Avocet Mining PLC

Annual Report and Accounts 2014

Contents

Overview

Strategic Report

Review of Operations

Directors and Governance

Financial Statements

About us

Avocet Mining PLC 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.

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 4.2 million ounces and an Ore Reserve of 0.33 million ounces. The average grade of the Ore Reserves is 1.92 g/t Au. The estimated life of mine plan extends until 2017. Production in 2014 was 86,037 ounces.

The Souma project, which is located approximately 20 kilometres east of the Inata processing plant, is being progressed up the development curve with the objective of submitting a Mining Licence application as soon as the Feasibility Study has been completed. Mineralisation at Souma is quartz hosted, and does not have the same carbonaceous ore types as seen at Inata. Two exploitation methods are being evaluated: either treating the high grade ore at Inata, or heap leaching the ore at a standalone processing facility at Souma, or a combination of both methods.

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 received its exploitation permit in March 2015 from the Guinea Government following the submission of a Feasibility Study in October 2013.

The project is based on the development of the oxide portion of the orebody by way of heap leaching. Since submitting the feasibility study, further work has been undertaken to re-engineer the project and reduce capital and operating expenditure significantly. The feasibility study submitted in October 2013 was based on an Ore Reserve of 480,000 ounces and showed a 7 year life of mine, producing an average of 55,000 ounces of gold per year. A new Ore Reserve has not yet been completed.

The Company also intends to review extending the mine life through the exploitation of the 2.6 million ounces of resources which remain beneath the oxide zone of the orebodies by Carbon-in-Leach (CIL) or other means.

As part of the Company's business review, Avocet has been seeking appropriate partners for financing, developing and operating the project. These discussions are ongoing and will benefit from the granting of the exploitation permit. Avocet is working to ensure that its financing and project development plans will allow it to start construction as early as possible in 2016.

Gold

Gold is a unique metal that has for many centuries been traded as a commodity, been used as a store of value and a basis for currency, and has represented a symbol of wealth and an object of beauty. It has a number of properties that set it aside from other metals, including resistance to corrosion, density, malleability, and an appealing yellowish appearance.

It occurs naturally in ores, although can also be found as free gold (in nuggets or grains), normally at the surface of high grade veins. Most gold mined today is extracted from ore in which the gold is not visible, at grades in the range of 1-5 grams of gold per tonne of ore.

Gold bullion or bars are 99.99 percent pure gold (also known as '24 carat'), however pure gold is normally too soft for use in the manufacture of jewellery, and is therefore alloyed with other metals such as tin, silver, or copper, to increase its hardness and durability.

The majority of the demand for gold has traditionally come from the jewellery market, although gold is also used in a number of other areas including electronics, technology, dentistry, and decorative arts and designs. In addition, gold has a quite separate function as a store of value, or a safe-haven investment that holds its value where other assets (equities, fiat currencies, etc) are seen as less stable.

After falling to lows in the dot-com boom of the late 1990s, gold demand began to increase as investors became more attracted by this aspect of gold. The banking crisis of 2008 and onwards provided an accelerator in this regard, as even bulge-bracket banks and sovereign debt began to lose their appearance of invulnerability.

Gold production and to a lesser extent gold consumption (as opposed to investment in gold) has been relatively stable, with slow responses even to the increases in gold prices in the last 10-15 years. However gold investment can change rapidly from supply, where investors such as central banks are offloading their gold reserves, to demand, as institutions and individuals flock to gold in times of financial turmoil, and this can cause volatility in the gold price.

Gold prices[1]

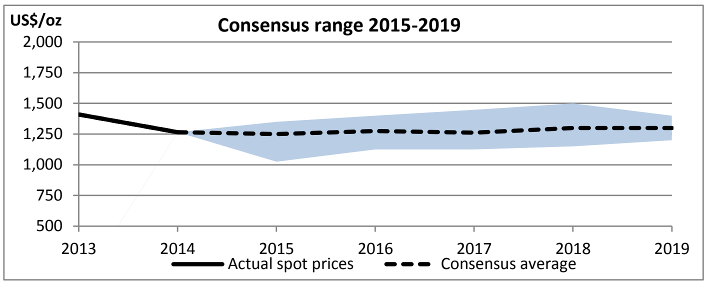
	2010	2011	2012	2013	**2014**
High	1,421	1,895	1,791	1,693	**1,385**
Low	1,058	1,319	1,531	1,192	**1,142**
Average	1,226	1,572	1,667	1,410	**1,265**

[1] London PM fix (US$/oz)

After some twelve years of sustained price increases, gold prices fell in 2013 and again in 2014. This fall was attributed to a number of factors, including some profit-taking, concerns that gold had been over-bought, and an increasing perception that the worst of the global economic crisis was over.

Nevertheless, gold prices in 2014, which averaged US$1,265 per ounce, still represented an improvement on 2010 prices, and were historically relatively high.

Few market commentators forecasted the precipitous fall in gold prices in 2013, although many did expect a gradual return to longer term pricing levels between US$1,000 and US$1,400 per ounce. Analysts are divided at the present time between those who see gold as overpriced and expect economic recovery in the US in particular to drive prices down further, and those who see an increase in sovereign debt crises and a fall in economic growth in China and much of the developing world as reasons to expect a recovery in gold prices. However, most remain relatively cautious in their forecasts, with most predictions remaining within a relatively tight range of prices over the next 5 years.



Source: JPMC market consensus Feb 2015

STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the year ended 31 December 2014.

The Strategic Report is a requirement of the Companies Act for the year ended December 2014. 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 6 and pages 7 to 8 respectively, and include discussions on the key non-financial performance indicators (including tonnes of waste and ore mined and milled, grades, recoveries, gold produced, and Lost Time Injuries). These are also analysed on page 22 under Review of Operations.

The financial review on pages 9 to 12 includes an analysis of the development and performance of the business of the Company during the 2014 financial year and the position of the Company at year end. This section includes an analysis of the key financial performance indicators in the year (revenues, gross profit, cash costs per ounce, profit before tax, taxation, EBITDA, operating cashflows, and capex).

While the Group's business plan and strategy are outlined on page 13, information concerning environmental matters, the company's employees, and social, community and human rights issues are discussed in the sustainable development section on pages 16 to 18. An outline of the Company's safety and health performance is summarised on page 14. The key risks and uncertainties faced by the business are set out on pages 19 to 21.

The strategic report, as set out on pages 5 to 21, has been approved by the Board.

By order of the board

J Wynn
Company Secretary

CHAIRMAN'S STATEMENT

2014 was another challenging year for the mining industry and for Avocet. Our focus during the year was on recoveries and costs at Inata and on positioning Tri-K and Souma as sources of real value for shareholders. These objectives were made harder by a strike in December and by continuing weakness in the gold market.

At Inata a priority for the year was to build and commission the carbon blinding circuit (CBC) designed to allow high grade carbonaceous ore to be processed at high recoveries. Until commissioning of the CBC in September, production was dependent on clean oxide ore, which had become increasingly scarce and lower grade. Following its commissioning, work continued to maximise recoveries, including further performance test work to optimise processing of each ore type. Initial recoveries were lower than expected despite the positive impact of the CBC. However, the test work was disrupted by the strike and must continue in order to establish the ultimate level of recoveries achievable. Another ongoing priority was on reducing costs, notably through lower waste mining levels and reduced labour costs.

Disappointingly, gold production of 86,037 ounces was 27% lower than in 2013, as the period of processing low grade oxide ore was followed by lower than expected recoveries and the strike which cost four weeks lost production. Importantly, however, the mine's cost reduction efforts meant that total cash costs fell 28% from US$142.5 million in 2013 to US$102.0 million. Cash costs per ounce were therefore slightly lower at US$1,186 compared with US$1,203 in 2013.

In October the Ministry of Mines in Guinea advised the Company that its Tri-K feasibility study had been examined and approved by the Department of Mines and Geology. On 2 April 2015, the Company announced that it had been granted an exploitation permit for Tri-K, which is a considerable landmark for Avocet. In the meantime, work has been ongoing to optimise the project in the face of lower gold prices, including reductions in capital expenditure and operating costs.

At Souma, a programme of drilling and metallurgical test work has been prepared for the coming months and commenced in April 2015. The objectives are to confirm that Souma's metallurgy is oxide and non-carbonaceous, and to generate a maiden ore reserve, either as a standalone heap leach operation or as satellite feed for Inata.

Our business review continued in 2014 and remains ongoing. Discussions took place throughout the year with different parties, including Avocet's largest shareholders, regarding Tri-K, Souma and financing for the Company. These resulted in a £0.7 million share placing in August and further short term loan funding of US$1.5 million in January 2015 and US$2.1 million in April 2015, both for corporate purposes. The Company envisages that the latest funding will be sufficient for its corporate activities through to the end of September, during which time the Company expects to complete its plans for financing and developing the Tri-K project, as well as seeking longer term financing.

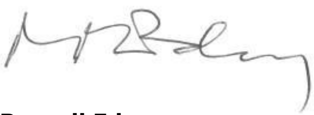
At the Company's head office, the number of employees has been significantly reduced, down from 16 in 2012 to just four today, in order to reduce costs and realign with the Company's current size. In addition, the Company's Board is to be reduced further, following the decision by Mike Donoghue, who has been a director since July 2006, to stand down at the AGM on 19 June 2015. On behalf of the Company, I would like to thank Mike for his contributions over the years.

In addition to the usual resolutions at the AGM, this year we will have some additional matters which we need to refer to shareholders at a separate general meeting to be held immediately following the AGM on the same day. The impairments recognised in the year have resulted in the Group's consolidated shareholders' funds showing a negative balance. There are two consequences of this. The first is that under section 656 of the Companies Act 2006, we are required to convene a shareholder meeting to discuss this with shareholders, as well as outlining how we will endeavour to improve the situation in the future. The second is that the Directors' borrowing powers under the Articles of Association, which are calculated by reference to a multiple of shareholder funds, are effectively removed. We will need to modify this clause to ensure the Board is able to obtain the short term financing it needs to develop its interests in Guinea and cover corporate costs.

In addition, shareholder approval will be needed for the proposed secured loan with Elliott Management, as set out in the announcement on 24 April 2015.

Further details on all of these matters will be set out in the requisite notices to shareholders, which we intend to send out during May.

Looking ahead at 2015, it is clear improved recoveries and/or gold prices at Inata are critical. The operation has struggled to maintain production levels and its life of mine is now less than three years. However, our management is determined to overcome the current challenges and circumstances can of course improve. Regarding the Company's other assets, I am encouraged by the exploitation permit award for Tri-K and the prospect of a revised Tri-K feasibility study based on lower costs, and by the potential for new production at Souma. Our focus will be on exploiting these opportunities in order to add value for shareholders and create a platform for longer term financial stability.



Russell Edey
Chairman

CHIEF EXECUTIVE'S STATEMENT

2014 Highlights

- 86,037 ounces produced at Inata
- Safety and health standards maintained: over 5 million hours now worked since the last lost time injury
- New, lower cost organisational structure implemented at Inata
- Environmental and social baseline studies progressed at Souma
- Successful government liaison throughout the year resulting in recent award of Tri-K exploitation permit.

Review of Inata, Burkina Faso

The mine faced a number of operational challenges during 2014, including a strike at Inata in December which adversely impacted the year's total gold production and cash flow.

Total production of 86,037 ounces was disappointing when compared to the target of 95,000 ounces. Nonetheless, despite the reduced ounces produced, the continued downward pressure on costs resulted in cash costs of US$1,186 per ounce compared to US$1,203 in the prior year, reflecting our management team's efforts to improve margins.

The timing of the strike in December was unfortunate as it coincided with performance testing of the newly commissioned carbon blinding circuit (CBC) and caused disruption to the plant set up that persisted for several weeks. In particular, it interrupted treatment of ore which is high grade but also has the highest preg-robbing index (PRI) characteristics. The performance testing to optimise gold recoveries therefore had to be deferred until the first quarter of 2015 and is ongoing. Following the strike, a new lower cost organisational structure was put in place that more appropriately meets the mine's operational needs, including lower mining activity.

