AVOCET MINING PLC
Annual Report and Accounts 2013

AVOCET

Avocet Mining is committed to becoming a leading West African gold mining and exploration company

CONTENTS

Overview

2 About us
4 Gold mining industry

Strategic report

7 Chairman's statement
8 Chief Executive's statement
12 Financial review
16 Business model and strategy
18 Safety and health
20 Sustainable development

Operational review

24 Inata Gold Mine
28 Tri-K
30 Ore Reserves and Mineral Resources

Directors and Governance

32 Current Board of Directors and Senior Management
34 Report of the Directors
37 Report on corporate governance
44 Risk management
46 Remuneration report

Financial Statements

62 Independent auditor's report to the members of Avocet Mining PLC
66 Consolidated income statement
67 Consolidated statement of comprehensive income
68 Consolidated statement of financial position
69 Consolidated statement of changes in equity
70 Consolidated cash flow statement
71 Notes to the financial statements
107 Independent auditor's report to the members of Avocet Mining PLC (Company)
108 Company balance sheet
109 Notes to the Company financial statements
116 Shareholder information
117 Directors and advisers

Avocet Mining will realise its vision by hiring top quality people and implementing best practices in all areas of its operations and facilities.

Avocet's people will be dedicated to financial, operational and institutional excellence, and have an entrepreneurial approach to conducting business.

Avocet's business will be built on a platform of global sustainable development, in every key facet and area of the organisation.

about us

Avocet is a West African gold mining and exploration company. The Company operates the Inata Gold Mine in Burkina Faso and has exploration projects in Burkina Faso and Guinea.

Our portfolio includes:

Inata Gold Mine, Burkina Faso:
118,443 ounces gold produced in 2013

Souma exploration project, Burkina Faso:
satellite deposit 20km from Inata, mining permit application in process

Tri-K Development project, Guinea:
feasibility study completed in 2013: maiden Ore Reserve of 480,000 ounces

Inata Gold Mine, Burkina Faso

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

The Mineral Resource estimate within the Bélahouro group of exploration licences, including the Inata and Souma projects, comprises 6.1 million ounces and an Ore Reserve of 0.49 million ounces. The average grade of the Ore Reserves is 2.16 g/t Au. The estimated life of mine plan extends until 2017. Production in 2013 was 118,443 ounces.

The Inata project includes the Souma project, which is located approximately 20 kilometres east of the Inata processing plant.

A mining permit application is currently being prepared for Souma, with exploitation of Souma material expected to commence in 2015. Mineralisation at Souma is quartz hosted, and does not have the same carbonaceous ore types as seen at Inata, and will be treated as satellite ore feed for the Inata processing plant.

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

Tri-K, Guinea

Tri-K is a feasibility study stage project in northeast Guinea with a total Mineral Resource of 3.0 million ounces. In 2013, Feasibility Study work completed on the basis of a heap leach development of only the oxide portion of the orebody showed that the project can support a 7 year life of mine, producing an average of 55,000 ounces of gold per year. A maiden Ore Reserve of 480,000 ounces (7.9 million tonnes grading 1.89 g/t Au) was also announced as part of the feasibility study.

The Company also intends to review the alternative of a CIL plant to exploit the entire 3.0 million ounce resource at Tri-K, including 2.4 million ounces contained within the fresh and transitional material.

INATA GOLD MINE
MINERAL RESOURCE
6.1 million oz

ORE RESERVE
0.49 million oz

TRI-K
MINERAL RESOURCE
3.0 million oz

RESOURCE GRADE
1.39 g/t Au

Having been surprised by the movement in gold prices during 2013, commentators are understandably more cautious regarding their predictions for 2014 and beyond

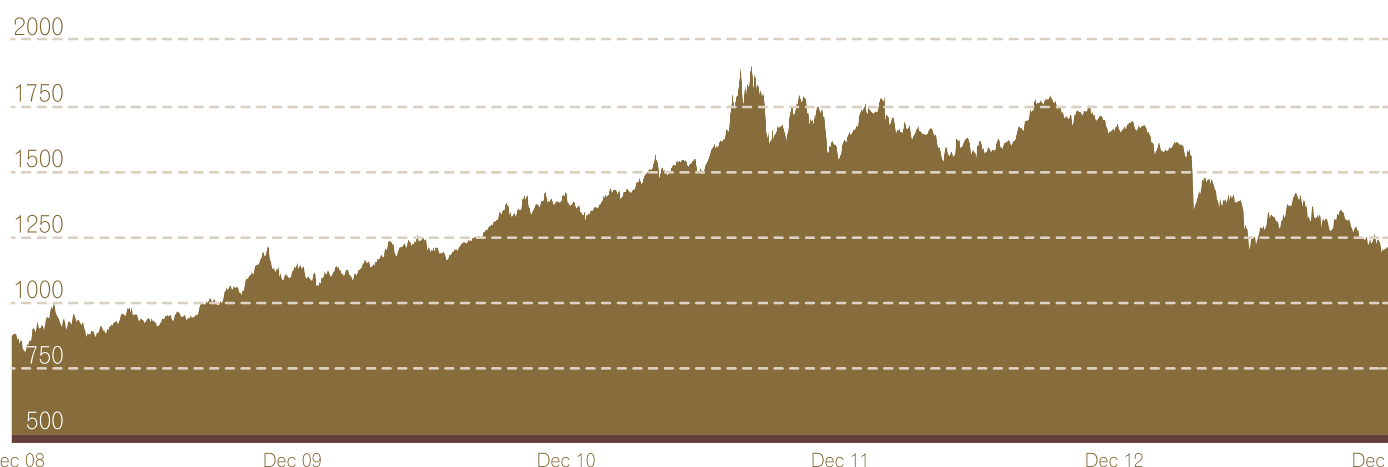
Gold prices in 2013

After twelve years of consecutive increases, the average gold price fell in 2013 compared to 2012. Despite starting the year at US$1,657 per ounce, gold suffered a period of gradual decline combined with more dramatic falls, reaching a low of US$1,193 per ounce by the mid-point of the year. A rally during the third quarter brought prices up to US$1,420 per ounce, before steadily declining to close the year at US$1,205 per ounce, 27% down from its opening level.

Although a moderate price adjustment had been expected by some analysts, few had anticipated the extent and speed of the drop in the spot gold price. The London Bullion Market Association ('LBMA') forecast, based on a consensus of over twenty commentators taken in January 2013, had predicted an average for the year of US$1,753 per ounce. In fact, only one of the contributors to the forecast expected a gold price range whose low point was below the actual average price of US$1,410 per ounce.

Some of the specific drivers behind the decline in gold prices were the perceived improvement in the outlook for the US economy, the tapering of asset purchases by the US Federal Reserve, the imposition of import restrictions on gold by the Indian government, and the sell-off of central bank bullion stocks (notably Cyprus in April). In addition, the consumption of gold by the jewellery industry, traditionally the largest source of demand, had slowed in response

GOLD PRICE US$/oz – 31 DEC 2008 TO 31 DEC 2013



to continued high prices in previous years. Investment in gold, whether directly or via ETFs, reversed in the year, with an estimated net sell-off of 383 tonnes in 2013 compared to a net purchase of 179 tonnes in 2012 (source: GFMS).

Gold price outlook

Having been surprised by the movement in gold prices during 2013, commentators are understandably more cautious regarding their predictions for 2014 and beyond. However opinions remain divided. Bearish commentators on the gold market argue that the factors that led to the price declines in 2013 are likely to continue in 2014, as the US economy strengthens, and investors return to other assets such as equities in preference to safe havens such as gold. Meanwhile gold bulls suggest the market is oversold, with reports of an economic resurgence being premature, and point to the uncertainties around sovereign debts, fiat currencies, and the combined effects of increased jewellery demand from China and a tightening of production from the mining sector.

Consensus outlooks are inevitably tending to suggest gold prices remain in line with entry 2014 levels. The market consensus for 2014 is US$1,250 per ounce, however within that average reflects a range of US$1,080 to US$1,400 per ounce.

GOLD PRICE[1]	2009	2010	2011	2012	**2013**
High	1,218	1,426	1,897	1,790	**1,693**
Low	813	1,052	1,316	1,538	**1,193**
Average	974	1,227	1,573	1,668	**1,410**

(1) London AM fix (US$/oz)

Gold equities

Against a backdrop of lower gold prices, gold equities also suffered share price falls during 2013. The FTSE Gold Mines Index ended the year 53% lower than it had entered it, with junior miners typically experiencing more severe price reductions than larger, more established gold mining groups.

This equity fall has been principally attributed to the leveraged exposure of gold miners to spot prices. Higher gold prices meant that many marginal gold deposits became economically extractable, which, on top of cost pressures (such as salary demands and higher oil prices), resulted in cost bases for many mines increasing almost in line with the gold price.

During the second half of 2013, a consistent message from gold miners has been the need to reduce operating costs, and this led to many companies abandoning marginal zones of mineralisation by reducing pit shells, focussing on higher grade ore sources, and cutting back on many expansion plans.

While the outlook for equities depends to a large extent on the gold price in 2014 and beyond, market commentators note that those companies who are best able to adapt their operating and financing cost structures to the prevailing gold price environment will outperform, with numerous opportunities available for the strongest of the survivors.

strategic report

The Directors present their Strategic Report on the Group for the year ended 31 December 2013.

The Strategic Report is a new requirement of the Companies Act for the year ended December 2013. The report provides a fair review of the Company, its performance and the challenges it faces.

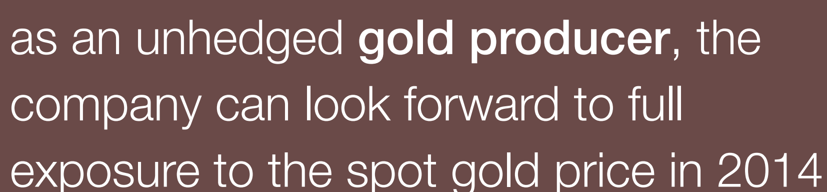
The review of the business and operations, including key factors likely to affect the future development of the business, are included in the Chairman's statement and Chief Executive's statement on page 7 and pages 8 to 11 respectively. The financial review on pages 12 to 15 includes an analysis of the development and performance of the business of the Company during the 2013 financial year and the position of the Company at year end.

While the Group's business plan and strategy are outlined on pages 16 and 17, information concerning environmental matters, the company's employees, and social, community and human rights issues are discussed in the sustainable development section on pages 20 to 23. An outline of the Company's safety and health performance is summarised on page 18 and 19, while details of directors, senior management and gender diversity are provided in the report of the Directors' on page 34 to 36.

The Strategic Report, as set out on pages 7 to 23, has been approved by the Board.

By order of the Board

J Wynn
Company Secretary



Chairman's statement

There is no doubt that 2013 was a tough year for the gold mining industry as a whole, and indeed for Avocet Mining PLC

In March 2013 we announced the completion of financing discussions with Macquarie Bank and our largest shareholder, Elliott Management, following a drop in Inata's Ore Reserves as a result of revised operating parameters and a lower gold price assumption. The drop in reserves necessitated a partial buy back of the mine's gold hedge and an acceleration of gold deliveries into the hedge during 2013 which significantly increased the number of ounces sold at US$937.50, well below spot prices. A US$15 million short term loan from Elliott Management was taken out to allow the Company to complete the Tri-K feasibility study and provide funding for corporate activities during the year, replacing funds that had been earmarked for these purposes but were instead used for the partial hedge buy back.

The significant fall in the gold price in the second quarter of 2013 was largely unanticipated by market commentators, investors and gold producers alike. Prices fell sharply in April and June, and remained flat in the second half of the year from US$1,233 per ounce at the start of July to US$1,205 per ounce at the end of the year. Lower gold prices, combined with the accelerated hedge delivery, inevitably impacted Avocet's finances during the second and third quarters and the decision was taken in October to eliminate the remaining hedge position through a new loan facility with Ecobank of approximately US$63 million. The Ecobank loan was also intended to provide sufficient working capital to allow Inata to optimise production in the fourth quarter of 2013.

Production at Inata has been disappointing during 2013, with the mine suffering from a number of mechanical problems affecting the availability of both the mining fleet and the processing plant. Gold production of 118,443 ounces at cash costs of US$1,203 per ounce fell considerably short of our original expectations for the year. In particular, a very weak fourth quarter meant that the Company was unable to repay its shareholder loan by the 31 December 2013 maturity date and the loan remains outstanding.

In response to its financial and operational difficulties, Avocet announced a number of measures designed to align its cost base to a lower price environment, notably the decision announced in December to base Inata's life of mine on pit shells optimised on lower assumed gold prices. The impact of smaller pit shells is to reduce the mine's overall waste strip ratio and increase the grade of material mined, therefore reducing mining and processing costs respectively, albeit over a shorter mine life.

This higher grade estimated life of mine plan for Inata indicates healthy cash generation in 2015 to 2018 but a need for additional financing of US$20-30 million in 2014 to rectify the production issues encountered in 2013. The Company is also investigating a number of operational changes to improve plant availability and minimise sustaining capital including moving to contract mining.

In Guinea, the feasibility study on our project at Tri-K was completed in 2013 and we await the granting of a mining licence, the application for which was submitted in Q4 2013. Work to date at Tri-K has outlined a heap leach project based on the oxide portion of the orebody, with average annual production of 55,000 ounces over an initial 7 year mine life.

Following exploration programmes undertaken during 2013 at the Company's projects in Burkina Faso and Guinea, the Group Mineral Resource estimate has grown to over 9 million ounces, with a significant increase in the Measured and Indicated categories at Souma and Tri-K following an infill drilling programme at these projects.

In December 2013, the Company announced that it was undertaking a business review to identify how best to deliver value from the assets held by the Group. The key objectives will be to ensure that the Inata business is optimised and the wider Group is adequately funded respectively for 2014 to meet its obligations and exploit opportunities. The business review remains ongoing, and further updates will be provided as appropriate.

At the end of 2013, Avocet announced that Nöel Harwerth had resigned from the Board after 18 months as a Non-executive Director and Chair of the Remuneration Committee. In addition, it was announced in December that Robert Pilkington, who has been on the Board of Avocet Mining PLC since 1996, would also be standing down at the AGM in May 2014. On behalf of the Company, I would like to thank both Nöel and Robert for their contributions over the years. In order to realign the Board composition with the Company's current size and growth profile, the decision has been made not to replace Nöel and Robert. Following their departure, the Board will comprise four Non-executive Directors, including two directors with a technical background, and two Executive Directors.

Russell Edey
Chairman

Chief Executive's statement

David Cather – Chief Executive Officer

2012 was the year in which Inata began to encounter operating difficulties; 2013 should be seen as the year in which the way forward was developed

management will retain a conservative approach with a **focus on reducing costs** rather than maximising reserves

Review of Inata, Burkina Faso

2012 was the year in which Inata began to encounter operating difficulties; 2013 should be seen as the year in which the way forward was developed. Whilst the mine suffered operational issues during the year, important progress was made by becoming an unhedged gold producer and identifying how best to handle carbonaceous ores through the carbon blinding circuit, as announced in August 2013. Looking forward to 2014, for the first time in its history, the Inata mine is now fully unhedged and able to benefit from spot prices for 100% of production.

The Inata hedge, which had limited the mine's exposure to the upside in gold prices and imposed financial constraints over the past few years, was finally removed in 2013 using the Ecobank debt facility that was announced in October. Prior to the hedge removal in November, however, the mine's cash flow was constrained by a partial hedge buy back in early 2013. This was exacerbated by an accelerated hedge delivery profile later in the year, at a time of falling gold prices.

Safety remains a key focus for the mine's operational staff, and only one lost time injury ('LTI') occurred at the mine during the year, in line with the mine's performance in 2012. Until this injury, which occurred in September, the mine had recorded nearly 5 million hours worked without a LTI. Since production began in 2009, only 3 LTIs have occurred at Inata, and the mine has remained LTI free since the September incident.

Production during 2013 was disappointing at 118,443 ounces at a cash cost of US$1,203 per ounce. In particular, mining and processing were both adversely impacted by poor equipment availabilities, with the plant continuing to operate at lower than optimal throughputs due to mechanical issues still to be resolved. The mine's ability to maintain its equipment effectively was hampered by the financial constraints noted above, but improvements in maintenance procedures are also needed. During the year, Inata's life of mine plan ('LoMP') was adapted to a lower gold price environment. The mine began the year with a LoMP based on a gold price assumption of US$1,400 per ounce, and has ended the year with a plan based on a gold price of US$950 per ounce. This move to lower gold prices has been made in order to reduce costs and increase grades, which together should make the mine more robust at lower gold prices, albeit over a shorter mine life. Nonetheless, the mine retains a 4 year mine life, whilst also having a lower strip ratio and higher grades as a result of focusing on a higher grade portion of the orebody. Should gold prices rise significantly in the future, there remains the possibility of increasing this gold price planning assumption and restoring a longer life of mine, but for the time being management will retain a conservative approach with a focus on reducing costs rather than maximising reserves.

The two key factors in the current LoMP are the development of the carbon blinding circuit and the effective cost reduction measures being implemented across the whole operation. The carbon blinding circuit, costing approximately US$6.5 million, is a relatively low capex addition to the current processing plant that was developed during 2013 by Inata's management team to process the carbonaceous ore types that have historically had an adverse impact on gold recoveries. Through extensive testwork to assess the effect of naturally occurring carbon in the ore, in addition to a number of other factors, Inata's metallurgical team has also developed a recovery algorithm to predict more accurately the recoveries from processing of all ore types at Inata, including the carbonaceous material. Carbon blinding works by adding to the gold bearing ore slurry a reagent – sometimes kerosene – that prevents, or blinds, the ability of naturally occurring carbon in the ore to preferentially adsorb the gold. Inata's planned carbon blinding circuit is a pre-treatment step in the process plant whereby the effects of the carbonaceous ore are mitigated prior to the gold entering the leaching circuit. Construction of this blinding circuit has commenced and will be completed in mid-2014. The circuit will enable us to process carbonaceous ore, much of which is higher

2013 Highlights

118,443 oz
PRODUCED AT INATA GOLD MINE

SAFETY AND HEALTH STANDARDS MAINTAINED

AVOCET NOW A **FULLY UNHEDGED GOLD PRODUCER**

INATA MINING LICENCE FOOTPRINT EXTENDED BY
50 %

BASELINE STUDIES COMMENCED AT SOUMA

COMPLETION OF TRI-K HEAP LEACH FEASIBILITY STUDY, INCLUDING MAIDEN ORE RESERVE ON THE OXIDE PORTION OF THE OREBODY

POTENTIAL EXISTS TO EXPLOIT THE ENTIRE **3.0 MILLION OUNCE TRI-K OREBODY VIA CIL PROCESSING METHOD**

grade, when it is encountered during mining, rather than having to stockpile it for later processing. In the meantime, the mine will process lower grade oxide material.

A key theme in the mining industry, particularly in West Africa, is the implementation of cost reductions. Inata is no exception, and we implemented a number of cost saving initiatives during 2013. As mining is Inata's biggest cost, the greatest impact will come from reduced waste mining tonnages relative to the amount of gold produced. Savings also include a reduction in expatriate staff numbers which is planned to achieve a saving of over US$2 million per year. Other initiatives have included improved reagent usage through the installation of an improved lime dosage system, as well as down scaling large capital projects such as the expansion of the tailings management facility, which was originally designed with a larger plant throughput in mind.

Maintenance of the mobile mining fleet and processing plant remains an important area. The mine operates in a challenging environment, and the Company has experienced equipment availability issues, specifically excavators and power generators, during the year. As a result of the equipment issues faced during the second half of the year, we are implementing new preventative maintenance measures, as well as reviewing our critical spares inventory to ensure that, where possible, equipment failures are rectified with minimal delay.

After a poor quarter of production in Q4 2013, in December the Company announced that it anticipated a funding shortfall in 2014 of between US$20 million and US$30 million, depending on factors including gold production, gold prices, and whether the mine elects to switch to contract mining, in which case mobile maintenance sustaining capital expenditure needs would be lower. This funding shortfall is primarily maintenance related, with US$10 million accounted for by lost revenue during two or more maintenance shutdowns totalling 3-4 weeks in H1 2014, with the first phase to occur in March, and a further US$10 million

potentially required for maintenance of the mobile mining fleet. The funding shortfall is being addressed as part of Avocet's business review which was announced in December.

During 2014, the SAG mill shutdown for required maintenance will enable the plant to operate once again at full capacity, while the mine will benefit from either refurbishing the mobile fleet or adopting contract mining. Together with the successful implementation of the carbon blinding circuit these measures should provide the platform on which to operate the mine at its full potential and achieve the healthy cash flows shown in the LoMP in 2015 onwards.

Review of Burkina Faso exploration, including Souma

Exploration at Inata and the surrounding area, including the Souma project, was reduced during the year as a result of the drop in gold prices and reduced cashflow from Inata. With an existing resource of 6.1 million ounces across Avocet's suite of licences in the Bélahouro region, the decision was made to conserve cash and focus on the development of near surface oxide material for the Inata plant that lie within the expanded mining permit. Two such areas were identified within the Inata mining licence, and following a small drilling programme, these are now included in the current LoMP. Successful exploration in previous years led to the Company applying for an extension to the Inata Mining Licence in 2013. This was granted, with the licence footprint now extending by a further 50% to include new areas such as Filio. This licence extension is testament to the close working partnership that the Company has with the Burkina Faso government, and the Company is confident of further mining licence applications being granted for additional areas within our package of tenements.

During 2013 the decision was made to apply for a mining licence for the Souma area, with the Company intending to process material from Souma at the Inata plant. The development of Souma as a satellite operation will enable the Company to generate cashflows from this project with minimal capital cost. The Souma trend remains highly prospective. Souma currently has an identified Mineral Resource estimate of 822,000 ounces, and the Company intends to continue exploration drilling in future years to add further ounces both along strike and at depth.

Review of Tri-K, Guinea

During 2013 the Tri-K feasibility study was completed, with extensive metallurgical testwork, infill drilling and environmental and social baseline work carried out during the year. The feasibility study, details of which were announced in October, is based on the development of a heap leach project at Tri-K, targeting only the oxide component of the orebody. The feasibility study and an application for a mining licence were submitted together in November 2013 and the grant of the licence is awaited.

As part of the feasibility study, the Company announced Tri-K's maiden Ore Reserve of 480,000 ounces, consisting of 7.9 million tonnes of oxide material at an average grade of 1.89 g/t Au. This represents an 88% conversion rate of oxide ounces in the Measured and Indicated Mineral Resource categories. Test work predicted gold recoveries of over 80% for Koulékoun oxide material and over 90% for Kodiéran oxide material. The feasibility study however conservatively assumes a life of mine gold recovery rate of 80%.

The Company also intends to review the alternative of a CIL plant to exploit the entire 3.0 million ounce resource at Tri-K, including 2.4 million ounces contained within the fresh and transitional material.

Corporate Review

In early 2013, following a decrease in Ore Reserves at Inata, the Company agreed a hedge buyback and restructure of the remaining hedged ounces with Macquarie Bank. This restructure cost the Company US$20 million, funds that were previously earmarked for completion of the Tri-K feasibility study and corporate uses. In order to bridge this gap, the Company put in place a shareholder loan with its largest shareholder, Elliott Management ('Elliott'), for US$15 million.

In December 2013 we announced that we had initiated a business review to maximise the value of our assets for the benefit of shareholders. This review process is designed to evaluate the Company's options to ensure Inata is optimised and adequately funded for 2014 to encompass treatment of the material from the Souma project, which lies 20 kilometres east of Inata, and to include scenarios for the development of Tri-K in Guinea. The announcement reflected a poor production quarter in Q4, which made it impossible for the Company to repay its shareholder loan with Elliott by the 31 December 2013 maturity date. As well as maximising the value of our assets, the business review also seeks to enable the Company to repay this loan, which remains outstanding. Further updates on the business review will be provided as appropriate.

Financial review

Financial highlights[1]

Year ended 31 December	**2013 Audited**	2012 Audited
US$000		
Revenue	149,261	204,110
Gross (loss)/profit	(30,388)	35,416
Loss from operations	(80,608)	(114,953)
EBITDA	(10,463)	48,343
Loss before tax from continuing operations	(149,385)	(117,025)
Analysed as:		
Loss before taxation and exceptional items	(45,993)	18,275
Exceptional items	(103,392)	(135,300)
Loss attributable to the equity shareholders of the parent company	(142,483)	(92,790)
Net cash (used in)/generated by operations (before interest and tax)	(73,345)	53,361
Net cash outflow	(39,687)	(50,348)

1 Prepared in accordance with International Financial Reporting Standards.

Revenue

Group revenue for the year was US$149.3 million compared with US$204.1 million in 2012. The Group sold 118,334 ounces at an average realised price, including hedge deliveries, of US$1,261 per ounce during 2013, compared with 136,856 ounces sold at an average realised price of US$1,491 per ounce in 2012. The lower revenue was partly due to the lower gold production in the year (18,522 fewer ounces sold), and partly due to the fall in the average spot price in the year from US$1,668 per ounce in 2012 to US$1,410 per ounce. In addition, the accelerated hedge delivery programme from April to October resulted in 7,500 additional ounces being sold into the forward contracts compared with the previous year.

Gross profit and unit cash costs

The Group gross loss in 2013 was US$30.4 million compared with a gross profit of US$35.4 million in 2012, an adverse variance of US$65.8 million caused principally by revenues. Lower gold prices reduced gross profit by US$27.2 million, while the impact of lower gold production was US$27.1 million (due to lower mill throughput, grades, recoveries, and adverse gold inventory movements). The balance of US$11.5 million reflects the net effect of additional hedge sales, higher mining and milling unit costs, favourable stockpile movements, lower depreciation, and lower other costs of sales (including foreign exchange and exploration costs).

Unit cash costs at Inata increased from US$1,000 per ounce in 2012 to US$1,203 per ounce in 2013. Of this US$203 per ounce increase, US$162 per ounce was due to lower head grades and mill throughput rates, with the balance largely due to higher costs per tonne mined and milled, offset by a reduction in royalty costs resulting from lower gold prices.

The table below reconciles the Group's cost of sales to the cash cost per ounce.

Year ended 31 December	2013	2012
US$000		
Cost of sales	179,649	168,694
Depreciation and amortisation	(29,418)	(27,996)
Changes in inventory	4,935	10,202
Adjustments for exploration expenses and other costs not directly related to production	(12,708)	(15,762)
Cash costs of production	142,458	135,138
Gold produced (ounces)	118,443	135,189
Cash cost per ounce (US$/oz.)	1,203	1,000

Loss before tax

The Group reported a loss before tax of US$149.4 million in the year ended 31 December 2013, compared with a loss of US$117.0 million in the year ended 31 December 2012.

In 2013 the Group recognised an exceptional impairment charge in respect of mining and exploration assets of US$40.7 million. The impairment was triggered by the reassessment of the future cash flows to be generated at Inata, following the amendment of the Life of Mine Plan and lower gold price assumptions. Further information regarding the assumptions underlying the calculation of the impairment and the related sensitivities is provided in note 7 to the financial statements. In 2012, an impairment of US$135.3 million was recorded, following the downgrade in Ore Reserves from 1.85 million ounces to 0.92 million ounces announced in March 2013, based on a revised gold price assumption of US$1,200 per ounce.

In addition, in 2013 losses totalling US$62.7 million were recognised in respect of forward contracts with Macquarie Bank Limited. In Q1 2013, a loss of US$20.2 million was recorded for a partial buy back of the forward contracts. As a result of this buy back, the US$96.6 million mark-to-market liability for this hedge book, which had been in place since before the acquisition of Inata in 2009, was for the first time recognised on the balance sheet following the cash settlement of 29,020 ounces for US$20.2 million in March 2013, which meant that the own-use exemption that had previously applied was no longer appropriate. Subsequent falls in the gold price reduced this liability, notably resulting in the reporting of a US$60.8 million gain in Q2. The balance of the hedge book was closed out for US$42.2 million in cash in November 2013, with the overall change in the fair value of the forward contracts amounting to a gain of US$54.2 million.

Before exceptional items, the loss before tax for the year ended December 2013 was US$46.0 million compared with a pre-tax profit of US$18.3 million for the year ended December 2012.

Taxation

The Group reported a tax charge in the income statement of US$3.5 million in 2013 (2012: credit US$14.5 million), analysed as follows:

Year ended 31 December	2013	2012
US$000		
Inata, Burkina Faso	3,484	(14,529)
Avocet Mining PLC, UK	–	–
	3,484	(14,529)

The 2013 tax charge in Burkina Faso primarily relates to the recognition of a US$3.5 million tax charge in respect of a tax assessment undertaken in 2012 covering the years 2009-2011. Further details of this matter are covered in note 14 to the financial statements.

The 2012 tax credit in Burkina Faso represents the net effect of a deferred tax charge of US$9.2 million as a result of accelerated capital allowances on assets related to the construction of the Inata Mine, offset by a deferred tax credit of US$23.7 million related to the impairment of mining property.

EBITDA

EBITDA represents operating profit before depreciation/amortisation, interest and taxes, as well as excluding any exceptional items in the period. It is not defined by IFRS but is commonly used as an indicator of the underlying cash generation of the business.

EBITDA decreased from positive US$48.3 million in 2012 to a loss of US$10.5 million in 2013, a decrease of US$58.8 million. The reasons for this are outlined in the changes to gross profit as described above.

A reconciliation of (Loss)/profit before tax and exceptionals to EBITDA is set out below:

Year ended 31 December	**2013**	2012
US$000		
(Loss)/profit before tax and exceptionals	**(45,993)**	18,275
Depreciation	**29,418**	27,996
Exchange losses/(gain)	**109**	(519)
Net finance income	**(17)**	(125)
Net finance expense	**6,020**	2,716
EBITDA	**(10,463)**	48,343

Cash flow and liquidity

A total cash outflow of US$78.7 million was reported for the year ended 31 December 2013. Net cash used in operating activities totalled US$36.3 million, with investments in the form of exploration costs of US$14.5 million and capital expenditures of US$15.7 million.

Financing during the year included the drawdown of debts of US$15.0 million from Elliott and US$62.8 million from Ecobank, the repayment of the US$5.0 million remaining on the Macquarie Bank Limited Project Finance Facility for Inata, and principal repayments to Ecobank in Q4 of US$1.8 million.

Included in the cashflow from operating activities, the cash paid to Macquarie Bank Limited to close out the forward contracts in Q1 was US$20.2 million and in Q4 was US$42.4 million.

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

	2013			2012		
	Cash	**Debt**	**Net cash/ (Debt)**	Cash	Debt	Net cash/ (Debt)
US$000						
At 1 January	**54,888**	**(5,000)**	**49,888**	105,236	(29,000)	76,236
Net cash (used in)/generated by operating activities	**(78,711)**	**–**	**(78,711)**	52,381	–	52,381
Dividend paid	**–**	**–**	**–**	(13,166)	–	(13,166)
Deferred exploration costs	**(14,478)**	**–**	**(14,478)**	(31,796)	–	(31,796)
Property, plant and equipment	**(15,667)**	**–**	**(15,667)**	(35,145)	–	(35,145)
Net proceeds from disposal of discontinued operations	**–**	**–**	**–**	1,980	–	1,980
Debt repayments	**(6,805)**	**6,805**	**–**	(24,000)	24,000	–
Loans drawn down	**77,805**	**(77,805)**	**–**	–	–	–
Other movements	**(1,831)**	**(475)**	**(2,306)**	(602)	–	(602)
At 31 December	**15,201**	**(76,475)**	**(61,274)**	54,888	(5,000)	49,888

Of the US$15.2 million cash at 31 December 2013, US$5.6 million was restricted, representing a US$2.7 million minimum account balance held in relation to the Ecobank loan, US$1.5 million held in escrow in relation to a Burkina Faso tax dispute, and US$1.4 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. The Company was therefore unable to repay its US$15 million loan to Elliott Management on its maturity date of 31 December 2013 and the loan remains outstanding. At Inata, the combination of disappointing production in late 2013 and significant expected equipment refurbishment costs in 2014 mean that the mine has a requirement for further short term funding in 2014 of between US$20 million and US$30 million, depending on the extent of refurbishment costs, whether a decision is taken to adopt contract mining,

and the level of production in 2014. Ensuring Inata is adequately funded and repaying the Elliott loan are key objectives of the Company's business review, which was announced in December and is ongoing. For further details, see the going concern section to note 1 to the financial statements.

Depreciation

The Group's depreciation charge increased from US$28.0 million in the year ended 31 December 2012 to US$29.4 million in the year ended 31 December 2013. The majority of this related to the deprecation of assets at Inata, which are predominantly calculated on a unit of production basis against the life of mine plan as established at the beginning of each financial year.

