-	-	21	-	21
Other	41	2	35	-	78
<b>Total</b>	<b>412</b>	<b>309</b>	<b>161</b>	<b>118</b>	<b>1 000</b>



## Way Forward



- Complete negotiations with Macquarie Bank regarding hedge and financing
- Deliver Inata operating budget in line with guidance
- Complete engineering cost studies for Inata process plant improvements
- Successfully apply for mine licence expansion at Inata
- Commence Feasibility Study at Souma
- Complete Feasibility Study at Tri-K

1

Group resource base increased to 8.7M oz. – platform for future reserve growth

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Base case LOM plan now confirmed following nine month test work phase

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Negotiations on hedge progressing; will enhance cashflow on completion

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Souma has potential to significantly increase Group production in medium term

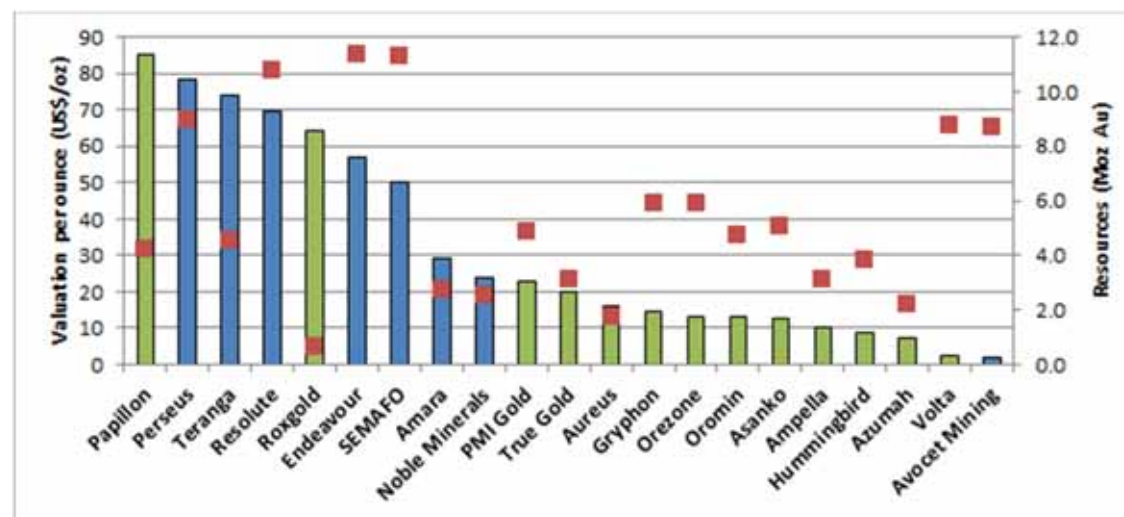
5

Development of a mine at Tri-K remains on track

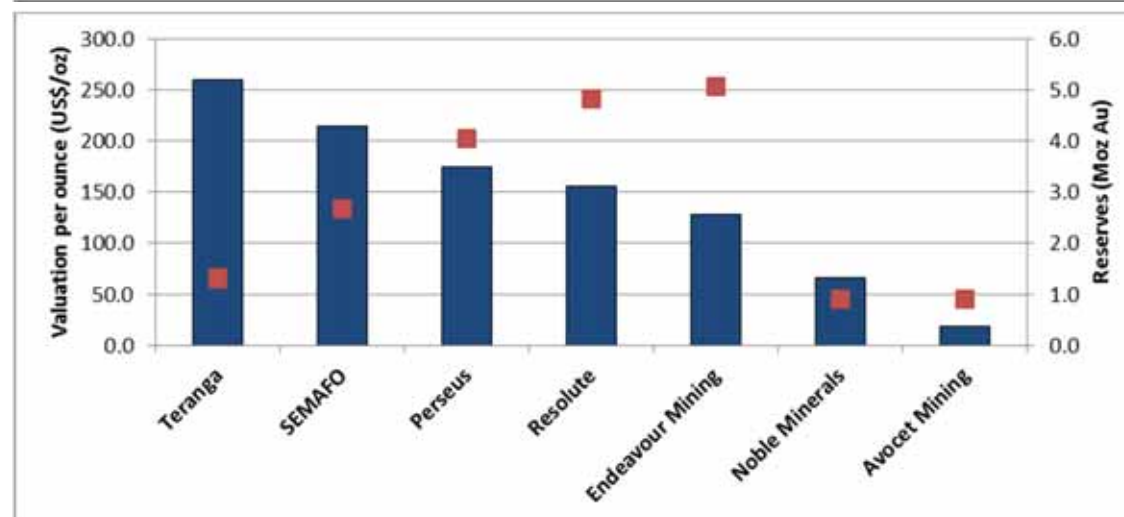
A photograph of a mining construction site at sunset. The scene is dominated by silhouettes of industrial structures, including large cylindrical tanks on the left and a tall lattice crane in the center. To the right, another crane is lifting a large, dark object. In the middle ground, several workers are silhouetted against the bright, low sun, which creates a strong lens flare. The sky is a gradient of orange and yellow. An orange banner with white text is overlaid on the bottom left of the image.