It is pleasing to report that no lost-time injuries (LTI) were suffered by any employees or contractors during the year. The last LTI occurred in September 2013 and by the end of the year 458 LTI free days had been achieved in the year, equivalent to 4.38 million hours of work - which has since increased to over five million. This was particularly commendable given the amount of work undertaken in a more demanding, non-routine environment during the construction of the CBC within the existing confines of the ongoing operation of the CIL processing plant.

The operating strategy continued to focus on minimising the strip ratio in response to lower gold prices. In 2014 this key metric was reduced to 4.5 from 9.7 in 2013, resulting in substantial reductions in mining costs – especially fuel usage and mobile fleet maintenance.

Total Mineral Resources in the Bélahouro district have decreased from 6.1 million ounces to 4.2 million ounces. The reduction reflects a higher cut-off grade of 0.8 g/t rather than the 0.5 g/t used previously, consistent with the operating strategy focused on higher grade material. It also reflects a more conservative approach in respect of material with high carbon content. Inata's Ore Reserves of 0.33 million ounces have decreased for similar reasons, as well as mining depletion during 2014. The mine plan has a remaining life of 2-3 years, which excludes any ore feed from Souma. Should gold prices rise significantly in the future, there remains the possibility of increasing the gold price planning assumptions and restoring a longer life of mine, but for the time being management will maintain a conservative approach with a focus on reducing costs and assessing potential ore feed from Souma.

In order to increase the gold produced in the remainder of the life of mine, work is focussed on improving the precision of the PRI estimate of each mining block of the ore reserves by increasing the number of samples in the grade control drilling and assaying prior to mining of the ore. It is apparent that the organic carbon in the transition and fresh sectors of the orebody is more randomly distributed than when previous block models of the reserves were configured. Knowledge of the PRI prior to treating the ore is important in order to maximise recoveries whilst minimising the consumption of reagents and hence their cost.

There remain additional sources of oxide ore in the life of mine plan. When this is planned to be processed, the CBC section of the processing plant will not be operated given that no organic carbon is present in this category of ore. The life of mine plan includes nearly two million tonnes of low grade (approximately 1 g/t) ore on the Rompad stockpile which will be processed following completion of mining of the planned open pits.

A key theme in the mining industry, particularly in West Africa, remains the downward pressure on all costs. Inata is no exception, with the revised organisational structure reducing headcount by over 200 positions, including more than 30 fewer high cost expatriate roles.

Review of Burkina Faso exploration, including Souma

Within the Inata mine licence area and its surrounding area, which includes the Souma project, only a very limited amount of activity was carried out during 2014 owing to constrained funding.

However, a modest drilling programme of four scout holes was conducted within the Oka Gakinde exploration licence where an aerial magnetic survey, followed by ground reconnaissance and grab sampling, had identified a potentially significant magnetite outcrop hosting vanadium minerals. Further work is planned in 2015 to evaluate the tonnage and grade of the discovery.

The Souma drilling and metallurgical test work programme that commenced in April 2015 will determine to what extent Souma might provide satellite ore feed to Inata, with minimal capital cost, or would be best suited to a low cost standalone heap leach operation benefiting from synergies with Inata.

Review of Tri-K, Guinea

Avocet announced on 2 April 2015 that the exploitation permit had been awarded for Tri-K, following constructive liaison throughout the year between the Company's representatives in Guinea and government. In the intervening period since submitting its feasibility study in October 2013, optimisation work has been carried out to reduce capital and operating expenditure significantly. In addition, as part of the Company's business review, Avocet has been seeking appropriate partners for financing, developing and operating the project. These discussions are ongoing and will benefit from the granting of the exploitation permit. Avocet is working to ensure that its financing and project development plans will allow it to start construction as early as possible in 2016.

Corporate Review

Operating difficulties in 2013 left Inata short of amenable ore for processing and resulted in Avocet being unable to repay its shareholder loan from Elliott when it fell due at the end of 2013. As a result, during 2014 Inata was forced to operate on clean but low grade ore while it constructed and commissioned the CBC, with very limited cash flow to meet its working capital and capital expenditure needs, and insufficient funding for Souma exploration.

The Company obtained funding in August 2014 in the form of a share placing with its largest shareholders, and since the year end has secured two short term loans from Elliott. This ensured that the Company was able to revise its Tri-K project with a view to reducing its capital expenditure and operating costs significantly in response to lower gold prices. Availability and draw down of part of the most recent loan is conditional on shareholder approval at a separate general meeting to be held immediately following Avocet's annual general meeting on 19 June, and is at Elliott's discretion. On the basis the Company is able to draw the loan down in full, the current funding is expected to be sufficient through the end of September during which time the Company expects to conclude its efforts in financing and development planning for Tri-K.

The Board believes that the activities at Tri-K and Souma should generate value for the Group and should assist the Group in its discussions regarding future financing, both for development of its projects and for corporate purposes including repaying loans to Elliott, which are repayable on demand. With this in mind, the Company will continue to explore the options available to secure longer term funding for the remainder of 2015 and beyond.

DCather

David Cather
Chief Executive Officer

FINANCIAL REVIEW

Financial highlights[1]

Year ended 31 December	**2014 Audited**	2013 Audited
US$000		
Revenue	**110,444**	149,261
Gross loss	**(19,272)**	(30,388)
Loss from operations	**(137,537)**	(80,608)
EBITDA	**(2,231)**	(10,463)
Loss before tax	**(140,135)**	(149,385)
Analysed as:		
Loss before taxation and exceptional items	**(28,443)**	(45,993)
Exceptional items	**(111,692)**	(103,392)
Loss for the year	**(149,788)**	(152,869)
Net cash generated by/(used in) operations (before interest and tax)	**12,095**	(73,345)
Net cash outflow	**(10,385)**	(39,687)

1 Prepared in accordance with International Financial Reporting Standards.

Revenue

Group revenue for the year was US$110.4 million compared with US$149.3 million in 2013. The Group sold 87,425 ounces at an average realised price of US$1,263 per ounce during 2014, compared with 118,334 ounces sold at an average realised price of US$1,261 per ounce (including hedge deliveries) in 2013. The lower revenue reflected lower gold production in the year (30,909 fewer ounces sold), as well as a fall in the average realised spot price in the year from US$1,423 per ounce in 2013 to US$1,263 per ounce in 2014. The 2013 total average realised price was impacted by the delivery of 40,500 ounces into forward contracts at an average price of US$950 per ounce.

Gross loss and unit cash costs

The Group gross loss in 2014 was US$19.3 million compared with US$30.4 million in 2013, an improvement of US$11.1 million. While gold production was adversely affected by lower throughput levels and lower recoveries, the impact of this on gross profit was offset by lower mining costs following a reduction in tonnages in response to smaller pit sizes, a deliberate strategy to minimise the cost of waste stripping in order to maximise cash generation at Inata. A number of additional factors also contributed to this variance, some of which were negative (including lower prices and higher unit costs per tonne both mined and milled), and some beneficial (weaker CFA rates meaning lower local costs expressed in US$ terms, lower depreciation, and fewer one-off cost items in the year).

Unit cash costs at Inata decreased from US$1,203 per ounce in 2013 to US$1,186 per ounce in 2014. The impact of lower gold production was mitigated by reduced mining volumes and cost savings achieved in the year.

The table below reconciles the Group's cost of sales to the cash cost per ounce. Further detail is provided in note 4 of the financial statements.

Year ended 31 December	**2014 US$000**	2013 US$000
Cost of sales	**129,716**	179,649
Depreciation and amortisation	**(23,614)**	(29,418)
Changes in inventory	**(895)**	4,935
Adjustments for exploration expenses and other costs not directly related to production	**(3,172)**	(12,708)
Cash costs of production	**102,035**	142,458
Gold produced (ounces)	**86,037**	118,443
Cash cost per ounce (US$/oz)	**1,186**	1,203

Loss before tax
The Group reported a loss before tax of US$140.1 million in the year ended 31 December 2014, compared with a loss of US$149.4 million in the year ended 31 December 2013.

In 2014, the Group recognised a number of impairments in relation to its mining and exploration assets. The assets of Inata were impaired by a total of US$105.5 million during the year, primarily as a result of lower gold prices, and changes in production assumptions which had the effect of shortening the mine life and reducing the expectation of cash generation. The Tri-K project in Guinea was also impaired by US$6.1 million, mainly as a result of lower gold price expectations.

Before exceptional items, the loss before tax for the year ended 31 December 2014 was US$28.4 million compared with a pre-tax profit of US$46.0 million for the year ended 31 December 2013.

Taxation
The Group reported a tax charge in the income statement of US$9.7 million in 2014 (2013: US$3.5 million), analysed as follows:

Year ended 31 December	**2014 US$000**	2013 US$000
Inata, Burkina Faso	**9,641**	3,484
Avocet Mining PLC, UK	**12**	-
	9,653	3,484

The 2014 tax charge in Burkina Faso included a US$5.0 million provision in respect of a tax assessment undertaken in 2012 covering the years 2009-2011. At the time of the 2013 accounts, management believed a full and final settlement of US$3.5 million paid during 2013 would be accepted by the government of Burkina Faso as a final settlement, however the tax authorities hardened their position such that management now feel that the full amount claimed by the government of US$8.5 million should be provided for.

Also included in the tax expense in 2014 is a deferred tax charge of US$4.6m in respect of withholding tax (WHT) and interest tax (IRVM) that would be due on settlement of intragroup management fees and loan interest invoices payable by the Company's Burkinabe subsidiary, Société des Mines de Bélahouro SA (SMB).

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 improved from a loss of US$10.5 million in 2013 to a loss of US$2.2 million in 2014. The reasons for this are outlined in the changes to gross loss as described above.

A reconciliation of Loss before tax and exceptionals to EBITDA is set out below:

Year ended 31 December	**2014 US$000**	2013 US$000
Loss before tax and exceptionals	**(28,443)**	(45,993)
Depreciation	**23,614**	29,418
Exchange (gains)/losses	**(5,856)**	109
Finance income	**(2)**	(17)
Finance expense	**8,456**	6,020
EBITDA	**(2,231)**	(10,463)

Cash flow and liquidity
A total cash outflow of US$10.4 million was reported for the year ended 31 December 2014. Net cash generated by operating activities (after interest and tax) totalled US$5.2 million, while capital expenditures amounted to US$11.6 million.

Financing during the year represented an outflow of US$3.9 million including the net repayment of debts of US$4.4 million to Ecobank, finance lease payments of US$0.7 million, and net proceeds from an equity placement in August 2014 of US$1.2 million.

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

	2014			2013		
	Cash US$000	**Debt US$000**	**Net Cash/ (Debt) US$000**	Cash US$000	Debt US$000	Net Cash/ (Debt) US$000
At 1 January	**15,201**	**(76,475)**	**(61,274)**	54,888	(5,000)	49,888
Net cash generated by/(used in) operating activities	**5,208**	–	**5,208**	(78,711)	–	(78,711)
Deferred exploration costs	**(28)**	–	**(28)**	(14,478)	–	(14,478)
Property, plant and equipment	**(11,613)**	–	**(11,613)**	(15,667)	–	(15,667)
Net loan repayments	**(4,371)**	**4,371**	–	71,000	(71,000)	–
Other movements including foreign exchange	**419**	**5,901**	**6,320**	(1,831)	(475)	(2,306)
At 31 December	**4,816**	**(66,203)**	**(61,387)**	15,201	(76,475)	(61,274)

Included within cash at 31 December 2014 was US$4.2 million of restricted cash (31 December 2013: US$5.6 million), representing a US$2.3 million debt service reserve account held in relation to the Ecobank loan (2013: US$2.7 million), and US$1.9 million (2013: 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. US$1.5 million held in escrow in relation to the Burkina Faso tax dispute at 31 December 2013 was released during the year.