Year ended 31 December	**2013**	2012
US$000		
Inata	29,223	27,879
Other	195	117
	29,418	27,996

Capital expenditure

The Group's capital expenditure in the year was US$29.8 million analysed as follows:

	2013			2012		
Year ended 31 December	**Deferred exploration**	**Property plant and equipment**	**Total**	Deferred exploration	Property plant and equipment	Total
US$000						
Inata Gold Mine (Burkina Faso)	7,541	14,122	21,663	24,171	35,009	59,180
Tri-K project (Guinea)	7,996	169	8,165	8,922	598	9,520
Head office (UK)	–	–	–	–	169	169
	15,537	14,291	29,828	33,093	35,776	68,869

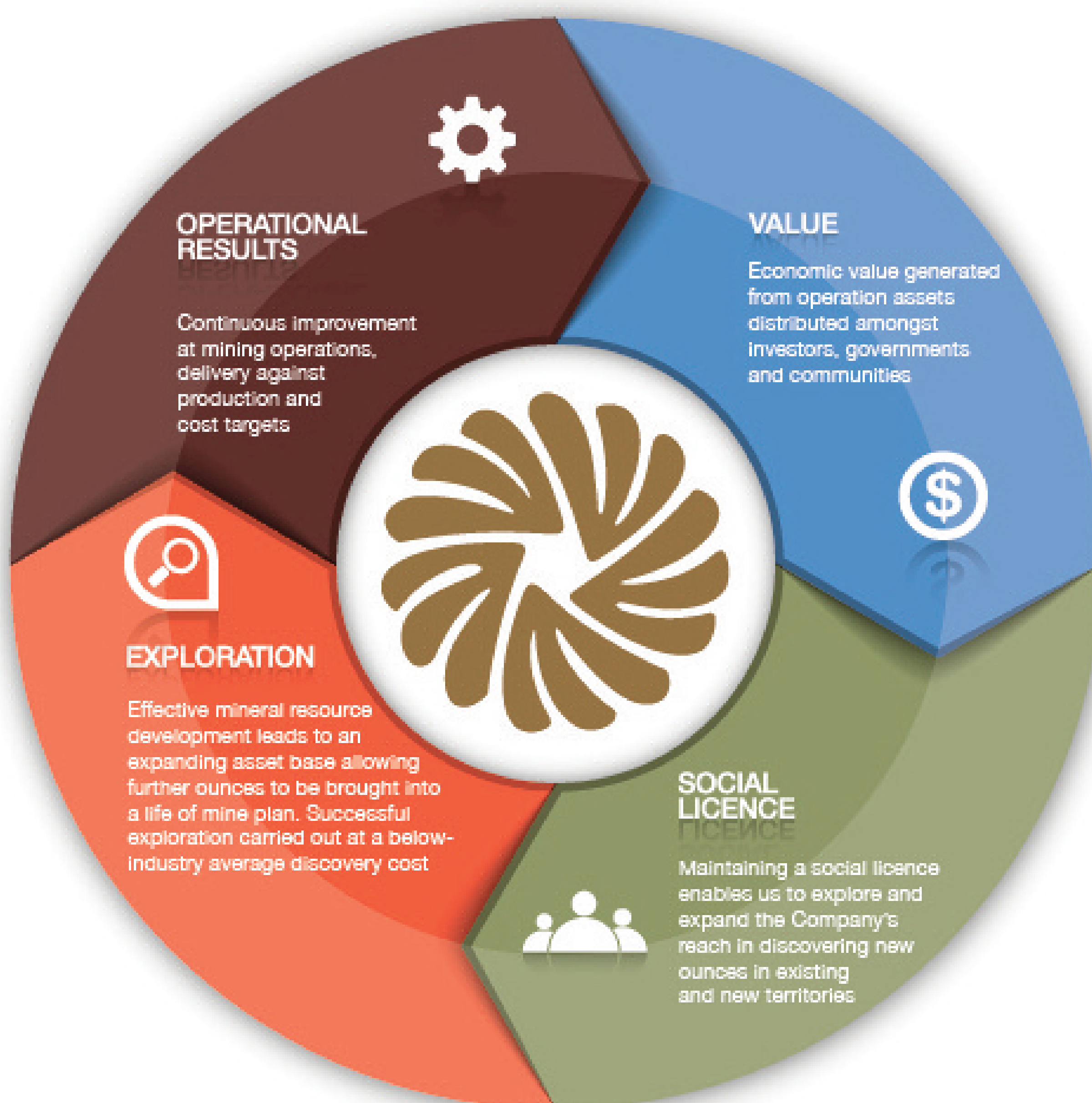
Capital investment both in property plant and equipment and in exploration activity was reduced compared with 2012 in response to the fall in the gold price and lower production from Inata.

Capital expenditure on property, plant and equipment in West Africa totalled US$14.3 million. Significant investments in the year included the purchase of mining equipment and rebuilds (US$5.9 million), and tailings storage facility extension works (US$6.1 million).

Mike Norris
Finance Director

Business model and strategy

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



The 2014 Business plan includes the following key objectives:

Complete Business Review
- resolve outstanding debt with Elliott and ensure Inata adequately funded in 2014

Commission carbon blinding circuit at Inata
- key to processing carbonaceous ore types and higher grade ore from mid-2014

Carry out plant and mobile fleet refurbishment
- target greater reliability of operations

Continue to implement cost saving initiatives at Inata Gold Mine
- set platform for reduced All In Sustaining Cost of production of remainder of mine life

Mining licence application at Souma
- development process commenced

Development of Tri-K
- pursue mining licence and review CIL alternatives

Business strategy

Avocet's strategy is to operate and develop its assets in order to generate the maximum value for its shareholders, while remaining vigilant for any growth opportunities in the future.

In Burkina Faso, Avocet aims to maximise cash flows by increasing gold production at Inata and reducing costs. Through Inata the Company will seek to exploit additional deposits in the surrounding Bélahouro area, including the numerous prospective areas that early stage exploration work has highlighted.

In Guinea, the Company will maximise the value of its Tri-K project, which has the potential to be a new gold mine within 3 years. Avocet will consider how best to exploit Tri-K's resource before finalising the design of the operation and raising the finance needed to commence construction.

Avocet's immediate focus is on developing the assets it currently owns, in order to deliver shareholder value. However it also remains committed to growth, including transaction opportunities in the gold mining sector in West Africa, as they present themselves. In this area, the Company will only contemplate transactions that deliver meaningful value to its shareholders.

Safety and Health

Ensuring the safety and health of employees is one of the guiding principles of Avocet's business as we recognise that all employees have a right to work in a safe and healthy environment

Safety policy is built around ensuring accidents are prevented through **training, communication of the importance of individual and collective ownership and responsibility, and zero tolerance**

The Safety, Health, Environment and Community ('SHEC') Committee of Avocet's Board of Directors, established in 2012, is responsible for ensuring that appropriate systems and resources are in place to ensure this outcome.

At the key mining operation, the Inata Gold Mine, safety and health governance is managed by the Occupational Safety and Health Committee and the Management Safety Committee. Both committees meet regularly to discuss all aspects of safety, and where necessary agree appropriate remedial actions. The committees also review policies and procedures, assess serious incidents, establishing appropriate and timely responses, and ensure ongoing compliance with both the laws of Burkina Faso as well as international best practice. The Inata safety and health committees report to the SHEC Committee.

Workplace safety

Avocet places considerable importance on its safety performance, and is proud of its record to date at Inata. During 2013, the site suffered a single Lost Time Injury ('LTI'), when, on 28 September 2013, an employee injured his hand. This event brought to an end a run of 516 days since the previous LTI, the equivalent of almost 5 million man hours.

The Company safety policy is built around ensuring accidents are prevented through training, communication of the importance of individual and collective ownership and responsibility, and zero tolerance.

To that end, during 2013, the following activities were undertaken:

- 785 training and induction sessions for SMB staff, contractors, and visitors;
- 149 workplace inspections, involving both workers and management, designed to assess compliance with safety best practices and policies, and where appropriate, identifying corrective action plans. These ad hoc inspections were in addition to scheduled monthly visits to each department area; and
- 189 safety meetings, attended by workers, supervisors and management, which provide a forum at which ongoing and emerging issues and concerns can be discussed, and solutions proposed.

In addition to these meetings and inspections, the following actions were prioritised during the year, to target risk areas:

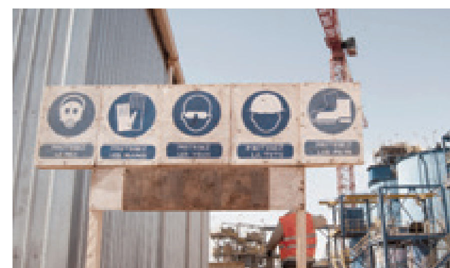
- Fire drills, particularly around flammable materials such as the fuel storage area;
- Driver training, focussing on both defensive and offensive driving techniques;
- Emergency Response Team training, on first aid and basic firefighting techniques;
- Drafting of Safety Directives, designed to clarify policy on key areas;
- Updating of Safe Work Procedures, replacing outdated policies, as well as introducing new procedures where required;
- Installation of new, clear, road signs on both the access and mining roads, fixed on high visibility posts; and
- Introduction of a new Hazard Identification and Risk Assessment project, the aim of which is to identify systematically potential hazard areas within each department. This project is led by the Inata General Manager, John Sampson.

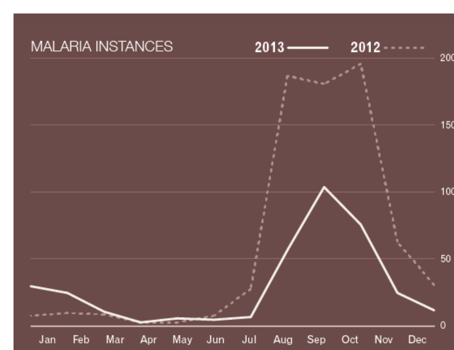
Workplace health

Avocet's management takes full responsibility for ensuring that the workplace does not pose a hazard to employees' short or long-term health. At the Inata Gold Mine, the three primary health risks are malaria, gastro-intestinal illnesses and respiratory tract infections.

Following the introduction during 2012 of a number of initiatives, the total instances of malaria reduced by 51%, from 715 in 2012 to 349 in 2013. These initiatives continued into 2013, and included a comprehensive Interior Residual Spraying programme, distribution of individual repellent lotions, and education as to ways to minimise risks inherent in operating in a known malarial area.

Although fogging and spraying programmes have proved effective in the workplace, many of the cases of malaria are thought to result from mosquito bites occurring during leave or rotation periods, particularly in towns where such measures are less practical. Most instances also occur during and shortly





after the rainy season, which lasts between June and September.

Gastro-intestinal illnesses at site are generally caused by poor hygiene and exposure to contaminated food and drink. In response, policies have been put in place requiring all staff to observe basic hygiene procedures before entering food canteens, as well as increasing compliance requirements for catering staff in food preparation areas. During 2013, a total of 54 ad hoc inspections were undertaken, specifically targeting wash rooms, restaurants, and kitchen areas, to identify areas of non-compliance and embed policies.

Respiratory infections occur largely as a result of exposure to the dry, dusty conditions prevalent at site. Staff who work in higher risk areas, particularly around machinery (in the pits or at the processing plant) are required to wear breathing masks to protect themselves.

The risk of AIDS is taken very seriously at site, and although local infection rates are low compared to many sub-Saharan regions, all employees are encouraged to undergo voluntary HIV testing. Cultural sensitivities are recognised in this matter, and education and testing are all offered anonymously and discretely where required.

Sustainable Development

Avocet recognises that its exploration and mining activities have the potential to impact directly and indirectly on the environment and communities neighbouring these activities

The Company is **committed** to **carrying out all its activities in a manner that is sustainable** and that **will have a long-term positive impact**

The Company is committed to carrying out all its activities in a manner that is sustainable and that will have a long-term positive impact.

The potential environmental and social impacts of Avocet's exploration and mining activities are managed through a comprehensive integrated Environmental and Social Management System that was established in 2010. This system ensures compliance with all relevant national regulations and international best practice. To this end, Avocet continues to maintain close working relationships with the Ministries of Environment in Burkina Faso and Guinea as well as other regulatory authorities. Avocet's subsidiary in Burkina Faso that manages the Inata Gold Mine, Société des Mines de Bélahouro SA ('SMB'), regularly reports on its on-site activities and environmental performance to the Ministry of Environment and the Ministry of Mines, as well as receiving site inspections from these departments.

Avocet recognises the importance of training and education to maintaining a continued high level of environmental and social performance. All employees and contractors undertake an environmental induction programme and an ongoing programme of training is in place to cover environmental issues. Training is based on a fixed syllabus for all employees as well as bespoke training developed where requested by departmental managers. This training addresses areas for improvement that are identified during regular internal inspections.

Environmental management

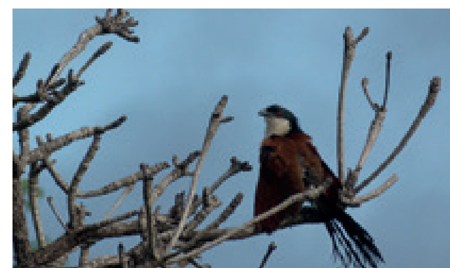
Robust environmental monitoring is central to demonstrating compliance with various legislation as well as the wide ranging commitments of various environmental assessments. At Inata, a comprehensive monitoring programme forms part of the approved Environmental Management Plan.

During 2013, approximately 600 routine groundwater and surface water samples were collected and analysed in Inata's on-site environmental laboratory. In addition, some 100 other routine water samples and over 100 dust samples were collected and analysed by accredited external laboratories. The samples analysed include water and dust samples collected to provide baseline data for the Souma Project environmental assessment, as well as those collected for quality assurance of samples that had been tested on-site. In 2013, the analytical results identified no adverse impacts related to mining.

The monitoring programme also includes vibration, noise and suspended particulate level measurement. Six monitoring points have been identified in the closest villages to the mine site. No adverse impacts related to mining activities have been recorded from these points.

In 2011, Avocet became a signatory to the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold ('Cyanide Code'). The Cyanide Code is a voluntary industry code of best practice for gold mining companies using cyanide. Following an initial audit in 2012, a second internal review of the mine's activities was undertaken in 2013 to assess compliance with the Cyanide Code, as well as internal policy and best practice in this area. Findings from this review are being followed up, to ensure that when a final external audit is undertaken (expected to be in 2014), the mine will be confirmed as fully compliant with the Cyanide Code.

The effective management of waste continues to be a key element of environmental planning and the Company has worked extensively in partnering with local trade associations, small businesses and entrepreneurs to explore and exploit recycling and reuse opportunities. This partnering has seen an increase in recycling to 60% of all recyclable waste generated at Inata. Where recycling initiatives have



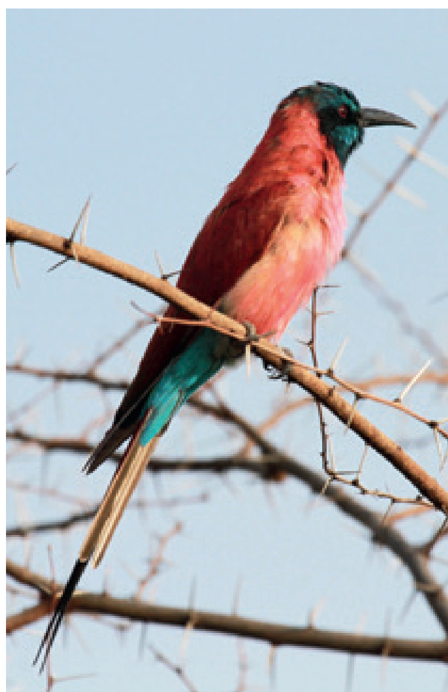
generated revenue for SMB, these funds have been directed to community-related initiatives through the Avocet foundation ('FAB').

Greenhouse gases

Almost all of Avocet's CO_2 emissions derive from its consumption of diesel, which is used as a fuel source for the fleet of mining vehicles, most light vehicles, and in the generators used to provide power to the processing plant and site. Due to its remote location, the site does not draw electricity from the national grid.

In 2013, the Inata mine produced 19,347 tonnes of CO_2, or the equivalent of 0.16 tonnes per ounce of gold produced. The following table, which shows the equivalent results over the previous three years, indicates an increase in the rate of emissions on a per ounce basis, which can be attributed to the falling grades and recoveries seen in the production at the

	2010	2011	2012	**2013**
CO_2 emissions (tonnes)	12,602	16,369	20,006	**19,347**
Gold produced (oz)	137,732	166,744	135,189	**118,443**
CO_2 production rate (tonnes per oz)	0.09	0.10	0.15	**0.16**



mine. Lower grades and recoveries tend to reduce gold production without the benefit of a concomitant decrease in fuel consumption from either mining or processing activities.

Where possible, the Company seeks to minimise its consumption of diesel, not only to reduce the significant costs this represents, but also to moderate the impact of the mine's activities on the environment. Avocet continues to consider greener sources of energy, notably from solar panels, however in spite of the abundance of natural sunlight in the region, solar power on the scale needed to provide sufficient power to drive the comminution (crushing and grinding) circuits in particular is not currently economical. However, solar power is encouraged, and in many cases directly provided to local communities on a smaller scale, for example in solar-driven wells and domestic panels.

Community engagement

In 2010, Avocet created a foundation to act as the vehicle for its community-based projects in Burkina Faso. The Fondation Avocet pour le Burkina ('FAB') is governed by representatives of Avocet, Avocet's local subsidiary SMB and local community leaders. SMB's Community Relations department manages the day-to-day running of FAB, including all communication with local communities and the promotion of these communities' sustainable social and economic development. FAB's mandate is to provide funding for select educational, health and other developmental projects submitted by local communities and jointly identified as priorities by SMB and community representatives. FAB is funded by SMB and following an initial contribution of US$140,000 by Avocet, ongoing payments are made by SMB at a rate of US$1 per ounce of gold produced. In addition, Inata's fuel suppliers, TOTAL, donate 0.50 CFA per litre of diesel sold to SMB to FAB.

During 2013, FAB completed the construction of school facilities in the villages of Arra Foulbé, Demtou and Boguel Foussouré, as well as a clinic in the village of Gomdé Mossi, at a cost of US$360,000. In addition to these achievements, some US$200,000 worth of sustainable development projects, including the building of agricultural and health facilities, were approved by FAB in the year, and are planned to be completed in 2014, for the benefit of the three neighbouring municipalities. The inclusion of local community leaders in the decision-making process of FAB has ensured that these new facilities are located where they can deliver the most benefits to neighbours.

A central pillar of Avocet's Sustainable Development Plan is close engagement with neighbouring communities. This engagement aims to help these communities achieve their own community goals. The Company has committed to reinforce interaction with community through the development of a communication plan, as well as a grievance management procedure. Communication has also been maintained through regular meetings undertaken on a monthly basis in the closest villages to the mine. These meetings allowed issues to be raised and discussed regarding concerns with the mine's activities, as well as offering explanations as to specific actions undertaken by the Company where these were not well understood. Such dialogue fosters an atmosphere of trust and understanding on both sides, and allows issues to be addressed or avoided before they escalate, as well as providing the opportunity for mutually beneficial outcomes to be determined.

The ongoing deforestation by other parties of the region has been a concern of the local communities for some time. In response to villagers' requests, SMB initiated a reforestation programme in 2012 that aimed to establish six new wooded areas in the region, consisting of 18,000 native trees planted over an area of approximately 23 hectares. In 2013, these areas were monitored by SMB and maintained where necessary, as well as expanded by the planting of a further 10,000 trees.

The mosquito control programme (see 'Safety and Health' section above) based around the Inata site has also been extended to include nearby villages, in order to share the health benefits from suppressing malarial mosquitos, particularly during the rainy season.

Extractive Industries Transparency Initiative ('EITI')

Avocet expressly supports the EITI and formally became an active supporting company in 2011. The prime objective of

the EITI is to set a global standard for transparency on tax and royalty payments to governments through the verification and full publication of government revenues and company payments. Burkina Faso and Guinea currently have candidate country status.

Avocet is committed to supporting and cooperating in the implementation of the EITI work plan to ensure that the objective of transparency is achieved. This is also in line with our corporate commitment to fight corruption and provide sustainable development by supporting the local community in being able to hold their governments, as well as the mining industry, to account.

Government payments

This report, covering 2012 and 2013, presents key data on government payments in the countries in which Avocet operates. This includes taxes, royalty payments, custom duties and those collected by Avocet on behalf of employees.

In June 2013, the government of Burkina Faso applied a levy of CFA 50 per litre (approximately 10.5 cents) of diesel consumed. In addition, a payment of US$3.5 million was made in respect of corporation tax for the years 2009-2011 (a reduction from the initial demand of almost US$26 million), a claim which was initially disputed by Avocet however which was paid in order to avoid litigation. The net VAT movement in Burkina Faso resulted in a cash outflow of US$1.4 million in 2013, compared to a net cash inflow of US$1.7 million in 2012.

The net impact of these, and other tax movements, was that the total payments by Avocet to the governments of the countries in which it operates increased from US$29.0 million in 2012 to US$40.4 million in 2013.

TREES PLANTED in 2013
18,000

DONATED TO FONDATION AVOCET POUR LE BURKINA IN 2013
US$140,000

	2012					**2013**				
	Burkina Faso	Guinea	Mali	UK	Total	**Burkina Faso**	**Guinea**	**Mali**	**UK**	**Total**
US$000										
Royalties[1]	7,613	–	–	–	7,613	**8,847**	**–**	**–**	**–**	**8,847**
Custom duties[2]	4,068	17	–	–	4,085	**5,166**	**–**	**–**	**–**	**5,166**
IRVM[3]	1,148	–	–	–	1,148	**458**	**–**	**–**	**–**	**458**
Land tax[4]	530	4	–	–	534	**571**	**18**	**–**	**–**	**589**
Corporation tax	–	–	–	–	–	**4,122**	**–**	**–**	**–**	**4,122**
Total tax borne (EITI)	13,359	21	–	–	13,380	**19,164**	**18**	**–**	**–**	**19,182**
Net VAT (recovered)/paid[5]	(1,690)	604		(451)	(1,537)	**1,413**	**(119)**	**–**	**109**	**1,403**
Non-recoverable tax on fuel[5]	2,849	–	–	–	2,849	**5,741**	**–**	**–**	**–**	**5,741**
Fuel tax[6]	–	–	–	–	–	**1,509**	**–**	**–**	**–**	**1,509**
Payroll tax employer[7]	1,440	140	43	466	2,089	**2,625**	**89**	**46**	**380**	**3,140**
Payroll tax employee[7]	6,379	172	54	1,589	8,194	**6,417**	**88**	**47**	**1,126**	**7,678**
Withholding tax[8]	3,444	535	15	–	3,994	**1,148**	**575**	**–**	**–**	**1,723**
Other	46	17	4	–	67	**37**	**16**	**2**	**–**	**55**
Total net payments to government	25,827	1,489	116	1,604	29,036	**38,054**	**667**	**95**	**1,615**	**40,431**

1 Royalty taxes are charged on gold sales in Burkina Faso at rates which vary according to the spot gold price (3% up to US$1,000 per ounce, 4% between US$1,000 and US$1,299 per ounce, and 5% above US$1,300 per ounce).
2 Customs and duties are charged on the import of goods and equipment.
3 IRVM (Impôt sur le revenu des valeurs mobilières) is taxation on interest paid to Macquarie Bank Limited in relation to its loan facility.
4 Land tax represents payments levied on mining and exploration permits.
5 Value added tax ('VAT') represents sales tax charged at 18% on purchases of goods in country. Most VAT is recoverable (a process which can take six months or more), however in Burkina Faso, VAT on fuel is not recoverable. At 31 December 2013, Avocet was owed US$12.9 million in recoverable VAT in Burkina Faso (2012: US$12.8 million), and US$1.9 million in Guinea (2012: US$1.9 million).
6 In Burkina Faso, a levy of CFA 50 per litre of diesel has been applied as fuel tax (TPP) since June 2013
7 Payroll taxes are payable on salary costs (for nationals and ex-patriate workers).
8 Withholding tax ('WHT') in Burkina Faso is levied at 10% for mining-related services (20% for non-mining-related activities) provided by firms who do not have a permanent presence in-country. The intention is that this cost is borne by the supplier; in reality, it represents an additional cost of doing business in Burkina Faso, and is factored into margins, increasing the cost to Avocet.

Inata Gold Mine

The Inata Gold Mine in Burkina Faso is located in the Bélahouro district, approximately 220 kilometres north east of the capital city, Ouagadougou

Souma to enter production in 2015, following inclusion in Inata's Life of Mine plan

PRODUCTION STATISTICS	2013	2012	2011
Ore mined (k tonnes)	3,114	2,653	2,494
Waste mined (k tonnes)	30,100	30,474	22,707
Total mined (k tonnes)	33,214	33,127	25,201
Ore processed (k tonnes)	2,353	2,556	2,471
Average head grade (g/t)	1.75	1.95	2.26
Process recovery rate	86%	87%	91%
Gold produced (oz.)	118,443	135,189	166,744

UNIT CASH COSTS US$/oz	2013	2012	2011
Mining	547	412	217
Processing	373	309	244
Administration	187	161	139
Royalties	96	118	93
Total	1,203	1,000	693

MINED TONNES
33.2mt

AVERAGE STRIP RATIO
9.7

ORE PROCESSED
2.4mt

AVERAGE HEAD GRADE
1.75 g/t Au

GOLD PRODUCED
118,443 oz

The Bélahouro district is on the eastern edge of a Birimian greenstone belt. Avocet holds licences over 1,673km^2 within the Bélahouro district, of which 39km^2 lies within the Inata mining licence. The mine is operated by Société des Mines de Bélahouro SA ('SMB') of which Avocet owns 90% and the government of Burkina Faso the remaining 10%. The licence extends to 2027.

Safety

During 2013, Inata had one lost time injury in the year, in the third quarter, when an employee sustained a hand injury. The mine's lost time injury frequency rate ('LTIFR') for 2013 was 0.05. More details on the mine's safety and health performance can be found in the Safety and Health Review on pages 18 and 19.

Mineral Resource development

Within the Bélahouro group of licences, which includes Inata and Souma, exploration during 2013 grew the Mineral Resource estimate to 6.1 million ounces, up 12% from 5.5 million ounces, which represents a 7% increase in tonnes to 132 million tonnes and a 4% increase in grade to 1.39 g/t Au. This followed 28,566 metres of exploration drilling in the licence areas, with activities focussed on delineating near surface sources of oxide material for the Inata plant and an infill drilling programme at Souma ahead of its inclusion in the Inata life of mine plan.

Ore Reserves

The Company's decision to mine smaller pit shells based on a reduced gold price has resulted in a decrease in the overall Ore Reserve estimate to 491,000 ounces as at 31 December 2013, down from the previous reported Ore Reserve of 951,000 ounces as announced in August 2013. In its announcement on 20 December 2013 regarding its decision to mine smaller pits using pit shells based on a lower gold price of US$950 per ounce, it indicated that an estimated life of mine plan on this basis should generate cash flow before financing of approximately US$180 million, based on an assumed gold spot price of US$1,200 per ounce. The Company is in the process of preparing the mining schedule for its new Ore Reserve, and expects to announce the revised life of mine plan, and production guidance for 2014, at the time of its Q1 2014

results on 8 May. The change to open pits based on US$950 per ounce pit shells is expected to result in a decrease in strip ratio for the project.

Operational performance

Production at Inata in 2013 of 118,443 ounces was below the guidance at the start of the year of 135,000 ounces and 2012 production of 135,189 ounces.

The performance of the mining fleet began strongly, with total tonnages in the first quarter of 2013 reaching 9.9 million tonnes, the highest level achieved since production began in 2009. At the end of Q2, the size of the mining fleet was reduced as hired equipment was demobilised as a phase of increased waste stripping came to an end. During the second half of the year, mechanical issues affecting the loading equipment (excavators and wheel loaders) caused further, unscheduled, reductions in the mined tonnages. The full year mining volumes were 33.2 million tonnes, in line with 2012, however mining rates in the second half were some 31% lower than in the first.

Mine plans were modified during the year in response to this lower rate of mining, to ensure a constant supply of clean (oxide, non-carbonaceous) ore for the mill. The original mine schedule for 2013 had envisaged accessing higher grade material in the latter part of the year, and initial production guidance was maintained until October, when a deterioration in mining rates made this target unlikely to be met. Although higher grades were mined in some areas, the slower progress in waste stripping meant that supplementary ore had to be sourced from alternative ore zones, which were lower in grade. As a result, head grades in Q3 and Q4, which had been expected to be closer to 2.0 g/t Au, were instead 1.73 g/t Au and 1.77 g/t Au respectively.

Careful management of the mill feed during the year meant that, other than a brief period in the first quarter where carbonaceous material was treated, recovery levels for the full year were sustained at an average of 86%. The treatment of higher grade carbonaceous

material has been deferred where possible until work on the carbon blinding circuit is completed in H1 2014. The completion of this circuit will allow ore with a higher preg-robbing index ('PRI') to be treated successfully with minimal loss of recoveries.

Processing plant throughput rates remained on or around the target levels for the first two quarters of the year, however the plant suffered mechanical issues in Q3 and Q4 that resulted in Q4 throughput falling to 497,000 tonnes, and full year throughput to 2.35 million tonnes. In particular, plant production in December was severely disrupted by generator failures, which caused down time and periods of reduced throughput.

In December 2013, the Company announced that it was revising its life of mine plan at Inata around smaller pits, optimised at a lower gold price assumption. In part this was in response to the fall in the gold price during the year, but it was also a deliberate change in focus towards cash generation in the near to medium term, albeit with a shorter mine life. Work remains ongoing in the refinement of this plan, which contemplates the potential to move to contractor mining.

Initial indications from the revised plans show that at a spot gold price of US$1,200 per ounce, Inata should generate positive cash flows (pre-financing) of approximately US$180 million over the life of the mine. However, as announced in December, investment is required during 2014 to achieve this target, not only in order to address mechanical issues with the mobile fleet and plant, but also to sustain the operations through a period of processing lower grade ore in the first half year, prior to processing higher grade, more carbonaceous material once the carbon blanking circuit is complete in mid-2014.

Souma

The Souma deposit is located on an exploration licence approximately 20 kilometres east of the Inata Gold Mine. Avocet owns 100% of the exploration licence which extends until 2015.

Through the course of 2013, Souma advanced from being a pure exploration project, to become part of the Inata life of mine plan, with first gold from Souma ore now planned for 2015.

A total of 25,379 metres of drilling, over 258 holes, was completed across the Souma trend in 2013. The main focus of this drilling was to infill drill the existing resource material to facilitate its upgrade from the Inferred category to Measured and Indicated categories, ahead of developing a maiden Ore Reserve. Ore from Souma will be included in the Inata life of mine plan that is currently being prepared.

Mineralisation at Souma has the advantage that the ore is quartz hosted and not associated with the carbonaceous shales as seen at Inata. Testwork conducted during 2013 has confirmed that material from Souma is amenable to standard CIL processing techniques and of the eight samples submitted, all returned gold recovery rates above 90%.

The current plan is therefore to develop Souma as a satellite operation to Inata, with high grade Souma ore trucked to the Inata plant. Development costs for Souma will include the construction of a haul road covering the 20 kilometres between Inata and Souma, and costs associated with a small satellite administrative office. Mining equipment will be transferred from Inata to Souma at the appropriate time, and haulage of ore to Inata may be carried out by a local contractor.

MINERAL RESOURCE
0.8 Moz Au

DISTANCE FROM INATA GOLD MINE
20 km

NOW INCLUDED IN INATA LIFE OF MINE PLAN

Tri-K

2013 was a busy year for Tri-K. After a year of extensive exploration at Tri-K in 2012, activities in 2013 turned towards completing a feasibility study for the project in a relatively short timeframe

maiden Ore Reserve on the oxide component of the **Tri-K orebody** of **480,000 ounces**, **submission of mining licence application in Q4 2013**

Early in the year the decision was made to prepare the feasibility study on the basis of Tri-K's initial development as a heap leach project, rather than a CIL project, which would potentially require significantly more capital and time to develop.

Feasibility study work completed during the course of the year focused mainly on infill drilling of the oxide resources ahead of a maiden Ore Reserve estimate, metallurgical testwork for heap leaching of the Tri-K oxides, an Environmental and Social Impact Assessment ('ESIA'), and cost estimates. The development plan in the feasibility study is to construct a heap leach operation at the Kodiéran orebody, towards the south of the Tri-K group of permits. In parallel to mining of Kodiéran, a second mining operation will be established at the Koulékoun orebody, which is located 20 kilometres to the north of Kodiéran.

Metallurgical work completed during the year determined that oxide material at Tri-K is amenable to heap leaching. Samples of oxide material from both Kodiéran and Koulékoun were subjected to column leach tests to simulate the processing of ore on a heap leach pad, and both types of ore returned gold recovery rates in excess of 80%. Kodiéran ore exceeded expectations with overall recoveries in excess of 90%, although a conservative assumption of 80% has been assumed in the feasibility study for both ore types.

The ESIA was also completed in parallel to the feasibility study, and this was approved by the Guinea government in September. The study was completed to international and national standards and where a conflict arose between the international and national standards, the code with the more rigorous requirement was applied.

In announcing the completion of the Feasibility Study in October, the Company declared a maiden Ore Reserve for the oxide component of the Tri-K orebody of 480,000 ounces (7.9 million tonnes at a grade of 1.89 g/t Au). The life of mine plan announced for a heap leach development is for a total of 7 years, with average annual production of 55,000 ounces, through processing of 1.2 million tonnes of ore per annum.