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

## PEER GROUP COMPARISON



Significantly undervalued on a Mineral Resource and Ore Reserve per ounce basis relative to other West African producers and developers





# MINERAL RESOURCES AND ORE RESERVES: INATA



## Ore Reserves as at 31 December 2012

Class	December 2012		
	Tonnes	g/t Au	Ounces
Total Proven	9 429 139	2.13	645 194
Total Probable	3 714 635	2.10	250 836
Total Stockpile	593 647	1.00	19 140
<b>Total</b>	<b>13 737 421</b>	<b>2.07</b>	<b>915 170</b>

## Mineral Resources as at 31 December 2012

Class	December 2012		
	Tonnes	g/t Au	Ounces
Measured and Indicated	62,074,000	1.42	2,841,900
Inferred	33,135,000	1.29	1,370,100
<b>Total</b>	<b>95,209,000</b>	<b>1.38</b>	<b>4,212,000</b>

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

# MINERAL RESOURCES: INATA SURROUNDS



## Mineral Resources as at 31 December 2012

Area	Class	December 2012		
		Tonnes	g/t Au	Ounces
Filio	Measured and Indicated	1,546,000	1.42	70,400
	Inferred	2,623,000	1.18	99,100
	Subtotal	4,169,000	1.26	169,500
Ouzeni	Measured and Indicated			
	Inferred	3,946,000	1.25	159,000
	Subtotal	3,946,000	1.25	159,000
Pali	Measured and Indicated			
	Inferred	3,089,000	1.52	150,800
	Subtotal	3,089,000	1.52	150,800
Total	Measured and Indicated	1,546,000	1.42	70,400
	Inferred	9,658,000	1.32	408,900
	Total	11,204,000	1.33	479,300

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2. Note: rounding errors may occur.

# MINERAL RESOURCES: SOUMA



## Mineral Resources as at 31 December 2012

Area	Class	December 2012		
		Tonnes	g/t Au	Ounces
Dynamite	Measured and Indicated	730,000	1.68	39,300
	Inferred	4,076,000	1.53	200,200
	Subtotal	4,806,000	1.55	239,500
Miilam North	Measured and Indicated			
	Inferred	1,340,000	1.02	44,100
	Subtotal	1,340,000	1.02	44,100
Miilam Central	Measured and Indicated	1,944,000	2.34	146,100
	Inferred	2,235,000	1.17	83,800
	Subtotal	4,179,000	1.71	229,900
Miilam South	Measured and Indicated			
	Inferred	4,285,000	1.47	202,200
	Subtotal	4,285,000	1.47	202,200
N'Darga	Measured and Indicated			
	Inferred	1,727,000	1.09	60,300
	Subtotal	1,727,000	1.09	60,300
Total	Measured and Indicated	2,674,000	2.16	185,400
	Inferred	13,663,000	1.34	590,600
	<b>Total</b>	<b>16,337,000</b>	<b>1.48</b>	<b>776,000</b>

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# MINERAL RESOURCES: TRI-K



## Mineral Resources as at 31 December 2012

Area	Class	December 2012		
		Tonnes	g/t Au	Ounces
Koulékoun	Measured and Indicated	31,545,000	1.38	1,402,000
	Inferred	22,762,000	1.22	892,500
	Subtotal	54,307,000	1.31	2,294,500
Kodiéran	Measured and Indicated	4,267,000	1.82	249,000
	Inferred	13,594,000	1.55	676,700
	Subtotal	17,861,000	1.61	925,700
Balandougou	Measured and Indicated			
	Inferred			
	Subtotal			
Total	Measured and Indicated	35,812,000	1.43	1,651,000
	Inferred	36,356,000	1.34	1,569,200
	Total	72,168,000	1.39	3,220,200

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