The US$15.0 million Elliott loan fell due on its maturity date of 31 December 2013, however the Company was unable to repay this amount from unrestricted funds. At 31 December 2014, this amount, and accrued interest of US$1.7 million, remained outstanding, and two further loans, each of US$1.5 million, were drawn down from Elliott during January and April 2015. Availability and draw down of a further US$0.6 million under the most recent loan is conditional on shareholder approval, and is at Elliott's discretion. On the basis the Company is able to draw the loan down in full, the current funding is expected to be sufficient through the end of September during which time the Company expects to conclude its efforts in financing and development planning for Tri-K. The Board believes that the activities at Tri-K and Souma should generate value for the Group and should assist the Group in its discussions regarding future financing, both for development of its projects and for corporate purposes including repaying loans to Elliott, which are due on demand. With this in mind, the Company will continue to explore the options available to secure longer term funding for the remainder of 2015 and beyond.

Depreciation

The Group's depreciation charge decreased from US$29.4 million in the year ended 31 December 2013 to US$23.6 million in the year ended 31 December 2014. The majority of this related to the depreciation of assets at Inata, which is 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	**2014 US$000**	2013 US$000
Inata	**23,614**	29,223
Other	**-**	195
	23,614	29,418

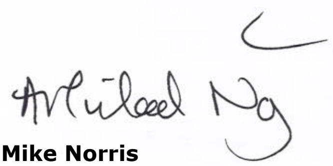
Capital expenditure
The Group's capital expenditure in the year was US$11.6 million analysed as follows:

	2014			2013		
Year ended 31 December	**Deferred exploration US$000**	**Property, plant and equipment US$000**	**Total US$000**	Deferred exploration US$000	Property, plant and equipment US$000	Total US$000
Inata gold mine (Burkina Faso)	**-**	**11,613**	**11,613**	7,541	14,122	21,663
Tri-K project (Guinea)	**28**	**-**	**28**	7,996	169	8,165
Head office (UK)	–	–	–	–	–	–
	28	**11,613**	**11,641**	15,537	14,291	29,828

Capital investment both in property, plant and equipment and in exploration activity was reduced compared with 2013 in response to the fall in the gold price and lower production from Inata. Significant investments in the year included the construction of the carbon blinding circuit (US$7.7 million), the tailings management facility (US$1.7 million), and other plant and mining equipment (US$2.2 million).

Non-financial Key Performance Indicators (KPIs)

The Company's non-financial KPIs primarily relate to gold production at the mine (see page 22 for further details).



Mike Norris
Finance Director

BUSINESS MODEL AND STRATEGY

Business model

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.

- Exploration and development – effective mineral resource development allows further ounces to be brought into the life of mine plan of existing assets and new projects to be added to the Company's portfolio of operations. Successful exploration carried out at a below industry-standard discovery cost.
- Operational results – continuous improvement at mining operations, delivery against production and cost targets, responding as required to operating challenges
- Value – economic value generated from operation assets distributed amongst stakeholders including investors, governments, employees and local communities
- Social Licence – maintaining a social licence among our stakeholders enables us to continue operations and expand the Company's reach in discovering new ounces in existing and new territories

Business Strategy

The strategy of Avocet remains to develop its asset base in order to maximise value for its shareholders. In view of the financial constraints under which the Company has operated in recent times, along with the much of the global mining sector, the Board of Avocet Mining PLC also acknowledges that the interests of the Group's creditors must also be met in the first instance.

The Inata gold mine has now been in operation since December 2009. As its mining plan has advanced, pits have become deeper, ores harder and less weathered, with lower grades and recoveries and more challenging metallurgy, and consequently production levels have fallen. This has meant that the primary challenge has been to ensure cashflows remain sufficient to meet the mine's ongoing obligations, including its creditors.

Avocet also holds a number of exploration licences in Burkina Faso and Guinea. It is the Company's strategy to look for ways to develop these assets in order to generate value for the Group's shareholders and other stakeholders. Of the licences in Burkina Faso, the Souma deposit is the most advanced, and it is hoped that the application for a mining licence will proceed in early 2016. In Guinea, the recent award of exploitation permit (mining licence) at Tri-K is a milestone for the Company. Avocet is working to ensure that its financing and project development plans will allow it to develop the project into an operational gold mine as soon as possible.

2015 Business Plan

The 2015 Business plan includes the following key objectives:

- Inata – manage the Inata gold mine to maximise cashflows, while operating within the safety and compliance standards set by the Group
- Tri-K – conclude project development plans and secure investment that will allow construction of a mine to commence as early as possible in 2016
- Souma – complete a programme of drilling and metallurgical test work with the objectives of confirming that Souma's metallurgy is amenable to heap leaching and generating a maiden ore reserve, either as a standalone heap leach operation or as satellite feed for Inata; initiate a feasibility study and the process of applying for a mining licence
- Head Office - secure longer term funding to allow the Company to meet all ongoing corporate obligations; exploit the potential of Tri-K and Souma in order to add value for shareholders and create a platform for longer term financial stability.

SAFETY AND HEALTH

Avocet recognises that its exploration and mining activities have the potential to impact directly and indirectly on the safety and health of our neighbouring communities as well as the wider environment. The Company is committed to providing a safe, healthy and sustainable environment for all our employees, contractors and neighbours.

At 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, establish appropriate and timely responses, and ensure ongoing compliance with both Burkina Faso law as well as international best practice.

During 2014 the Safety, Health and Environment departments were merged to create a single Safety, Health and Environment Department with the intent of delivering a more integrated service to the mine. This in part reflects the joined up thinking delivered from the Safety, Health, Environment and Community ('SHEC') Committee of Avocet's Board of Directors. This committee, established in 2012, is responsible for ensuring that appropriate systems and resources are in place to ensure that all employees have a safe and healthy environment in which to work.

Avocet recognises the importance of training and education to maintaining a continued high level of safety and environmental performance. All employees and contractors undertake a comprehensive induction programme and an ongoing programme of training is in place to ensure awareness levels are maintained. 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.

Safety focus

There were no Lost Time Incidents (LTI) in 2014. This represents a considerable achievement, and management and staff at all levels of the organisation are proud of this. By the end of the year, the mine had reached 458 LTI free days which equated to 4.38 million man hours. Inata staff recognise the importance of avoiding complacency in this area, and during 2014 the Safety Team reviewed and fully revised the pillars of the mine's safety training programme. This updated package was rolled out throughout the year to all staff as part of their annual refresher training. A monthly management team inspection of different work areas was initiated, to underline to all the commitment of the site management team to safety.

An LTI-free year would be a commendable success in normal operating conditions, but achieving this in the context of constructing and commissioning the Carbon Blinding Circuit, with a significant amount of the work being completed in the difficult conditions generated by the rainy season, was all the more impressive.

Avocet management strongly believes that its workers should go home to their families uninjured at the end of the day and continuously promotes safety awareness, action and individual responsibility at all levels of the organisation. This awareness is delivered through a combination of proactive and reactive measures. General and role specific safety training packages are delivered to all site staff and visitors, which are then reinforced through toolbox talks as well as weekly and monthly safety meetings within various departments. Management also investigates all incidents and near misses thoroughly, identifying the root causes, and ensuring that the team develop, implement and communicate the necessary corrective actions. The following activities were undertaken during 2014:

- 1,351 induction or specialist training sessions for SMB staff, contractors, and visitors which included delivery of a general safety refresher programme to the workforce;
- 184 unannounced workplace inspections, involving both workers and management, designed to assess compliance with safety best practices and policies, and where appropriate, identifying corrective action plans;
- 159 safety meetings, attended by workers, supervisors and management, including contractors' representatives, which provide a forum at which ongoing and emerging issues and concerns can be discussed, and solutions developed; and
- 11 management led Occupational Safety and Health Committee meetings and 3 management workplace walkabouts.

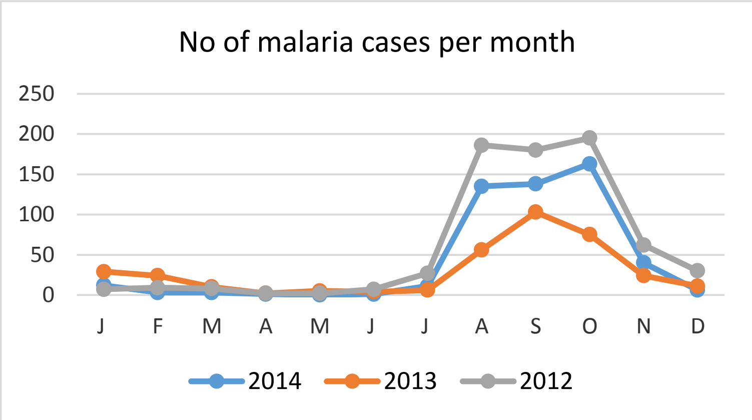
In addition to these general safety meetings and inspections, the following programmes continued through the year to reduce risk in areas where specific hazards have been identified:

- Fire drills, particularly around flammable materials such as the fuel storage area;
- Fire prevention and firefighting training delivered by the National Fire Brigade;
- Driver training, focussing on both defensive and offensive driving techniques, as well as a review and implementation of an enhanced Road Safety Policy; and
- Emergency Response Team training, focusing on first aid and basic firefighting techniques – this year a series of desk based scenarios were also played out to develop the team's response planning.

Health focus

2014 was a very challenging year across West Africa with the rise and spread of Ebola. Although Burkina Faso has not recorded any cases of Ebola, Inata's close proximity to the Mali border, along with the fact that many of its expatriate workers are from affected countries, necessitated the development and implementation of an Ebola Preparedness plan. The plan was developed in consultation with national medical services and included an extensive awareness raising programme for the workforce, the construction of a new isolation area at our site clinic, and the implementation of a risk-based, escalating response Action Matrix.

As in previous years, considerable effort went into controlling mosquito populations, and therefore reducing the malaria incidence rate. Control strategies included the continuation of our Internal Residual Spraying (IRS) regime as well as fogging around accommodation camps and in local villages. Individual action was also emphasised under the slogan 'Cover Up/Cream-Up'. The majority of cases reported related to rotational national workers who live far from the mine who split their time between our sites, where we can implement mosquito control measures, and their own homes, where we cannot.



Gastro-intestinal illnesses at site are generally caused by lapses in hygiene and subsequent exposure to contaminated food or drink. We continue to push the message that 'hygiene is good for you', whilst continuing to enforce policies 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 2014, a total of 56 inspections were undertaken, specifically targeting wash rooms, restaurants, and kitchen areas, to identify areas of non-compliance.

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 discreetly.

SUSTAINABLE DEVELOPMENT

Environmental Focus

Robust environmental monitoring remains the cornerstone to delivering our above compliance environmental performance. During 2014 the Environmental Management Plan and supporting procedures were overhauled and, as part of departmental harmonisation, combined with the Safety Management System to produce a 'Safety, Health and Environmental Management System'. The roll out of this system started at the end of the year and continued through Q1 of 2015.

Our comprehensive monitoring recorded no exceedances of our statutory or self-imposed targets from over 5,000 ground and surface water samples which we had analysed. We also made over 100 measures of dust deposition around Inata. Additional samples were also analysed to provide baseline data for the Souma Project environmental assessment. Throughout the year no analytical results were above target values and we continue to be confident that our operations are having no adverse impacts on water quality.

Our monitoring programme includes routine vibration and noise measurements during blasting activities. Monitoring points have been selected based on the pit in which blasting is taking place and areas that might be affected such as local villages or mine accommodation camps. No adverse impacts related to blasting have been recorded from these points.

2014 saw Avocet's largest reforestation effort with almost 28,000 trees planted around the Inata site and in specially established village 'forests'. The village 'forests' were developed with technical and capital support from Avocet and have been handed over to communities as a positive living legacy of Inata community involvement.