Following submission of its exploitation permit application in Q4 2013, the Company expects to receive this permit in the first half of 2014. In parallel to this process, the Company is using the ongoing Business Review, as announced in December, to explore its options with regards to progressing Tri-K through to development. In addition, the Company intends to reconsider the merits of a CIL operation as an alternative to heap leach development. Whilst a heap leach project has the benefit of lower capital cost to commence production, it has the limitation that it is most effective only in processing the oxide portion of the orebody, which lies closest to the surface. The Company also has metallurgical testwork that has confirmed that the fresh and transitional ore would be amenable to standard CIL processing techniques, and CIL remains a potential alternative for development of the entire Tri-K Mineral Resource of 3.0 million ounces.

MINERAL RESOURCE
3.0 million oz

HEAP LEACH FEASIBILITY STUDY OUTLINED
7 yr mine life

AVERAGE ANNUAL PRODUCTION OF
55,000 ounces

Ore Reserves and Mineral Resources

2013 was a year of consolidation for our exploration work, with drill programmes at both Souma and Tri-K focussed on infill drilling to prove up Inferred Mineral Resources to the Measured and Indicated categories, ahead of maiden Ore Reserve estimates at both projects. Overall, the Mineral Resource estimate increased by 429,000 ounces – a relatively small increase compared to previous years. The key change however was in the category of ounces within the Mineral Resource estimate, with over one million ounces added to the Measured and Indicated categories, either through upgrading of Inferred material, or delineation of additional ounces. The Company now has over six million ounces of gold in the Bélahouro region, all within 20km of the Inata processing plant, and over three million ounces at the Tri-K project in Guinea.

In 2013, 63,735 metres of reverse circulation and diamond drilling were completed across the Group and 429,000 ounces of gold was added to the Group's total Mineral Resource base. The rolling three-year average discovery cost for the Group in 2010-2013 was US$13.58 per Mineral Resource ounce, with cmparable discovery costs in both Burkina Faso and Guinea.

Inata's Ore Reserves were re-estimated to be 0.49 million ounces as at 31 December 2013 based on optimised pits shells determined on a gold price assumption of US$950 per ounce, reduced from 0.95 million ounces as at 31 May 2013, based on optimised pits shells determined on a gold price assumption of US$1,200 per ounce. Cut off grades within both the US$950 per ounce shells and US$1,200 per ounce were based on a gold price assumption of US$1,200 per ounce. This reduction is largely attributable to a decrease in the gold price assumption. The Tri-K Ore Reserves estimate is based exclusively on the oxide portion of the orebody, and it is based on optimised pits shells determined on a gold price assumption of US$1,200 per ounce, with cut off grades based on a gold price assumption of US$1,200 per ounce.

Ore Reserves were estimated by Mr Clayton Reeves (MSAIIM). Mr Reeves is a Competent Person as defined by the JORC Code. Mr Reeves has consented to the inclusion of the technical information in this report in the form and context in which it appears.

The Inata and Souma 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 Rob Seed (FAusIMM). Mr Seed has experience relevant to the style of mineralisation and type of deposit under consideration and qualifies as a Competent Person as defined by the JORC Code, for the reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Seed consents to the inclusion of the technical information in this announcement in the form and context in which it appears.

The Tri-K Mineral Resource estimate is based on information compiled by David Williams of CSA. David Williams takes overall responsibility for the Tri-K Mineral Resource. He is a Member of the Australian Institute of Geoscientists and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent (or Qualified) Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2004 Edition). David Williams consents to the inclusion of such information in this press release in the form and context in which it appears.

Note: rounding errors may occur in the Mineral Resource and Ore Reserve tables opposite.

Bélahouro, Burkina Faso (including Inata and Souma)

Ore Reserves and Mineral Resources are at 31 December 2013. Inata includes the Mineral Resource and Ore Reserve estimates for the material located within the Bélahouro package of licences, which includes both the Inata Gold Mine and Souma.

Ore Reserve estimates are determined beneath the 31 December 2013 topographic surface and above an effective 0.63 g/t Au economic cut-off grade. Mineral Resources are reported above a 0.5 g/t Au cut-off and below the 31 December 2013 topographic surface. Changes to the Mineral Resource are after mining depletion during 2013. Mineral Resources exclude any stockpiles.

Avocet owns 90% of Société des Mines de Bélahouro SA, owner of the Inata Gold Mine. Avocet owns 100% of the permits surrounding the Inata mining permit through its wholly-owned subsidiary, Goldbelt Resources (West Africa) SARL.

	Gross			Attributable		
	Tonnes	Grade g/t	Contained ounces	Tonnes	Grade g/t	Contained ounces
Ore Reserves						
Proven	2,010,000	1.99	128,000	1,810,000	1.99	116,000
Probable	3,720,000	2.62	313,000	3,350,000	2.62	282,000
ROM stockpiles	1,360,000	1.13	49,000	1,220,000	1.13	44,000
Ore Reserves total	7,090,000	2.16	491,000	6,380,000	2.16	442,000
Mineral Resources						
Measured	31,200,000	1.61	1,617,000	28,100,000	1.61	1,456,000
Indicated	49,500,000	1.39	2,207,000	45,000,000	1.39	2,011,000
Measured + Indicated	80,700,000	1.47	3,825,000	73,100,000	1.47	3,467,000
Inferred	50,800,000	1.39	2,274,000	47,700,000	1.39	2,136,000
Mineral Resources total	131,500,000	1.44	6,099,000	120,800,000	1.44	5,602,000

Note: Rounding errors may occur

Tri-K, Guinea

Mineral Resources as at 31 December 2013.

The table below reports the Mineral Resource above a 0.5 g/t Au cut-off.

Avocet owns 100% of the Tri-K permits through its wholly-owned subsidiary, Wega Mining Guinée SA.

	Gross			Attributable		
	Tonnes	Grade g/t	Contained ounces	Tonnes	Grade g/t	Contained ounces
Ore Reserves						
Proven	–	–	–	–	–	–
Probable	7,909,000	1.89	480,000	7,909,000	1.89	480,000
Ore Reserves total	7,909,000	1.89	480,000	7,909,000	1.89	480,000
Mineral Resources						
Measured	–	–	–	–	–	–
Indicated	41,300,000	1.51	1,998,000	41,300,000	1.51	1,998,000
Measured + Indicated	41,300,000	1.51	1,998,000	41,300,000	1.51	1,998,000
Inferred	25,200,000	1.26	1,020,000	25,200,000	1.26	1,020,000
Mineral Resources total	66,400,000	1.41	3,018,000	66,400,000	1.41	3,018,000

Note: Rounding errors may occur

directors and governance

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

- **Current board of Directors and senior management;**
- **Report of the Directors;**
- **Report on corporate governance;**
- **Risk management; and**
- **Remuneration report.**

Current Board of Directors and Senior Management

EXECUTIVE DIRECTORS

David Cather† (54) – Chief Executive Officer

David was appointed Chief Executive Officer in July 2012, after joining the Company as Chief Operating Officer in April 2012. David is a mining engineer and brings over 30 years of mining experience to Avocet, most recently as Chief Operating Officer with European Goldfields. David's career has included senior roles at Anglo American where he was Technical Director for its Industrial Minerals Division. He spent five years consulting to the industry on a variety of early stage projects principally for gold and base metal projects in DRC, Sierra Leone, Nicaragua, Philippines and Columbia. He is a graduate from the Royal School of Mines, Imperial College London with a first class degree in mining engineering and has gained extensive senior level project development experience and operations management in both open pit and underground operations.

Mike Norris† (49) – Finance Director

Mike was appointed Finance Director in July 2007 having previously been Chief Financial Officer since February 2007. Mike worked for L.E.K. Consulting, a firm of strategic management consultants, before qualifying as a chartered accountant with Coopers & Lybrand in 1993. He then held a number of senior financial and operational roles within Rio Tinto plc and Anglo American plc. He was Chief Financial Officer at two of Rio's mines in the US and held the position of production manager at one of them, an open pit gold mining operation.

NON-EXECUTIVE DIRECTORS

Russell Edey (71) – Chairman and Non-executive Director

Russell was appointed Non-executive Director in July 2010 and Chairman of the Company in September 2010. He retired as Chairman of AngloGold Ashanti Limited in May 2010 having been a member of that company's board since 1998. He is a non-executive director of several companies in the Rothschild Group, which he joined in 1977. Prior to that, he worked for Anglo American Corporation of South Africa Limited in South Africa and Australia.

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

Mike Donoghue (64) – Non-executive Director

Mike became a Non-executive Director in July 2006. He is a mining engineer with over 30 years' experience in mining operations and new mine developments in Africa, Australia, South East Asia and Europe. Currently he is the Executive Chairman of Ormonde Mining plc. Previously he held the position of General Manager – Operations of Delta Gold, Sydney, Australia.

Mike Donoghue chairs the Technical Committee and sits on the Nominations and SHEC Committees.

Robert Pilkington (68) – Non-executive Director

Robert became a Non-executive Director in March 1996. Robert is a Senior Adviser at UBS Securities LLC. He is also a director of ASA Gold and Precious Metals Limited, a closed-end investment company focused on investing in gold and precious metals mining companies worldwide. Following an earlier career with the Anglo American group, he has been an investment banker in New York for the last 25 years.

Robert Pilkington sits on the Nominations Committee. Robert has advised that he will stand down from the Board at the next Annual General Meeting of shareholders, on 8 May 2014.

Barry Rourke (63) – Non-executive Director

Barry was appointed Non-executive Director and Chairman of Avocet Mining PLC's Audit Committee in July 2010. He served as a Partner at PricewaterhouseCoopers for 17 years, acting as an advisor and auditor for several large and medium-sized businesses in both the public and private sector before retiring in 2001. He has significant experience in the resources sector as an independent non-executive director of several companies, and has been Chairman of the Audit Committee at a number of these.

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

Gordon Wylie (61) – Non-executive Director

Gordon joined the Board of Avocet Mining in February 2012. A geologist by training, Gordon has over 35 years of experience in mining and exploration geology, including eight years in AngloGold Ashanti's senior management team where he was responsible for global exploration projects. More recently, Gordon has served on the board of a number of listed companies with operations in Central Asia, South America, Europe and Russia. He currently serves on the board of Lydian International. In the past five years, he has also served on the boards of Oxus Gold plc, Central Asian Gold and Continental Gold Limited.

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

SENIOR MANAGEMENT

Mark Platts† (46) – Head of Operations, West Africa

Mark is a metallurgist with over 20 years' experience in the mining industry and is an experienced general manager of gold mines. He joined Avocet in April 2013 and was previously General Manager for Eldorado Gold's operations in China. Mark is a member of Avocet Mining's Executive Committee.

Jim Wynn (41) – Head of Finance & Company Secretary

Jim joined Avocet Mining in November 2008 and was appointed Company Secretary in January 2009. Jim is a Chartered Accountant and was previously employed by Anglo American plc where he held a number of roles within the finance, business development, and strategy departments of Anglo Industrial Minerals.

Rob Simmons (30) – Head of Investor Relations and Business Development

Rob joined Avocet Mining in September 2008 and was appointed Head of Business Development in August 2011, and added Investor Relations to his responsibilities in March 2013. Prior to joining Avocet, Rob worked as a geologist at Anglo American plc.

Note: Ages are at 31 December 2013.
† Denotes member of the Executive Committee.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2013.

Principal activity and business review

The Group's principal activity during the period continued to be gold mining, mineral processing and exploration. Further information is included in the CEO's statement as well as the operational reviews on Inata, Souma and Tri-K, and the financial review. An overview of the Company's activities is set out on page 2 and 3, and a diagrammatic representation of the Company's business model is also set out on page 16.

Future developments

The Group's future developments are outlined in the Chairman's and CEO's Statements.

Share capital

The issued share capital of the Company is comprised of ordinary shares of 5 pence each. Each share carries the right to one vote per share. The liability of the members of the Company is limited to the amount unpaid, if any, on the shares held by them. All issued shares of the Company are fully paid.

At 5 March 2014, the issued share capital of the Company stood at 199,546,710. There were no changes to the Company's share capital during 2013, while details relating to the purchase and transfer of Treasury and Own Shares are set out in notes 30 and 31 to the Group accounts.

Company's listings

The Company's ordinary shares have been traded on the Official List of the Main Market of the London Stock Exchange since 8 December 2011, prior to which they were traded on London's Alternative Investment Market ('AIM'). J.P. Morgan Cazenove Limited acts as the Company's broker and financial advisor. Since 16 June 2010, the Company has also been listed on the Oslo Børs.

Results and dividends

The Group reported a loss for the year of US$152.9 million (2012 – loss of US$102.6 million). The results for the year are explained in the Financial Review from page 12 to 15.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013.

Events after the reporting period

There were no material events taking place after the reporting date.

Key performance indicators

The Group monitors its key performance indicators ('KPIs') on a monthly basis or more frequently, and when KPIs diverge from expectation, an investigation is carried out and appropriate action taken. Non-financial KPIs include tonnes of waste and ore mined, tonnes of ore milled, grades and recoveries of ore processed, gold poured and gold sold, as well as lost time injuries ('LTIs'). Financial KPIs include cost per ounce produced, realised price per ounce, as well as revenue, gross profit, profit from operations, EBITDA, profit before tax (before and after exceptional items), net cash generated by operations, and net cashflows. These measures are identified as KPIs on the basis that they represent the primary drivers of shareholder value for a gold mining company.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are outlined within the Report on Corporate Governance on pages 37 to 45. Financial risk and capital management disclosures are provided within notes 26 and 27 to the financial statements.

Directors and their interests in shares

The names of the current Directors are shown on page 32 and 33 and details of their interests in the share capital of the Company are shown on page 55.

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

Substantial shareholders

At 20 February 2014, the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Shareholder	Shareholding	%
Elliott International, L.P. and Elliott Associates, L.P.	25,695,037	12.91
UBS AG	21,104,989	10.60
Bank of America Merrill Lynch	10,260,282	5.15
Prelas AS	9,368,027	4.71
Hargreaves Lansdown Asset Management	8,909,650	4.47
Halifax Share Dealing Limited	8,701,422	4.37
TD Direct Investing (Europe) Limited	8,091,666	4.06
Barclays Stockbrokers Ltd	6,848,003	3.44

Creditor payments

It is the Group's policy to agree the terms of payment with suppliers when entering into contracts and to meet its obligations accordingly. The Group does not follow any specific published code or standard on payment practice.

Key contracts

The Company has contractual arrangements with key suppliers for its operations, notably for fuel, reagents, grinding media, and other materials, and good relations are maintained with these suppliers. However, alternative sources could be arranged if necessary, hence the Company does not believe it is unduly reliant on any single contract or supplier. The Company is reliant on retaining its exploration and mining permits, which are subject to compliance with various government obligations and regulations. The Company considers such compliance a high priority, in view of this reliance.

Donations

As in previous years, no donations were made for political purposes during the year, and the Company has a policy of maintaining political neutrality. The Company makes regular contributions to community and social projects, particularly in Burkina Faso through the Fondation Avocet pour le Burkina ('FAB'), as outlined in the Community Engagement review on page 22.

Corporate governance

A report on corporate governance is provided on pages 37 to 43.

Employees

The Company has, and continues to put in place, appropriate structures to make Avocet a rewarding place to work and to retain its valued employees. The Group's policy on employee involvement is stated within the report on corporate governance.

Health, safety and sustainable development

Details of the Group's activities relating to safety and health as well as to sustainable development are provided on pages 18 and 19.

Going concern

The Directors regularly review the liquidity of the Company, and as part of the review of quarterly financial results, management are required to submit a cash forecast in order to allow the Board to determine formally whether they view as appropriate the continued application of the 'going concern' basis for the Company's financial results. As part of this review, key variables are sensitised (for example the gold price), and the impact not only on the cash balance but also on any banking covenants is also tested.

This review therefore happens at least four times each year, and more frequently where required.

In addition to these regular reviews, attention is drawn note 1 to the financial statements, which sets out a fuller explanation of why the Board considers the going concern basis to be appropriate for the 2013 Financial Statements, as well as the areas of material uncertainty that have been taken into consideration.

Report of the Directors (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the Annual Report and the financial statements, taken as a whole, provide the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- The Group financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

David Cather
Chief Executive Officer
5 March 2014

Report on corporate governance

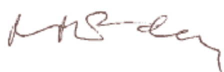
Chairman's introduction

One of the most important responsibilities shared by the Board of Directors is that of maintaining the standards of governance across the Group. This responsibility is not only towards the shareholders, but to a far wider range of stakeholders, including our employees, suppliers, contractors, local communities, as well as the governments of the countries in which we operate.

How Avocet chooses to do business influences the gold mining industry in Burkina Faso, Guinea, and West Africa as a whole. It is a responsibility we share with our peers in the gold mining and exploration sector.

As a Board, we take this responsibility very seriously, although there is no doubt that the challenges faced by the Company during 2013 have, at times, put this resolve to the test. With our workforce focussed on delivering operational performance in the face of lower gold prices, and production difficulties, the need to observe best practice in areas of governance can seem an unwelcome distraction.

However governance is not incompatible with operational success; indeed, I believe that at its simplest, good governance is about doing things 'the right way', and that following the correct procedures is the best way to deliver results, and avoid mistakes and shortcuts that can lead to far greater problems around the corner.



Russell Edey
Chairman
5 March 2014

Introduction

Throughout the year ended 31 December 2013 and in the preparation of this Annual Report and these Accounts, the Company has complied with the main and supporting principles and provisions set out in the UK Corporate Governance Code as described in the following sections of this Report.

Board of Directors

The Board of Directors is responsible for the management of the Company on behalf of the shareholders. The objective of the Company is to create long term value for shareholders, and the Board is responsible for delivering that objective by governing the Company and its subsidiaries. The Board is responsible for approving the Company strategy and policies, for safeguarding the assets of the Company, and is the ultimate decision-making body of the Group in all matters except those that are reserved for specific shareholder approval.

The Board consists of two Executive Directors who hold the key operational positions in the Company and five Non-executive Directors (including a non-executive Chairman), who bring a breadth of experience and knowledge.

The Board meets at least every three months and is supplied with appropriate and timely information. In 2013, the Board met 12 times. Where appropriate, the Board invites external advisers and/or senior management to attend meetings to discuss matters where their expertise may be beneficial.

The responsibilities of RP Edey as Chairman include those contained in the Supporting Principles to paragraph A.3 of the UK Corporate Governance Code, namely for providing leadership to the Board, ensuring its effectiveness in all aspects of its role and setting its agenda; ensuring that adequate time is available for discussion of all agenda items, ensuring that the Directors receive accurate, timely and clear information; ensuring effective communication with shareholders; promoting a culture of openness and debate by facilitating the effective contribution to the Board of Non-executive Directors in particular; and ensuring constructive relationships between the Executive and Non-executive Directors.

The Company provides independent professional and legal advice to all Directors where necessary, to ensure they are able to discharge their duties. In addition, all Board members have access to the services of the Company Secretary, who is responsible for ensuring all Board procedures are complied with.

Board independence

The UK Corporate Governance Code requires that the board of all companies other than small companies) be made up of at least 50% Independent Non-executive Directors ('NEDs'). The Company believes RP Edey, BJ Rourke, G Wylie, and MJ Donoghue to be independent. In addition, the Company believes RA Pilkington to be independent, in spite of circumstances that may indicate otherwise, specifically that he has served as a Board member for more than nine years. The Company believes that his character and judgement outweigh these considerations.

Report on corporate governance (continued)

Board Independence (continued)

The Chairman of the Board is RP Edey, and the Chief Executive Officer is DC Cather. The Board has named BJ Rourke as the senior Independent Non-executive Director.

	Position	Appointed	Status	Audit Committee	Remuneration Committee	Nomination Committee	Technical Committee[1]	SHEC Committee
RP Edey	Chairman	08 Jul 2010	Independent	Member	Member	Chair	–	Member
RA Pilkington	NED	11 Mar 1996	Independent	–	–	Member	–	–
BJ Rourke	NED	08 Jul 2010	Independent	Chair	Chair	Member	–	Member
MJ Donoghue	NED	11 Jul 2006	Independent	–	–	Member	Chair	Member
G Wylie	NED	22 Feb 2012	Independent	Member	Member	Member	Member	Chair
DC Cather	CEO	18 Jul 2012	Executive	–	–	–	Member	–
AM Norris	FD	10 Jul 2007	Executive	–	–	–	–	–

1 The other member of the Technical Committee is M Platts.

Board performance

Each year, the Board undertakes a formal process to evaluate its effectiveness, and that of the Board Committees and individual Directors, consisting of a review of the Board's performance against the guidelines of the Financial Reporting Council on Board effectiveness. In accordance with the recommendations of the UK Corporate Governance Code, this review is undertaken by an external facilitator every three years. Such an external review was undertaken in November 2012, this being the first full year that Avocet had been listed on the main board of the London Stock Exchange.

Board and Committee meetings

There were 12 Board meetings, five Audit Committee meetings, three Remuneration Committee meetings, one meeting of the Nomination Committee, three Technical Committees, and four Safety, Health, Environment and Community ('SHEC') Committee meetings in the year. Attendance at these meetings of the Board by the relevant Board members is set out below (note that 'n/a' indicates that a Director was not a member of the committee at any time during the year):

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Technical Committee	SHEC Committee
RP Edey	12/12	0/0	3/3	1/1	n/a	4/4
RA Pilkington	10/12	2/2	3/3	1/1	n/a	n/a
BJ Rourke	11/12	5/5	3/3	1/1	n/a	4/4
MJ Donoghue	10/12	n/a	n/a	1/1	2/3	0/0
G Wylie	11/12	5/5	0/0	1/1	3/3	4/4
EN Harwerth	10/12	5/5	3/3	1/1	n/a	3/4
AM Norris	12/12	n/a	n/a	n/a	n/a	n/a
DC Cather	12/12	n/a	n/a	n/a	3/3	n/a

Board Committees

While the Board retains responsibility for making key decisions, it also delegates other matters to various standing Committees. The purpose of this is to allow a more focused discussion on specific matters which would benefit from a forum outside the Main Board, with a different balance of skills, experience and independence from its members. Further information on each of these Committees, along with their terms of reference, is available on the Company's website www.avocetmining.com.

Nomination Committee

Purpose

The Nomination Committee was established to review the structure, size and composition (including the balance of skills, knowledge and experience) of the Board and its Committees, and to review succession planning for the Board and senior management.

It is also responsible for monitoring the ongoing performance of the Board and its Committees. The Nomination Committee reports and makes recommendations to the Board in respect of any action required in these matters.

Composition

The Nominations Committee must consist of not less than three Non-executive Directors. The current membership of the Committee comprises all of the Non-executive Directors of the Company, namely RP Edey (Chairman), RA Pilkington, MJ Donoghue, BJ Rourke, and G Wylie.

Operations

The Nomination Committee meets at least once a year, or more frequently as required. In 2013, it met formally only once, to consider the resignation of RA Pilkington as Senior Independent Director, and to recommend the appointment of BJ Rourke in his place.

Responsibilities

The Nomination Committee has the following responsibilities:

- To review and report on the composition of the Board and its Committees;
- To review and report on the performance of the Board and its Committees;
- To make recommendations as to changes to the Board and its Committees, including the nomination of Chairman of the Board, chairmen of each Committee and senior independent non-executive;
- To ensure succession planning for executive Directors and senior managers;
- To review the overall leadership needs of the Group, including involving external advisers to facilitate this review and to assist with succession;
- To monitor appointments to the Board, and ensure compliance with statutory, legal, and other regulatory requirements; and
- To make recommendations to the Board considering any matters that might call into question the suitability of Directors or senior managers to continue in their roles.

The Nomination Committee is also responsible for ensuring compliance with the principles of B.2 of the UK Corporate Governance Code, specifically with regard to the need for candidates to be considered on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. It is also responsible for satisfying itself that plans are in place for orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the Board and to ensure progressive refreshing of the board.

The composition of the Board and its committees has changed significantly in recent years, and the Nomination Committee is satisfied that the appropriate balance of skills and experience is in place to manage the business for the foreseeable future.

During the year, the Board included a single female Director, EN Harwerth, who resigned in December 2013. The Board took the decision not to recruit a replacment Director, in the interests of reducing the overall size of the Board. It is acknowledged that this leaves the Board with exclusively male membership, a situation which the Committee will review on an ongoing basis, balancing the interests of the Company and its shareholders with the aims of a diversified employment policy.

Remuneration Committee

Purpose

The Remuneration Committee reviews the performance of the Directors and Executive Committee members, and sets the scale and structure of their remuneration with due regard to the interests of the shareholders and the overall performance of the Group.

The Remuneration Committee also makes recommendations to the Board concerning the Company's overall philosophy and policy with respect to executive remuneration, bonuses and incentive arrangements including share and option awards, compensation payments and pension rights.

Composition

The Remuneration Committee must consist of not less than three Non-executive Directors. Its members, and chairman, are to be determined by the Board. The current membership of the Committee comprises BJ Rourke (Chair), RP Edey, and G Wylie.

Operations

The Remuneration Committee meets at least twice a year, or more frequently as required. In 2013, the Remuneration Committee met three times. As well as regular reviews of the remuneration levels of Executive Directors and senior managers, the Remuneration Committee also made the following recommendations to the Board during the year:

- The approval of awards to executives and senior management, including the award of one-off share options to certain key management in March 2013; and
- The decision to reduce fees to Non-executive Directors, announced on 20 December 2013;

Further details on remuneration matters are set out in the Remuneration Report on pages 46 to 60.

Report on corporate governance (continued)

Remuneration Committee (continued)

Responsibilities

The Remuneration Committee is responsible for the following matters:

- To review the performance objectives and determine and agree the appropriate levels of remuneration for the Executive Directors, and the senior management of the Company;
- To determine the remuneration of the Chairman of the Board, Non-executive Directors, as well as Chairmen and members of all Board Committees, subject to the condition that no person shall participate in discussions relating to his or her own remuneration;
- To review the design and management of Group salary structures and incentive schemes, and to ensure proper authorisation for any awards made under such schemes;
- To review the recommendations of the Chief Executive of the Company as to the grant of share awards and other bonuses, and to approve such awards as appropriate; and
- To review and approve the Remuneration Report in the Avocet Mining PLC Annual Report.

Audit Committee

Purpose

The Audit Committee reviews the principles, policies and practices adopted in the preparation of the financial statements of Avocet Mining PLC and its subsidiaries, as well as ensuring any other formal announcements relating to the financial performance of the Group comply with relevant statutory and regulatory requirements.

The Audit Committee is also responsible for assisting the Board in discharging its responsibilities with respect to the integrity of the Company's financial statements, the effectiveness of the systems of governance, risk management and internal control, and monitoring the effectiveness and independence of the external auditors. It also reviews the requirement for an internal audit function within the Group.

Composition

The Audit Committee must consist of not less than three Non-executive Directors. The Audit Committee is chaired by BJ Rourke, and also comprises G Wylie and RP Edey. The UK Corporate Governance Code stipulates that at least one of the members of the Audit Committee must have recent and relevant financial experience. The Company believes that all members have such experience, in particular BJ Rourke, who served for 17 years as an audit partner at PricewaterhouseCoopers.

Operations

The Audit Committee is required to meet twice a year, but in practice meets more frequently. In 2013, for example, the Committee met on five occasions. In addition to its members, the Audit Committee also routinely invites the Group's auditors, the Finance Director and other Board members to attend its meetings as required.

During 2013, the Audit Committee considered the key areas of risk and judgement relevant to the Company. These included:

- The liquidity and going concern of the Group;
- The valuation and impairment of the Company's assets;
- Taxation issues (notably the tax assessment in Burkina Faso);
- Legal matters (including the progress of the PT LT case);
- Financial controls at Inata; and
- The recoverability of the outstanding VAT debtor in Burkina Faso and Guinea.

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

The Audit Committee also reviewed, and discussed, the findings of the auditors at each quarter end, prior to approving the financial statements for release.

The Chairman of the Audit Committee, BJ Rourke, seeks to visit the operations approximately once each year in order to review the controls environment in place, and follow up on any issues that may arise. The last such visit took place in January 2013, however the Audit Committee has reviewed the detailed controls review undertaken by Avocet staff during 2013.

Responsibilities

The Audit Committee reviews and monitors the integrity of the Group financial statements and press releases, as well as any other formal announcements relating to the Company's financial performance. As part of this review, it focuses in particular on areas of judgement, appropriateness of policies, going concern matters, and any other areas it identifies as risks (e.g. on the grounds of materiality or uncertainty).

In addition, the Audit Committee reviews plans for, and the conduct of, the Group's external audit, receiving the report of the auditors, and thereby monitoring not only the performance of the Company's finance teams but also that of the auditors themselves. On consideration of

the performance of the external auditors (Grant Thornton UK LLP), the Audit Committee concluded that it was appropriate to recommend their re-appointment to the shareholders at the AGM on 2 May 2013.

The Audit Committee is also responsible for reviewing the internal controls of the Company, and assessing the requirement for an internal audit function. The Audit Committee concluded that the key activities of an internal audit function (including a review of internal controls) were being undertaken by the finance team, and that in view of the size of the organisation, a separate internal audit team was not required.

Technical Committee

Purpose

The purpose of the Technical Committee is to provide assurance to the Board as to the operational performance and operating risks of the Company, with particular regard to those areas where technical understanding is required (including exploration, mining, development, construction, security and supply chain management).

Composition

The Technical Committee consists of MJ Donoghue (Chairman), G Wylie, DC Cather (Chief Executive Officer), and M Platts (Head of Operations, West Africa). The Committee's mandate requires that the chairman be a Non-executive Director with technical expertise, and MJ Donoghue has significant experience in running mining operations over a long career.

Operations

The Committee seeks to meet at least four times a year, or more frequently as required. During 2013, it met 3 times formally, however held a number of informal discussions in person and by teleconference throughout the year, notably to consider the ongoing production issues (geotechnical concerns, equipment availability, power station and plant outages, and resource model reconciliations).

Responsibilities

The Technical Committee is responsible for reviewing and assessing all operating activities of the Group. This includes assessing risk management processes, undertaking regular site visits and liaising with teams on the ground, reviewing strategic planning and reporting, ensuring legal, environmental and regulatory compliance, and making recommendations to the Board on all matters where technical understanding is required.

Safety, Health Environment and Communities ('SHEC') Committee

Purpose

The SHEC Committee was established to provide the Board with assurance that the appropriate systems are in place to deal with the management of health, safety, environmental, and community relations matters. The SHEC Committee was established in October 2011 in order to formalise a separate forum exclusively for the purpose of reviewing such matters.

Composition

The SHEC Committee comprises G Wylie (Chairman), BJ Rourke, MJ Donoghue and RP Edey.

Operations

The SHEC Committee met 4 times during the year. At those meetings, it focussed on an assessment of the safety environment at Inata in particular, as well as considering ongoing matters relating to community relations, health, environmental and security.

Responsibilities

The SHEC Committee's particular responsibilities include the following:

- To establish and review the Group's policies with respect to health, safety, environmental, and community relations matters;
- To ensure adequate procedures and responses are in place to deal with accidents, fatalities, or other serious medical, environmental, or safety issues;
- To monitor and review the performance of the Group with regard to health, safety, environmental, and community relations matters, and to ensure compliance with relevant local and international regulations;
- To review and investigate any serious accidents and deaths that occur in connection with any Group employees, contractors, consultants, suppliers, or agents operating on behalf of Avocet, which may take place on or off Group sites, in order to establish cause and recommend further actions as may be required;
- To monitor the quality and frequency of reporting of health, safety, environmental and community relations matters;
- To maintain awareness of all regulatory changes, and to ensure the Board is aware of relevant material changes, in health, safety, environmental and community relations matters;
- To report to the Board with regard to any health, safety, environmental and community relations matters that should be brought to its attention; and
- To review and approve the Group Health, Safety and Environment and Community Relations disclosures within the Annual Report, or other relevant publications.

Report on corporate governance (continued)

Service Contracts

No Director has any service contracts, consultancy agreements or other such arrangements with a notice period in excess of one year.

Going Concern

The Board acknowledges its responsibility towards safeguarding the assets of the Company for the benefit of shareholders, as well as its wider duties towards stakeholders. This includes the regular monitoring of cashflows and forecasts. The appropriateness of the going concern basis for the preparation of the 2013 financial statements is discussed in detail in note 1 to the financial statements, and in the Report of the Directors (page 34).

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors will be proposed at the AGM.

Non-Audit Services

The Board regularly reviews the provision of non-audit services from its auditors, at least annually through discussion at Committee meetings. The Board is satisfied that the provision of non-audit services by Grant Thornton UK LLP is compatible with the general standard of independence for auditors and does not give rise to any conflict of interest.

Internal Control

The Board is ultimately responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets, for which it looks to the recommendations of the Audit Committee. Such a system is designed to manage, but may not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. However the Board is comfortable that the internal control systems provide sufficient assurance as to the safety of the Company's assets and the value of the Group's operations as a whole.

In accordance with the guidance of the Turnbull Committee on Internal Control, an ongoing process has been established for identifying, evaluating and managing risks faced by the Company. This process has been in place throughout the year and to the date of approval of these financial statements and includes the following features:

- Key risks to and impact of these on the Group's business are reviewed and considered by the Directors;
- The Board reviews these key risks as part of the budget approval process;
- Executive Directors, and senior finance staff, visit each operation regularly, when these key risks are reviewed and actions taken as necessary;
- Control procedures have been communicated to operations' management who review local procedures for Group compliance;
- the head office finance function visits each operation to review local financial controls and compliance with Group procedures and report to the Audit Committee;
- The chairman of the Audit Committee seeks to undertake a site visit, where possible, each year to oversee in person the adequacy of control procedures in place;
- The Audit Committee assesses the effectiveness of the internal controls in operation during the year, and reports to the Board, to enable the Board to perform its own review of the effectiveness of these controls;
- The Group has a comprehensive system for financial reporting. The Board approves the annual budget and life of mine forecasts. Monthly results are reported against budgets and variances analysed. Great importance is placed on the monitoring and control of cash flows, and cash forecasts are reported to the Board (including as part of the Going Concern review);
- As part of the year end external audit, management has requested that the auditors prepare a management letter on their findings with regard to the internal financial controls. This is reported to, and reviewed by, the Audit Committee;
- The Audit Committee review the Group's consolidated financial statements on a quarterly basis, with particular focus being placed on areas of judgement and risk, and make a recommendation to the Board prior to results being approved for announcement. Monthly consolidated financial statements are also sent to the full Board for review;
- The external auditors periodically carry out a review of the head office's internal financial controls and report to management and the Audit Committee;
- The Board approves all long term currency, commodity and interest rate hedging, along with all significant capital investment projects and debt facilities; and
- The Chairman and the executive Directors meet on a regular basis to discuss the management of the Group and review any business risk and actions necessary.

Employees

Regular meetings are held with employee representatives to discuss strategies and the financial position of the Group and their own business units. The Group is committed to providing equal opportunity for individuals in all aspects of employment.

Senior management are conscious of the sensitivities around working in a developing nation, and the obligations the Company has to its communities and national employees. Avocet is committed to developing its national staff, through training programmes and 'on-the-job' learning, not only as part of its partnership with the countries in which it operates, but also for sound business reasons. However maintaining good relationships remains a key objective, and progress is constantly monitored by the Board and its Committees.

During 2013, the average percentage of female employees was 6%, although this included one Board member (EN Harwerth) and 33% of head office staff. The Company continues to support equal opportunities throughout its operations.

Anti-bribery and whistleblowing

The Company has incorporated into its code of conduct and ethics an anti-bribery policy, details of which are referenced in all employee service contracts. In addition, all employees in both the UK and West Africa are required to attend specific anti-bribery training sessions and sign a register to confirm their attendance and understanding. Regular updates and presentations are made to employee groups to ensure greater understanding of the principles behind Avocet's policy, and to allow discussions on how to deal with practical issues that may arise.

In addition, the Company has a whistleblowing policy and procedure, to ensure any concerns raised by employees are able to be dealt with in the appropriate manner.

Relations with Shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and the quality of its management teams. It holds regular meetings with, and presents to, its institutional and private shareholders to discuss its objectives. The Company also regularly meets, with the help of its brokers, institutions that do not currently hold shares in the Company, to inform them of its objectives.

The AGM is a forum for communicating with institutional and private investors, and all shareholders are encouraged to attend and participate. The Chairmen of the Board Committees are also available to answer questions, along with the Senior Independent Non-executive Director (BJ Rourke). Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and Accounts, and to approve the Remuneration Report. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The Company operates and regularly updates its website (www.avocetmining.com) with shareholder information.

The Company has engaged the services of Pelham Bell Pottinger to assist with its financial public relations.

Risk Management

The Board is responsible for the management of the Company on behalf of the shareholders. The objective of the Company is to create long term value for shareholders, and the Board is responsible for delivering that objective by governing the Company and its subsidiaries.

In so doing, the Board is responsible for understanding the risks faced by the Company and determining the risk appetite of the Company. The Board ensures these risks are managed appropriately, in order to draw a balance between safeguarding the assets and interests of the Company and maximising its exposure to sustainable growth and profitability. The Board and senior management regularly monitor areas of risk. Senior management regularly visits operations to understand site-specific risks as well as to assess local political, fiscal and legal risks. In this regard, the Group maintains a strict policy of compliance with local laws and regulations, and community issues (including safety and health, community development, and environmental responsibility) are at the forefront of strategic and operational decision-making.

Although the Board retains responsibility for managing the overall risk of the Group, certain specific risk areas are delegated to Committees as follows:

- Financial risks and internal financial controls are reviewed by the Audit Committee;
- Health, Safety and Environmental risks are monitored by the SHEC Committee; and
- Technical Operating risks are overseen by the Technical Committee.

The key risks that relate to the Group have been set out below, categorised as follows:

- Economic risks – Risks associated with changes in the markets in which it operates
- Operational risks – Risks relating to the operation of the mines and exploration projects
- Country risks – Country-specific risks related to Burkina Faso, Guinea, and any other countries in which Avocet may do business
- Other risks – Other significant risks not covered by the above categories.

Risk Management

ECONOMIC RISKS

Risk	Comment	Business Impact	Mitigation
Availability of finance	The Life of Mine Plan at Inata, as well as the construction of a new mine at Tri-K in Guinea, are dependent on external financing. As part of this refinancing, the Elliott loan, which fell due on 31 December 2013, needs to be repaid or renegotiated.	High	The Company is engaged with discussions with finance providers on a number of fronts. Pending the conclusion of these discussions, the Company has also put in place cash conservation measures, particularly at Inata, to ensure the Group remains financially stable until new funds are secured.
Exposure to a strengthening in local currency rates	Avocet realises US dollars for all of its gold sales, and reports its results in US dollars. The Company is exposed to the West African CFA, being the local currency of Burkina Faso respectively, in which its US$61m Ecobank loan as well as many of its costs are denominated.	Low	The Company continually monitors fluctuations in currency rates, and may on occasion purchase short term currency hedges (although did not do so in 2013). It is Avocet's policy to minimise the value of cash held in non-US dollar currencies where possible, while complying with currency restrictions and other obligations of the countries in which it operates.
Exposure to unfavourable movements in purchase prices of input materials	The Company is exposed, both directly and indirectly, to the purchase price of diesel, steel, and reagents used in gold production.	Moderate	The Company seeks to minimise its usage of input materials. It also monitors commodity prices constantly and considers whether hedging might be appropriate. No hedging was entered into during 2013.
Exposure to increases in the market prices of the equipment and services it uses	Avocet is subject to increases in the market prices for services and equipment (e.g. mining contractors, drilling, tyres, vehicles, etc).	Moderate	The Company seeks to negotiate the best possible rates for all services and products it receives, taking into account not only price, but service quality and reliability.
Exposure to a fall in gold prices	Avocet's revenue is dependent on the market price of gold.	High	Avocet maintains a policy of exposure to the spot gold price however continues to review whether a form of hedge might be appropriate. The Company has responded to the lower gold price environment by reducing the pit shells at its Inata mine.

OPERATIONAL RISKS

Risk	Comment	Business Impact	Mitigation
Reliability of Mineral Resources and Ore Reserves	The calculation of Mineral Resources and Ore Reserves involves significant assumptions and estimates that may prove inaccurate, including gold price assumptions.	High	Avocet's Mineral Resources and Ore Reserve estimates are prepared either by in-house staff or by third party consultants who have considerable experience and are certified by appropriate bodies such as JORC and NI43-101. The Technical Committee is responsible for ensuring the appropriate controls are in place to provide assurance that Mineral Resources and Ore Reserve estimates are appropriately prepared.
Exposure to mining hazards	The Company is exposed to a number of risks and hazards typically associated with mining – eg pit wall failure, adverse weather, and mechanical breakdowns.	Moderate	Avocet's operational teams regularly monitor mining risks, and report to the Technical Committee, who are responsible, on behalf of the Board, for ensuring appropriate measures are in place for anticipating, and responding to, such matters.

COUNTRY RISKS

Risk	Comment	Business Impact	Mitigation
Exposure to changes in fiscal and regulatory regime	In addition to political/social risks, Avocet is exposed specifically to changes in the mining, labour and tax codes in Burkina Faso and Guinea, which may result in a more challenging, or costly, operating environment.	High	Avocet is committed to acting in partnership with all stakeholders, including the governments and communities of the countries in which it operates. It regularly meets government ministers to discuss fiscal and regulatory matters and to ensure the Company and its shareholders' interests are well represented.
Exposure to political and social risks in Burkina Faso and Guinea	Avocet's main assets are located in Burkina Faso and in Guinea, and the Company is therefore exposed to any adverse changes in the political and social situations in those countries.	Moderate	The Board closely monitors the political and social situations in the countries in which it operates, drawing on internal and external advisors.

OTHER RISKS

Risk	Comment	Business Impact	Mitigation
Finance risk	Many of Avocet's assets at the Inata Gold Mine are available as security extended to Ecobank. The Company is therefore reliant on meeting its loan obligations with Ecobank in order to ensure the risk of such an enforcement of this security. In addition, the Company has an unpaid obligation to Elliott, which must be repaid or renegotiated in 2014.	High	The Company is in regular contact with all of its financiers, including Ecobank and Elliott. Although the gold price and operating performance have made meeting debt commitments difficult during 2013, Avocet recognises the support it has received from its debt providers, and continues to focus on maintaining a strong relationship of trust.
Portfolio risk of having a single operating asset	Since the sale of Avocet's South East Asian assets, the Company has been reliant on a single revenue-generating asset (Inata Gold Mine). Any factors that affect production at the Inata Gold Mine will consequently have a significant impact on Group results.	Moderate	It is the Company's policy to pursue growth opportunities through organic means (in Guinea, as well as through expansion in Burkina Faso), as well as reviewing acquisition opportunities which can be shown to be value accretive.
Licence administration	Avocet holds a number of exploration and mining licences. These licences normally include conditions for ongoing operation (e.g. minimum spend levels) and require periodic renewal. Renewals are not normally guaranteed.	Moderate	Avocet maintains good relations with the appropriate authorities and management are responsible for ensuring conditions are adhered to and renewal applications submitted in good order.
Litigation	Avocet is the subject of legal action initiated by its former partner in Indonesia, with regard to the sale of various Indonesian entities in 2011.	Moderate (with low probability)	The District Court of Jakarta, Indonesia has accepted Avocet's claim that the Indonesian courts do not have jurisdiction over the dispute. PT LT has appealed this ruling, but the Company is 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.

Remuneration Report

This report is presented to shareholders by the Board and provides information on Directors' remuneration for the year ended 31 December 2013. This report complies with the requirements of both the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code. As such this report is divided into three sections; the Annual Statement highlights key decisions on remuneration, the Directors' Remuneration Policy details the Group's remuneration policies and links to strategy, and the Annual Report on Remuneration focuses on the implementation of the remuneration policy in 2013, and how we intend to implement our remuneration policy in 2014. We will be putting the Directors' Remuneration Policy to a binding shareholder vote and the Annual Report on Remuneration to an advisory vote at the Annual General Meeting, asking our shareholders to approve these reports. Subject to obtaining shareholder approval at the AGM, we propose that the Directors' Remuneration Policy will apply from the 2014 AGM on 8 May 2014.

The Remuneration Report includes a number of additional disclosures, in accordance with new regulations introduced in 2013. The remuneration policies, including the Annual Incentive scheme, the Share Options plan, and the PSP shares, remain unchanged since their approval by the shareholders in May 2011.

Furthermore, a number of the maximum targets that are disclosed, as required by the revised regulations, represent theoretical outcomes that would require business and share price performance beyond what would be considered likely. The Remuneration Committee retains elements of discretion over all key areas of remuneration, and shareholders should be assured that the Committee intends to exercise this discretion in order to ensure rewards for success are reasonable, while incentivising performance.

Annual Statement

The Remuneration Committee has been acutely aware of the disappointing performance of the Company over 2013, which has translated into a significant fall in the share price. As a result of this, no bonuses were earned for Directors, nor senior management, in respect of 2013, and those elements of remuneration which depend on share price performance (notably Share Options and PSP schemes) did not vest nor were able to be exercised during the year. While the Board derives no satisfaction from this, it does at least indicate that the remuneration structures in place are aligned with shareholder interests.

In terms of salary levels, Non-executive Directors opted to reduce fees considerably during the year, while no increase in Executive Directors' salaries has been proposed for 2014. The existing remuneration schemes and structures will remain in place for 2014, with specific targets remaining subject to the needs of the business, in what will be a challenging year ahead.

Barry Rourke
Chairman, Remuneration Committee

Directors' Remuneration Policy

Remuneration Policy for Executive Directors

The Company operates within a competitive environment and its performance depends on the individual contributions of the Directors and employees. Executive remuneration packages are designed to attract, motivate and retain executives of the calibre necessary to manage the Company's operations and to reward them for enhancing shareholder value.

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

Element and purpose	Operation	Opportunity	Performance measures
Base salary Reflects competitive market, level, role and individual contribution	Salaries are reviewed annually by the Remuneration Committee. In setting salaries, the Committee considers pay levels and practices at Avocet's principal competitors as well as FTSE-listed companies of a similar size. The Committee also takes into account pay and conditions across the Company when setting base salaries for the Executive Directors, to ensure the relativities are reasonable and commensurate with differences in experience, skill levels, and responsibility.	Salary increases will typically be in line with those for other Company employees. The Committee has discretion to award higher increases in exceptional circumstances, such as phased increases for a newly appointed Executive Director, a material change in complexity of the role or a material movement in market pay levels.	The salary review takes into account individual performance.
Pension To allow individuals to save for an income on retirement	All Executive Directors are eligible to participate in the Company's Defined Contribution Pension Scheme.	Minimum employer contribution of 3% of base salary. Employees may contribute up to 6% of their salary, which is matched by additional employer contributions giving a maximum total combined pension contribution of 15% of salary. The maximum employer contribution is 9% of salary.	None
Benefits To support the individual in their undertaking of the role	Executive Directors are eligible to receive benefits such as medical insurance and gym membership.	Benefits vary by role and individual. The Committee periodically reviews the cost of providing benefits and has discretion to approve additional benefits in exceptional circumstances, such as relocation or expat benefits. Excluding these, the cost of benefits will not exceed 10% of salary.	None
Share Incentive Plan To allow UK tax residents to purchase shares in the Company under favourable tax terms	A HMRC approved Share Incentive Plan that allows UK tax residents to purchase shares in the Company under favourable tax terms (provided they are held in the scheme for a minimum of 5 years).	Employees, including Executive Directors, may buy shares each year up to the HMRC approved limit (currently £3,000 of gross pay).	None

Directors' Remuneration Policy (continued)

Remuneration Policy for Executive Directors (continued)

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

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

Performance measures and targets

The Committee considers the Company's Key Performance Indicators as set out above to be the most appropriate measures for the annual incentive as they provide a balanced view of performance over the year, taking into account both financial and non-financial performance. Targets are set for each measure with reference to the budget, forecasts, and specific strategic objectives for the year ahead.

For the PSP, the Committee considers that TSR provides the clearest alignment between Executive Directors' interests and those of shareholders and provides an objective measure of the Company's success over time. For the Share Option Plan, having committed to shareholders in 2012 that performance conditions would be applied to future awards, the Committee felt that for 2013 awards most shareholders would appreciate an absolute share price performance condition to help drive a share price recovery.

When setting targets for each performance measures, the Committee seeks an appropriate balance between stretch and achievability.

Awards under previous remuneration policies

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

Approach to recruitment remuneration

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

<table>
<tr><th>Element</th><th>Approach</th><th>Maximum annual award</th></tr>
<tr><td>Base salary</td><td>Base salary on appointment will be determined based on the skills and experience of the individual, as well as the prevailing market remuneration level for the role. Should the Committee consider it appropriate to appoint an Executive Director below the median market remuneration level, it may determine a phased salary increase schedule to be applied over a number of years</td><td rowspan="3">Not applicable</td></tr>
<tr><td>Pension</td><td rowspan="2">In line with existing policy</td></tr>
<tr><td>Benefits</td></tr>
<tr><td>Annual Incentive</td><td rowspan="3">Annual Incentive, Performance Share Plan and Share Option Plan awards will be in line with existing policy. Awards may be pro-rated for time where the Executive Director joins part-way through a year</td><td>75% of salary</td></tr>
<tr><td>Performance Share Plan</td><td>200% of salary (based on face value[1] of PSP award)</td></tr>
<tr><td>Share Option Plan</td><td>200% of salary (based on face value[1] of Option award)</td></tr>
</table>

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

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

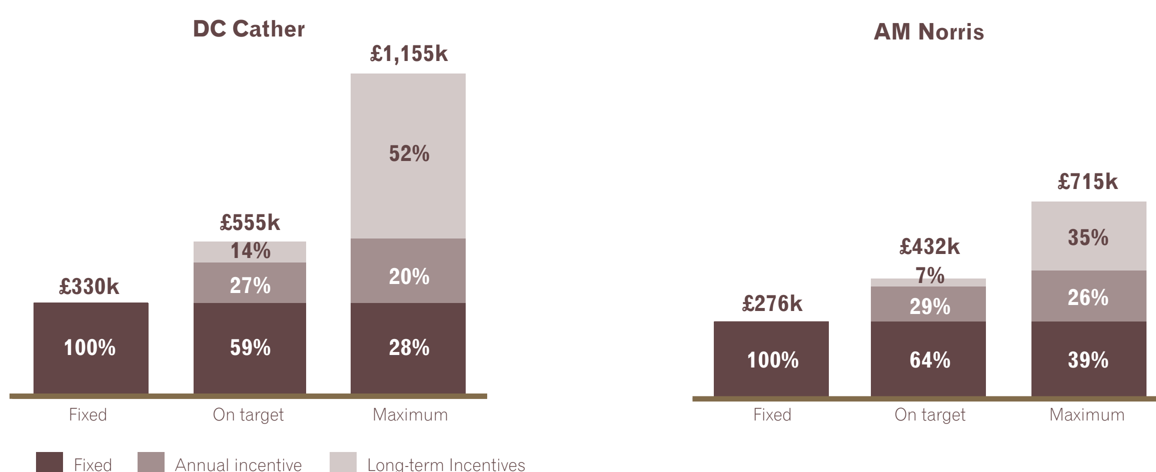
Where an Executive Director is appointed as a result of internal promotion, any contractual commitments made prior to their promotion may be honoured.

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

Directors' Remuneration Policy (continued)

Remuneration scenario charts

The following charts outline the minimum remuneration receivable by each Executive Director under the current policy, as well as potential remuneration for attaining target and maximum performance levels.



Fixed remuneration comprises current annual salary, the value of benefits received in 2013, and assumes the maximum employer matching contribution on pension of 9% of salary. The annual incentive is assumed to be 50% of salary for the on-target scenario and 75% of salary for the maximum scenario. The long-term incentives shown comprise the following:

Plan	Fixed	On-target	Maximum
Performance Share Plan	No award vests	Assumes 25% of shares granted in 2013 vest, valued using the share price on grant of 20.5p.	Assumes 100% of shares granted in 2013 vest, valued using the share price on grant of 20.5p
Share Option Plan		Assumes 25% of options granted in 2013 vest based on a share price of 40p, which is the threshold performance level	Assumes 100% of options granted in 2013 vest based on a share price of 80p, which is the maximum performance level

Service contracts

Executive Directors currently have employment contracts which may be terminated by the Company with twelve months of notice, or by the employee with six months of notice. No other payments are made to Executive Directors for compensation for loss of office. Payments equivalent to the notice period may be made by the Company's subsidiary, Resolute West Africa Limited, in the event that insufficient funds are held at Avocet Mining PLC following a change of ownership of that subsidiary.

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

The Chairman and other Non-executive Directors each have a formal letter of appointment setting out their duties and responsibilities. These letters are available for inspection at the Company's registered office.

Exit payment policy

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

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

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

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

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

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

Difference between director remuneration policy and that for other employees

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

Consideration of employment conditions

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

Consideration of shareholder views

The Committee is always open to feedback from on shareholders on remuneration policy, and consults formally with them in advance of any significant changes being made. Our current remuneration policy remains unchanged since the approval at the Company's Annual General Meeting in May 2013. Shareholder feedback since then has also been reflected, for example in the addition of a performance condition to any future awards made under the Share Option Plan to Executive Directors. During 2013, the views of the largest shareholder, Elliott Associates, were taken into account when considering the award of Share Options to senior staff (other than Executive Directors), as a result of which the award of exceptional options was cancelled.

Annual report on remuneration

This section of the report presents the remuneration paid to or receivable by directors in respect of 2013, as well as how we intend to implement our policy for 2014.

Single figure of total remuneration - audited

	Salary US$000		Benefits[1] US$000		Pension US$000		Annual Incentive[2] US$000		Long-Term Incentive[3] US$000		Total US$000	
Periods ended	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**	Dec 2012	**Dec 2013**
Executive Directors												
DC Cather[4]	220	**495**	4	**10**	19	**41**	54	**–**	–	**–**	297	**546**
AM Norris	404	**412**	5	**9**	30	**34**	57	**–**	290	**–**	786	**455**
BA Richards	510	**–**	3	**–**	18	**–**	–	**–**	–	**–**	531	**–**
Non-executive Directors												
RP Edey	178	**126**	–	**–**	–	**–**	–	**–**	–	**–**	178	**126**
RA Pilkington	65	**50**	–	**–**	–	**–**	–	**–**	–	**–**	65	**50**
MJ Donoghue	89	**75**	–	**–**	–	**–**	–	**–**	–	**–**	89	**75**
BJ Rourke	81	**69**	–	**–**	–	**–**	–	**–**	–	**–**	81	**69**
G Wylie	69	**73**	–	**–**	–	**–**	–	**–**	–	**–**	69	**73**
EN Harwerth	44	**62**	–	**–**	–	**–**	–	**–**	–	**–**	44	**62**

Notes
1 Benefits include healthcare and dental cover
2 Amount stated is prior to deferral
3 Reflects the total value on vesting of long-term incentives with performance periods ending in the year. Note no options were exercised by Directors in 2012 or 2013
4 DC Cather was appointed Chief Executive Officer on 18 July 2012, having been Chief Operating Officer from 30 April 2012.

2013 annual incentive outcomes – audited

The 2013 annual incentive targets were based on gold production and cash costs with subsequent adjustments for safety and personal objectives. None of the targets having been met, no awards were made in respect of 2013. An analysis of the respective weighting of these measures, applicable to DC Cather and AM Norris, is set out as below:

Performance measure	Weighting (% of salary)	Target	Performance in 2013	Bonus achievement
Gold production (quarterly)	40%	135,350	118,443	0%
Cash costs (US$/oz)	60%	1,050	1,203	0%
Total (pre-modifying factors)				**0%**
Modifying factors: Safety	Each LTI would reduce each quarterly production bonus achieved by 20%			N/a as no bonus to modify
Personal objectives	Multiplier of 0.8 to 1.2 depending on achievement of strategic objectives			
Total				0%

Long-term incentives vesting in 2013 – audited

Performance Share Plan vesting in 2013

The PSP awards made in 2011 vested based on performance to 31 December 2013. The Committee set the following relative TSR performance targets for the 2011 PSP award:

TSR position of the Company relative to the comparator group	Percentage of shares which vest
Below median	0%
At median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile and above	100%

The comparator group for the 2011 award comprised the following companies: African Barrick Gold, Amara Mining, AngloGold Ashanti, Asanko Gold, Alacer, Cassidy Gold, Centamin, Endeavour Mining, IAMGOLD, Kinross Gold, Merrex Gold, Nevsun Resources, Perseus Mining, Randgold Resources, Resolute Mining, Semafo, True Gold Mining.

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

Share Option Plan vesting in 2013

Details of those options held by Directors which vested in 2013 and 2012 are set out on page 55. None of these options had any embedded value on the date on which they became exercisable.

Scheme interests awarded during 2013 – audited

The table below details the scheme interests awarded to the Executive Directors in 2013.

<table>
<tr><th>Executive Director</th><th>Description</th><th>Face value (£)</th><th>Vesting for the achievement of minimum performance level</th><th>End of performance period</th><th>Performance measures</th></tr>
<tr><td>DC Cather</td><td rowspan="2">Share Option Plan award[1]</td><td>154</td><td rowspan="2">25% of award</td><td rowspan="2">26 March 2016</td><td rowspan="2">30-day volume-weighted average price (‘VWAP’) for Avocet shares must exceed 80 pence in the period between the Grant Date and the 26 March 2016. If the maximum 30-day VWAP during this period is between 40 pence and 80 pence, the number of options which become exercisable will be a pro rata scale between 25% of the number of options awarded (for 40 pence) and 100% of the options awarded (for 80 pence). If the maximum 30-day VWAP during the period does not reach 40 pence, no options will be exercisable</td></tr>
<tr><td>AM Norris</td><td>65</td></tr>
<tr><td>DC Cather</td><td rowspan="2">Performance share plan award</td><td>154</td><td rowspan="2">25% of award</td><td rowspan="2">31 Dec 2015</td><td rowspan="2">Avocet share price performance is compared to a comparator group comprising: African Barrick Gold, Amara Mining, Ampella Mining, Banro, Centamin, Endeavour Mining, Golden Star Resources, Gryphon Minerals, Keegan Resources, Nevsun Resources, Orezone Gold, Perseus Mining, PMI Gold Corp, Randgold Resources, Resolute Mining, SEMAFO and Teranga Gold Corp</td></tr>
<tr><td>AM Norris</td><td>65</td></tr>
</table>

1 Awards granted on 26 March 2013 with an exercise price of 20.5p, the closing price on the day preceding the Grant Date. This is the price used to calculate the face value stated in the above table.

Payments to past directors – audited

No payments were made to past directors in 2013.

Payments for loss of office – audited

No loss of office payments were made in 2013.

Sums Paid by Third Parties

Neither of the Executive Directors received any additional fees during the year relating to external appointments.

Annual report on remuneration (continued)

Relative importance of spend on pay

US$m	**2013**	2012	% change
Aggregate employee remuneration	36.7	39.4	-7%
Dividends incl. share buybacks	–	–	n/a

Aggregate employee remuneration reduced in 2013 compared to 2012 primarily as a result of lower bonuses and share-based payments in the period.

No dividends have been paid, nor are any proposed, in respect of 2012 or 2013.

Percentage change in CEO remuneration

The table below sets out the percentage change in CEO salary, taxable benefits, and annual bonus from 2012 to 2013 compared to the wider employee population.

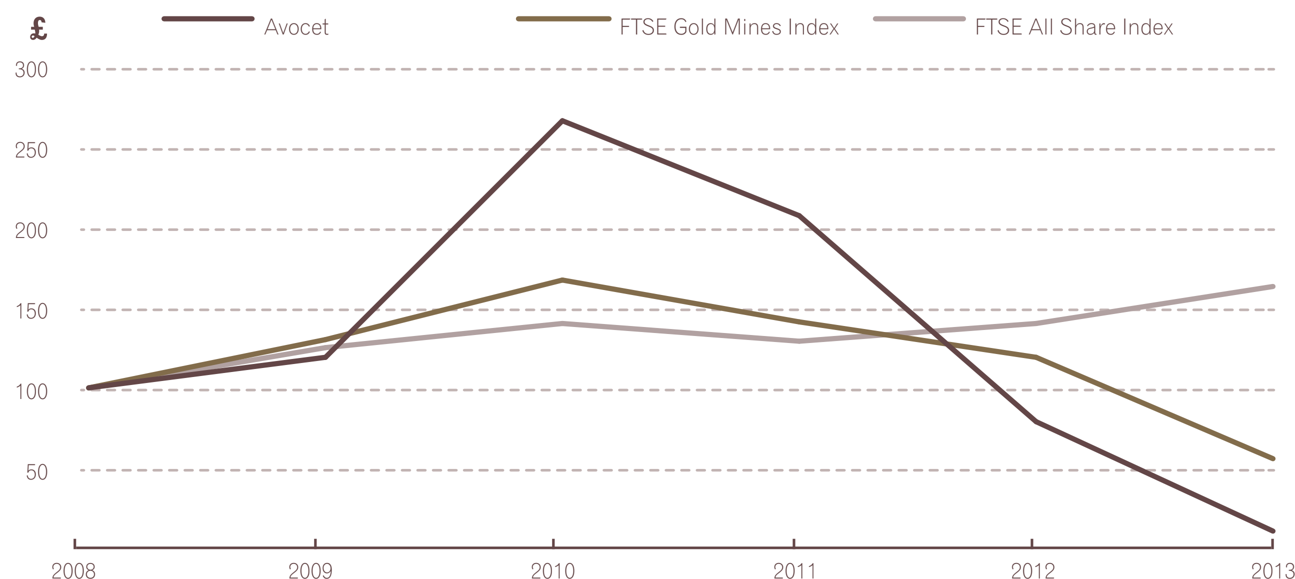
	CEO*	Other employees
Salary	125%	-4%
Taxable benefits	150%	-22%
Annual bonus	-100%	-64%

*Note, DC Cather was appointed CEO part way through 2012. The CEO base salary was not increased between 2012 and 2013.

The other employee group above represents all Avocet employees, excluding the Executive Directors.

CEO remuneration and company performance

The chart below shows Avocet's Total Shareholder Return ('TSR') compared with the FTSE All Share Index and FTSE Gold Mines Index over the five year period from 31 December 2008 to 31 December 2013. The FTSE Gold Mines Index has been chosen as it comprises companies who are operating in the same sector as Avocet and are exposed to broadly similar risks and opportunities. In addition, the FTSE All Share Index has been chosen as an appropriate general index of UK equities.



CEO remuneration and company performance (continued)

US$000		2009	2010	2011	2012	**2013**
CEO single figure of total remuneration		1,166	1,820	679	828	**546**
Annual incentive as a percentage of maximum[1]		100%	100%	41%	35%	**0%**
Long-term incentives as a percentage of maximum	Share options[2]	0%	0%	0%	25%	**0%**
	PSP shares[3]	n/a	n/a	n/a	n/a	**n/a**

1 Prior to May 2011, the annual incentive comprised a predecessor Share Bonus scheme, which measured Avocet's share price performance against a market comparator group on a 12 month basis
2 Prior to May 2011, options were awarded based under an old Share Option scheme
3 PSP performance period in respect of the first awards made to DC Cather in 2012 is three years, and will not be completed until 31 December 2014.

Implementation of remuneration policy in 2014

Executive Directors

Executive Director salaries for 2014 are as follows:

Position	2014 salary (£)	2013 salary (£)	% increase
DC Cather	300,000	300,000	0%
AM Norris	250,000	250,000	0%

In view of the recent performance of the Company, and taking into account relevant benchmarking, the Committee decided not to increase salaries for Executive Directors in 2014.

It is anticipated that Directors will participate in Annual Incentive, PSP, and Share Option schemes in 2014, in line with previous years and our proposed policy, however in view of the ongoing business review, the outcomes of which may materially impact the strategic objectives for the year, no targets have been set at the current time.

Non-executive Directors

Non-executive Director fees for 2014 are as follows:

Position	2014	2013	2012
Chairman of the Board	£70,000	£70,000	£110,000
Non-executive Directors' fees	£30,000	£30,000	£40,000
Additional fees for chairmanships:			
Technical Review Committee	£15,000	£15,000	£15,000
SHEC Committee	£15,000	£15,000	£10,000
Audit Committee	£10,000	£10,000	£15,000
Remuneration Committee	£5,000	£5,000	£10,000

Fee levels for Non-executive Directors were reduced in 2013. No increase is proposed in respect of 2014.

Directors' shareholdings – audited

The beneficial interests of Directors and Persons Discharging Managerial Responsibility ('PDMRs') in the shares of the Company at 31 December 2013 are as follows:

		Restricted shares held in EBT/SIP				Share options	
	Shares owned	EBT	SIP	Total	PSP shares	Performance conditions	No performance condition
DC Cather	50,000	14,925	–	14,925	1,000,000	750,000	250,000
AM Norris	525,695	16,788	1,951	18,739	525,000	565,000	585,488
RP Edey	150,325	–	–	–	–	–	–
RA Pilkington	222,763	–	–	–	–	–	–
MJ Donoghue	38,029	–	–	–	–	–	–
J Wynn	31,894	–	2,367	2,367	195,000	500,000	125,000
M Platts	–	–	–	–	–	180,000	–
R Simmons	2,324	–	–	–	–	405,000	100,000
	1,021,030	31,713	4,318	36,031	1,720,000	2,400,000	1,060,488

Annual report on remuneration (continued)

Directors' shareholdings – audited (continued)

The following shares held by PDMRs have performance conditions:

Date of grant	18 Mar 2010	13 Dec 2012	26 Mar 2013	26 Mar 2013	02 May 2013
Date first exercisable	18 Mar 2013	13 Dec 2015	26 Mar 2016	26 Mar 2013	02 May 2016
Grant price (Pence)	105.00	67.50	20.50	20.50	16.75
Performance condition	See I below	See II below	See III below	See IV below	See V below
DC Cather	–	–	750,000	–	–
AM Norris	250,000	–	315,000	–	–
J Wynn	75,000	100,000	195,000	130,000	–
M Platts	–	–	–	–	180,000
R Simmons	25,000	80,000	180,000	120,000	–
Total	350,000	180,000	1,440,000	250,000	180,000

Performance conditions outlined are as follows:

I. The share price change between the date of grant and the date of exercise must be higher than the change in the value of the FTSE Gold Mining Index over the same period

II. Share price must have increased by at least 100% by 13 December 2015 in order for any Options to be exercisable, and by 125% in order for the full amount to be exercisable.