Greenhouse gases

Almost all of Avocet's emissions of CO_2 derive from its consumption of diesel, which is used as the fuel for the mining and auxiliary fleet, and in the generators used to generate electricity for the processing plant and site. The production of CO_2 is estimated using standard CO_2 production rates per litre of diesel fuel consumed.

In 2014, the Inata mine produced 13,398 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 four years, indicates a gradual increase in the quantity of CO_2 emitted on a per ounce basis, which can be attributed to the falling grades and recoveries seen in the production at the mine, and longer haul distances. Despite this we were able to maintain the same CO_2 tonnes per ounce as in 2013 demonstrating in part the effectiveness of our continued efforts to minimise consumption.

	2010	**2011**	**2012**	**2013**	**2014**
CO_2 emissions (tonnes)	12,602	16,369	20,006	19,347	13,398
Gold produced (oz)	137,732	166,744	135,189	118,443	86,038
CO_2 production rate (tonnes per oz)	0.09	0.10	0.15	0.16	0.16

Community engagement

Since 2010, Avocet has used 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. Inata's Community Relations department manages the day to day running of FAB.

During 2014, the primary focus of FAB was to contribute to the sustainable development of the communities around the Inata mine and exploration areas. This involved liaising with representatives of community groups, as well as local, regional and national organisations, as well as NGOs and other international development groups. Over 500 visits to communities were undertaken in the year, as well as 67 monthly meetings held at riparian villages. These meetings were used as opportunities to update both sides on issues and concerns, as well as providing information on progress with regard to previous commitments.

It was agreed that the FAB strategy needed to be amended to focus on contribution to projects that would enable communities to become self-sustaining, rather than simply contributing to capital projects that would require external financial support even after the end of mining at Inata.

Five areas in particular were identified as key development areas:

- **Drinking water.** The foundation constructed, in conjunction with local villages, a total of 7 artisanal wells, servicing 5 villages around Inata. The villagers were trained in the repair and maintenance of these wells, which provide 2,700 villagers who live in an arid region with access to clean potable water;
- **Education and training**. The provision of education and training was identified as critical if local communities are to develop the skills to develop their own economies. Activities during 2014 in this area included the provision of books and other teaching materials, school furniture and equipment, undertaking of minor repairs and maintenance, and the construction of additional classrooms. In addition, 160 young villagers were given training in driving motorised vehicles,

allowing them to obtain driving licences which are important to their chances of obtaining work in local mining sites as well as other sectors such as transportation, agriculture, etc.;

- **Healthcare**. As well as providing healthcare services for the mine site, Inata's medical teams also extended its coverage to local communities, where malaria is a particular problem. Specific activities in this area included the distribution of malaria kits, mosquito nets, and education programmes;
- **Supporting local economies**. Under FABs direction, it was agreed that all non-technical construction, repair, maintenance and supplies for the mine would be sourced locally; and
- **Sustainable energy.** In conjunction with Total Burkina, FAB provided a number of local communities with access to green energy through the distribution of 1,000 solar panels.

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, royalty and other 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 2013 and 2014, presents key data on government payments in the countries in which Avocet operates. This includes taxes, royalty payments, custom duties and amounts collected by Avocet on behalf of employees.

	2014					2013				
US$000	**Burkina Faso**	**Guinea**	**Mali**	**UK**	**Total 2014**	Burkina Faso	Guinea	Mali	UK	Total 2013
Royalties[1]	**4,284**	**-**	**-**	**-**	**4,284**	8,847	-	-	-	8,847
Custom duties[2]	**6,178**	**27**	**-**	**-**	**6,205**	5,166	-	-	-	5,166
IRVM[3]	**76**	**-**	**-**	**-**	**76**	458	-	-	-	458
Land tax[4]	**718**	**10**	**-**	**-**	**728**	571	18	-	-	589
Permit renewal	**15**	**-**	**-**	**-**	**15**	-	-	-	-	-
Corporation tax	**1,082**	**-**	**-**	**-**	**1,082**	4,122	-	-	-	4,122
Total tax borne (EITI)	**12,353**	**37**	**-**	**-**	**12,390**	**19,164**	**18**	**-**	**-**	**19,182**
Net VAT (recovered)/paid[5]	**(6,033)**	**5**	**-**	**(104)**	**(6,132)**	1,413	(119)	-	109	1,403
Non-recoverable VAT on fuel[5]	**3,247**	**-**	**-**	**-**	**3,247**	5,741	-	-	-	5,741
Fuel tax[6]	**1,536**	**-**	**-**	**-**	**1,536**	1,509	-	-	-	1,509
Payroll tax - employer	**2,090**	**23**	**25**	**218**	**2,356**	2,625	89	46	380	3,140
Payroll tax - employee	**4,084**	**15**	**23**	**665**	**4,787**	6,417	88	47	1,126	7,678
Withholding tax[7]	**839**	**67**	**-**	**-**	**906**	1,148	575	-	-	1,723
Other	**23**	**8**	**1**	**-**	**32**	37	16	2	-	55
Total net payments to government	**18,139**	**155**	**49**	**779**	**19,122**	**38,054**	**667**	**95**	**1,615**	**40,431**

1 Royalties 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% from US$1,300 per ounce)
2 Customs duties are charged on the import of goods and equipment
3 IRVM (Impôt sur le revenu des valeurs mobilières) is taxation on interest paid on loans
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 Burkina Faso. Most VAT is recoverable (a process which can take six months or more), but in Burkina Faso VAT on fuel is not recoverable
6 In Burkina Faso, a levy of CFA 50 per litre of diesel has been applied as fuel tax (TPP) since June 2013
7 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 Burkina Faso. 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 supplier charges, increasing the cost to Avocet

Employees

Senior management are conscious of the sensitivities involved in working in a developing nation, and the particular obligations the Company has to its communities and national employees.

Avocet's management believes that the development and training of national staff is important not only in order to meet its responsibilities toward local communities, but also in order to establish a committed, well trained, effective and efficient workforce. Part of this commitment is the gradual replacement of expatriate senior staff through promotion of national employees. During 2014, the percentage of non-Burkinabe staff at the Inata mine decreased from 7.3% (52 heads) in January to 5.3% (37 heads) by December.

The Company is committed to developing a diverse workforce and to providing a work environment in which everyone is treated fairly and with respect. Its policies in this area are set out in full for all staff members in its Employee Handbooks, which include details of the Company's Code of Conduct and Ethics, Whistleblowing policy, and anti-bribery and government payment policies.

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.

It is Avocet's policy that people with disabilities should have full and fair consideration for all vacancies. Employment of disabled people is considered on merit and with regard only to the ability of any applicant to carry out the role. The Company commits to endeavour to retain the employment of, and arrange suitable retraining for, any employees in the workforce who become disabled during their employment.

The Company is committed to gender equality throughout the organisation. During 2014, the average percentage of female employees was 5% (2013: 6%). There were no female Board members during 2014, however, as the size of the Board reduced from 8 to 6 (with Non-executive directors reducing from 6 to 4).

RISK MANAGEMENT – PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Comment	Business Impact	Mitigation
Economic risks			
Availability of finance	The Life of Mine Plan at Inata, as well as the construction of a new mine at Tri-K in Guinea, and repayment of the Elliott loans are dependent on external financing.	High	The Company has put in place cash conservation and cost reduction measures at Inata and continues performance testing with a view to improving gold recoveries. It has also commenced a programme of drilling and metallurgical test work at Souma to determine the extent to which satellite ore feed from Souma might increase Inata's life of mine and cash flow generation. The Board believes that the activities at Tri-K and Souma should generate value for the Group and should assist the Group in its discussions regarding future financing for Tri-K and for corporate purposes including repaying loans to Elliott. The Company continues to explore options for longer term funding for the remainder of 2015 and beyond. See the disclosures on Going Concern in Note 1 to the Financial Statements for more information.
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, in which its 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 2014). 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 2014.
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.

Risk	Comment	Business Impact	Mitigation
Operational risks			
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 – e.g. pit wall failure, adverse weather, and mechanical breakdowns.	Moderate	Avocet's operational teams regularly monitor mining risks, and report to the Technical Committee, which is responsible, on behalf of the Board, for ensuring appropriate measures are in place for anticipating, and responding to, such matters.

Risk	Comment	Business Impact	Mitigation
Country risks			
Exposure to changes in fiscal and regulatory regime	In addition to political/social risks, Avocet is exposed 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 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.

Risk	Comment	Business Impact	Mitigation
Other risks			
Finance risk	Many of Avocet's assets at Inata are secured in favour of Ecobank. The Company is therefore reliant on meeting its loan obligations with Ecobank in order to avoid the risk of this security being enforced. In addition, the Company has an unpaid obligation to Elliott, which must be repaid or renegotiated. In addition, the Inata mine has a number of trade creditors whose balances are overdue, including critical suppliers. There is a risk that one or more of these might withhold supplies or initiate legal action, which in turn might lead to the inability of the mine to continue to operate.	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 2014, Avocet recognises the support it has received from its debt providers, and continues to focus on maintaining a strong relationship of trust. The management of the Inata mine remain in regular contact with suppliers, who have been supportive and understanding of the issues faced to date, and the difficulties going forward. The message communicated to all creditors of the mine that the continued operation of Inata will lead to the maximum repayment of outstanding debts.
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 in Inata. Any factors that affect production at the Inata 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 expenditure 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 South East Asia entities in 2011.	Moderate (with low probability)	As explained in note 31, the courts in Indonesia have to date 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.

REVIEW OF OPERATIONS

Inata Gold Mine

Production Statistics	**2014**	2013	2012	2011
Ore mined (k tonnes)	**2,529**	3,114	2,653	2,494
Waste mined (k tonnes)	**11,495**	30,100	30,474	22,707
Total mined (k tonnes)	**14,024**	33,214	33,127	25,201
Ore processed (k tonnes)	**1,903**	2,353	2,556	2,471
Average head grade (g/t)	**1.77**	1.75	1.95	2.26
Process recovery rate	**79%**	86%	87%	91%
Gold produced (oz)	**86,037**	118,443	135,189	166,744

Unit Cash Costs US$/oz	**2014**	2013	2012	2011
Mining	**422**	547	412	217
Processing	**442**	373	309	244
Administration	**234**	187	161	139
Royalties	**88**	96	118	93
Total	**1,186**	1,203	1,000	693

Production at Inata in 2014 of 86,037 ounces was below the guidance of 95,000 ounces and 2013 production of 118,443 ounces. An illegal strike during December at Inata resulted in the suspension of all mining activities. On 12 December, the Company announced that the strike had been brought to a peaceful end, with all strikers having been removed from site, together with the majority of the workforce. In the subsequent days, a skeleton crew of senior staff remained on site to inspect the mine's assets and begin the process of returning to production. However, the loss of production was a major contributor to the guidance target being missed.

The commissioning of the carbon blinding circuit (CBC) at the end of the third quarter meant that higher grade carbonaceous material could be treated. Head grades averaged 2.92 g/t in Q4, compared with 1.53 g/t in the previous quarter when only oxide ore had been treated as had been the case in the first half of the year whilst the new CBC unit was under construction. Processing of carbonaceous ore meant that recoveries in Q4 were lower at 61%, despite the positive impact of the CBC, compared with 85% in Q3. Until disrupted by the strike, the CBC was being performance tested against various combinations of ore grade and organic carbon contents together with differing blends of blinding reagents. Although the CBC outperformed expectations against laboratory test work, other factors in the ore metallurgy negatively impacted overall recoveries.

The mine continued with the operational strategy which was adopted in 2013 of the LoMP being based on pit shells run at lower gold price assumptions. This move to lower gold prices was made in order to reduce stripping costs and increase grades, and thereby make the mine more robust at lower gold prices, albeit over a shorter mine life. The mine has a 2-3 year mine life, with a lower strip ratio and higher grades as a result of focusing on a higher grade portion of the orebody. Accordingly, 14.0 million tonnes were mined by the fleet compared with 33.2 million tonnes in 2013. This substantial reduction allowed the judicious standing down of mobile equipment whilst still maintaining the mine's call factor in order to reduce fuel and maintenance costs.