III. In order to be fully exercisable, the 30-day volume-weighted average price ('VWAP') for Avocet shares must exceed 80 pence in the period between the Grant Date and the 26 March 2016. If the maximum 30-day VWAP during this service period is between 40 pence and 80 pence, the number of options which become exercisable will be a pro rata scale between 25% of the number of options awarded (for 40 pence) and 100% of the options awarded (for 80 pence). If the maximum 30-day VWAP during the service period does not reach 40 pence, no options will be exercisable.

IV. These share options will become immediately exercisable, if the Avocet VWAP share price reaches 80 pence at any time between the Grant Date and 31 December 2015. If the VWAP share price between Grant Date and 31 December 2015 reaches between 40 pence and 80 pence, the number of options which become exercisable at that time will be a pro rata scale between 25% of the number of options awarded (for 40 pence) and 100% of the options awarded (for 80 pence). If the maximum 30-day VWAP between Grant Date and 31 December 2015 does not reach 40 pence, no options will be exercisable. Any of these options will lapse, if unexercised by 31 December 2015.

V. In order to be fully exercisable, the 30-day VWAP for Avocet shares must exceed 80 pence in the period between the Grant Date and the 2 May 2016. If the maximum 30-day VWAP during this service period is between 40 pence and 80 pence, the number of options which become exercisable will be a pro rata scale between 25% of the number of options awarded (for 40 pence) and 100% of the options awarded (for 80 pence). If the maximum 30-day VWAP during this service period does not reach 40 pence, no options will be exercisable.

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

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

Employee Benefit Trust and UK Share Incentive Plan

The Company has established an Employee Benefit Trust ('EBT') and a UK Share Incentive Plan ('SIP').

The EBT, which is administered by independent trustees, is funded by Avocet and holds shares that may be used, on the recommendation of the Remuneration Committee and at the discretion of the trustees, exclusively for the settlement of employee share awards. Shares released in this manner may be for the settlement of awards made under the Share Bonus Plan, Performance Share Plan, Annual Incentive Plan, or to satisfy the exercise of share options, as well as previous discretionary share bonus awards. Restricted shares may be held in the EBT prior to release.

During the year ended 31 December 2013, the following restricted share allocations and releases were made under the EBT:

	EBT shares allocated at 31 December 2012	EBT shares allocated during the period	EBT shares released during the period	**EBT shares allocated at 31 December 2013**	Date on which shares vest
Executive Directors					
DC Cather	–	14,925	–	**14,925**	02/05/14
AM Norris	10,179	16,788	(10,179)	**16,788**	02/05/14
Non-executive Directors					
RA Pilkington	–	–	–	–	n/a
MJ Donoghue	–	–	–	–	n/a
RP Edey	91,500	–	(91,500)	–	n/a
BJ Rourke	–	–	–	–	n/a
G Wylie	–	–	–	–	n/a
EN Harwerth	–	–	–	–	n/a
Management and other staff					
Other staff	50,908	–	(44,088)	**6,820**	11/07/10
Total	152,587	31,713	(145,767)	38,533	

The EBT held 334,300 shares at 31 December 2013.

During the year ended 31 December 2012, the following restricted share allocations and releases were made under the SIP.

	SIP shares allocated at 31 December 2012	SIP shares allocated during the period	SIP shares released/ cancelled during the period	**SIP shares allocated at 31 December 2013**	Latest date on which shares vest
Executive Directors					
AM Norris	1,951	–	–	**1,951**	09/07/13
Management and other staff					
Other staff	2,367	–	–	**2,367**	13/05/15
Total	4,318	–	–	4,318	

The SIP held 1,901 shares at 31 December 2013.

Share Option Schemes

In 2011, the Company introduced a new Share Option Plan. Prior to 2011, the Company awarded share options under an older scheme, originally introduced in 1999. All new awards are made under the newer scheme, however some outstanding awards under the older scheme are still outstanding, and may be exercised at the appropriate time, providing the relevant performance conditions are satisfied (specifically the requirement for growth in the Company's net assets per share, and returns to shareholders, through share price increase and dividends, to be in excess of at least half of the companies in the FTSE Gold Mines Index).

Annual report on remuneration (continued)

Employee Benefit Trust ('EBT') and UK Share Incentive Plan ('SIP') (continued)

The share options held by the Executive Directors under either of these schemes during the year were as follows:

	Options held at 31 December 2012	Options exercised/ cancelled during the period	Options granted during the period	**Options held at 31 December 2013**	Exercise price (pence)	Date of grant	Date from which exercisable	Expiry date
AM Norris	500,000	(500,000)	–	–	103.25	15/11/06	15/11/09	15/11/13
	130,488	–	–	**130,488**	153.75	09/07/08	09/07/11	10/07/15
	19,512	(19,512)	–	–	153.75	09/07/08	09/07/07	10/07/13
	250,000	–	–	**250,000**	81.00	25/06/09	25/06/12	25/06/16
	250,000	–	–	**250,000**	105.00	18/03/10	18/03/13	18/03/17
	33,333	–	–	**33,333**	219.33	23/05/11	21/02/12	21/02/18
	33,333	–	–	**33,333**	219.33	23/05/11	21/02/13	21/02/18
	33,333	–	–	**33,333**	219.33	23/05/11	21/02/14	21/02/18
	105,000	–	–	**105,000**	229.75	12/03/12	12/03/15	12/03/22
	–	–	315,000	**315,000**	20.50	26/03/13	26/03/16	26/03/23
	1,355,000	(519,512)	315,000	**1,150,488**				
DC Cather	250,000	–	–	**250,000**	75.00	01/08/12	01/08/15	01/08/22
	–	–	750,000	**750,000**	20.50	26/03/13	26/03/13	26/03/26
	250,000	–	750,000	**1,000,000**				

The first tranche of options awarded under the new Option Plan in May 2011 are exercisable annually in three equal parts commencing 21 February 2012. Subsequent option awards will not be exercisable before three years have elapsed and all relevant conditions have been met.

During 2012 and 2013, the following share options held by Directors became exercisable, as a result of the exercise period commencing, and performance conditions having been met:

	No of options	Grant price (pence)	Performance condition	Date conditions passed	Share price at date conditions passed (pence)	Value of vesting (US$k)
2012						
AM Norris	33,333	219.33	Remco satisfaction of underlying performance	21/02/12	231.00	6
	250,000	81.00	Share performance v FTSE gold mine index	25/06/12	154.00	284
BA Richards	61,613	219.33	Remco satisfaction of underlying performance	21/02/12	231.00	11
2013						
AM Norris	33,333	219.33	Remco satisfaction of underlying performance	21/02/13	23.00	–

None of the above options were exercised.

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

Grant date	Exercise price (pence)	Number of options	Exercise date	Expiry date
02-May-13	16.75	180,000	02-May-16	26-May-23
26-Mar-13	20.50	250,000	26-Mar-13	31-Dec-15
		63,927	01-Jan-14	31-Dec-14
		1,440,000	26-Mar-16	26-Mar-23
08-Mar-13	23.50	900,000	08-Mar-13	31-Dec-15
		2,070,000	08-Mar-16	08-Mar-23
13-Dec-12	67.50	520,000	13-Dec-15	13-Dec-22
17-May-09	75.00	20,083	17-May-12	17-May-14
		4,917	17-May-12	17-May-16
01-Aug-12	75.00	250,000	01-Aug-13	01-Aug-22
25-Jun-09	81.00	870,000	25-Jun-12	25-Jun-16
		71,644	01-Dec-13	30-Nov-14
12-Nov-09	90.75	250,000	12-Nov-12	30-Jun-14
18-Mar-10	105.00	13,142	18-Mar-13	18-Mar-15
		886,858	18-Mar-13	18-Mar-17
		19,726	01-Jan-14	31-Dec-14
10-Jul-11	153.75	430,488	10-Jul-11	10-Jul-15
23-May-11	219.33	270,000	21-Feb-12	21-Feb-18
		38,259	21-Feb-12	30-Jun-14
		24,804	01-Jan-14	31-Dec-14
27-Jul-11	225.00	10,000	27-Jul-12	26-Jul-18
		5,755	01-Apr-13	31-Mar-14
		6,438	01-Jul-13	30-Jun-14
15-Aug-11	229.75	4,594	01-Jan-14	31-Dec-14
12-Mar-12	229.75	8,082	02-Jan-13	01-Jan-14
		14,064	01-Apr-13	31-Mar-14
		11,370	01-May-13	30-Apr-14
		49,990	01-Jul-13	30-Jun-14
		16,384	01-Nov-13	31-Oct-14
		450,000	12-Mar-15	12-Mar-22
Total		9,150,524		

Performance Share Plan (PSP) awards

PSP awards held by the Directors during the year were as follows:

	Number of PSP shares	Date of award	Expiry date	Performance period begins	Performance period ends	Date of cancellation	Final no of shares awarded
AM Norris	105,000	12/03/12	12/03/15	01/01/11	31/12/13	n/a	n/a
	105,000	12/03/12	12/03/15	01/01/12	31/12/14	n/a	n/a
	315,000	26/03/13	26/03/13	01/01/13	31/12/15	n/a	n/a
	525,000						
DC Cather	250,000	01/08/12	01/08/15	01/01/12	31/12/14	n/a	n/a
	750,000	26/03/13	26/03/16	01/01/13	31/12/15	n/a	n/a
	1,000,000						

Annual report on remuneration (continued)

Share Price Movements During 2013

The mid-market closing price of the Company's shares at 31 December 2013 was £0.095 (31 December 2012: £0.70). The highest and lowest trading prices of the Company's shares during the year were £0.733 and £0.067 respectively.

Dilution

Taking account of all shares newly issued as a consequence of incentive schemes over the ten-year period to 31 December 2013 plus outstanding equity awards under all the Company's equity schemes, where new issue shares may be used to satisfy their exercise, potential dilution is less than 10% of the issued ordinary shares.

Interests of Directors and Persons Discharging Managerial Responsibility ('PDMRs')

In addition to the Board of Directors, the Company has deemed the following employees to be PDMRs (equivalent to Primary Insiders for the Oslo Børs):

Name	Position
M Platts	Head of Operations, West Africa
J Wynn	Head of Finance and Company Secretary
R Simmons	Head of Investor Relations and Business Development

The Remuneration Committee and its advisors

Avocet's remuneration policies, as well as specific awards for Directors and senior managers, are determined by the Remuneration Committee. Details of this Committee's purpose, composition, operation and responsibilities are set out on pages 39 to 40.

The Chief Executive Officer attends meetings at the invitation of the Committee to provide guidance as appropriate on the impact of remuneration decisions and on the performance of senior executives; he does not attend when his own remuneration is discussed. The Company Secretary also attends. During the course of the year, the Committee was advised by Kepler Associates, who received total fees of £10,125 in 2013 based on time and materials. Kepler were selected based on their experience and reputation in the industry, as well as their knowledge of Avocet's business. Kepler Associates do not provide any other services or advice to the Company and the Committee undertakes due diligence from time-to-time to satisfy itself that the advice it receives continues to be independent and objective.

None of the Committee has any personal financial interest in the matters to be decided, other than as shareholders, or any day to day involvement in running the business. All Directors are required to submit to the Board on an annual basis a declaration of their interests, and to seek approval from the Board, whenever these interests change, to ensure that such changes do not cause a conflict in the interests of the individual in his capacity as a member of the Board.

Shareholder voting

The following table provides the results of the advisory vote on the 2012 Remuneration Report at the 2013 AGM:

	Shares owned	% of votes cast
For	66,511,535	97.5%
Against	1,675,167	2.5%
Withheld	7,900	–
Total	68,194,602	

The 2.5% who voted against the report were not content with the payments to Executive Directors during 2012, which had been a period where the Company's performance and share price had suffered, although it was explained that the majority of payments settled in 2012 were in relation to performance schemes which had been satisfied as a result of 2011 performance.

Barry Rourke
Chairman, Remuneration Committee
5 March 2014

financial statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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

66 Consolidated income statement

67 Consolidated statement of comprehensive income

68 Consolidated statement of financial position

69 Consolidated statement of changes in equity

70 Consolidated cash flow statement

71 Notes to the financial statements

107 Independent auditor's report to the members of Avocet Mining PLC (Company)

108 Company balance sheet

109 Notes to the Company financial statements

116 Shareholder information

117 Directors and advisers

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

We have audited the group financial statements of Avocet Mining PLC for year ended 31 December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the financial statements 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Auditor commentary

An overview of the scope of our audit

The group reports its operating results and financial position along three operating segments being UK, West Africa Mining Operations and West Africa Exploration, as defined within the segmental reporting accounting policy in note 3. The group financial statements are a consolidation of 5 reporting units comprising the group's operating businesses within these segments.

The overall approach to the group audit included the group audit team performing a full audit of the financial information of the UK head office, in respect of the parent company and the group consolidation, and of the West Africa Mining Operations site in Burkina Faso. Specified audit procedures were performed by the group audit team on certain material balances and transactions within the West Africa Exploration entities in Burkina Faso, Guinea and Mali.

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

Our audit approach included the use of the work of auditor's experts to assist with the audit. We used the work of: an internal tax specialist to assist in the audit of current and deferred taxation, our internal valuations team to assist in the audit of the discount factor(s) used for the impairment model and the going concern assessment, and a mining consultant to challenge the assumptions relating to mining engineering used in the impairment model and the going concern assessment. We have evaluated the adequacy of the work of these experts in respect of our audit.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the group financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the group financial statements or related disclosures that would make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the misstatement or omission. For the group audit, we established materiality for the group financial statements as a whole to be US$1.6 million, which is 5% of the loss before taxation adjusted for certain non-recurring hedging transactions. For the financial information of the individual subsidiary undertakings, we set our materiality based on a proportion of group materiality appropriate to the relative scales of each of the businesses.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be US$0.08 million. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the group financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Going concern

The accounts are prepared on a going concern basis in accordance with IAS 1 'Presentation of Financial Statements'. As the directors' assessment of the group's ability to continue as a going concern can be highly judgemental we identified going concern as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, an evaluation of the directors' assessment of the group's ability to continue as a going concern. In particular, we reviewed cashflow forecasts for the period to the end of the life of mine plan, performing sensitivity analysis to assess the risk of a breach of covenants, and reviewing and challenging the directors' assumptions, including future sales of gold and the expected market gold price. We evaluated the directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year end.

The group's assessment of going concern is included in note 1 to the financial statements. Our audit report for the group and parent company includes an emphasis of matter in respect of going concern.

Revenue recognition

Revenue is recognised in the financial statements in accordance with IAS 18 'Revenue'. There is a presumption that there are risks of fraud in revenue recognition because determining the appropriate timing of recognition can be judgemental. As the timing of revenue recognition is subject to the conclusion of a trading contract on the bullion market or a relevant forward contract, which is after the gold dore is shipped from Inata and refined into bullion in South Africa, we identified revenue recognition as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, an evaluation of the internal controls and processes over revenue recognition and performing substantive testing of 100 per cent of the group's revenue in the financial year including vouching to third party documentation.

The group's accounting policy in respect of revenue recognition is included in note 3 to the group financial statements.

Management override of controls

Under ISAs (UK & Ireland), for all of our audits we are required to consider the risk of management override of financial controls. Due to the unpredictable nature of this risk we are required to assess it as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, specific procedures relating to this risk that are required by ISA 240 ' The Auditors Responsibilities relating to Fraud in an Audit of Financial Statements'. This included tests of journal entries, the evaluation of judgements and assumptions in directors' estimates and tests of significant transactions outside the normal course of business.

In particular, our audit work on the assumptions used within impairment calculations and going concern forecasts addressed key aspects of ISA 240. The group's disclosures of judgements and sources of estimation uncertainty are disclosed in note 2 to the financial statements.

Impairment review of Burkina Faso property, plant and equipment and deferred exploration asset

The group's property, plant and equipment assets included on the consolidated statement of financial position of US$132 million represent a significant portion of the financial position of the group. In accordance with IAS 36 'Impairment of assets', assets are subject to an impairment test when there is an indication that an asset may be impaired. The directors carried out a detailed impairment assessment at 31 December 2013, which was triggered by a reduction in the Inata Ore Reserve caused by falls in the gold price and increased costs. This resulted in an impairment of US$3.9 million to property, plant & equipment and US$26.6 million to the Souma intangible exploration asset based on a value in use calculation. Impairment calculations made by management are highly judgemental and have a high degree of estimation uncertainty. We therefore identified the carrying value of property, plant and equipment as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, a review of the integrity of the model used by the directors for impairment calculations. We challenged the directors' use of and tested key assumptions, which include the weighted average cost of capital used as the discount rate, the expected future revenue and costs which are based on future gold production and the estimated future market price of gold.

The group's disclosures of judgements and sources of estimation uncertainty relating to property, plant and equipment are disclosed in notes 2 and 7 to the group financial statements. The group's accounting policy in respect of property, plant and equipment is included in note 3 to the group financial statements.

Carrying value of Guinea deferred exploration expenditure (intangible asset)

The group has incurred significant exploration costs for sites in Guinea of US$23.2 million net of US$7.3m impairment, which have been capitalised as intangible assets in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources'. The process to measure the carrying value of exploration costs that can be recognised as intangible assets in the group financial statements involves judgement by the directors. We therefore identified the carrying value of exploration expenditure included as intangible assets as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, understanding the process and controls management put in place in identifying costs that meet capitalisation criteria. We obtained evidence that Avocet has valid permits to exploit the related intangible asset. We examined calculations prepared by the directors to consider the potential value in use and the best information available to the directors to reflect the amount that they could obtain, at the end of the reporting period, from the disposal of the asset and recent transactions of similar assets to assess the fair value less costs to sell. We have assessed and challenged the directors' judgements surrounding the feasibility of the projects, the best information available and evidence of recent transactions, including the need for future funding in forming their assessment of the recoverable amount to ensure that their carrying value is appropriate.

The group's disclosures of judgements and sources of estimation uncertainty relating to deferred exploration expenditure are disclosed in notes 2 and 7 to the group financial statements. The group's accounting policy in respect of intangible assets is included in note 3 to the group financial statements.

Burkina Faso taxes

Following a tax audit by the Burkino Faso authorities, the group received a tax claim of US$4.9 million that has not been settled by the group and is considered a contingent liability in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. In addition, included within the VAT debtor of US$13.1 million are amounts due to the group in respect of historic balances of US$5.8 million that have not yet been settled by the authorities. The directors have exercised significant judgement in applying the appropriate recognition criteria to contingent liabilities and assets, and we therefore identified the recognition of the Burkina Faso taxes as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, reviewing correspondence with the Burkino Faso authorities and interviews with local staff responsible for negotiating the group's tax positions with the Burkina Faso authorities. For the contingent liability, we challenged the directors' judgements surrounding the non-recognition of an additional tax provision. For the recognition of the VAT debtor, we reviewed the re-submission of VAT balances with supporting documentation and challenged the directors' judgements surrounding the recoverability of the historic VAT balances to ensure that their carrying value is appropriate.

The group's disclosures of judgements and sources of estimation uncertainty relating to taxation and VAT recoverability are disclosed in note 2 to the group financial statements. The contingent liability in relation to the remaining disputed tax claim is further disclosed in note 32 to the group financial statements.

Carrying value of intercompany loan and debtor balances within the parent company

The impairment and going concern issues identified as risks to the group financial statements also have an impact on the recoverability of the intercompany assets included in the parent company balance sheet. We therefore identified the recoverability of intercompany balances as a significant risk requiring special audit consideration within the parent company.

Our audit work included, but was not restricted to, confirming intercompany balances included within the parent company and auditing the key judgements and estimates included in the impairment review, critically reviewing and challenging the directors' assumptions, including future sales of gold and the expected market gold price.

The parent company's accounting policy in respect of intercompany investments is included in note 37 to the group financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Emphasis of matter – Going concern

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the group financial statements concerning the group's ability to continue as a going concern.

As explained in note 1, at 31 December 2013 the group had not repaid the US$15 million loan due to an affiliate of Elliott Associates, its largest shareholder, which had been due on 31 December 2013. The directors have prepared a revised Life of Mine Plan which has identified negative cash flows in 2014. As a consequence there is a requirement for further short term funding in 2014 amounting to between US$20 million and US$30 million. The directors announced a business review on 20 December 2013 in response to this funding requirement and disclosed various options for maximising the value of the group's assets for the benefits of shareholders, namely at Inata, Souma and Guinea. The aim of the review, which remains ongoing, is to secure sufficient funding to address the outstanding US$15 million Elliott loan and Inata's US$20 - US$30 million deficit, for a total of up to US$45 million. As further explained in note 1, while initial discussions with interested parties are ongoing, the directors have not yet secured this funding.

These conditions, along with the other matters explained in note 1 to the group financial statements indicate the existence of a material uncertainty that casts significant doubt over the group's ability to continue as a going concern. The group financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Other reporting responsibilities

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the and Director's Report for the financial year for which the financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 37 to 43 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules are required to review:

- the directors' statement, set out on page 35, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Avocet Mining PLC for the year ended 31 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited. That report includes an emphasis of matter.

Charles Hutton-Potts
(Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
5 March 2014

consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2013

US$000	Note	2013	2012
Revenue		149,261	204,110
Cost of sales	4	(179,649)	(168,694)
Gross (loss)/profit		(30,388)	35,416
Administrative expenses		(8,218)	(13,002)
Share based payments		(1,275)	(2,067)
Net impairment of assets	5	(40,727)	(135,300)
Loss from operations		(80,608)	(114,953)
Restructure of hedge	5, 26	(20,225)	–
Loss on recognition of forward contracts	5, 26	(96,632)	–
Change in fair value of forward contracts	5, 26	54,192	–
Finance items			
Exchange (losses)/gains		(109)	519
Finance income	13	17	125
Finance expense	13	(6,020)	(2,716)
Loss before taxation from continuing operations		(149,385)	(117,025)
Analysed as:			
(Loss)/profit before taxation and exceptional items	12	(45,993)	18,275
Exceptional items	5	(103,392)	(135,300)
Loss before taxation from continuing operations		(149,385)	(117,025)
Taxation	14	(3,484)	14,529
Loss for the year from continuing operations		(152,869)	(102,496)
Discontinued operations			
Loss on disposal on subsidiaries[1]	5, 8	–	(105)
Loss for the year		(152,869)	(102,601)
Attributable to:			
Equity shareholders of the parent company		(142,483)	(92,790)
Non-controlling interest		(10,386)	(9,811)
Loss for the year		(152,869)	(102,601)
Earnings per share:			
Basic loss per share (cents per share)	15	(71.56)	(46.62)
Diluted loss per share (cents per share)	15	(71.56)	(46.62)
EBITDA[2]	6	(10,463)	48,343

1 During 2012, the Group disposed of its final South East Asian asset. All operations for 2013 are continuing. Refer to note 3 for further information.

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

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

consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2013

US$000	Note	2013	2012
Loss for the year		(152,869)	(102,601)
Revaluation of other financial assets		–	(1,229)
Reclassification adjustments for loss included in the income statement	18	1,714	–
Total comprehensive loss for the year		(151,155)	(103,830)
Attributable to:			
Equity holders of the parent		(140,769)	(94,019)
Non-controlling interest		(10,386)	(9,811)
Total comprehensive loss for the year		(151,155)	(103,830)
Total comprehensive loss for the year attributable to owners of the parent arising from:			
Continuing operations		(151,155)	(103,725)
Discontinued operations		–	(105)
		(151,155)	(103,830)

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

consolidated statement of financial position

AT 31 DECEMBER 2013

	Note	2013	2012
US$000			
Non-current assets			
Intangible assets	16	23,249	49,442
Property, plant and equipment	17	131,988	145,653
Other financial assets	18	74	599
		155,311	195,694
Current assets			
Inventories	19	58,919	56,949
Trade and other receivables	20	17,972	25,124
Cash and cash equivalents	21	15,201	54,888
		92,092	136,961
Current liabilities			
Trade and other payables	22	34,934	42,023
Other financial liabilities	23	27,179	6,105
		62,113	48,128
Non-current liabilities			
Financial liabilities	23	52,415	2,434
Deferred tax liabilities	24	–	37
Other liabilities	25	6,249	6,251
		58,664	8,722
Net assets		126,626	275,805
Equity			
Issued share capital	30	16,247	16,247
Share premium		146,040	146,040
Other reserves	31	17,895	16,117
Retained earnings		(34,350)	106,221
Total equity attributable to the parent		145,832	284,625
Non-controlling interest		(19,206)	(8,820)
Total equity		126,626	275,805

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

RP Edey **AM Norris**

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

Avocet Mining PLC is registered in England No 3036214

consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to the parent	Non-controlling interest	Total equity
US$000								
At 1 January 2012		16,247	149,915	15,273	208,129	389,564	991	390,555
Loss for the year		–	–	–	(92,790)	(92,790)	(9,811)	(102,601)
Revaluation of other financial assets		–	–	(1,229)	–	(1,229)	–	(1,229)
Total comprehensive income for the year		–	–	(1,229)	(92,790)	(94,019)	(9,811)	(103,830)
Share based payments		–	–	–	2,462	2,462	–	2,462
Release of treasury and own shares	31	–	–	952	(697)	255	–	255
Exercise of share options		–	–	–	(172)	(172)	–	(172)
Final dividend		–	–	–	(13,505)	(13,505)	–	(13,505)
Transfer between reserves		–	(3,875)	1,121	2,794	40	–	40
At 31 December 2012		16,247	146,040	16,117	106,221	284,625	(8,820)	275,805
Loss for the year		–	–	–	(142,483)	(142,483)	(10,386)	(152,869)
Impairment of other financial assets	5, 18	–	–	1,714	–	1,714	–	1,714
Total comprehensive income for the year		–	–	1,714	(142,483)	(140,769)	(10,386)	(151,155)
Share based payments		–	–	–	1,663	1,663	–	1,663
Release of treasury and own shares	31	–	–	64	249	313	–	313
At 31 December 2013		16,247	146,040	17,895	(34,350)	145,832	(19,206)	126,626

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

consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
US$000			
Cash flows from operating activities			
Loss for the year		(152,869)	(102,601)
Adjusted for:			
Depreciation of non-current assets	17	29,418	27,996
Net impairment of mining assets	7	40,727	135,300
Share based payments		1,275	2,067
Taxation in the income statement		3,484	(14,529)
Other non-operating items in the income statement	29	6,438	4,740
Discontinued operations		–	105
		(71,527)	53,078
Movements in working capital			
Increase in inventory		(1,970)	(16,435)
Decrease in trade and other receivables		7,152	3,090
(Decrease)/increase in trade and other payables		(7,000)	13,628
Net cash (used in)/generated by operations		(73,345)	53,361
Interest received		2	138
Interest paid		(1,847)	(1,118)
Income tax paid		(3,521)	–
Net cash (used in)/generated by operating activities		(78,711)	52,381
Cash flows from investing activities			
Payments for property, plant and equipment		(15,667)	(35,145)
Exploration and evaluation expenses		(14,478)	(31,796)
Disposal of discontinued operations, net of cash disposed of	8	–	1,980
Net cash (used in)/generated by investing activities		(30,145)	(64,961)
Cash flows from financing activities			
Loans repaid	23	(6,805)	(24,000)
Dividend to equity holders of the parent company		–	(13,166)
Proceeds from debt		77,805	–
Payments in respect of finance leases		(573)	(610)
Financing costs		(1,444)	–
Net exercise of share options settled in cash		–	(172)
Net cash flows generated by/(used in) financing activities		68,983	(37,948)
Net cash movement		(39,873)	(50,528)
Exchange gains/(losses)		186	180
Total (decrease)/increase in cash and cash equivalents		(39,687)	(50,348)
Cash and cash equivalents at start of the year		54,888	105,236
Cash and cash equivalents at end of the year		15,201	54,888

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

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

The Group financial statements consolidate those of the Company and of its subsidiary undertakings; the Group financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union at 31 December 2013.

The Group financial statements have been prepared under the historical cost convention except for share based payments that are fair valued at the date of grant and other financial assets and liabilities that are measured at fair value. The accounting policies applied in these financial statements are unchanged from those used in the previous annual financial statements.

IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary in these financial statements as the 31 December 2012 statement of financial position is the same as previously published.

Certain amounts included in the consolidated financial statements involve the use of judgement and/or estimation. Judgements, estimations and sources of estimation uncertainty are discussed in note 2.

The Parent Company financial statements in notes 38 to 56 present information about the Company as a separate entity rather than about the Group, and have continued to be prepared under UK GAAP as permitted by the Companies Act 2006.

Accounting standards not yet in issue

At the date of authorisation of these financial statements, certain new accounting standards, and amendments to, or interpretations of, existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements are as follows (effective dates stated below are for EU mandatory adoption for accounting periods commencing on or after those dates):

- IFRS 9 Financial Instruments (not yet adopted by the EU)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective date 1 January 2014)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- IFRIC Interpretation 21 Levies (not yet adopted by the EU)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (not yet adopted by the EU)

The Directors anticipate that the above pronouncements, where relevant, will be adopted in the Group's financial statements for the year beginning 1 January 2014 and will have little impact on the Group's accounting policies or results.

Going concern

On 2 January 2014, the Company announced that it had not repaid the US$15.0 million loan due to an affiliate of Elliott Associates, its largest shareholder, which had been due on 31 December 2013 and is secured against the Tri-K exploration asset in Guinea. This was a consequence of a funding shortfall, due to the fall in the gold price during 2013, operational issues encountered during the year, and also the identification of investment requirements to repair mobile machinery and the processing plant during 2014, as part of an estimated revised Life of Mine Plan ('LoMP').

This estimated LoMP, based on pit shells optimised at lower gold prices, indicated that in the years 2015 to 2018 the Inata mine should generate cash flow before financing of approximately US$180 million based on an assumed gold spot price of US$1,200 per ounce. However, this plan shows negative cash flow in 2014 and therefore a requirement for further short term funding in 2014, amounting to between US$20 million and US$30 million, depending on the extent of refurbishment costs, whether a decision is taken to adopt contract mining, and the level of production in 2014.

The announcement of a business review on 20 December 2013 was in response to this funding requirement and disclosed that the board were 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 US$15 million Elliott loan and Inata's US$20 – US$30 million deficit, for a total of up to US$45 million.

1. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS') (continued)

Going concern (continued)

While initial discussions with interested parties, including Ecobank, are ongoing, it cannot be guaranteed that such funding will be secured the combination of these circumstances represents a material uncertainty that casts significant doubt on the group's ability to continue as a going concern. Nevertheless, the Board has a reasonable expectation that the outcome of the financing process will be successful, based on the parties involved, the nature of early stage discussions, and feedback from its advisors. The Board has therefore continued to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2013.

Should the Board's judgment prove wrong and sufficient funding arrangement 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.

The estimated short term funding of between US$20 million and US$30 million is based on the best estimates and judgements surrounding the assumptions relevant to all gold mining companies within their life of mine plans. These estimates and judgements are fully disclosed in note 2 to the group financial statements and detailed sensitivity analysis for the Inata CGU are included within the impairment disclosures within note 7 to the group financial statements.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND SOURCES OF ESTIMATION UNCERTAINTY

Certain amounts included in the financial statements involve the use of judgement and/or estimation. These are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. However, judgements and estimations regarding the future are a key source of uncertainty and actual results may differ from the amounts included in the financial statements. Information about judgements and estimation is contained in the accounting policies and/or other notes to the financial statements. The key areas are summarised below:

Mineral Resources and Ore Reserves

Quantification of Mineral Resources requires a judgement on the reasonable prospects for eventual economic extraction. Quantification of Ore Reserves requires a judgement on whether Mineral Resources are economically mineable. These judgements are based on assessment of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors involved, in accordance with the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Institute of Geoscientists and Minerals Council of Australia ('JORC code'). These factors are a source of uncertainty and changes could result in an increase or decrease in Mineral Resources and Ore Reserves. This would in turn affect certain amounts in the financial statements such as depreciation and closure provisions, which are calculated on projected life of mine figures, and carrying values of mining property and plant which are tested for impairment by reference to future cash flows based on LoMP Ore Reserves. Certain relevant judgements are discussed in note 7 in respect of the impairment of mining assets.

Deferred exploration expenditure

The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgement about the feasibility of the project and estimates of its future cash flows. Future gold prices, operating costs, capital expenditure and production are sources of estimation uncertainty. The Group periodically makes judgements as to whether its deferred exploration expenditure may have been impaired, based on internal and external indicators. Any impairment is based on estimates of future cash flows. In particular, the Group recognises that, if it decides, or is compelled due to insufficient funding, to withdraw from exploration activity at a project, then the Company would need to assess whether an impairment is necessary based on the likely sale value of the property.

Carrying values of property, plant and equipment

The Group periodically makes judgements as to whether its property, plant and equipment may have been impaired, based on internal and external indicators. A detailed impairment assessment was undertaken at 31 December 2013, which was triggered by a reduction in the Inata Ore Reserve as a result of metallurgical testwork and increasing costs.

The carrying value of assets was compared to the recoverable amount. The recoverable amount used in the impairment review was calculated on the Value in Use ('VIU') basis, being the discounted cash flow of the Cash Generating Unit ('CGU'). A CGU is the smallest group of assets that generate cash inflows from continuing use. The Inata Mine has been identified as the CGU for the purposes of impairment testing.