As a result of entering the transition zone of the orebody during the year, the hardness of the ore increased with a commensurate reduction in mill throughput. Despite similar availability, the total tonnes processed reduced from 2.35 million tonnes in 2013 to 1.90 million tonnes, partly reflecting a nine day SAG mill shutdown in March. With recoveries also lower at 79% compared to 86%, despite head grades being slightly higher at 1.77g/t compared to 1.75g/t, the overall gold produced was substantially lower at 86,037 ounces, compared to 118,443 ounces in 2013.

Safety
In 2014, there were no Lost Time Injuries (LTI) reported at Inata, and by the end of the year, the number of man hours worked since the previous LTI had reached 4.38 million. More details on the mine's safety and health performance can be found in the Safety and Health Review on pages 14 and 15.

Bélahouro Mineral Resource development

During 2014, limited funds were available for exploration within the Bélahouro group of licenses, which includes Inata and Souma. Efforts of the exploration team were focussed on providing geological support for activities within the mine lease. In the light of the low gold price environment and higher milling and mining costs it was decided to raise the cut-off grade for resource calculations from 0.5g/t to 0.8g/t, which is closer to the actual mining cut-off grades currently applied. After depletion and applying the higher cut-off grade, total resources at the end of 2014 stood at 4.2 million ounces (77.7 million tonnes at an average grade of 1.7g/t), down by 31% from 6.1 million ounces previously stated.

Souma

The Souma deposit is located within an exploration licence approximately 20 kilometres east of the Inata gold mine. Avocet owns 100% of the exploration licence, which extends until 2017.

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

Due to financing constraints, no additional drilling was carried out on the Souma project during 2014. In April 2015 a drilling and metallurgical test work programme commenced that is designed to increase the confidence in the resources already delineated, grow the resources and collect additional metallurgical data. Based on results of this programme a feasibility study will be completed early in 2016 and an application made for a mining licence.

A number of options are available for advancing the Souma project.

Souma could become a satellite operation for Inata, with high grade Souma ore trucked to the Inata plant, and development costs principally including the construction of a haul road covering the 20 kilometres between Inata and Souma. Mining equipment would be transferred from Inata to Souma at the appropriate time, and haulage of ore to Inata might be carried out by a local contractor.

Alternatively, oxide ores at Souma could be treated in a standalone heap leach facility close to the deposits. High grade material and ores not suitable for heap leaching could still be trucked to Inata.

Oka Gakinde

Within the Oka Gakinde exploration permit a number of massive magnetite lenses have been located in a large gabbro intrusion. These cover a strike length of at least 4km and individual zones are tens of metres thick. Assay of these has revealed that these contain up to 56% Fe, 11.2% TiO_2, and 0.85% V_2O_5. At depth these zones are associated with sulphides. A small drilling programme was undertaken to more clearly define the potential.

Five holes were completed to test this zone. The magnetite mineralisation is stratiform with thin layers of magnetite interbedded with gabbro and dolerite. The main zone of mineralisation is characterised by numerous beds of massive magnetite from a few centimetres up to 3.5 metres developed within a broad zone of matrix hosted magnetite. Magnetite mineralisation occurs over an interval of up to 100m. Matrix magnetite is characterised by magnetite filling interstitial spaces to silicate crystals. Sulphide minerals are present within the magnetite zones and can represent up to 7% of the rock. Pyrite and pyrrhotite are the dominant sulphide minerals. Assays of this material are still pending. A potentially large resource is located here but individual massive magnetite horizons are thin and some form of upgrading would be required to produce a high grade product from the massive and matrix magnetite zones.

Tri-K

In announcing the completion of the Tri-K feasibility study in October 2013, 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 was 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.

An application for the exploitation permit was submitted in Q4 2013. No drilling activity took place in 2014, while the permitting process was in train. On 2 April 2015, the Company announced that the exploitation permit had been granted.

The development plan in the feasibility study outlined the construction of 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 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% was assumed in the feasibility study for both ore types.

The environmental and social impact study (ESIA) was also completed in parallel to the feasibility study, and this was approved by the Guinea government in September 2014. 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.

Since submitting the feasibility study in 2013, further work has been undertaken to re-engineer the project and reduce capital and operating expenditure significantly. However, a new Ore Reserve has not yet been completed.

ORE RESERVES AND MINERAL RESOURCES

Burkina Faso

Avocet Mining PLC (Avocet) owns 90% of Société des Mines de Bélahouro SA (SMB), owner of the Inata gold mine. Avocet owns 100% of the exploration permits surrounding the Inata mining licence through its wholly owned subsidiary, Goldbelt Resources (West Africa) SARL. Avocet, through its Burkina Faso operating subsidiary SMB, commissioned CSA Global Pty Ltd (CSA) to report the Mineral Resource estimates for the Inata and Souma Gold Projects during the first quarter of 2015.

The Company's Burkina Faso Mineral Resource estimates are presented in the tables below, quoted for blocks above a nominated cut-off grade of 0.8g/t Au. The Inata and Minfo Mineral Resources were depleted to the end December 2014 mining surface.

Inata's Ore Reserves were estimated to be 0.33 million ounces as at 31 December 2014 based on optimised pits shells determined on a gold price assumption of US$1,100 per ounce, reduced from 0.49 million ounces as at 31 December 2013, which had been based on optimised pits shells determined on a gold price assumption of US$950 per ounce. Cut off grades within the US$1,100 per ounce shells were based on a gold price assumption of US$1,250 per ounce. The reduction in Ore Reserves is largely attributable to mining depletion and an increase in the cut-off grade. The increased cut-off grade is influenced by the decrease in the assumed metallurgical recovery of carbonaceous and refractory ore to be mined for the remainder of the mine life.

A portion of Measured Resources (1.0 million tonnes) has been classified as Probable Ore Reserves. This downgrading in confidence is due to uncertainty relating to the metallurgical modifying factors under JORC (2012) for material with an active carbon content. The introduction of the carbon blinding circuit in 2014 is a significant step to mitigate this drop in recovery, but a capped metallurgical recovery has been used until actual performance consistently supports a calculated value for metallurgical recovery.

The operating mine life for Inata extends to 2017. The financial analysis of the Ore Reserve Statement is independent of future financing requirements.

Inata and Minfo Trends

Ore Reserve estimates are reported beneath the 31 December 2014 topographic surface and above an effective weighted average 0.78 g/t Au economic cut-off grade within mine designs based on economic shell optimisations. Mineral Resources are reported above a 0.8 g/t Au cut-off and below the 31 December 2014 topographic surface. Changes to the Mineral Resources are after mining depletion during 2014.

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	1,060,000	2.11	72,000	950,000	2.11	64,800
Probable	2,240,000	2.35	169,000	2,020,000	2.35	152,100
ROM stockpiles	1,980,000	1.34	85,000	1,780,000	1.34	76,500
Ore Reserves total	5,280,000	1.92	326,000	4,750,000	1.92	293,400
Mineral Resources						
Measured	8,970,000	1.74	500,700	8,073,000	1.74	450,600
Indicated	22,720,000	1.75	1,279,300	20,448,000	1.75	1,151,400
Measured + Indicated	31,690,000	1.75	1,780,000	28,521,000	1.75	1,602,000
Inferred	29,170,000	1.61	1,513,400	26,253,000	1.61	1,362,100
Mineral Resources total	60,860,000	1.68	3,293,400	54,774,000	1.68	2,964,100

Note: rounding errors may occur

Souma

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Mineral Resources						
Measured	-	-	-	-	-	-
Indicated	2,410,000	2.32	179,500	2,410,000	2.32	179,500
Measured + Indicated	2,410,000	2.32	179,500	2,410,000	2.32	179,500
Inferred	9,220,000	1.67	496,100	9,220,000	1.67	496,100
Mineral Resources total	11,630,000	1.81	675,600	11,630,000	1.81	675,600

Filio and Ouzeni

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Mineral Resources						
Measured	-	-	-	-	-	-
Indicated	-	-	-	-	-	-
Measured + Indicated	-	-	-	-	-	-
Inferred	5,190,000	1.62	269,700	5,190,000	1.62	269,700
Mineral Resources total	5,190,000	1.62	269,700	5,190,000	1.62	269,700

Total Burkina Faso

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	1,060,000	2.11	72,000	950,000	2.11	64,800
Probable	2,240,000	2.35	169,000	2,020,000	2.35	152,100
ROM stockpiles	1,980,000	1.34	85,000	1,780,000	1.34	76,500
Ore Reserves total	5,280,000	1.92	326,000	4,750,000	1.92	293,400
Mineral Resources						
Measured	8,970,000	1.74	500,700	8,073,000	1.74	450,600
Indicated	25,130,000	1.81	1,458,800	22,858,000	1.81	1,330,900
Measured + Indicated	34,100,000	1.79	1,959,500	30,931,000	1.79	1,781,500
Inferred	43,580,000	1.63	2,279,200	40,663,000	1.63	2,128,900
Mineral Resources total	77,680,000	1.70	4,238,700	71,594,000	1.70	3,909,400

Tri-K, Guinea
Mineral Resources as at 31 December 2014.

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

The information in this report that relates to Inata Ore Reserves is based on information compiled by Mr Karl van Olden, a Competent Person, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Karl van Olden is employed by CSA Global Pty Ltd, an independent consulting company. Mr van Olden has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr van Olden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Tri-K 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 information in this report that relates to Mineral Resources is based on information compiled by Mr David Williams, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. David Williams is employed by CSA Global Pty Ltd, an independent consulting company. Mr Williams has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". David Williams consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration results is based on information supplied by Mr Robert Seed, a competent person. Robert Seed is employed by Avocet Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Robert Seed consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 (55) – 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 (50) – 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 (72) - 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 worked at Rothschilds from 1977 until 2014, and sat on the Boards of a number of its subsidiaries. Prior to that, he worked for Anglo American Corporation of South Africa Limited in South Africa and Australia. He currently sits on the Board of the BlackRock World Mining Trust plc and the Genesis Emerging Markets Fund.

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

Mike Donoghue (65) – 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 has advised that he will stand down from the Board at the next Annual General Meeting of shareholders, scheduled to be 19 June 2015.

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

Barry Rourke (64) – 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 (62) – 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

Jim Wynn (42) – 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.

Note: Ages are at 31 December 2014.

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 2014.

The Company
Avocet Mining PLC, the parent company of the Avocet Group, is registered and domiciled in the United Kingdom. Further details relating to the Company, including its registered office, are set out in the Shareholders' Information section on pages 107-108.

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 3, and a description of the Company's business model is also set out on page 13.

Future developments
The Group's future developments are outlined in the Strategic Report.

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 27 April 2015, the issued share capital of the Company stood at 209,496,710. During 2014, a placement of 9,950,000 new shares was made to four existing shareholders at a price of 7.13 pence per share. Details relating to Share Capital and the purchase and transfer of Treasury and Own Shares are set out in notes 29 and 30 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$149.8 million (2013 – loss of US$152.9 million). The results for the year are explained in the Financial Review from page 9.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014.

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 and milled, grades, recoveries, and gold produced, as well as lost time injuries (LTIs). Financial KPIs include revenues, gross profit, cash costs per ounce, profit before tax, taxation, EBITDA, operating cashflows, and capex. 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 Strategic Report on pages 19 to 21. Financial risk and capital management disclosures are provided within notes 25 and 26 to the financial statements.

Directors and their interests in shares
The names of the current Directors are shown on page 28 and details of their interests in the share capital of the Company are shown on page 49.

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, with the exception of M Donoghue who will not be presenting himself for re-election at the 2015 AGM.