Key assumptions used in the calculation of VIU involve judgement and estimation of uncertainties, including: assessment of recoverable Mineral Resources and Ore Reserves, gold prices, operating costs, capital expenditure, and discount rates. Further information is provided on key assumptions, and the judgements made, in note 7.

Deferred stripping costs

The recoverability of deferred stripping costs is assessed based on the projected future cash flows of the project. The Company does not anticipate deferring any stripping costs from its current operations.

Functional currencies

Identification of functional currencies requires a judgement as to the currency of the primary economic environment in which the companies of the Group operate. This is based on analysis of the economic environments and cash flows of the subsidiaries of the Group.

Taxation and deferred tax

Within the Group there are entities with significant losses available to be carried forward against future taxable profits. The quantum of the losses or available deductions for which no deferred tax asset is recognised is set out in note 14. Estimates of future profitability are required when assessing whether a deferred tax asset may be recognised. The entities in which the losses and available deductions have arisen are principally non-revenue generating exploration companies, and corporate management functions. It is not expected that taxable profits will be generated in these entities in the foreseeable future, and therefore the Directors do not consider it appropriate to recognise a deferred tax asset. Judgements made in estimating future profitability include forecasts of cash flows, and the timing of inter group recharges which are within the control of management.

In 2012, Société des Mines de Bélahouro SA ('SMB', the subsidiary in Burkina Faso which operates the Inata mine) underwent a tax audit in respect of the fiscal years 2009, 2010, and 2011. The initial assessment of this tax audit, which was undertaken by the tax department of the Burkina Faso government, was that a total of US$25.5 million was due in taxes and penalties. Following discussions with senior government representatives, the Company had understood that, provided the Company submitted a letter accepting the government's position and agreeing to forego legal contestation, it would receive a reduction of over 85% in the amount claimed to US$3.5 million.

However, after having submitted this letter, a revised assessment of US$8.2 million was received by the Company. The Company has communicated its disappointment in this revision, although has paid US$3.5 million in order to demonstrate its commitment to the original understanding. At the present time, government actions to recover the balance of the claim have been suspended, pending further discussions.

Management believes that it is unlikely that any further amounts will be paid in respect of this claim and therefore no provision has been recognised, although, as it cannot be certain of this, the remaining US$4.7 million should be considered a contingent liability. Refer to note 32 for further details.

Inventory valuations

Valuations of gold in stockpiles and in circuit require estimations of the amount of gold contained in, and recovery rates from, the various work in progress. These estimations are based on analysis of samples and prior experience. A judgement is also required about when stockpiles will be used and what gold price should be applied in calculating net realisable value; these are both sources of uncertainty.

Restoration, rehabilitation and environmental provisions

Such provisions require a judgement on likely future obligations, based on assessment of technical, legal and economic factors. The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques and changes to the life of mine.

Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognised in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realised. Each of these factors is a source of estimation uncertainty.

Recoverability of VAT

Recoverability of the VAT receivable in Burkina Faso is assessed based on a judgement of the validity of the claim and, following review by management, the carrying value in the financial statements is considered to be fully recoverable. Included in the year end balance is an amount of US$3.8 million relating to claims made prior to 2013, which management consider recoverable.

Forward contracts

On 25 March 2013, the Company announced a restructure of the Macquarie forward contracts for delivery of gold bullion. Management reviewed the transaction and concluded that the partial settlement meant the remaining forward contracts no longer qualified for the 'own use exemption'. The conclusion was made on the basis that the transaction did not represent a one-off settlement as the Group anticipated making further settlements and therefore represented a practice of net settlement. In accordance with IAS 39 financial instruments the forward contracts were classified as a financial liability designated at fair value through profit or loss ('FVTPL') as they met the requirements to be classified as held-for-trading.

Previously the Group deemed these contracts to be outside of the scope of IAS 39, as exempted by IAS 39.5, on the basis that they are for own use, and gold produced would be physically delivered to meet the contractual requirement in future periods. Following the disposal on 24 June 2011 of the Company's two producing mines in South East Asia, the forward contracts were restructured to buy back approximately 20% of the forward contracts and extend the delivery profile of the remaining ounces outstanding, with the result that the hedged proportion of production from the Company's one remaining producing mine, Inata, was reduced from approximately 60% to approximately 20%. Management at the time reviewed the transaction and concluded that the contract remained outside the scope of IAS 39 on the basis that a one-off settlement, in response to the changing operational profile of the Group following the disposal of South East Asian assets, did not represent a practice of net settlement such that the contracts should be treated as financial instruments under IAS 39.

3. ACCOUNTING POLICIES

Consolidation

The Group financial statements consolidate the results of the Company and its subsidiary undertakings using the acquisition accounting method. On acquisition of a subsidiary, all of the subsidiary's identifiable assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition on that date. The results of subsidiary undertakings acquired are included from the date of acquisition. In the event of the sale of a subsidiary, the subsidiary results are consolidated up to the date of completion of the sale.

The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition where the acquisition completed prior to accounting periods commencing 1 January 2010. For any acquisitions occurring after 1 January 2010, the costs of acquisition will be recognised in the income statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any Non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement as a gain.

Exchange differences arising from the translation of the net investment in foreign entities are taken to equity. All other transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated, unless the unrealised loss provides evidence of an impairment of the asset transferred.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include the impairment of property, plant and equipment and deferred exploration expenditure, the cost of restructuring forward contracts, and material profit or losses on disposals.

Segmental reporting

An operating segment is a component of the Group engaged in exploration or production activity that is regularly reviewed by the Chief Operating Decision Maker ('CODM') for the purposes of allocating resources and assessing financial performance. The CODM is considered to be the Board of Directors and Executive Committee. The Group's operating segments are determined as the UK, West Africa mining operations (which includes exploration activity within the Inata Mine licence area), and West Africa exploration (which includes exploration projects in Burkina Faso, Guinea and Mali). Exploration projects are aggregated into the single reportable segment because the projects are managed by a single operating division and reported to the CODM on this basis. Discontinued operations for 2012 represent the disposal of one of the remaining assets in South East Asia that was subject to the agreement with J&Partners L.P. (note 8). Comparative periods have been represented on this basis to allow for a consistent comparison.

The Group does not report geographic segments by location of customer as its business is the production of gold which is traded as a commodity on a worldwide basis. Sales are made into the bullion market, where the location of the ultimate customer is unknown. During the year, 40,500 ounces of gold were sold into forward contracts with MBL, an international bank with a stock exchange listing in Australia.

Foreign currency translation

1. Functional and presentational currency

The functional currency of the entities within the Group is the US dollar, as the currency which most affects each company's revenue, costs and financing. The Group's presentation currency is also the US dollar.

2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Revenue

Revenue is the fair value of the consideration receivable by the Group for the sale of gold bullion. Currently, all revenue is derived from the sale of gold produced by the Inata Gold Mine. Gold doré is produced at Inata and shipped to South Africa for refining into gold bullion, being gold of 99.99% purity. Revenue is recognised when the risks and rewards of ownership pass to the purchaser, which occurs when confirmation is received of the conclusion of a trading instruction to sell gold into the bullion market at spot prices or to sell at pre-determined prices as part of a forward contract.

Intangible assets

All directly attributable costs associated with mineral exploration including those incurred through joint venture projects are capitalised within Non-current intangible assets pending determination of the project's feasibility. If an exploration project is deemed to be economically viable based on feasibility studies, the related expenditures are transferred to property, plant and equipment and amortised over the life of the mine on a unit of production basis. Where a project is abandoned or is considered to be no longer economically viable, the related costs are written off. The cost of ancillary services supporting the exploration activities are expensed when incurred.

Property, plant and equipment

Mining property and plant consists of mine development costs (including mineral properties, buildings, infrastructure, and an estimate of mine closure costs to be incurred at the end of the mine life), plant and machinery, and vehicles, fixtures and equipment.

Mining property and plant is initially recognised at the cost of acquisition, and subsequently stated at cost less accumulated depreciation and any impairment. The cost of acquisition is the purchase price and any directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

Mining property and plant is depreciated over the shorter of the estimated useful life of the asset using the straight-line method, or the life of mine using the unit of production method and life of mine ('LOM') reserve ounces. Residual values and useful lives are reviewed on an annual basis and changes are accounted for over the remaining lives.

Exploration property, plant and equipment comprises vehicles and camp buildings specifically used in the Group's exploration programmes in the West Africa Exploration operating segment. Exploration property and plant is depreciated over 3–7 years on a straight-line basis.

The following depreciation methods and asset life estimates are used for the components of mining property and plant:

	Depreciation method	Asset life
Mine development costs	Unit of production	Life of mine
Plant and machinery	Unit of production	Life of mine
Vehicles, fixtures, and equipment	Straight-line	3–7 years
Exploration property and plant	Straight-line	3–7 years

Deferred stripping costs

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

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

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

To the extent that the benefit from the stripping activity is the improved access to ore that will be mined in future periods, and the cost is material, the directly attributable costs should be treated as a non-current 'stripping activity asset'. Stripping activity costs are only capitalised during a sustained period of waste stripping, such as significant push backs or pit expansion, not the cost of short term variations from a life of mine stripping ratio which are absorbed as part of current period mining costs or ore stockpiles.

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

Treasury shares

Treasury shares are held at cost, and are deducted from equity. Any gain or loss on the sale or transfer of treasury shares is recognised in the statement of changes in equity.

Own shares

Own shares are held in the EBT and SIP, and are recorded at cost, and deducted from equity. Any gain or loss on the sale or transfer of these shares is recognised in the statement of changes in equity.

Impairment of intangible assets and property, plant and equipment

The Group carries out a review at each balance sheet date to determine whether there is any indication that the above assets are impaired. Assets are assessed for indicators of impairment (and subsequently tested for impairment if an indicator exists) at the level of a cash generating unit ('CGU'). A CGU is the smallest group of assets that generate cash inflows from continuing use. If an indication of impairment exists, the recoverable amount of the asset or CGU is estimated based on future cash flows, in order to determine the extent of impairment. Future cash flows are based on estimates of the life of mine Ore Reserves together with estimates of future gold prices and cash costs. Deferred exploration costs are tested for impairment at least annually.

The recoverable amount is the higher of fair value less cost to sell and value in use. An impairment is recognised immediately as an expense. Where there is a reversal of the conditions leading to an impairment, the impairment is reversed as income through the income statement.

Inventories

Inventories comprise consumables, work in progress and finished goods. Consumables are recognised at average cost and are subsequently held at the lower of cost less a provision for obsolescence, and net realisable value. Work in progress consists of ore in stockpiles and gold in process, and is valued at the lower of average production cost and net realisable value. Finished goods represent gold doré that is undergoing refining processes, or gold bullion awaiting sale. Finished goods are valued at the lower of average production cost and net realisable value. Net realisable value is the estimated selling price less the estimated cost of completion and any applicable selling expenses.

3. ACCOUNTING POLICIES (continued)

Financial assets

Financial assets are classified into the following specific categories which determine the basis of their carrying value in the statement of financial position and how changes in their fair value are accounted for: at fair value through profit and loss, available for sale financial assets, and loans and receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the purpose for which the investment was acquired.

Available for sale financial assets are included within non-current assets unless designated as held for sale in which case they are included within current assets. They are carried at fair value at inception and changes to the fair value are recognised in other comprehensive income; when sold the accumulated fair value adjustments recognised in other comprehensive income are reclassified through the income statement.

Trade and other receivables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest rates.

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least annually at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments and are measured at cost which is deemed to be fair value as they have short-term maturities.

Leases

Finance leases are recognised as those leases that transfer substantially all the risks and rewards of ownership. Assets held under finance leases are capitalised and the outstanding future lease obligations are shown in liabilities at the fair value of the lease, or if lower at the present value of the lease payments. They are depreciated over the term of the lease or their useful economic lives, whichever is the shorter. The interest element (finance charge) of lease payments is charged to the income statement on a constant basis over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement in the period on a straight-line basis. The Company does not act as a lessor.

Financial liabilities

Financial liabilities include loans, overdrafts, forward contracts and trade and other payables. In the statement of financial position these items are included within Non-current liabilities and Current liabilities. Financial liabilities are recognised when the Group becomes a party to the contractual agreements giving rise to the liability. Interest related charges are recognised as an expense in Finance costs in the income statement unless they meet the criteria of being attributable to the funding of construction of a qualifying asset, in which case the finance costs are capitalised.

Trade and other payables and loans are recognised initially at their fair value and subsequently measured at amortised costs using the effective interest rate, less settlement payments.

Forward contracts are recognised as a financial designated at Fair Value through Profit or Loss ('FVTPL') on the basis they qualify for "Held-for-Trading" as it meets the definition of a derivative under IAS 39 and management do not intend to apply hedge accounting.
As a result the forward contracts are recognised at fair value as defined under IFRS 13.

Borrowing costs

Borrowing costs that are incurred in respect of the construction of a qualifying asset are capitalised where the construction of an asset takes a substantial period of time to be prepared for use. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Income taxes

Current income tax liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out mining operations and where it generates its profits. They are calculated according to the tax rates and tax laws applicable to the financial period and the country to which they relate. All changes to current tax assets and liabilities are recognised as a component of the tax charge in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxes or accounting profit.

Deferred tax liabilities are provided for in full; deferred tax assets are recognised when there is sufficient probability of utilisation. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Pension obligations

The only defined benefit pension scheme operated by the Group relates to a former US subsidiary undertaking which is no longer part of the Group. Accordingly full provision has been made for outstanding post retirement benefits. The liability recognised in the statement of financial

position is the present value of the defined benefit obligation ('DBO') at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method or an accepted equivalent in the USA, and independent assumptions. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses are not recognised in the income statement.

Provisions, contingent liabilities and contingent assets

Other provisions are recognised when the present obligations arising from legal or constructive commitment, resulting from past events, will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Provisions are measured at the present value of the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present values, are provided for in full as soon as the obligation to incur such costs arises and can be quantified. On recognition of a full provision, an addition is made to property, plant and equipment of the same amount; this addition is then charged against profits on a unit of production basis over the life of the mine. Closure provisions are updated annually for changes in cost estimates as well as for changes to life of mine Ore Reserves, with the resulting adjustments made to both the provision balance and the net book value of the associated Non-current asset.

Share based payments

The Group operates equity-settled share based compensation plans for remuneration of its employees, which may be settled in cash under certain circumstances.

All employee services received in exchange for the grant of any share based compensation are measured at their fair values. These are indirectly determined by reference to the share based award. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share based compensation is ultimately recognised as an expense in profit and loss with a corresponding credit to retained earnings, net of deferred tax where applicable. Where share based compensation is to be cash settled, such as certain share based bonus awards, the corresponding credit is made to accruals or cash. The Group has certain share option schemes that may be settled in cash at the absolute discretion of the Board. Currently, it is the expectation that the options will be settled in shares, when exercised.

If any equity-settled share based awards are ultimately settled in cash, then the amount of payment equal to the fair value of the equity instruments that would otherwise have been issued is accounted for as a repurchase of an equity interest and is deducted from equity. Any excess over this amount is recognised as an expense.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to the expense recognised in prior periods is made if fewer share options are ultimately exercised than originally granted.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued, are allocated to share capital with any excess being recorded in share premium.

Non-current assets and liabilities classified as held for sale and discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

The results from discontinued operations, including reclassification of prior year results, are presented separately in the income statement.

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within twelve months is judged to be highly probable, the assets of the disposal group are classified as held for sale and presented separately in the statement of financial position. Liabilities are classified as held for sale and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets. No assets classified as held for sale are subject to depreciation or amortisation subsequent to their classification as held for sale.

4. SEGMENTAL REPORTING

Year ended 31 December 2013	UK	West Africa mining operations	West Africa exploration	Total
US$000				
INCOME STATEMENT				
Revenue	–	149,261	–	149,261
Cost of Sales	2,904	(176,805)	(5,748)	(179,649)
Cash production costs:				
– mining	–	(64,833)	–	(64,833)
– processing	–	(44,111)	–	(44,111)
– overheads	–	(22,175)	–	(22,175)
– royalties	–	(11,339)	–	(11,339)
	–	(142,458)	–	(142,458)
Changes in inventory	–	4,935	–	4,935
Expensed exploration and other cost of sales[1]	3,099	(10,059)	(5,748)	(12,708)
Depreciation and amortisation[2]	(195)	(29,223)	–	(29,418)
Gross profit/(loss)	2,904	(27,544)	(5,748)	(30,388)
Administrative expenses and share based payments	(9,493)	–	–	(9,493)
Net impairment of mining assets	(2,589)	(3,894)	(34,244)	(40,727)
Loss from operations	(9,178)	(31,438)	(39,992)	(80,608)
Loss on recognition of forward contracts	–	(20,225)	–	(20,225)
Restructure of forward contracts	–	(96,632)	–	(96,632)
Change in fair value of forward contracts	–	54,192	–	54,192
Net finance items	(2,567)	(3,532)	(13)	(6,112)
Loss before taxation	(11,745)	(97,635)	(40,005)	(149,385)
Analysed as:				
Loss before tax and exceptional items	(9,156)	(31,076)	(5,761)	(45,993)
Exceptional items	(2,589)	(66,559)	(34,244)	(103,392)
Taxation	–	(3,484)	–	(3,484)
Loss for the year	(11,745)	(101,119)	(40,005)	(152,869)
Attributable to:				
Equity shareholders of parent company	(11,745)	(90,733)	(40,005)	(142,483)
Non-controlling interest	–	(10,386)	–	(10,386)
Loss for the year	(11,745)	(101,119)	(40,005)	(152,869)
EBITDA[3]	(6,394)	1,679	(5,748)	(10,463)

1 Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised and intercompany charges.
2 Includes amounts in respect of the amortisation of closure provision at Inata.
3 EBITDA represents earnings before exceptional items, finance items, tax, depreciation and amortisation.

At 31 December 2013	UK	West Africa mining operations	West Africa exploration	Total
US$000				
STATEMENT OF FINANCIAL POSITION				
Non-current assets	74	128,390	26,847	155,311
Inventories	–	58,737	182	58,919
Trade and other receivables	402	15,846	1,724	17,972
Cash and cash equivalents	3,927	11,057	217	15,201
Total assets	4,403	214,030	28,970	247,403
Current liabilities	(18,187)	(42,407)	(1,519)	(62,113)
Non-current liabilities	(164)	(58,500)	–	(58,664)
Total liabilities	(18,351)	(100,907)	(1,519)	(120,777)
Net assets	(13,948)	113,123	27,451	126,626

Year ended 31 December 2013	UK	West Africa mining operations	West Africa exploration	Total
US$000				
CASH FLOW STATEMENT				
Loss for the year	(11,745)	(101,119)	(40,005)	(152,869)
Adjustments for non-cash and non-operating items[1]	6,356	41,251	33,735	81,342
Movements in working capita	(1,315)	(1,809)	1,306	(1,818)
Net cash used in by operations	(6,704)	(61,677)	(4,964)	(73,345)
Net interest received/(paid)	2	(1,847)	–	(1,845)
Tax paid	–	(3,521)	–	(3,521)
Purchase of property, plant and equipment	–	(15,411)	(256)	(15,667)
Deferred exploration expenditure	–	–	(14,478)	(14,478)
Loans repaid	–	(6,805)	–	(6,805)
Proceeds from debt	15,000	62,805	–	77,805
Financing costs	(1,444)	–	–	(1,444)
Other cash movements[2]	(10,316)	(9,417)	19,346	(387)
Total decrease in cash and cash equivalents	(3,462)	(35,873)	(352)	(39,687)

1 Includes impairments, depreciation and amortisation, share based payments, movement in provisions, taxation in the income statement and non-operating items in the income statement.
2 Other cash movements include cash flows from financing activities, and exchange losses.

4. SEGMENTAL REPORTING (continued)

Year ended 31 December 2012	UK	West Africa mining operations	West Africa exploration	Continuing operations total	Discontinued operations total	Total
US$000						
INCOME STATEMENT						
Revenue	–	204,110	–	204,110	–	204,110
Cost of Sales	3,454	(166,867)	(5,281)	(168,694)	–	(168,694)
Cash production costs:						
– mining	–	(55,659)	–	(55,659)	–	(55,659)
– processing	–	(41,772)	–	(41,772)	–	(41,772)
– overheads	–	(21,762)	–	(21,762)	–	(21,762)
– royalties	–	(15,945)	–	(15,945)	–	(15,945)
	–	(135,138)	–	(135,138)	–	(135,138)
Changes in inventory	–	10,202	–	10,202	–	10,202
Expensed exploration and other cost of sales[1]	3,571	(14,052)	(5,281)	(15,762)	–	(15,762)
Depreciation and amortisation[2]	(117)	(27,879)	–	(27,996)	–	(27,996)
Gross profit/(loss)	3,454	37,243	(5,281)	35,416	–	35,416
Administrative expenses and share based payments	(15,069)	–	–	(15,069)	–	(15,069)
Impairment of mining assets	–	(135,300)	–	(135,300)	–	(135,300)
Loss from operations	(11,615)	(98,057)	(5,281)	(114,953)	–	(114,953)
Loss on disposal of subsidiaries	–	–	–	–	(105)	(105)
Net finance items	404	(2,481)	5	(2,072)	–	(2,072)
Loss before taxation	(11,211)	(100,538)	(5,276)	(117,025)	(105)	(117,130)
Analysed as:						
(Loss)/profit before tax and exceptional items	(11,211)	34,762	(5,276)	18,275	–	18,275
Exceptional items	–	(135,300)	–	(135,300)	(105)	(135,405)
Taxation	–	14,529	–	14,529	–	14,529
Loss for the year	(11,211)	(86,009)	(5,276)	(102,496)	(105)	(102,601)
Attributable to:						
Equity shareholders of parent company	(11,211)	(76,198)	(5,276)	(92,685)	(105)	(92,790)
Non-controlling interest	–	(9,811)	–	(9,811)	–	(9,811)
Loss for the year	(11,211)	(86,009)	(5,276)	(102,496)	(105)	(102,601)
EBITDA[3]	(11,498)	65,122	(5,281)	48,343	–	48,343

1 Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised.
2 Includes amounts in respect of the amortisation of closure provision at Inata.
3 EBITDA represents earnings before exceptional items, finance items, tax, depreciation and amortisation.

At 31 December 2012	UK	West Africa mining operations	West Africa exploration	Total
US$000				
STATEMENT OF FINANCIAL POSITION				
Non-current assets	1,145	140,687	53,862	195,694
Inventories	–	56,552	397	56,949
Trade and other receivables	436	20,855	3,833	25,124
Cash and cash equivalents	7,393	46,926	569	54,888
Total assets	8,974	265,020	58,661	332,655
Current liabilities	(3,779)	(41,169)	(3,180)	(48,128)
Non-current liabilities	(430)	(8,292)	–	(8,722)
Total liabilities	(4,209)	(49,461)	(3,180)	(56,850)
Net assets	4,765	215,559	55,481	275,805

Year ended 31 December 2012	UK	West Africa mining operations	West Africa exploration	Continuing operations total	Discontinued operations total	Total
US$000						
CASH FLOW STATEMENT						
Loss for the year	(11,211)	(86,009)	(5,276)	(102,496)	(105)	(102,601)
Adjustments for non-cash and non-operating items[1]	1,770	154,447	(643)	155,574	105	155,679
Movements in working capital	(3,884)	3,586	581	283	–	283
Net cash (used in)/generated by operations	(13,325)	72,024	(5,338)	53,361	–	53,361
Net interest received/(paid)	134	(1,114)	–	(980)	–	(980)
Purchase of property, plant and equipment	(169)	(33,005)	(1,971)	(35,145)	–	(35,145)
Deferred exploration expenditure	–	(388)	(31,408)	(31,796)	–	(31,796)
Net proceeds from disposal of discontinued operations	1,980	–	–	1,980	–	1,980
Final dividend	(13,166)	–	–	(13,166)	–	(13,166)
Loans repaid	–	(24,000)	–	(24,000)	–	(24,000)
Other cash movements[2]	(43,815)	4,694	38,519	(602)	–	(602)
Total (decrease)/increase in cash and cash equivalents	(68,361)	18,211	(198)	(50,348)	–	(50,348)

1 Includes impairments, depreciation and amortisation, share based payments, movement in provisions, taxation in the income statement and non-operating items in the income statement.

2 Other cash movements include deferred consideration paid, cash flows from financing activities, and exchange losses.

5. EXCEPTIONAL ITEMS

Year ended 31 December	**2013**	2012
US$000		
Restructure of forward contracts	(20,225)	–
Loss on recognition of forward contracts	(96,632)	–
Change in fair value of forward contracts	54,192	–
Net impairment of Burkina Faso assets	(30,500)	(135,300)
Impairment of Mali exploration asset	(316)	–
Impairment of Guinea exploration asset	(7,322)	–
Impairment of corporate fixed assets	(351)	–
Impairment of available for sale financial assets	(2,238)	–
Loss on disposal of subsidiaries	–	(105)
Exceptional loss	(103,392)	(135,405)

Restructure and recognition of forward contracts

On 25 March 2013, the Group announced the restructure of the forward contracts held with Macquarie Bank Limited for delivery of gold bullion. The restructure consisted of eliminating 29,020 ounces under those contracts at a cost of US$20.2 million, and shortening the delivery profile of the remaining ounces by 18 months so that all ounces would be delivered by December 2016.

The recognition of the liability was in accordance with IAS 39 financial instruments, and reflects the fact that the buy back demonstrated a practice of cash-settling forward contracts. Under IAS 39, this meant that the own-use exemption previously applied was no longer appropriate. The fair valuate liability of the forward contracts was recognised at 31 March 2013 at US$96.6 million. Between 31 March and 15 November 2013, when all remaining forward contracts were brought back, the fair value liability of the contracts fell by US$54.2 million to a liability of US$42.4 million due to the falling gold prices and the delivery of 32,250 ounces into the forward contracts. As a consequence, a US$54.2 million gain has been recognised reflecting the reduction in fair value liability.

Net impairments of Burkina Faso Assets

The Group recognised a net impairment of non-current assets of US$30.5 million (2012: US$135.3 million) in respect of the Inata Gold Mine cash generating unit driven by a reduction in the forecasted gold price and changes is the life of mine plan. Further details are provided in note 7.

Impairment of Mali exploration asset

During the year the Company decided to discontinue operations at the N'tjila permit located in the Republic of Mali. As a result the US$0.3 million capitalised costs in relation to the permit was impaired and recognised as an exceptional item.

Impairment of Guinea exploration asset

Work performed as a result of the business review indicated that the carrying value of the Guinea exploration assets were above their recoverable value, due to the fall in management's view of the gold price. From the review management determined a fair value of US$25 million for the Guinea exploration cash generating unit ('CGU') resulting in a US$7.3 million impairment. Further details are provided in note 7.

Impairment of corporate fixed assets

The Group's accounting policy requires assets to be assessed for impairment in their smallest possible CGU. The UK corporate assets are reviewed in the context of the entire Group, on the basis that this is the smallest CGU to which these assets can be allocated. At 31 December 2013, both the Guinea and Inata CGUs were being held at values equal to their fair value as a result of impairments and as a consequence no excess fair value exists to support the carrying value of corporate, which have therefore been fully impaired.

Impairment of available for sale financial assets

At 31 December 2013 management concluded that the decline in the share price of Golden Peaks Resources Limited reflects a permanent diminution in the value of that asset. Management consider the fall to be indicative of the investment's ability to provide a future return and is therefore not considered a short term fluctuation in the market value. The cumulative loss that had been recognised directly in other comprehensive income has been reclassified from equity and recognised in profit or loss. Further details are provided in note 18.

Loss on disposal of subsidiaries

Completion of the sale of one of the last exploration assets in SE Asia occurred on 16 February 2012 for proceeds of US$2.0 million, resulting in a loss of US$0.1 million. There are no remaining assets or liabilities recognised in the Group statement of financial position in respect of the Group's former South East Asian Assets.

6. EBITDA

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

Reconciliation of loss before taxation to EBITDA

Year ended 31 December	**2013**	2012
US$000		
Loss before taxation	(149,385)	(117,130)
Exceptional Items (see note 5)	103,392	135,405
Depreciation	29,418	27,996
Exchange (gain)/losses	109	(519)
Net finance income	(17)	(125)
Net finance expense	6,020	2,716
EBITDA	(10,463)	48,343

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

Year ended 31 December	**2013**	2012
US$000		
EBITDA	(10,463)	48,343
Working capital	(1,818)	283
Interest paid	(1,845)	(980)
Income tax paid	(3,521)	–
Hedge restructure	(20,225)	–
Hedge final settlement	(42,440)	–
Provisions and other non-cash costs	1,601	4,735
Net cash (used in)/generated by operating activities	(78,711)	52,381

7. IMPAIRMENT OF NON-CURRENT ASSETS

Net impairment of Burkina Faso assets

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. Since 31 December 2013 the exploration assets in Souma and Inata surrounds have now been included as part of the Inata CGU as they are not expected to become a separate CGU. The full amount was impaired as it would have been fully written down upon transfer of the asset to property, plant and equipment.

At 31 December 2013 the Company concluded that the reduction in the market forecasted gold price and the decrease in the expected gold recovered from the change in the Inata Mine's life of mine plan were indicators of impairment. An assessment was carried out of the fair value of Inata Mine's CGU, using the discounted cash flows of the mine's latest estimated life of mine plan to calculate their VIU. As a result of this review, a pre-tax impairment loss of US$30.5 million (2012: US$135.3 million) was recorded in 2013, being an impairment of intangible exploration costs of US$26.6 million (2012: US$6.4 million), and mine development costs of US$3.9 million (2012: US$128.9 million).

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 table overleaf.

7. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

Assumption	Judgements	Sensitivity
Timing of cash flows	Cash flows were forecast over the expected life of the mine. The life of mine plan in December 2013 forecasted mining activities to occur until H1 2016, with a further 18 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 in production costs excluding royalties of 10% would increase or decrease the pre-tax impairment attributable by US$23.4 million[1].
Gold price	Management have used future gold prices, based on consensus estimates, which increase from US$1,250 per ounce in 2014 to US$1,300 per ounce for the life of the mine.	A change of 10% in the gold price assumption would increase or decrease the pre-tax impairment recognised in the year by US$44.8 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 increase or decrease the pre-tax impairment recognised in the year by US$4.3 million[1].
Gold production	The life of mine plan was based on gold production of 0.52 million for the Inata Mine.	A 10% increase or decrease in ounces produced, compared with the life of mine gold production, would increase or decrease the pre-tax impairment recognised in the year by US$43.6 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.

Impairment of mining and exploration assets at prior reporting dates

At 31 December 2012 the Company concluded that the reduction in Inata's Mineral Reserve and subsequent revision to the life of mine represented an indication of impairment. A review was therefore carried out of the carrying value of Inata's assets, using the discounted cash flows of Inata's latest estimated life of mine plan to calculate their VIU. As a result of this review, a pre–tax impairment loss of US$135.3 million was recorded in 2012, being an impairment of intangible exploration costs of US$6.4 million, and mine development costs of US$128.9 million.

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

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

At 30 June 2013 the Company concluded that the fall in the gold spot price and market forecasts was considered to be an indicator for impairment. An assessment was carried out of the fair value of Inata's assets, using the discounted cash flows of Inata's latest estimated life of mine plan to calculate their VIU. As a result of this review, a pre-tax impairment loss of US$73.3 million was recorded at 30 June 2013, being an impairment of mine development costs.

7. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

Year ended 31 December	**2013**	2012
US$000		
Impairment at 31 December 2012	–	(135,300)
Impairment reversal at 31 March 2013	72,200	–
Impairment at 30 June 2013	(73,300)	–
Impairment at 31 December 2013	(29,400)	–
Net impairment	(30,500)	(135,300)

Impairment of Guinea exploration asset

As a result of the business review performed in December 2013. The financing options for the Guinea exploration assets were reviewed and were used to inform the impairment review. The business review process indicated that management could value the Guinea assets on a number of different bases. Although the feasibility study submitted to the Guinean authorities was based on a heap leach operation, management are still considering other options such as a carbon-in-leach plant. Furthermore in order to assess market value the asset was compared to recent asset sales involving similar projects in West Africa.

From the review management determined a fair value based on comparable market transaction of US$25.0 million for the Guinea exploration CGU resulting in a US$7.3 million impairment.

8. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal of discontinued operations to J&Partners L.P.

On 24 June 2011, Avocet completed the sale of its main South East Asian assets, namely its 100% interest in the Penjom gold mine in Malaysia and its 80% interest in PT Avocet Bolaang Mongondow ('PT ABM'), which owns the North Lanut mine and Bakan project in North Sulawesi, Indonesia, for proceeds of US$170 million.

Completion of one of the last exploration asset occurred on 16 February 2012 for proceeds of US$2 million, resulting in a loss of US$0.1 million. There are no remaining assets or liabilities recognised in the Group statement of financial position in respect of the Group's former South East Asian assets. The loss on disposal of the assets sold during 2012 is presented below in note 8a.

a) Profit on disposal of discontinued operations to J&Partners L.P.