Substantial shareholders
At 27 April 2015, 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.[1]	28,245,037	13.51
UBS AG	20,175,000	9.65
Prelas AS	14,318,027	6.84
Bank of America Merrill Lynch	9,470,983	4.53
Halifax Share Dealing Limited	8,128,197	3.89
TD Direct Investing (Europe) Limited	7,569,488	3.62
Hargreaves Lansdown Asset Management	7,487,170	3.58

[1] – Elliott also holds a beneficial interest in 29,648,233 Contracts For Difference (CFDs), and 4 million warrants.

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 16.

Corporate governance
A report on corporate governance is provided on pages 34 to 40.

Employees
The Company has a policy of equal opportunities throughout the organisation, and is proud of its culture of diversity and tolerance. Further details are set out within the Strategic Report on page 18. Employees benefit from regular communication both informally and formally with regard to Company issues (external and internal developments, updates, etc), including a monthly newsletter distributed at the mine site and in the corporate office in Burkina Faso. Employees are made aware of the Company's share ownership policy, both to ensure compliance with listing rules but also to make them aware of the opportunity to participate in the Company's share performance. Share-based payment schemes are also available to senior staff, as set out in the Remuneration Report.

Disclosure table pursuant to Listing Rule LR9.8.4

Listing Rule	Information to be disclosed	Disclosure
9.8.4(1)	Interest capitalised by the Group	None in year
9.8.4(2)	Unaudited financial information	None in year
9.8.4(4)	Long term incentive scheme only involving a Director	None – see Remuneration Report
9.8.4(5)	Directors' waivers of emoluments	Non-executive Directors proposed and approved fee reductions in the year – See Remuneration Report (page 49) for details
9.8.4(6)	Directors' waivers of future emoluments	See above
9.8.4(7)	Non pro-rata allotments for cash (issuer)	See Note 29 to the Financial Statements
9.8.4(8)	Non pro-rata allotments for cash (major subsidiaries)	None in year
9.8.4(9)	Listed company is a subsidiary of another company	Not applicable
9.8.4(10)	Contracts of significance involving a director	None in year
9.8.4(11)	Contracts of significance involving a controlling shareholder	None in year
9.8.4(12)	Waiver of dividends	None in year
9.8.4(13)	Waiver of future dividends	None in year
9.8.4(14)	Agreement with a controlling shareholder per LR9.2.2AR	No controlling shareholders in year therefore not applicable

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 16 through to 18. This section also includes the disclosures in relation to the Company's greenhouse gas emissions.

Going concern
In view of the funding shortages facing the Company during 2014, the Board have undertaken regular reviews of cashflows. These reviews have included daily cash statements, cashflow projections at operating and head office level, and discussions both during and between Board meetings as to the status of refinancing discussions with third parties.

In addition to these regular reviews, attention is drawn to 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 2014 Financial Statements, as well as the areas of material uncertainty that have been taken into consideration.

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;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 IFRSs 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

27 April 2015

REPORT ON CORPORATE GOVERNANCE

Chairman's introduction

2014 presented Avocet with its fair share of challenges, and the pressures of dealing with production issues and cashflow constraints has at times made the task of maintaining standards of governance difficult. This pressure has certainly been felt by my colleagues and me on the Avocet Mining PLC board.

However, while maximising cash generation and shareholder return are clearly at the forefront of our minds, to me, governance represents the framework by which we manage the business, and to undermine its structures would be to reduce the effectiveness of the management team in dealing with the problems it faces.

At the same time, for governance to be effective, it needs to be pragmatic, and we remain constantly on guard against policies or procedures which have become 'box-ticking' in nature, and have made changes where necessary.

However the principles and standards of governance, as with safety and health, remain non-negotiable - not only because they represent a commitment made by the Board to the Company's shareholders and stakeholders, but because they are the best way to achieve our business goals.

Russell Edey
Chairman

27 April 2015

REPORT ON CORPORATE GOVERNANCE

Throughout the year ended 31 December 2014 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 four 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 2014, the Board met eight 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.

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	SHEC Committee
R Edey	Chairman	08 Jul 2010	Independent	Member	Member	Chair	–	Member
BJ Rourke	NED	08 Jul 2010	Independent	Chair	Chair	Member	–	Member
M Donoghue	NED	11 Jul 2006	Independent	–	–	Member	Chair	Member
G Wylie	NED	22 Feb 2012	Independent	Member	Member	Member	Member	Chair
D Cather	CEO	18 Jul 2012	Executive	–	–	–	Member	–
A Norris	FD	10 Jul 2007	Executive	–	–	–	–	–

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. The most recent review was completed in April 2015, prior to which Board members were asked to submit assessments of the performance of the Board as a whole, as well as individual Directors, the Senior Independent Director, and the Chairman, against a range of criteria, and requested to provide further details on areas where improvements could be found. The results of this exercise were then fed back to the Board, and discussed at a Board meeting on 27 April 2015.

Board and Committee meetings
There were eight Board meetings, five Audit Committee meetings, seven Remuneration Committee meetings, one meeting of the Nomination Committee, three Technical Committees, and three 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	8/8	5/5	7/7	1/1	n/a	3/3
RA Pilkington	3/4	n/a	n/a	0/1	n/a	n/a
BJ Rourke	8/8	5/5	7/7	1/1	n/a	3/3
MJ Donoghue	7/8	n/a	n/a	1/1	2/3	3/3
G Wylie	8/8	5/5	5/7	1/1	3/3	3/3
AM Norris	8/8	n/a	n/a	n/a	n/a	n/a
DC Cather	8/8	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), MJ Donoghue, BJ Rourke, and G Wylie.

Operations

The Nomination Committee meets at least once a year, or more frequently as required. In 2014, it met formally only once, to consider whether to seek a replacement for R Pilkington, following his decision not to put himself forward for re-election at the AGM in May 2014. The Committee decided that a smaller, lower cost Board was more appropriate for the Company in view of the funding challenges faced at the time.

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.

Following the resignation of N Harwerth, the Board has not included any female members. Although the Board values equality in all areas, it does not believe it would be in the interests of the Company at the present time to seek to add an additional member to the Board in order to address the issue of gender balance.

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 2014, the Remuneration Committee met seven times. The Committee considered potential bonus and other remuneration targets for Executive Directors and Senior management during the year, particularly in the context of scarcity of funds. In addition, the Committee agreed to reduce Non-Executive fees to align more closely with benchmark rates for companies of a similar market capitalisation to Avocet Mining PLC.

Further details on remuneration matters are set out in the Remuneration Report on pages 41 to 53.

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.

<u>Audit Committee</u>
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 R 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 2014, 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 2014, 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 the end of each reporting period (for the year ending 31 December 2013 and the six months to 30 June 2014), 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. However, in light of production and cash issues in the year, no such visit was undertaken during 2014, and instead, assurance as to the adequacy of internal controls was obtained through a discussion with finance staff, as well as feedback from the external auditors on their own findings.

During 2014, the Audit Committee considered the performance of the Group's external auditors. The Committee was aware that the audits for the years ending 31 December 2013 and 31 December 2012 had been reviewed by the Financial Reporting Council, however was satisfied that the audit had been properly conducted from the perspective of the Company and its shareholders. In addition, notwithstanding the fact that Grant Thornton had been the auditors of the Company for many years, the Committee was satisfied that the regular change in key audit personnel, including the Audit Partner and Audit Manager, were indicators of the independence of the auditors.

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 8 May 2014.

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, and DC Cather (Chief Executive Officer). 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 2014, it met 3 times formally, however in addition it 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 3 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.

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 2014 financial statements is discussed in detail in note 1 to the financial statements.

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 satisfied 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.

During 2014, the key financial risk faced by the Company as a whole was identified as being liquidity, and in particular, the ability of the subsidiaries within the Group to meet obligations as they fell due. Considerable focus was placed on this area by all finance teams, and by the Audit Committee and members of the Board.

Finance teams were asked to maintain updated and detailed cashflow projections, which were reviewed by senior management and reported to the Board and Audit Committee. Details of discussions with creditors and potential funding providers were reported to the Committee by the Finance Director, and a considerable amount of time was spent ensuring that the Company was able to meet its obligations and responsibilities.

The financial reporting systems of the Group are subject to internal and external review. The accounts of the main operating entities in Burkina Faso are subject to both IFRS group audits (undertaken by Grant Thornton) as well as local compliance audits in accordance with SYSCOA and OHADA (undertaken by CA2E). Reconciliations are undertaken between sub-ledgers and general ledgers, as well as between internal accounts and third party statements (bank statements, supplier statements, and other third party sources). Financial results and KPIs are reported from subsidiaries on a monthly basis, and reviewed and consolidated by head office staff. Group results are reported monthly to senior management and the Board.

Employees
The Company's employee matters are discussed in the Strategic Report on page 18.

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 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;
- Safety, Health, 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 on pages 19-21, 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.

REMUNERATION REPORT

This report is presented to shareholders by the Board and provides information on Directors' remuneration for the year ended 31 December 2014. 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 2014, and how we intend to implement our remuneration policy in 2015.

ANNUAL STATEMENT

In setting the Remuneration strategy for 2014, the Remuneration Committee was required to take into consideration the shortage of cash across the Group, as well as the low share price. While the Committee recognised the importance of incentivising Executive Directors, these constraints effectively meant that it was impossible to set appropriate targets that would be affordable, or acceptable to shareholders. As a result, no bonus targets were set, and no share awards were made of any kind during the year.

The Company has retained its remuneration schemes, as approved by shareholders, and these are set out in the report below. At the present time, while the Company focuses on refinancing, no awards are proposed under these schemes.

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.

The framework for 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 receive bonus 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 receive bonus shares each year up to the HMRC approved limit (currently £3,000 of gross pay).	None

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.

Remuneration Policy for Non-Executive Directors

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 varied 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. The Company committed to its shareholders in 2012 that performance conditions would be applicable in respect of any awards under the Share Option plan, and while no options were awarded during 2014, any future awards will comply with this commitment.

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 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.

Element	Approach	Maximum annual award
Base salary	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	Not applicable
Pension	In line with existing policy	
Benefits		
Annual Incentive	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	75% of salary
Performance Share Plan		200% of salary (based on face value[1] of PSP award)
Share Option Plan		200% of salary (based on face value[1] of Option award)

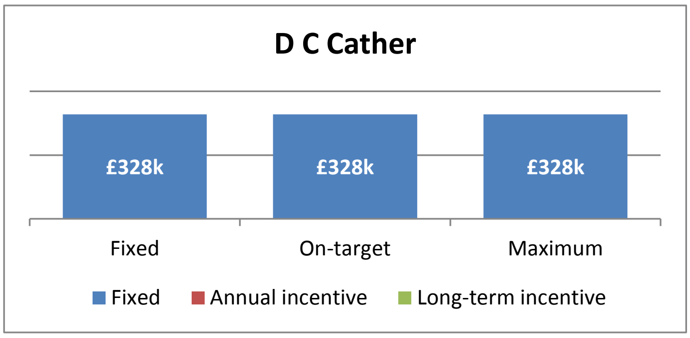
[1] Face value is based on the underlying share price at the date of the award. The final value of the award at the time of vesting may be lower, depending on whether performance conditions are met (in the case of PSP awards), or whether the share price at the time of exercise exceeds the grant price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

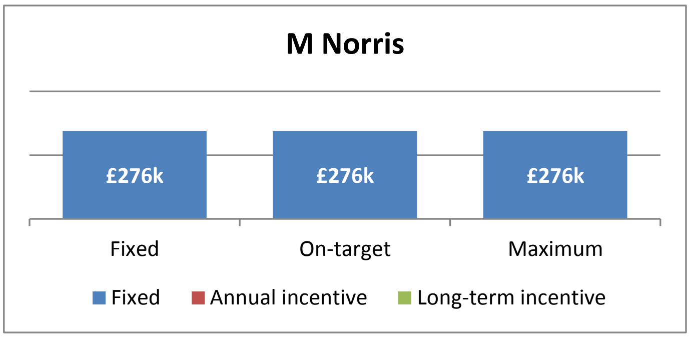
No compensation is normally offered for the forfeit of remuneration from previous employment. However, under exceptional circumstances, the Committee has discretion to make a one-off award to a newly appointed Executive Director in recognition of any amount forfeited. Any such award will be made on a 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 to 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.

Remuneration scenarios
During the year, D Cather received a gross salary of £300k plus benefits of £28k, while M Norris received £250k plus benefits of £26k. Neither Director received a target in respect of the Annual Incentive Scheme, nor an Share Options or PSP shares, therefore there is no additional remuneration that could be achieved for either On-target or Maximum performance in respect of 2014.





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 which 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 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 2014, the Committee was conscious of the underperformance of the Company, and took this into account, along with the shortage of available funds and the low share price, in concluding that no performance bonuses would be payable, either in cash or in share-based payments, in respect of 2014.

ANNUAL REPORT ON REMUNERATION

This section of the report presents the remuneration paid to or receivable by directors in respect of 2014, as well as how we intend to implement our policy for 2015.

Single figure of total remuneration - audited

	Salary US$000		Benefits[1] US$000		Pension US$000		Annual Incentive US$000		Long-Term Incentive[2] US$000		Total $000	
12 months ended	Dec 2013	**Dec 2014**	Dec 2013	**Dec 2014**	Dec 2013	**Dec 2014**	Dec 2013	**Dec 2014**	Dec 2013	**Dec 2014**	Dec 2013	**Dec 2014**
Executive Directors												
DC Cather	495	**494**	10	**1**	41	**44**	-	**-**	-	**-**	546	**539**
AM Norris	412	**412**	9	**5**	34	**37**	-	**-**	-	**-**	455	**454**
Non-executive Directors												
RP Edey	126	**115**	–	–	–	**–**	–	**–**	–	**–**	126	**115**
MJ Donoghue	75	**74**	–	–	–	**–**	–	**–**	–	**–**	75	**74**
BJ Rourke	69	**74**	–	–	–	**–**	–	**–**	–	**–**	69	**74**
G Wylie	73	**74**	–	–	–	**–**	–	**–**	–	**–**	73	**74**
RA Pilkington[3]	50	**18**	–	–	–	**–**	–	**–**	–	**–**	50	**18**
EN Harwerth[4]	62	**-**	–	–	–	**–**	–	**–**	–	**–**	62	**-**

Notes
1 Benefits include healthcare and dental cover
2 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 2013 or 2014
3 R Pilkington stood down from the Board on 8 May 2014
4 N Harwerth resigned on 31 December 2013

2014 annual incentive outcomes - audited

During 2014, the Company was under considerable pressure to conserve cash, in order to meet its obligations to creditors and financiers as far as possible. Early in the year, it became apparent that, in order for there to be sufficient cash available to support an annual incentive payment to Directors and Senior Management, the performance of the Company in those KPIs normally used as a basis for target-setting (gold production, cash costs, cashflow, etc) would need to be substantially above levels that might be reasonably expected. On that basis, the Remuneration Committee felt that no annual incentive targets were appropriate.

Long-term incentives vesting in 2014 - audited

Performance Share Plan vesting in 2014

A total of 735,000 PSP awards were made in March 2012, whose vesting condition was based on the performance of the Company's share price between 1 January 2012 and 31 December 2014. The Committee set the following relative TSR performance targets for the 2012 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 2012 award comprised the following companies: Resolute Mining, Endeavour Mining, Kinross Gold, Alacer Gold, Perseus Mining, Amara Mining PLC, Randgold Resources, Nevsun Resources, Cassidy Gold, Avion Gold[1], Acacia Mining[2], Semafo, IAMGold, True Gold Mining[3], Centamin, AngloGold Ashanti, Merrex Gold, Asanko Gold[4].

1 Avion Gold was acquired by Endeavour Mining in 2012
2 Formerly African Barrick Gold
3 Formerly Riverstone Resources
4 Formerly Keegan Resources

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 2014

Details of those options held by Directors which vested in 2014 and 2013 are set out on page 51. None of these options had any embedded value on the date on which they became exercisable.

Scheme interests awarded during 2014 – audited
No share options were awarded to any staff during 2014.

Payments to past directors - audited
No payments were made to past Directors in 2014

Payments for loss of office - audited
No loss of office payments were made to Directors in 2014

Sums Paid by Third Parties
Neither of the Executive Directors received any additional fees during the year relating to external appointments.

Relative importance of spend on pay

	2014 (US$m)	2013 (US$m)	% change
Aggregate employee remuneration	28.0	36.7	-24%
Dividends incl. share buybacks	-	-	n/a

Aggregate employee remuneration reduced in 2014 compared to 2013 as a result of a reduction in the workforce across the Group, together with the suspension of Bonus payments as a result of cash constraints and the underperformance of the Company.

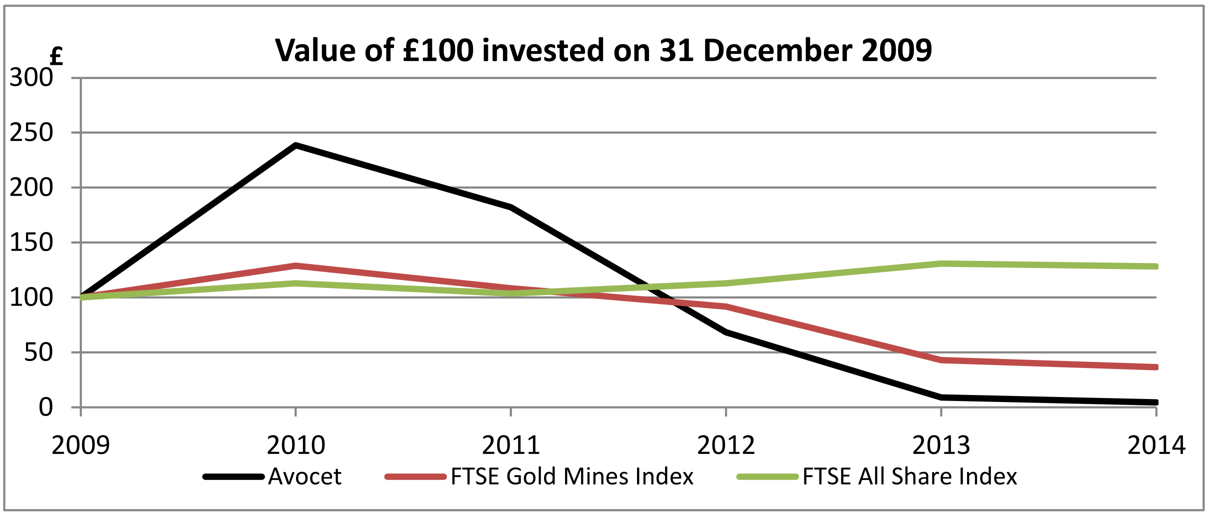
No dividends have been paid, nor are any proposed, in respect of 2013 or 2014.

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	0%	-25%
Taxable benefits	-90%	18%
Annual bonus	-100%	-67%

D Cather was not awarded a pay rise in 2013 or 2014, and received no Bonus for either year. 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 2009 to 31 December 2014. 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.



		2010	2011	2012	2013	2014
CEO single figure of total remuneration (US$000)		1,820	679	828	546	539
Annual incentive as a percentage of maximum[1]		100%	41%	35%	0%	0%
Long-term incentives as a percentage of maximum	Share options[2]	0%	0%	25%	0%	0%
	PSP shares[3]	n/a	n/a	0%	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 David Cather in 2012 is three years. The 2012 award was not completed until 31 December 2014, while the 2013 awards will not complete until 31 December 2015. No awards were made in 2014.

Implementation of remuneration policy in 2015

Executive Directors

Executive Director salaries for 2015 are as follows:

	2015 salary (£)	2014 Salary (£)	% increase
D Cather	300,000	300,000	0%
M 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 2015.

Non-Executive Directors

Non-Executive Director fees for the years 2012-2015 are as follows:

Position	2015	2014	2013	2012
Chairman of the Board	£30,000	£70,000	£70,000	£110,000
Non-executive Directors' fees	£25,000	£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 and 2015. The Chairman's fee was fixed at £30,000 per annum, with the other Non-executive Directors' fees at £25,000. No additional fees are payable in 2015 in respect of committee chairmanships.

Directors' shareholdings - audited

The beneficial interests of Directors and Persons Discharging Managerial Responsibility ('PDMRs') in the shares of the Company at 31 December 2014 were as follows:

	Shares owned	Restricted shares held in EBT/SIP			PSP shares	Share options	
		EBT	SIP	Total		Performance conditions	No performance Condition
D Cather	50,000	14,925	-	14,925	750,000	750,000	250,000
M Norris	525,695	16,788	1,951	18,739	315,000	945,488	205,000
R Edey	150,325	-	-	-	-	-	-
M Donoghue	38,029	-	-	-	-	-	-
J Wynn	31,894	-	2,367	2,367	195,000	504,917	100,000
	795,943	**31,713**	**4,318**	**36,031**	**1,260,000**	**2,200,405**	**555,000**

The following shares held by PDMRs have performance conditions:

Date of grant	10 Jul 2008	17 May 2009	25 Jun 2009	18 Mar 2010	13 Dec 2012	26 Mar 2013	26 Mar 2013
Date first exercisable	10 Jul 2011	17 May 2012	25 June 2012	18 Mar 2013	13 Dec 2015	26 Mar 2016	26 Mar 2013
Grant price (Pence)	153.75	75.00	81.00	105.00	67.50	20.50	20.50
Performance condition	See I below	See I below	See I below	See I below	See II below	See III below	See IV below
D Cather	-	-	-	-	-	750,000	-
M Norris	130,488	-	250,000	250,000	-	315,000	-
J Wynn	-	4,917	-	75,000	100,000	195,000	130,000
Total	**130,488**	**4,917**	**250,000**	**325,000**	**100,000**	**1,260,000**	**130,000**

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.

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 2014, the following restricted share allocations and releases were made under the EBT:

	EBT shares allocated at 31 December 2013	**EBT shares allocated during the period**	**EBT shares released during the period**	**EBT shares allocated at 31 December 2014**	**Date on which shares vest**
Executive Directors					
DC Cather	14,925	-	-	14,925	02/05/14
AM Norris	16,788	-	-	16,788	02/05/14
Management and other staff					
Other staff	6,820	-	-	6,820	11/07/10
Total	**38,533**	**-**	**-**	**38,533**	

The EBT held 334,300 shares at 31 December 2014.

During the year ended 31 December 2014, the following restricted share allocations and releases were made under the SIP.

	SIP shares allocated at 31 December 2013	SIP shares allocated during the period	SIP shares released/ cancelled during the period	SIP shares allocated at 31 December 2014	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 2014.

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).

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

	Options held at 31 December 2013	Options exercised/ cancelled during the period	Options granted during the period	Options held at 31 December 2014	Exercise price (pence)	Date of grant	Date from which exercisable	Expiry date
AM Norris	130,488	-	-	130,488	153.75	09/07/08	09/07/11	10/07/15
	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
	1,150,488	**-**	**-**	**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
	1,000,000	**-**	**-**	**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.