Year ended 31 December	**2013**	2012
US$000		
Consideration received	–	2,000
Company share of cash held in subsidiaries at completion	–	–
Working capital and other adjustments	–	–
Net consideration	–	2,000
Less transaction costs paid and accrued	–	(20)
Net assets disposed (8b)	–	(2,085)
Foreign currency translation reserve recycled on disposal	–	–
Pre-tax profit on disposal of discontinued operations	–	(105)
Taxation[1]	–	–
Post-tax profit on disposal of discontinued operations	–	(105)

1 UK tax was not deemed payable on the disposal the South East Asian operations on the basis that the sale qualifies for the UK substantial shareholding exemption.

8. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

c) Carrying amounts of assets and liabilities of discontinued operations sold to J&Partners L.P.

At date of asset disposal	2013	2012
US$000		
Assets		
Intangible assets	–	2,085
	–	2,085
Liabilities		
Other liabilities	–	–
Net assets disposed	–	2,085

d) Cash flows on disposal of discontinued operations to J&Partners L.P.

Year ended 31 December	2013	2012
US$000		
Disposal consideration	–	2,000
Advance payment in respect of estimated cash held by subsidiaries at completion	–	–
Transaction costs paid	–	(20)
Net cash received in the period	–	1,980
Actual cash held in subsidiaries sold	–	–
Net cash movement on disposal of subsidiaries	–	1,980

9. LOSS FOR THE PERIOD BEFORE TAX

Year ended 31 December	2013	2012
US$000		
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	28,872	27,679
Depreciation of property, plant and equipment held under finance lease	546	317
Operating lease charges	6,539	5,593
Audit services:		
– fees payable to the Company's auditor for the audit of the Company and Group accounts	205	156
Fees payable to the Company's auditor for other services:		
– interim review services	44	67
– tax services	14	18
– accounting advice	17	–
– transaction services, principally relating to listing on London Stock Exchange	–	16

10. REMUNERATION OF KEY MANAGEMENT PERSONNEL

In accordance with IAS 24 – Related party transactions, key management personnel, including all Executive and Non-executive Directors, are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Company uses the same definition as for Persons Discharging Managerial Responsibility ('PDMRs'), an up-to-date list of whom can be found on the Company's website (www.avocetmining.com).

Year ended 31 December	**2013**	2012
US$000		
Wages and salaries	3,097	3,408
Share based payments	107	1,291
Social security costs	242	344
Bonus	625	721
Redundancy payments	230	–
Pension costs – defined contribution plans	129	120
Total remuneration of key management personnel	4,430	5,884

11. TOTAL EMPLOYEE REMUNERATION (INCLUDING KEY MANAGEMENT PERSONNEL)

Year ended 31 December	**2013**	2012
US$000		
Wages and salaries	31,326	32,480
Social security costs	1,983	1,690
Bonus	1,055	2,949
Redundancy payments	884	–
Share based payments	1,273	2,068
Pension costs – defined contribution plans	183	174
Total employee remuneration	36,704	39,361
The average number of employees during the period was made up as follows:		
Directors	8	8
Management and administration	88	103
Mining, processing and exploration staff	861	775
	957	886

12. (LOSS)/PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS

(Loss)/profit before taxation and exceptional items is calculated as follows:

Year ended 31 December	**2013**	2012
US$000		
Loss from operations	(80,608)	(114,953)
Exceptional net impairment of Burkina Faso assets	30,500	135,300
Impairment of Guinea exploration asset	7,322	–
Exceptional impairment of Mali exploration assets	316	–
Impairment of corporate fixed assets	351	–
Impairment of available for sale financial assets	2,238	–
Exchange gains/(losses)	(109)	519
Net finance expense	(6,003)	(2,591)
(Loss)/profit before tax and exceptional items	(45,993)	18,275

13. FINANCE INCOME AND EXPENSE

Year ended 31 December	**2013**	2012
US$000		
Finance income		
Bank interest received	17	125
Finance expense		
Interest on loans	1,983	1,112
Interest on finance leases	273	312
Other finance costs	3,764	1,292
	6,020	2,716
Net finance expenses	6,003	2,591

Bank interest received represents interest earned on the Group's cash at bank.

The interest on loans of US$2.0 million consists of US$0.5 million in respect of the Inata facility with Macquarie Bank Limited, US$0.7 million in respect to the Elliott loan and US$0.8 million in respect of the Ecobank loan. The interest on finance leases relates to the fuel storage facility located on the Inata site. Other finance costs are largely made up of bank and professional fees in respect of the changes in the Group's financing during the period.

14. TAXATION

Year ended 31 December	**2013**	2012
US$000		
Current tax:		
Current tax on loss for the year	–	–
Current tax relating to prior years	3,521	–
Current tax charge	3,521	–
Deferred tax:		
Origination and reversal of temporary differences in respect of PPE in Burkina Faso	(37)	(9,232)
Changes in assessment of the expected application of mining allowances in Burkina Faso	–	(5,297)
Deferred tax credit	(37)	(14,529)
Total tax charge/(credit) for the year	3,484	(14,529)

Factors affecting the tax charge for the year:

Year ended 31 December	**2013**	2012
US$000		
Loss for the period before tax	(149,385)	(117,130)
Loss for the period multiplied by the UK standard rate of corporation tax 23.25% (2012: 24.5%)	(34,732)	(28,697)
Effects of:		
Disallowable expenses	28,176	19,391
Taxable income not recognised under IFRS	4,767	–
Carry forward of tax losses	1,789	64
Gains not taxable	–	10
Adjustment in respect of prior periods	3,521	(5,297)
Change in expected recovery of deferred tax asset	(37)	–
Tax charge/(credit) for the period	3,484	(14,529)

The Group contains entities with tax losses and deductible temporary differences for which no deferred tax asset is recognised. The total unrecognised losses and deductible temporary differences amount to approximately US$150.0 million. A deferred tax asset has not been recognised because the entities in which the losses and allowances have been generated either do not have forecast taxable profits in the foreseeable future, or the losses have restrictions whereby their utilisation is considered to be unlikely.

In December 2013, the Group paid US$3.5 million as a settlement of the tax assessment in respect of the years 2009 – 2011 in Burkina Faso. For further details on this matter, refer to note 32 Contingent liabilities.

15. EARNINGS PER SHARE

Earnings per share are analysed in the table below, which also shows earnings per share after adjusting for exceptional items:

Year ended 31 December	**2013**	2012
Shares		
Weighted average number of shares in issue for the year		
– number of shares with voting rights	199,104,701	199,021,381
– effect of share options in issue	17,782	1,306,698
Total used in calculation of diluted earnings per share	199,122,483	200,328,079

Potential ordinary shares are treated as dilutive, when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As such, potential ordinary shares for 2013 and 2012 are anti-dilutive and are therefore not included in diluted earnings per share. Note 28 outlines share options in issue, none of which were exercisable at the period end.

Year ended 31 December	**2013**	2012
US$000		
Earnings per share from continuing operations		
Loss for the year from continuing operations	(152,869)	(102,496)
Adjustments:		
Adjusted for non-controlling interest	10,386	9,811
Loss for the year attributable to equity shareholders of the parent	(142,483)	(92,685)
Loss per share		
– basic (cents per share)	(71.56)	(46.57)
– diluted (cents per share)	(71.56)	(46.57)
Earnings per share from continuing operations before exceptional items		
Loss for the year attributable to equity shareholders of the parent	(142,483)	(92,685)
Adjustments:		
Add back exceptional items	103,392	135,300
Less tax benefit from exceptional items	–	(23,678)
Add back non-controlling interest of exceptional items	(6,393)	11,162
(Loss)/profit for the year attributable to equity shareholders of the parent from continuing operations before exceptional items	(45,484)	7,775
Earnings per share per share from continuing operations before exceptional items		
– basic (cents per share)	(22.84)	3.91
– diluted (cents per share)	(22.84)	3.91

Year ended 31 December	**2013**	2012
US$000		
Earnings per share from discontinued operations		
Loss for the year from discontinued operations	–	(105)
Adjustments:		
Adjusted for non-controlling interest	–	–
Loss for the year attributable to equity shareholders of the parent	–	(105)
Loss per share		
– basic (cents per share)	–	(0.05)
– diluted (cents per share)	–	(0.05)

15. EARNINGS PER SHARE (continued)

Year ended 31 December	2013	2012
US$000		
Earnings per share from discontinued operations before exceptional items		
Loss for the year attributable to equity shareholders of the parent	–	(105)
Adjustments:		
Add loss on disposal of subsidiaries	–	105
Profit for the period attributable to equity shareholders of the parent from discontinued operations before exceptional items	–	–
Earnings per share from discontinued operations before exceptional items		
– basic (cents per share)	–	–
– diluted (cents per share)	–	–

16. INTANGIBLE ASSETS

Year ended 31 December	Note	2013	2012
US$000			
At 1 January		49,442	42,390
Additions		14,459	32,271
Capitalised depreciation	17	1,078	822
Transferred to property, plant and equipment	17	(7,486)	(19,661)
Impairment of exploration assets	5	(34,244)	(6,380)
At 31 December		23,249	49,442

Year end balances are analysed as follows:

Year ended 31 December	2013	2012
US$000		
Burkina Faso	–	26,577
Guinea	23,249	22,574
Mali	–	291
Total	23,249	49,442

Capitalised depreciation represents the depreciation of items of property, plant, and equipment which are used exclusively in the Group's exploration activities. The consumption of these assets is capitalised as an intangible asset, in accordance with accounting standards/industry practice.

The intangible asset in Burkina Faso, which represents capitalised exploration costs in the Bélahouro area, were from December 2013 included as part of the Inata cash generating unit, on the basis that it was deemed unlikely to become a separate cash generating unit in the future. The full amount was impaired as it would have been fully written down upon transfer of the asset to property, plant and equipment.

Work performed during the business review determined a fair value of US$25.0 million for the Guinea exploration CGU (which includes US$1.8 million of other net assets) resulting in a US$7.3 million impairment.

During Q1 the company decided to discontinue operations at the N'Tjila permit located in the Republic of Mali. As a result the US$0.3 million of capitalised costs in relation to this permit was impaired and recognised as an exceptional item.

Transfers to property, plant and equipment consists of US$7.5 million of exploration costs identified as relating to the Inata permit. These assets were subsequently impaired as a part of the Inata impairment on 30 June 2013.

17. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2013	Note	Mining property plant Mine development costs West Africa	Mining property plant Plant and machinery West Africa	Mining property plant Vehicles fixtures and equipment West Africa	Exploration property and plant West Africa	Office equipment UK	Total
US$000							
Cost							
At 1 January 2013		96,789	87,589	55,568	5,242	1,121	246,309
Additions		5,324	2,041	6,124	256	–	13,745
Additions to mine closure		546	–	–	–	–	546
Assets scrapped		–	(1,797)	–	–	–	(1,797)
Transfer from intangible exploration assets	16	7,486	–	–	–	–	7,486
Impairment	7	(3,894)	–	–	–	(351)	(4,245)
At 31 December 2013		**106,251**	**87,833**	**61,692**	**5,498**	**770**	**262,044**
Depreciation							
At 1 January 2013		56,958	23,624	18,677	822	575	100,656
Charge for the year		7,928	9,572	11,723	–	195	29,418
Charge for the year – capitalised	16	–	–	–	1,078	–	1,078
Accumulated depreciation relating to scrapped assets		–	(1,096)	–	–	–	(1,096)
At 31 December 2013		**64,886**	**32,100**	**30,400**	**1,900**	**770**	**130,056**
Net Book Value at 31 December 2013		**41,365**	**55,733**	**31,292**	**3,598**	**–**	**131,988**
Net Book Value at 31 December 2012		39,831	63,965	36,891	4,420	546	145,653

The addition in respect of closure provisions reflects increases during the year of anticipated closure liabilities at the Group's operations. On the recognition or increase of a provision, an addition is made to property, plant and equipment of the same amount. The cost of this addition is charged against profits on a unit of production basis over the life of the mine. The total charge to the income statement for continuing operations for the year ended 31 December 2013 in respect of mine closure provisions is US$0.5 million (2012: US$0.4 million) which is included in the Group's depreciation charge.

Included within property, plant and equipment are assets held under finance leases with a net book value of US$2.8 million (2012: US$3.2 million) and assets in the course of construction with a value of US$6.6 million (2012: US$8.0 million), principally being the carbon blinding circuit, and the construction of the second tailings management facility. Assets in the course of construction are not depreciated until they are completed and brought into use.

Year ended 31 December 2012	Note	Mining property plant Mine development costs West Africa	Mining property plant Plant and machinery West Africa	Mining property plant Vehicles fixtures and equipment West Africa	Exploration property and plant West Africa	Office equipment UK	Total
US$000							
Cost							
At 1 January 2012		192,727	75,070	48,231	2,812	952	319,792
Additions		13,149	12,519	7,337	1,494	169	34,668
Additions to mine closure		1,108	–	–	–	–	1,108
Transfer from intangible exploration assets	16	18,725	–	–	936	–	19,661
Impairment of mining assets	7	(128,920)	–	–	–	–	(128,920)
At 31 December 2012		**96,789**	**87,589**	**55,568**	**5,242**	**1,121**	**246,309**
Depreciation							
At 1 January 2012		41,576	18,146	11,658	–	458	71,838
Charge for the year		15,382	5,478	7,019	–	117	27,996
Charge for the year – capitalised	16	–	–	–	822	–	822
At 31 December 2012		**56,958**	**23,624**	**18,677**	**822**	**575**	**100,656**
Net Book Value at 31 December 2012		**39,831**	**63,965**	**36,891**	**4,420**	**546**	**145,653**
Net Book Value at 31 December 2011		151,151	56,924	36,573	2,812	494	247,954

18. OTHER FINANCIAL ASSETS

	2013	2012
US$000		
At 1 January	599	1,828
Fair value adjustment	(525)	(1,229)
At 31 December	74	599

Other financial assets represent available for sale financial assets which are measured at fair value. The fair value adjustment is the periodic re-measurement to fair value, with gains or losses on re-measurement recognised in equity.

The asset relates to shares in Golden Peaks Resources Limited, a company listed on the Toronto Stock Exchange. The shares were acquired as consideration for the disposal of two of the Group's assets in South East Asia.

At 31 December 2013 management concluded that the reduction in the share price of these shares reflected an impairment of the asset. Management consider the fall to be indicative of the investment's ability to provide a future return and is not considered a short term fluctuation in the market value. The cumulative loss that had been recognised directly in other comprehensive income (US$1.7 million) has been reclassified from equity and recognised in the income statement as a cumulative impairment of US$2.2 million.

19. INVENTORIES

Year ended 31 December	2013	2012
US$000		
Consumables	30,881	33,844
Work in progress	24,018	20,001
Finished goods	4,020	3,104
Total inventories	58,919	56,949

Consumables represent stocks of mining supplies, reagents, lubricants and spare parts held on site. The remoteness of the Inata Gold Mine requires large balances of such supplies to be held in store. A provision of US$2.1 million (2012: US$0.9 million) is included in the balance for obsolete and surplus stock.

Work in progress reflects the cost of gold contained in stockpiles and in circuit. Finished goods represent gold that has been poured but has not yet been sold, whether in transit or undergoing refinement. The fall in gold prices and lower production, which increased the weighted average cost, led to a write down of work in progress and finished goods to an estimated net realisable value of US$1.8 million (2012: US$ nil).

20. TRADE AND OTHER RECEIVABLES

Year ended 31 December	2013	2012
US$000		
Payments in advance to suppliers	3,533	9,524
VAT	13,148	14,766
Prepayments	1,291	834
Total trade and other receivables	17,972	25,124

The reduction in VAT recoverable largely reflects claims that have been received in Burkina Faso or written off where no longer considered recoverable. US$5.8 million of the VAT asset relates to submissions which were made over 12 months ago. These have been reviewed by management and are considered recoverable.

21. CASH AND CASH EQUIVALENTS

Year ended 31 December	**2013**	2012
US$000		
Cash at bank and in hand	15,201	54,888
Cash and cash equivalents	15,201	54,888

Included within cash at 31 December 2013 was US$5.6 million of restricted cash (31 December 2012: US$38.4 million), representing a US$2.7 million minimum account balance held in relation to the Ecobank loan, US$1.5 million (2012: US$nil) held in escrow in relation to a Burkina Faso tax dispute, and US$1.4 million (2012: US$1.4 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.

At 31 December 2012 US$46.9 million was held by SMB, the operating entity which owns the Inata Gold Mine. The transfer of funds into and out of SMB was subject to the approval of Macquarie Bank Limited, under the terms of the facility agreement governing the loan and hedge obligations. Included within this amount was US$38.4 million of restricted cash representing a minimum account balance held in SMB's Macquarie Bank Limited account of US$37.0 million, and US$1.4 million relating to environmental rehabilitation discussed above.

22. TRADE AND OTHER PAYABLES

Year ended 31 December	**2013**	2012
US$000		
Trade payables	31,227	21,397
Social security and other taxes	140	191
Deferred revenue	–	751
Accrued expenses	3,567	19,684
Total trade and other payables	34,934	42,023

23. OTHER FINANCIAL LIABILITIES

Year ended 31 December	**2013**	2012
US$000		
Current financial liabilities		
Interest bearing debt	26,065	5,000
Finance lease liabilities	860	1,105
Warrants on the Company's own equity	254	–
Total current financial liabilities	27,179	6,105

Year ended 31 December	**2013**	2012
US$000		
Non-current financial liabilities		
Interest bearing debt	50,410	–
Finance lease liabilities	2,005	2,434
Total non-current financial liabilities	52,415	2,434
Total financial liabilities	79,594	8,539

23. OTHER FINANCIAL LIABILITIES (continued)

Interest bearing debt

The Group had interest bearing debt of US$76.5 million (31 December 2012: US$5.0 million).

Elliott Loan

The Elliott loan of US$15.7 million (31 December 2012: US$nil) was repayable on 31 December 2013. The loan has not been repaid and is considered due at the time these accounts were completed. The settlement of the loan is discussed in note 1. The facility is recognised as a current liability held at amortised cost and includes the US$15.0 million drawn down and accrued interest of US$0.7 million. The weighted average interest on the loan during the year was 9.0%.

Ecobank Inata loan

A US$62.8 million medium term loan facility with Ecobank Burkina Faso ('Ecobank') was drawn down in October 2013. The loan amount was provided and held in Francs de la Communauté Financière d'Afrique ('FCFA'), which is the legal currency of Burkina Faso. The Ecobank loan has been 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. The first monthly repayments of 0.6 billion FCFA (US$1.3 million) comprising interest and principal was made in November 2013 and will continue for the 60 month duration of the loan. The facility requires that an amount equal to two months' payments, 1.3 billion FCFA (US$2.6 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 2013 two monthly payments were made to Ecobank of US$2.6 million, which was made up of US$1.8 million in loan repayments and US$0.8 million of interest. The weighted average interest on the loan during the year was 8.0%.

The facility is recognised at amortised cost and the amounts due in 2014 are included as current US$10.4 million (2012: US$ nil) with the remaining balance of US$50.4 million (2012: US$ nil) included as non-current.

Macquarie Bank Ltd Inata project finance facility

The Company acquired, through its takeover of Wega Mining in 2009, a US$65.0 million project finance facility with Macquarie Bank Limited. Interest on the loan was calculated at market rates (LIBOR) plus a margin. The weighted average interest on the loan during the year was 6.6% (2012: 5.6%). The final US$5.0 million repayment was made 30 September 2013.

The facility was secured primarily on the Inata Gold Mine and various assets within the Wega Mining group of companies.

Included in the project facility agreement were a number of covenants, including a minimum Reserve tail covenant (requiring the number of ounces of Ore Reserves forecast to be extracted after all loan and hedge liabilities are satisfied to be at least 25% of the total Ore Reserve for the LoM), as well as various financial covenants comparing quarterly production and costs against agreed LoM plans, and ratios comparing the Net Present Value ('NPV') of LoM cash flows to loan balances. All covenants were removed during 2013 on repayment of the remaining loan balance of US$5.0 million and the final settlement of the hedge obligation.

Warrant on company equity

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

The warrant relates to 4,000,000 of ordinary shares with a strike price of GBP 0.40 and expires three years from issuance on 28 May 2013. The warrant was valued using a Black-Scholes model based on the 31 December 2013 closing share price of GBP 0.0953.

Finance lease liability

In 2009, SMB entered into an agreement with Total Burkina SA for the provision of fuel and lubricants to the Inata Gold Mine. Included in this agreement were terms relating to the construction of a fuel storage facility located on the Inata site. The construction and commissioning of the facility was completed during 2011. Under the terms of the agreement, the cost of the construction work was borne by Total Burkina SA, prior to being recovered from SMB over the subsequent seven years. Management has assessed that the terms of this part of the agreement represent a finance lease under IAS 17 and it has therefore recognised the liability on the balance sheet and capitalised the cost of the fuel storage facility in Property, Plant and Equipment.

23. OTHER FINANCIAL LIABILITIES (continued)

Year ended 31 December	**2013**	2012
US$000		
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	907	1,239
Later than 1 year and no later than 5 years	2,666	3,250
Later than 5 years	–	–
	3,573	4,489
Future finance charges on finance leases	(707)	(950)
Present value of lease liabilities	2,866	3,539

Year ended 31 December	**2013**	2012
US$000		
Present value of lease liabilities		
No later than 1 year	860	1,105
Later than 1 year and no later than 5 years	2,006	2,434
Later than 5 years	–	–
	2,866	3,539

24. DEFERRED TAX

Year ended 31 December	**2013**	2012
US$000		
Liabilities		
At 1 January	37	14,566
Income statement movement (note 14)	(37)	(14,529)
At 31 December	–	37

At 31 December 2013 the Group had deferred tax liabilities of US$nil (31 December 2012: US$0.0 million). The opening prior year liability related to temporary differences on the Inata Mine development costs and property, plant, and equipment. The reduction in the liability during 2013 and 2012 reflects the impairment of mining assets, net of additions to mining property and plant during the year and of tax allowances on capital items used in the periods.

25. OTHER LIABILITIES

	Mine closure	Post retirement benefits	Total
US$000			
At 1 January 2013	5,821	430	6,251
New amounts provided during the year	264	–	264
Reduction in provision	–	(266)	(266)
At 31 December 2013	6,085	164	6,249

Mine closure provisions represent management's best estimate of the cost of mine closure at its operation in Burkina Faso. It is estimated that approximately 50% of the restoration costs in respect of Inata will be incurred throughout the estimated operating life of the mine, and approximately 50% from 2019 onwards. In accordance with the Group accounting policy, the amounts and timing of cash flows are reviewed annually and reflect any changes to life of mine plans.

The provision for post retirement benefits represents the Directors' best estimate of costs following the closure of a US subsidiary no longer owned by the Group. The above amount represents a full provision for the liability, based on the most recent actuarial valuation at 1 January 2013. The main assumptions used by the actuary were as follows:

Year ended 31 December	**2013**	2012
Rate of increase for pensions in payment	0.0%	0.0%
Discount rate	6.1%	6.1%
Inflation	3.0%	3.0%

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

Year ended 31 December	**2013**	2012
US$000		
Cash	234	234
Present value of scheme liabilities	(398)	(398)
Deficit in scheme	(164)	(164)
Rate of return	0.0%	0.0%

26. FINANCIAL INSTRUMENTS

Categories of financial instrument:

Year ended 31 December	**2013**		2012	
	Measured at fair value	Measured at amortised cost	Measured at fair value	Measured at amortised cost
	Available for sale asset and warrants on the Company's own equity	Loans and receivables including cash and cash equivalents	Available for sale asset and warrants on the Company's own equity	Loans and receivables including cash and cash equivalents
US$000				
Categories				
Financial assets				
Cash and cash equivalents	–	15,201	–	54,888
Other financial assets	74	–	599	–
Total financial assets	74	15,201	599	54,888
Financial liabilities				
Trade and other payables	–	34,934	–	41,832
Interest bearing borrowings	–	76,475	–	5,000
Finance lease liabilities	–	2,865	–	3,539
Warrants on the Company's own equity	254	–	–	–
Total financial liabilities	254	114,274	–	50,371

Year ended 31 December	**2013**	2012
US$000		
Results from financial assets and liabilities		
Other financial assets – fair value through other comprehensive income	(525)	(1,229)
Loss on recognition of warrants	(254)	–
Restructure of hedge	(20,225)	–
Loss on recognition of forward contracts	(96,632)	–
Change in fair value of forward contracts	54,192	–

Following the substantial completion of the disposal of Avocet's South East Asian assets on 24 June 2011, the Group announced the restructuring and partial buy back of the forward contracts on 27 July 2011, with the result that the hedged proportion of production from its one remaining producing mine, Inata, was reduced from approximately 60% to approximately 20%.

At 31 December 2012 the Macquarie forward contracts represented a mark-to-market liability of US$132.8 million based on a gold price of US$1,658 per ounce at that date. However, the forward contracts were considered to be outside of the scope of IAS 39, on the basis that they were for own use and gold produced would continue to be physically delivered to meet the contractual requirement in future periods. Therefore no value was reflected in the consolidated financial statements at 31 December 2012, as allowed by the exemption conferred by IAS 39.5.

In March 2013 the Group announced the restructure of the Macquarie forward contracts for delivery of gold bullion. The restructure consisted of eliminating 29,020 ounces under the forward contracts at a cost of US$20.2 million and shortening the delivery profile of the remaining ounces by 18 months so that all ounces would be delivered by December 2016.

The fair value of the forward contracts was recognised at US$96.6 million. The recognition of the liability was in accordance with IAS 39 financial instruments, and reflected the fact that the buy back demonstrated a practice of cash-settling forward contracts. Under IAS 39 the own use exemption previously applied was no longer appropriate.

The remaining forward contracts were settled during November 2013. The fall in liability between March and November resulted in the recognition of a US$54.2 million gain, representing the reduction in fair value of the forward contracts during the period.

Gold produced from the Inata Gold Mine during the year was sold both at spot and into the Company's hedge book. A total of 117,888 ounces of gold were sold, of which 77,388 ounces were sold at spot at an average realised price of US$1,421 per ounce, while 40,500 ounces were delivered to meet forward contracts at an average realised price of US$951 per ounce.

26. FINANCIAL INSTRUMENTS (continued)

Had spot prices been 10% lower in the period, pre-tax profit would have decreased by US$11.0 million (31 December 2012: US$16.0 million); had prices been 10% higher, pre-tax profit would have increased by US$11.0 million (31 December 2012: US$16.0 million).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amounts as follows:

Year ended 31 December	**2013**	2012
US$000		
Cash and cash equivalents	15,201	54,888
Available for sale financial assets	74	599
	15,275	55,487

Credit risk on cash and cash equivalents is considered to be acceptable as the counterparties are either substantial banks with high credit ratings or with whom the group has offsetting debt arrangements. The maximum exposure is the amount of the deposit.

Liquidity risk

The Group constantly monitors the cash outflows from day to day business and monitors longer term liabilities to ensure that liquidity is maintained. As disclosed in the going concern statement in note 1, the Group faces estimated potential shortfall of up to US$45 million during 2014. The announcement of a business review on 20 December 2013 was in response to this funding requirement in order to consider 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 shortfall. The Board has a reasonable expectation that the outcome of the financing process will be successful, based on the parties involved, the nature of early stage discussions, and feedback from its advisors.

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

Year ended 31 December	**2013**	2012
US$000		
Trade payables	31,227	21,397
Other short-term financial liabilities	26,933	25,923
Current financial liabilities (due less than one year)	57,520	47,320
Non-current financial liabilities (due greater than one year)	53,076	3,250
	110,596	50,570

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

Interest rate risk

	Weighted average interest rate %	**At 31 December 2013 US$000**	Weighted average interest rate %	At 31 December 2012 US$000
Cash and cash on hand	0.0	15,201	0.0	54,888
Short-term deposits	n/a	–	n/a	–
Cash and cash equivalents	0.0	15,201	0.0	54,888
Interest bearing debt	8.58	(76,475)	5.57	(5,000)
Net (debt)/cash		(61,274)		49,888

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

An increase in interest rates of 100 basis points in the period would have resulted in additional interest costs of US$0.2 million in the year (31 December 2012: US$0.2 million).

26. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Group's cash balances at 31 December 2013 and 31 December 2012 consisted of the following currency holdings:

At 31 December	**2013**	2012
US$000		
Sterling	163	264
US dollars	3,770	51,968
Francs de la Communauté Financière d'Afrique ('FCFA')	11,268	2,656
	15,201	54,888

The Group's loan balances at 31 December 2013 and 31 December 2012 consisted of the following currency holdings:

Year ended 31 December	**2013**	2012
US$000		
US dollars	15,755	5,000
Francs de la Communauté Financière d'Afrique ('FCFA'),	60,720	–
	76,475	5,000

The Group may be exposed to transaction foreign exchange risk due to its transactions not being matched in the same currency. The Group currently has no currency hedging in place.

In Burkina Faso, local currency payments account for approximately 73% of total payments. The Burkina Faso FCFA, which has a fixed exchange rate to the euro, strengthened by 4% against the US dollar in the year. It is estimated that without the strengthening FCFA profit would have been US$4.4 million higher.

There is no material difference between the fair values and the book values of these financial instruments.

Measurement of fair value

The Company measures the fair value of its financial assets and liabilities in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available for sale financial assets were valued in line with Level 1, based on quoted market prices of the shares.

27. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, and to provide an adequate return to shareholders.

The Group manages the capital structure through a process of constant review and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, adjust dividends paid to shareholders, return capital to shareholders, or seek additional debt finance. Further detail is provided in the going concern section of note 1.

28. SHARE BASED PAYMENTS

Performance Share Plan ('PSP') shares

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

Year ended 31 December	2013 Number	2013 Weighted average award value (£)	2012 Number	2012 Weighted average award value (£)
Outstanding at the beginning of the period	720,000	1.28	–	–
Granted during the period	1,455,000	0.07	1,220,000	1.48
Exercised during the period	–	–	–	–
Cancelled or expired during the period	(325,000)	1.77	(500,000)	1.77
Outstanding at the period end	1,850,000	1.18	720,000	1.28
Exercisable at the period end	–	–	–	–

The fair value of these PSP shares has been determined using a third party Monte Carlo simulation model, which takes into account the relative Total Shareholder Return ('TSR') projected by the Company compared with its comparator group, to arrive at an assumed payout based on its final share price and ranking. The payout is then discounted at a risk free rate back to the date of award.

Date of award	Expiry date	Number of shares	Reference period begins	Reference period ends	Share price at award (£)	Volatility rate	Risk free rate	Fair value (£)
12 Mar 2012	12 Mar 2015	170,000	01 Jan 2011	31 Dec 2013	2.34	45.8%	0.55%	1.83
12 Mar 2012	12 Mar 2015	170,000	01 Jan 2012	31 Dec 2014	2.34	45.8%	0.55%	1.71
01 Aug 2012	01 Aug 2015	250,000	01 Jan 2012	31 Dec 2014	0.85	56.5%	0.17%	0.37
26 Mar 2013	26 Mar 2016	1,260,000	01 Jan 2013	31 Dec 2015	0.20	47.5%	0.30%	0.07
Total		1,850,000				48.3%	0.33%	1.18

Share options

Details of the number of share options and the weighted average exercise price ('WAEP') outstanding during the year are as follows:

Year ended 31 December	2013 Number	2013 WAEP(£)	2012 Number	2012 WAEP(£)
Outstanding at the beginning of the period	6,669,514	1.26	5,784,654	1.17
Granted during the period	5,825,000	0.22	2,461,411	1.67
Exercised during the period	–	–	(653,659)	0.86
Cancelled or expired during the period	(3,343,990)	1.00	(922,892)	2.06
Outstanding at the period end	9,150,524	0.69	6,669,514	1.26
Exercisable at the period end	–	–	–	–

28. SHARE BASED PAYMENTS (continued)

Options granted between 2005 and 2010 were subject to market performance conditions. The fair value of these options has been arrived at using a third party Monte Carlo simulation model, taking into consideration the market performance criteria. Options granted between 1 January 2011 and 1 August 2012 have no market performance criteria and have been valued using the Black Scholes model. Options granted since 13 December 2012 are valued using a Monte Carlo simulation model. The assumptions inherent in the use of these models are as follows:

Date of grant	Vesting period (years)	Date of vesting	Expected life (years)	Risk free rate	Exercise price (£)	Volatility of share price	Fair value (£)	Number outstanding
09/07/2008	3	09/07/2011	5	4.94%	1.54	45.08%	0.59	430,488
17/05/2009	3	17/05/2012	5	1.91%	0.75	49.97%	0.28	25,000
25/06/2009	3	25/06/2012	5	2.13%	0.81	50.16%	0.30	941,644
12/11/2009	3	12/11/2012	5	1.92%	0.91	51.22%	0.40	250,000
18/03/2010	3	18/03/2013	4	2.42%	1.05	55.86%	0.47	13,142
18/03/2010	3	18/03/2013	5	2.85%	1.05	52.30%	0.46	906,584
23/05/2011	0.75	21/02/2012	2.75	1.46%	2.19	53.98%	0.57	38,259
23/05/2011	1.75	21/02/2013	3.75	1.88%	2.19	53.98%	0.69	24,804
23/05/2011	2.75	21/02/2014	4.75	2.25%	2.19	53.98%	0.79	270,000
27/07/2011	1	27/07/2012	3	0.61%	2.25	53.83%	0.85	7,397
27/07/2011	2	27/07/2013	4	0.81%	2.25	53.83%	0.96	7,397
27/07/2011	3	27/07/2014	5	1.15%	2.25	53.83%	1.05	7,399
15/08/2011	1	15/08/2012	3	0.62%	2.30	53.73%	0.90	1,531
15/08/2011	2	15/08/2013	4	0.69%	2.30	53.73%	1.01	1,531
15/08/2011	3	15/08/2014	5	0.90%	2.30	53.73%	1.10	1,531
12/03/2012	3	12/03/2015	5	1.02%	2.30	45.80%	0.76	549,890
01/08/2012	3	01/08/2015	5	0.59%	0.75	56.47%	0.25	250,000
13/12/2012	3	13/12/2015	3	0.40%	0.67	46.60%	0.15	520,000
08/03/2013	2.82	08/03/2013	2.82	0.38%	0.23	46.63%	0.02	900,000
08/03/2013	3	08/03/2013	3	0.41%	0.23	47.22%	0.03	2,070,000
26/03/2013	2.77	26/03/2013	3	0.27%	0.20	46.64%	0.02	313,927
26/03/2013	3	26/03/2013	3	0.29%	0.20	47.47%	0.02	1,440,000
02/05/2013	3	02/05/2016	3	0.29%	0.16	47.47%	0.02	180,000

Exercise prices are determined using the closing share price on the day prior to the option grant.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of US$ 1.3 million related to share based payment transactions during the year (US$2.1 million in the year ended 31 December 2012).

Further details of the PSP and Share Option Plan are provided in the Remuneration Report on pages 46 to 60.

29. CONSOLIDATED CASH FLOW STATEMENT

In arriving at net cash flow from operating activities, the following non-operating items in the income statement have been adjusted for:

Other non-operating items in the income statement

Year ended 31 December	**2013**	2012
US$000		
Exchange losses in operating activities	434	2,149
Finance income	(17)	(125)
Finance expense	6,021	2,716
Other non-operating items in the income statement	6,438	4,740

30. SHARE CAPITAL:

At 31 December	2013 Number	2013 US$000	2012 Number	2012 US$000
Authorised:				
Ordinary share of 5p	800,000,000	69,732	800,000,000	69,732
Allotted, called up and fully paid:				
Opening balance	199,546,710	16,247	199,546,710	16,247
Issued during the year	–	–	–	–
Closing balance	199,546,710	16,247	199,546,710	16,247

No new shares were issued in 2013 or 2012.

31. OTHER RESERVES

At 31 December	Merger reserve	Investment in own and treasury shares	Revaluation of other financial assets	Foreign exchange	Total
US$000					
At 31 December 2011	19,901	(3,982)	(485)	(161)	15,273
Movement in year	–	2,073	(1,229)	–	844
At 31 December 2012	19,901	(1,909)	(1,714)	(161)	16,117
Movement in year	–	64	1,714	–	1,778
At 31 December 2013	19,901	(1,845)	–	(161)	17,895

In 2013, the Company allotted no new shares to the EBT. Over the course of the year, a total of 145,767 shares were released from the EBT for the purpose of satisfying employee share awards, whose weighted average cost amounted to US$0.065 million.

At 31 December 2013, the Company held 336,201 Own Shares (of which 334,300 were held in the EBT and 1,901 were held in the Share Incentive Plan).

At 31 December 2013, the Company held 442,009 Treasury shares. During 2013, no shares were issued by the Company from Treasury shares.

32. CONTINGENT LIABILITIES

Contingent liabilities at 31 December 2013 total US$4.7 million (2012: US$ nil).

Burkina Faso tax claim

In 2012, SMB (the subsidiary in Burkina Faso which operates the Inata mine) underwent a tax audit in respect of the fiscal years 2009, 2010, and 2011. The initial assessment of this tax audit, which was undertaken by the tax department of the Burkina Faso government, was that a total of US$25.5 million was due in taxes and penalties. A review of the assumptions underlying this conclusion led Avocet, along with its tax advisers, to believe that this assessment was factually inaccurate and based on incorrect application and interpretation of the Burkina Faso tax code. Avocet felt confident that, with the exception of some minor items which were settled without delay, the full amount would be revised on review and discussion with the Burkina Faso Director General of Taxes. The possibility of such a liability coming to pass was therefore judged to be sufficiently remote that no provision was deemed necessary, nor was disclosure required in the financial statements at 31 December 2012.

Following discussions with senior government representatives during 2013, the Company believed that the final amount to be settled would be US$3.5 million. Subsequently, however, a revised assessment of US$8.2 million was received by the Company. The Company has queried this revision, and made a payment of US$3.5 million in full and final settlement in December 2013. Discussions with the government continue and the Company continues to believe that the final assessment amount is the US$3.5 million already paid, although it cannot be certain of this. The remaining US$4.7 million is therefore considered a contingent liability.

32. CONTINGENT LIABILITIES

PT Lebong Tandai

In April 2011, Avocet was informed that a law suit had been filed against it in the District Court of South Jakarta, Indonesia by PT Lebong Tandai ('PT LT'), Avocet's former partner in a joint venture in Indonesia (the 'First PT LT Case'). The law suit relates to a challenge as to the legality of the sale of Avocet's South East Asian assets. PT LT asserts that it was entitled to acquire all of these assets pursuant to an agreement allegedly entered into between PT LT and Avocet in April 2010. In its law suit, PT LT has claimed damages totalling US$1.95 billion, comprising US$450 million loss in respect of an alleged on-sale by PT LT of part of the assets, US$500 million loss in respect of financing arrangements allegedly entered into by PT LT, and US$1 billion for loss of reputation. In November 2011, Avocet challenged the jurisdiction of the District Court to hear the law suit on the basis that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia. In December 2011 the District Court found in Avocet's favour and dismissed the case. In January 2013, it was confirmed to Avocet that PT LT had lodged an appeal to the Indonesian High Court against the District Court's decision. In September 2013 the High Court released its decision on the appeal brought by PT LT and decided in Avocet's favour that the District Court's original decision was correct and that the District Court did not have jurisdiction to hear the matter. During October 2013, Avocet was informed that PT LT had appealed the High Court's decision to the Supreme Court of Indonesia.

On 2 May 2012, Avocet was informed that PT LT had filed a second law suit against it, as well as against J&Partners Asia Limited, PT. J Resources Asia Pasifik Tbk and PT J Resources Nusantara – all being subsidiaries or affiliates of J&Partners L.P. ('J&Partners') which was the buyer of Avocet's South East Asian assets – in the District Court of South Jakarta, Indonesia (the 'Second PT LT Case'). The Second PT LT Case is based on almost identical grounds to the First PT LT Case with the addition of the further defendants and claims against them. In the Second PT LT Case, PT LT is seeking a declaration that the assignment of Avocet's shares in the joint venture with PT LT to any third party other than PT LT is null and void, and that PT LT has the right to acquire the shares in the joint venture with Avocet. PT LT also seeks an order that all of the defendants (Avocet and J&Partners) must surrender/assign the shares in the joint venture to PT LT and that PT. J Resources Asia Pasifik Tbk or any other entity must not sell, assign or make any legal undertakings in respect of the shares in the joint venture and/or all the assets of Avocet in Indonesia. Finally PT LT seeks damages for material and immaterial injury of US$1.1 billion and US$1 billion respectively. In September 2012, Avocet disputed the jurisdiction of the Indonesian court over the Second PT LT Case for the same reasons that it disputed the jurisdiction of the Indonesian court in relation to the First PT LT Case, namely that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia, and also on the ground that the substance of the Second PT LT Case is the same as the First PT LT Case, over which the Indonesian court had already found that it did not have jurisdiction. The District Court subsequently found in favour of Avocet and the other defendants and dismissed the case. In February 2013, PT LT appealed the District Court's decision on jurisdiction to the High Court. In January 2014 the High Court released its decision in favour of Avocet and the other defendants. During February 2014, Avocet was informed that PT LT had appealed the High Court's decision to the Supreme Court of Indonesia.

The 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.

The buyer, J&Partners, has notified Avocet that in the event PT LT were successful in its law suit against Avocet and 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 has initiated arbitration in the English courts to have any such claim dismissed.

As any financial settlement 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.

33. CAPITAL COMMITMENTS

At 31 December 2012 the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US$5.4 million (31 December 2012: US$1.4).

34. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

35. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2013 between the Company and Group companies that were not wholly-owned, in respect of management fees, and interest on loans:

	Avocet Mining PLC		Wega Mining AS	
Year ended 31 December 2013	Charged in the year	Balance at 31 December 2013	Credit in the year	Balance at 31 December 2013
US$000				
Société des Mines de Bélahouro SA (90%)	7,471	136,041	(27)	108,709

	Avocet Mining PLC		Wega Mining AS	
Year ended 31 December 2012	Charged in the year	Balance at 31 December 2012	Charged in the year	Balance at 31 December 2012
US$000				
Société des Mines de Bélahouro SA (90%)	7,584	138,785	6,933	108,736

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

Dividends received by Directors during the year in respect of shares held in the Company amounted to US$nil million (31 December 2012: US$0.05 million).

36. ALL-IN SUSTAINING COSTS

The All-in sustaining cost ('AISC') has been reported in line with the guidance issued by the World Gold Council during 2013. The Company will continue to disclose cash costs in order to provide comparability to prior periods.

Previously disclosed All-in cash costs were based on Inata life of mine plans, while the AISCs below are based on the Avocet Group and include share based payments and general and corporate administrative costs.

	Q1 2013 (Unaudited)	Q2 2013 (Unaudited)	Q3 2013 (Unaudited)	Q4 2013 (Unaudited)	**2013 (Audited)**	2012 (Audited)
US$000						
Gold produced (oz)	30,482	31,245	30,987	25,729	**118,443**	135,189
Total cash production cost (US$000)	35,619	38,683	37,044	31,112	**142,458**	135,138
Total cash production cost (US$/oz)	1,169	1,238	1,195	1,209	**1,203**	1,000
Other costs of sales (US$000)	54	1,022	1,421	3,609	**6,106**	8,348
Foreign exchange (US$000)	(869)	791	1,090	883	**1,895**	3,465
Sustaining capital expenditure (US$000)	5,304	3,925	854	3,406	**13,489**	33,174
Share based payments (US$000)	329	65	440	441	**1,275**	2,067
Administrative expenses (US$000)	2,135	2,419	1,552	2,112	**8,218**	13,002
All-in Sustaining Costs (US$000)	42,572	46,905	42,401	41,563	**173,441**	195,194
All-in Sustaining Costs (US$/oz)	1,397	1,501	1,368	1,615	**1,464**	1,444

37. UNAUDITED QUARTERLY INCOME STATEMENT FOR CONTINUING OPERATIONS

The following table presents an analysis of the 2013 results by quarter. This analysis has not been audited and does not form part of the statutory financial statements.

US$000	Q1 2013 (Unaudited)	Q2 2013 (Unaudited)	Q3 2013 (Unaudited)	Q4 2013 (Unaudited)	2013 (Audited)	2012 (Audited)
Revenue	40,885	39,603	37,441	31,332	149,261	204,110
Cost of sales	(36,749)	(44,375)	(47,953)	(50,572)	(179,649)	(168,694)
Cash production costs:						
– mining	(16,495)	(18,193)	(16,744)	(13,401)	**(64,833)**	(55,659)
– processing	(10,970)	(11,606)	(11,858)	(9,677)	**(44,111)**	(41,772)
– overheads	(4,983)	(5,861)	(5,589)	(5,742)	**(22,175)**	(21,762)
– royalties	(3,171)	(3,023)	(2,853)	(2,292)	**(11,339)**	(15,945)
	(35,619)	(38,683)	(37,044)	(31,112)	**(142,458)**	(135,138)
Changes in inventory	4,074	5,109	(1,499)	(2,749)	**4,935**	10,202
Expensed exploration and other cost of sales	(128)	(2,701)	(3,052)	(6,827)	**(12,708)**	(15,762)
Depreciation and amortisation	(5,076)	(8,100)	(6,358)	(9,884)	**(29,418)**	(27,996)
Gross profit/(loss)	4,136	(4,772)	(10,512)	(19,240)	(30,388)	35,416
Administrative expenses	(2,135)	(2,419)	(1,530)	(2,134)	**(8,218)**	(13,002)
Share based payments	(329)	(65)	(440)	(441)	**(1,275)**	(2,067)
Net impairment of assets	71,884	(73,300)	–	(39,311)	**(40,727)**	(135,300)
Profit/(loss) from operations	73,556	(80,556)	(12,482)	(61,126)	(80,608)	(114,953)
Loss on recognition of forward contracts	(96,632)	–	–	–	**(96,632)**	–
Restructure of forward contracts	(20,225)	–	–	–	**(20,225)**	–
Change in fair value of forward contracts	–	60,815	(10,758)	4,135	**54,192**	–
Finance items						
Exchange (losses)/gains	(114)	(8)	15	(2)	**(109)**	519
Finance expense	(1,379)	(1,172)	(2,040)	(1,429)	**(6,020)**	(2,716)
Finance income	2	14	–	1	**17**	125
Loss before taxation	(44,792)	(20,907)	(25,265)	(58,421)	(149,385)	(117,025)
Analysed as:						
Profit/(loss) before taxation and exceptional items	181	(8,422)	(14,507)	(23,245)	**(45,993)**	18,275
Exceptional items	(44,973)	(12,485)	(10,758)	(35,176)	**(103,392)**	(135,300)
Taxation	37	–	(3,300)	(221)	**(3,484)**	14,529
Loss for the period	(44,755)	(20,907)	(28,565)	(58,642)	(152,869)	(102,496)
Attributable to:						
Equity shareholders of the parent company	(40,416)	(18,885)	(26,542)	(56,640)	**(142,483)**	(92,685)
Non-controlling interest	(4,339)	(2,022)	(2,023)	(2,002)	**(10,386)**	(9,811)
	(44,755)	(20,907)	(28,565)	(58,642)	**(152,869)**	(102,496)
EBITDA	6,748	844	(6,124)	(11,931)	(10,463)	48,343

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

We have audited the parent company financial statements of Avocet Mining PLC for the year ended 31 December 2013 which comprise the parent company balance sheet and the related notes 38 to 55. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements:

– give a true and fair view of the state of the company's affairs as at 31 December 2013;
– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the parent company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the group financial statements concerning the parent company's ability to continue as a going concern.

As explained in note 1, at 31 December 2013 the group had not repaid the US$15 million loan due to an affiliate of Elliott Associates, its largest shareholder, which had been due on 31 December 2013. The directors have prepared a revised Life of Mine Plan which has identified negative cash flows in 2014. As a consequence there is a requirement for further short term funding in 2014 amounting to between US$20 million and US$30 million. The directors announced a business review on 20 December 2013 in response to this funding requirement and disclosed various options for maximising the value of the group's assets for the benefits of shareholders, namely at Inata, Souma and Guinea. The aim of the review, which remains ongoing, is to secure sufficient funding to address the outstanding US$15 million Elliott loan and Inata's US$20 – US$30 million deficit, for a total of up to US$45 million. As further explained in note 1, while initial discussions with interested parties are ongoing, the directors have not yet secured this funding. These conditions, along with the other matters explained in note 1 to the group financial statements indicate the existence of a material uncertainty that casts significant doubt over the parent company's ability to continue as a going concern. The parent company financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

– the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
– the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
– the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

Other Matter

We have reported separately on the group financial statements of Avocet Mining PLC for the year ended 31 December 2013. That report includes audit commentary and an emphasis of matter.

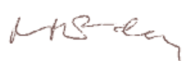
Charles Hutton-Potts
(Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
5 March 2014

company balance sheet

AT 31 DECEMBER 2013

	Note	**2013**	2012
US$000			
Fixed assets			
Tangible assets	41	–	546
Shares in Group undertakings	42	104,201	109,018
Other investments	43	74	599
		104,275	110,163
Current assets			
Debtors due within one year	44	25,278	112,219
Cash at bank and in hand		3,693	7,251
		28,971	119,470
Creditors: amounts falling due within one year	45	(18,168)	(3,524)
Net current assets		10,803	115,946
Total assets less current liabilities		115,078	226,109
Net assets		115,078	226,109
Capital and reserves			
Called up share capital	46	16,247	16,247
Share premium account	47	146,040	146,040
Investment in own shares	48	(169)	(233)
Investment in treasury shares	48	(1,676)	(1,676)
Other reserves	49	–	(1,714)
Profit and loss account	50	(45,364)	67,445
Equity shareholders' funds		115,078	226,109

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



RP Edey **AM Norris**

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

Avocet Mining PLC is registered in England No 3036214

notes to the company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2013

38. FINANCIAL STATEMENTS OF THE PARENT COMPANY

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to publish its individual profit and loss account and related notes. As permitted by the Act, the separate financial statements have been prepared in accordance with all applicable UK accounting standards.

39. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). This differs from the Group financial statements which are prepared under IFRS. The principal accounting policies which differ to those set out in note 3 to the consolidated financial statements are noted below.

Investments in subsidiaries

Investments are included at cost less amounts written off.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currency

The Company's financial statements have been reported in US dollars as the dollar is considered to be the Company's functional currency. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Going concern

On 2 January 2014, the Company announced that it had not repaid the US$15.0 million loan due to an affiliate of Elliott Associates, its largest shareholder, which had been due on 31 December 2013 and is secured against the Tri-K exploration asset in Guinea. This was a consequence of a funding shortfall, due to the fall in the gold price during 2013, operational issues encountered during the year, and also the identification of investment requirements to repair mobile machinery and the processing plant during 2014, as part of an estimated revised Life of Mine Plan ('LoMP').

This estimated LoMP, based on pit shells optimised at lower gold prices, indicated that in the years 2015 to 2018 the Inata mine should generate cash flow before financing of approximately US$180 million based on an assumed gold spot price of US$1,200 per ounce. However, this plan shows negative cash flow in 2014 and therefore a requirement for further short term funding in 2014, amounting to between US$20 million and US$30 million, depending on the extent of refurbishment costs, whether a decision is taken to adopt contract mining, and the level of production in 2014.

The announcement of a business review on 20 December 2013 was in response to this funding requirement and disclosed that the board were 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 US$15 million Elliott loan and Inata's US$20 – US$30 million deficit, for a total of up to US$45 million.

While initial discussions with interested parties, including Ecobank, are ongoing, it cannot be guaranteed that such funding will be secured the combination of these circumstances represents a material uncertainty that casts significant doubt on the group's ability to continue as a going concern. Nevertheless, the Board has a reasonable expectation that the outcome of the financing process will be successful, based on the parties involved, the nature of early stage discussions, and feedback from its advisors. The Board has therefore continued to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2013.

Should the Board's judgment prove wrong and sufficient funding arrangement 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.

The estimated short term funding of between US$20 million and US$30 million is based on the best estimates and judgements surrounding the assumptions relevant to all gold mining companies within their life of mine plans. These estimates and judgements are fully disclosed in note 2 to the group financial statements and detailed sensitivity analysis for the Inata CGU are included within the impairment disclosures within note 7 to the group financial statements.

40. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging.

Year ended 31 December	**2013**	2012
US$000		
Auditors' remuneration		
– audit – Company	10	10
Non-audit services		
– interim review services	34	66
– other services relating to taxation	17	–
– transaction services, principally relating to listing on London Stock Exchange	–	–
Depreciation of owned tangible fixed assets	195	117
Operating lease charges	131	110

41. TANGIBLE FIXED ASSETS

	Office and IT equipment	Total
US$000		
Cost		
At 1 January 2013	1,121	1,121
Additions	–	–
Disposals	(2)	(2)
At 31 December 2013	1,119	1,119
Depreciation		
At 1 January 2013	575	575
Charge for the year	195	195
Impairment	351	351
Disposals	(2)	(2)
At 31 December 2013	1,119	1,119
Net book value at 31 December 2013	–	–
Net book value at 31 December 2012	546	546

42. SHARES IN GROUP UNDERTAKINGS

	2013	2012
US$000		
Subsidiary undertakings		
Cost		
At 1 January	109,018	109,018
Additions	–	–
Impairment	(4,612)	–
Disposals	(205)	–
At 31 December	104,201	109,018
Net book value at 31 December	104,201	109,018

During the period the principal trading subsidiaries of the Company, including those held indirectly by the Company, were as shown in the following table.

				Percentage of ordinary share capital held by	
Name of entity	Nature of business	Country of registration or incorporation & operation	Capital held	Company	Group
Société des Mines de Bélahouro SA	Gold mining	Burkina Faso	Ordinary	–	90%
Goldbelt Resources West Africa SARL	Gold exploration	Burkina Faso	Ordinary	–	100%
Wega Mining Guinée SA	Gold exploration	Guinea	Ordinary	–	100%

This information is given only in respect of undertakings as are mentioned in s410 (2) of the Companies Act 2006.

43. OTHER INVESTMENTS

Year ended 31 December	2013	2012
US$000		
At 1 January	599	1,828
Additions	–	–
Disposals	–	–
Fair value adjustment	(525)	(1,229)
At 31 December	74	599

44. DEBTORS

Year ended 31 December	2013	2012
US$000		
(a) Due within one year		
Amounts owed by Group undertakings	24,959	111,867
Other debtors	175	88
Prepayments	144	264
	25,278	112,219

The Company has concluded that the recent reduction in Inata's Ore Reserve and subsequent revision to the life of mine plan are indicators of impairment of the Group carrying value of the Inata CGU and the GRWA CGU. As a result, the recoverability of the intercompany loan between Avocet Mining PLC and Société des Mines de Bélahouro SA (the company which owns and operates the Inata Mine) and the other group undertakings has been reassessed. In 2012 a provision of US$117.5 million was recognised against the Société des Mines de Bélahouro SA intercompany loan. In 2013 this provision was increased by US$107.1m to US$224.6m and recognised against all of the CGU. Further details are provided in note 16 of the Group accounts.

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

Year ended 31 December	2013	2012
US$000		
Other taxes and social security	140	188
Other creditors	15,584	3
Amounts due to Group undertakings	–	–
Accruals and deferred income	2,444	3,333
	18,168	3,524

46. SHARE CAPITAL

At 31 December	2013 Number	2013 US$000	2012 Number	2012 US$000
Authorised:				
Ordinary share of 5p	800,000,000	69,732	800,000,000	69,732
Allotted, called up and fully paid:				
Opening balance	199,546,710	16,247	197,546,710	16,247
Issued during the year	–	–	–	–
Closing balance	199,546,710	16,247	199,546,710	16,247

47. SHARE PREMIUM ACCOUNT

	Share premium
US$000	
At 1 January 2013	146,040
Transfer between reserves	–
At 31 December 2013	146,040

48. INVESTMENT IN OWN SHARES AND TREASURY SHARES

	Own shares	Treasury shares
US$000		
At 1 January 2013	233	1,676
Transfer between reserves	–	–
Purchased from the market	–	–
Released during the period	(64)	–
At 31 December 2013	169	1,676

In 2013, the Company allotted no new shares to the EBT. Over the course of the year, a total of 145,767 shares were released from the EBT for the purpose of satisfying employee share awards, at a weighted average cost of US $0.063 million.

At 31 December 2013, the Company held 336,201 Own Shares (of which 334,300 were held in the EBT and 1,901 were held in the Share Incentive Plan).

During 2013, no shares were issued by the Company from Treasury shares. At 31 December 2013, the Company held 442,009 Treasury shares.

49. OTHER RESERVES

US$000	Revaluation of other financial assets	Total
At 1 January 2013	(1,714)	(1,714)
Impairment of other reserves	2,238	2,238
Fair value adjustment	(524)	(524)
At 31 December 2013	–	–

Other reserves represent the revaluation to fair value of other financial assets. Refer to note 43 for further information.

50. PROFIT AND LOSS ACCOUNT

Year ended 31 December US$000	**2013**	2012
At 1 January 2013	67,445	197,181
Share based payments	1,663	2,462
Retained loss for the period	(112,483)	(120,618)
Profit on release of EBT shares	249	–
Dividend	–	(13,505)
Net exercise of share options settled in cash	–	(172)
Loss on release of shares from treasury	–	(697)
Adjustment in respect of 2011 share issue	–	2,794
Impairment of revaluation reserve	(2,238)	–
At 31 December 2013	(45,364)	67,445

The Company has taken advantage of Section 408 of the Companies Act 2006 in electing not to publish its own profit and loss account.

51. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Year ended 31 December US$000	**2013**	2012
Loss for the financial period	(112,483)	(120,618)
Dividends	–	(13,505)
Reduction in investment in own shares	64	154
Reduction in investment in treasury shares	–	798
Share based payments	1,663	2,462
Net exercise of share options settled in cash	–	(172)
Loss on release of shares from treasury	–	(697)
Profit on release of EBT shares	249	–
Fair value adjustment	(524)	(1,229)
Transfer between reserves in respect of 2011 share issue	–	40
Net change in equity shareholders' funds	(111,031)	(132,767)
Opening equity shareholders' funds	226,109	358,876
Closing equity shareholders' funds	115,078	226,109

52. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2013 or 31 December 2012.

In April 2011, Avocet was informed that a law suit had been filed against it in the District Court of South Jakarta, Indonesia by PT Lebong Tandai ('PT LT'), Avocet's former partner in a joint venture in Indonesia (the 'First PT LT Case'). The law suit relates to a challenge as to the legality of the sale of Avocet's South East Asian assets. PT LT asserts that it is entitled to acquire all of these assets pursuant to an agreement allegedly entered into between PT LT and Avocet in April 2010. In its law suit, PT LT has claimed damages totalling US$1.95 billion, comprising US$450 million loss in respect of an alleged on-sale by PT LT of part of the assets, US$500 million loss in respect of financing arrangements allegedly entered into by PT LT, and US$1 billion for loss of reputation. In November 2011, Avocet challenged the jurisdiction of the District Court to hear the law suit on the basis that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia. In December 2011 the District Court found in Avocet's favour and dismissed the case. In January 2013, it was confirmed to Avocet that PT LT had lodged an appeal to the Indonesian High Court against the District Court's decision. In September 2013 the High Court released its decision on the appeal brought by PT LT and decided in Avocet's favour that the District Court's original decision was correct and that the District Court did not have jurisdiction to hear the matter. During October 2013, Avocet was informed that PTLT had appealed the High Court's decision to the Supreme Court of Indonesia.

On 2 May 2012, Avocet was informed that PT LT had filed a second law suit against it, as well as against J&Partners Asia Limited, PT. J Resources Asia Pasifik Tbk and PT J Resources Nusantara – all being subsidiaries or affiliates of J&Partners L.P. ('J&Partners') which was the buyer of Avocet's South East Asian assets – in the District Court of South Jakarta, Indonesia (the 'Second PT LT Case'). The Second PT LT Case is based on almost identical grounds to the First PT LT Case with the addition of the further defendants and claims against them. In the Second PT LT Case, PT LT is seeking a declaration that the assignment of Avocet's shares in the joint venture with PT LT to any third party other than PT LT is null and void, and that PT LT has the right to acquire the shares in the joint venture with Avocet. PT LT also seeks an order that all of the defendants (Avocet and J&Partners) must surrender/assign the shares in the joint venture to PT LT and that PT. J Resources Asia Pasifik Tbk or any other entity must not sell, assign or make any legal undertakings in respect of the shares in the joint venture and/or all the assets of Avocet in Indonesia. Finally PT LT seeks damages for material and immaterial injury of US$1.1 billion and US$1 billion respectively. In September 2012, Avocet disputed the jurisdiction of the Indonesian court over the Second PT LT Case for the same reasons that it disputed the jurisdiction of the Indonesian court in relation to the First PT LT Case, namely that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia, and also on the ground that the substance of the Second PT LT Case is the same as the First PT LT Case, over which the Indonesian court had already found that it did not have jurisdiction. The District Court subsequently found in favour of Avocet and the other defendants and dismissed the case. In February 2013, PT LT appealed the District Court's decision on jurisdiction to the High Court. In January 2014 the High Court released its decision in favour of Avocet and the other defendants. The Company has no knowledge of whether PT LT intends to appeal the High Court's decision to the Supreme Court.

The Board also 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.

The buyer, J&Partners, has notified Avocet that in the event PT LT were successful in its law suit against Avocet and 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 has initiated arbitration in the English courts to have any such claim dismissed.

As any financial settlement 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.

53. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2013 or 31 December 2012.

54. POST BALANCE SHEET EVENTS

There were no material post balance sheet events.

55. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2013 between the Company and Group companies that were not wholly-owned, in respect of management fees, technical services fees, technology and know-how fees, and interest on loans:

Year ended 31 December 2013	Avocet Mining PLC		Wega Mining AS	
	Charged in the year	Balance at 31 December 2013	Charged in the year	Balance at 31 December 2013
US$000				
Société des Mines de Bélahouro SA (90%)	7,471	136,041	(27)	108,709

Year ended 31 December 2012	Avocet Mining PLC		Wega Mining AS	
	Charged in the year	Balance at 31 December 2012	Charged in the year	Balance at 31 December 2012
US$000				
Société des Mines de Bélahouro SA (90%)	7,584	138,785	6,933	108,736

Information on remuneration of Key Management Personnel is set out in note 8 of the Group financial statements.

No dividends were received by Directors during the year in respect of shares held in the Company (2012 : US$0.5 million).

shareholder information

FOR THE YEAR ENDED 31 DECEMBER 2013

Avocet Mining PLC ordinary shares are listed on the Official List of the Main Market of the London Stock Exchange, and on the Oslo Børs.

The Company's lead broker and sponsor is J.P. Morgan Cazenove Limited.

Avocet Mining PLC has a website (www.avocetmining.com) on which press releases and background information on the Company and its operations are set out below.

The share price is quoted on a daily basis in the Financial Times. Shares may be bought or sold through a stockbroker who is a member of the London Stock Exchange, or through a stockbroker who is a member of the Oslo Børs.

Market makers in the shares of the Company are BMO Capital Markets Limited, Collins Stewart Europe Limited, Fox-Davies Capital Ltd, Investec Bank Plc, J.P. Morgan Securities Ltd, Liberum Capital Limited, Numis Securities Limited, Peel Hunt LLP, RBC Europe Limited, Renaissance Capital Limited, Shore Capital Stockbrokers Limited, Westhouse Securities Limited and Winterflood Securities Ltd.

HISTORICAL SHARE PRICES:

Quarter ended	High	Low
	Pence	Pence
31 March 2013	73.25	18.00
30 June 2013	19.25	6.76
30 September 2013	24.00	6.74
31 December 2013	17.00	8.35

Closing price	
	Pence
31 December 2013	8.01

Total number of shares in issue:	
31 December 2012	199,546,710
31 December 2013	**199,546,710**

UNSOLICITED MAIL:

Avocet Mining PLC is aware that some shareholders have had occasion to complain that outside organisations, for their own purposes, have used information obtained from the Company's share registers. Avocet Mining PLC, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee. If you are in the UK and wish to stop receiving unsolicited mail then you should register with The Mailing Preference Service by letter, telephone or through its website.

The Mailing Preference Service
DMA House
70 Margaret Street
London W1W 8SS
Complaints Department – 020 7291 3321
www.mpsonline.org.uk

WARNING TO SHAREHOLDER – BOILER ROOM SCAMS

In recent years, many companies have become aware that their shareholders or potential shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority ('FSA') has reported that the average amount lost by investors is around £20,000.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice, FSA advice for UK investors is to check that the brokers are properly authorised by the FSA before proceeding by visiting www.fsa.gov.uk/register/and contacting the firm using the details on the register. To report the matter to the FSA, call +44 845 606 1234 or visit www.fsa.gov.uk/pages/consumerinformation.

directors and advisers

FOR THE YEAR ENDED 31 DECEMBER 2013

Executive Directors

DC Cather – Chief Executive Officer
AM Norris – Finance Director

Non-executive directors

RP Edey – Chairman
MJ Donoghue
RA Pilkington
BJ Rourke
G Wylie

Company Secretary and registered office

JEGM Wynn
3rd Floor, 30 Haymarket
London SW1Y 4EX

Registrars and transfer office

Computershare Investor Services PLC
PO Box 82, The Pavilions, Bridgwater Road
Bristol BS99 7NH

Bankers

Barclays Bank PLC
HSBC Bank
Ecobank Burkina SA

Stockbrokers

J.P. Morgan Cazenove Ltd

Auditor

Grant Thornton UK LLP

Solicitors

Field Fisher Waterhouse
Ashurst LLP
Norton Rose LLP

Financial advisors (United Kingdom)

N M Rothschild & Sons Limited
Investec Bank PLC

Financial advisors (Norway)

Arctic Securities ASA
SEB Enskilda Securities AS

Remuneration consultants

Kepler Associates

Design Mustbethebest Ltd * Printing CPI Commercial Print Ltd

UNITED KINGDOM
Avocet Mining PLC * 3rd Floor 30 Haymarket London SW1Y 4EX England * **t** +44 20 7766 7676

BURKINA FASO
Société des Mines de Bélahouro SA * C 01 Rue 22-29 Zone du bois Ouagadougou Burkina Faso * **t** +226 50 36 04 60

www.avocetmining.com