No options became exercisable during 2014. During 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)
2013						
M 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)	No of options	Exercise date	Expiry date
26-Mar-13	20.50	130,000	26-Mar-13	31-Dec-15
		1,260,000	26-Mar-16	26-Mar-23
08-Mar-13	23.50	400,000	08-Mar-13	31-Dec-15
		120,000	24-Apr-14	24-Apr-15
		870,000	08-Mar-16	08-Mar-23
13-Dec-12	67.50	260,000	13-Dec-15	13-Dec-22
17-May-09	75.00	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	700,000	25-Jun-12	25-Jun-16
18-Mar-10	105.00	625,000	18-Mar-13	18-Mar-17
10-Jul-11	153.75	330,488	10-Jul-11	10-Jul-15
23-May-11	219.33	53,333	21-Feb-12	21-Feb-18
		53,333	21-Feb-13	21-Feb-18
		53,333	21-Feb-14	21-Feb-18
12-Mar-12	229.75	265,000	12-Mar-15	12-Mar-22
Total		**5,375,404**		

Performance Share Plan (PSP) awards

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

	No 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	12/3/15	01/01/11	31/12/13	01/01/2015	-
	105,000	12/03/12	12/3/15	01/01/12	31/12/14	01/01/2015	-
	315,000	26/03/13	26/3/13	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	01/01/2015	-
	750,000	26/03/13	26/03/16	01/01/13	31/12/15	n/a	n/a
	1,000,000						

Share Price Movements During 2014

The mid-market closing price of the Company's shares at 31 December 2014 was £0.045 (31 December 2013: £0.095). The highest and lowest trading prices of the Company's shares during the year were £0.135 and £0.044 respectively.

Dilution

Taking account of all shares newly issued as a consequence of incentive schemes over the ten-year period to 31 December 2014 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 person to be a PDMR (equivalent to a Primary Insider for the Oslo Børs):

Name	Position
J Wynn	Head of Finance and Company Secretary

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 page 37.

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.

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 2013 Remuneration Report at the 2014 AGM:

	Shares owned	% of votes cast
For	26,647,527	99.9%
Against	14,423	<0.1%
Withheld	13,750	<0.1%
Total	**26,675,700**	

The number of votes against the motion to accept the 2013 Remuneration Report was not significant.

This report has been approved by the Board.

Barry Rourke
Chairman, Remuneration Committee

27 April 2015

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

Our opinion on the group financial statements is unmodified

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 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 2014 the group had not repaid US$16.7m (comprising US$15m principal and US$1.7m accrued interest) outstanding to an affiliate of Elliott Associates, its largest shareholder. The weak gold market and Inata's disappointing operational performance means that the Group has to date been unable to generate sufficient cash or raise sufficient equity to provide funding to repay the above loan which was originally due on 31 December 2013.

Since the start of 2014 the Group has conducted a business review in response to its financial status, including considering various options for maximising the value of its assets for the benefits of shareholders, namely at Inata, Souma and Guinea. The aim of this review, which remains on-going, is to secure sufficient funding to address the Elliott loan as well as any on-going funding for corporate activities and Inata. It cannot be guaranteed that such funding will be secured.

During this time a US$1.2m placing in August 2014 and a US$1.5m loan taken out in January 2015 have provided funds for corporate activities. On 24 April 2015 the company announced a further US$2.1m loan from Elliott Management (of which US$0.6m is subject to shareholder approval and at the sole discretion of Elliott Management).

The Group is currently holding discussions with parties interested in the development or purchase of Tri-K or Souma.

These conditions, along with the other matters explained in note 1 to the group financial statements, indicate the existence of a material uncertainty that may cast 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 matter

We have reported separately on the parent company financial statements of Avocet Mining PLC for the year ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

What we have audited

Avocet Mining PLC's financial statements 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 the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

Going concern

The risk: the accounts are prepared on a going concern basis in accordance with International Accounting Standard (IAS) 1 'Presentation of Financial Statements' and 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 response: Our audit work included, but was not restricted to, the following:

- An evaluation of the directors' assessment of the group's ability to continue as a going concern. In particular, we reviewed cash flow forecasts for the period to the end of the Inata 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;

- Reviewed documentation in place in respect of discussions with third parties in relation to funding and developing the Tri-K asset;
- An evaluation of the directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year end through discussion with the Audit Committee and agreeing the additional funding from Elliott Management.

The group's assessment of going concern is included in note 1 to the financial statements. As noted in the Report on Corporate Governance on page 37, the Audit Committee also considered the liquidity and going concern of the group as one of the key areas of risk and judgement relevant to the group for the year. Our audit report for the group includes an emphasis of matter in respect of going concern.

Impairment review of Burkina Faso property, plant and equipment

The risk: The group's property, plant and equipment assets included on the consolidated statement of financial position represent a significant portion of the financial position of the group. With the gold price continuing to be lower than it has been in prior years, along with the operational issues experienced at the mine in Inata, an impairment review in accordance with IAS 36 'Impairment of assets' was required. The directors carried out a detailed impairment assessment at 31 December 2014, which resulted in an impairment of US$83.9 million to property, plant and equipment based on a value in use calculation. Impairment calculations 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 response: our audit work included, but was not restricted to, the following:

- We reviewed the integrity of the model used by the directors for impairment calculations by recalculating the figures;
- We challenged the directors' use of and tested key assumptions (which included the weighted average cost of capital along with asset specific risk adjustments 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. We did this by independently assessing the forecast gold price, assessing costs and revenue against current and historic figures and evaluating the discount rate.

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. As noted in the Report on Corporate Governance on page 37, the Audit Committee also considered the valuation and impairment of the group's assets as a one of the key areas of risk and judgement relevant to the group for the year.

Carrying value of Guinea deferred exploration expenditure (intangible assets)
The risk: As at 31 December 2014 the group has incurred significant exploration costs for sites in Guinea which have been capitalised as intangible assets in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources'. With the gold price being lower than it has been in prior years, along with the Group's difficulties in securing finance, an impairment review in accordance with IAS 36 'Impairment of assets' was required. The directors carried out a detailed impairment assessment at 31 December 2014, which resulted in an impairment of US$6.1 million to deferred exploration expenditure based on a value in use calculation. Impairment calculations 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 response: Our audit work included, but was not restricted to, the following:

- We obtained evidence that Avocet has valid permits to exploit the related intangible asset, by obtaining the signed permit from the client;
- We examined calculations prepared by the directors to consider the potential value in use, by re-calculating the cash flow model;
- We assessed and challenged the directors' judgements surrounding the feasibility of the projects, including the need for future funding, in forming their assessment of the recoverable amount to ensure that their carrying value is appropriate. We held discussions with key third parties who were responsible for preparing the new model, reviewed discount rates and re-worked assumptions.

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. As noted in the Report on Corporate Governance on page 37, the Audit Committee also considered the valuation and impairment of the group's assets as a one of the key areas of risk and judgement relevant to the group for the year.

Inventory

Work in progress

The risk: the measurement and valuation of work in progress included in inventory, together with its net realisable value, involves significant judgement by the directors.

Our response: Our audit work included, but was not restricted to, the following:

- We reviewed and agreed reconciliations of production reports to the accounting records;
- Visiting the mine site and observing and agreeing the number of trucks dumping mined ore and comparing that to amounts counted by SMB staff, and rationalised to the amounts included with the production reports for the day;
- Observing a re-calibration of the scales and subsequent weighing process of the conveyor belt, taking stock in for processing;

Consumables

The risk: given the reduction in the life of mine plan, the net realisable value of consumables involves significant judgement by the directors. In accordance with IAS 2 'Inventories', the directors carried out a detailed impairment assessment at 31 December 2014, which resulted in an impairment of US$15.9 million to consumables based on net realisable value. Impairment calculations by management are highly judgemental and have a high degree of estimation uncertainty. We therefore identified the carrying value of consumables as a significant risk requiring special audit consideration.

Our response: Our audit work included, but was not restricted to, the following:

- Performing a sample inventory count;
- Performing an analysis of the aging of consumables and comparing this with management's assessment.

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

Burkina Faso taxes

The risk: following a tax audit by the Burkino Faso authorities in 2012, the group received a tax claim for tax penalties of $8.5m of which US$5.0m in the prior year was treated as a contingent liability in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Following further discussions with the authorities this US$5.0m was provided for in full in 2014.

In addition, included within the prior year VAT debtor of US$13.1m were amounts due to the group in respect of historic balances which had not yet been settled by the authorities. Management have reviewed the recoverability of these historic balances and US$5.7m has been impaired in full in 2014.

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 response: Our audit work included, but was not restricted to, the following:

- Reviewing correspondence with the Burkina Faso authorities and interviews with local staff responsible for negotiating the group's tax positions with the Burkina Faso authorities;
- For the liability, through discussion with management and reviews of relevant communication we challenged the directors' judgements surrounding the facts and circumstances which had previously led to the non-recognition of an additional tax provision;
- For the VAT debtor, we assessed the aging of balances not impaired and reviewed the documentation supporting their recoverability.

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. As noted in the Report on Corporate Governance on page 37, the Audit Committee also considered taxation issues as a one of the key areas of risk and judgement relevant to the group for the year.

Revenue recognition

The risk: there is a presumption that there are risks of fraud in revenue recognition because determining the appropriate timing of recognition can be judgemental. The timing of revenue recognition is subject to the conclusion of a trading contract on the bullion market, which is after the gold dore is shipped from Inata and refined into bullion in South Africa. Revenue recognition, therefore, is an area that requires significant judgement to be exercised.

Our response: Our audit work included, but was not restricted to, the following:

- Following discussions with management we made an assessment as to whether the Group's accounting policy for revenue recognition is in accordance with International Accounting Standard (IAS) 18 'Revenue';
- As above we obtained an understanding of the Group's process for recognising revenue in accordance with the stated accounting policy through discussions with management, and testing discussed below;
- 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.

Litigation

The risk: the group is the subject of numerous legal actions. Assessing whether amounts should be disclosed or provided for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' can be require significant judgement to be exercised and hence is a significant risk requiring special audit consideration.

Our response:

- We reviewed Board minutes to understand all on-going legal actions and their status;
- Letters were sent to legal representatives enquiring about any outstanding legal matters;
- We discussed the status of all on-going legal matters with the Audit Committee.

As noted in the Report on Corporate Governance on page 37, the Audit Committee also considered legal matters as one of the key areas of risk and judgement relevant to the group for the year, contingent liabilities are included in note 2 to the group financial statements.

Management override of controls

The risk: Under ISAs (UK and 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 attention.

The response: our audit work included, but was not restricted to, the following:

- Undertaking the specific procedures relating to this risk that are required by ISA (UK and Ireland) 240 ' The Auditors Responsibilities relating to Fraud in an Audit of Financial Statements';
- This included tests of journal entries and the evaluation of judgements and assumptions in directors' estimates, in particular the assumptions used within impairment calculations and going concern forecasts.

The Group's disclosures of judgements and sources of estimation uncertainty are disclosed in note 2 to the financial statements.

Corresponding matters arising from the group audit - Carrying value of intercompany loan and debtor balances with group undertakings

The risk: 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. The directors have exercised significant judgement in estimating the recoverable amount and we therefore identified the carrying value of intercompany loan and debtor balances as a significant risk requiring special audit consideration

Our response: Our audit work included, but was not restricted to, the following:

- 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 39 to the parent company financial statements. The parent company's disclosures relating to intercompany loan and debtor balances are given in Note 44 to the parent company financial statements.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the Group financial statements as a whole to be US$6,769,000, which is 5% of the loss before income taxes. This benchmark is considered the most appropriate because, as an operating company, this is an important measure of performance. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the group financial statements. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be US$338,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

The group reports its operating results and financial position along three operating segments being UK, Burkina Faso and Guinea, as defined within the segmental reporting accounting policy in note 3.

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 and Guinea.

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 our internal valuations team to assist in the audit of the discount factors used for the impairment models. We have evaluated the adequacy of the work of these experts in respect of our audit.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the information given in the Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Report on Corporate Governance set out on pages 34 to 40 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
- otherwise misleading.

In particular, we are required to report to you if:

- 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; or
- the annual report does not appropriately disclose 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 Report on Corporate Governance has not been prepared by the company.

Under the Listing Rules, we are required to review:

- the Directors' Statement, set out on page 32, in relation to going concern; and
- the part of the Report on Corporate Governance relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:

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/auditscopeukprivate.

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the 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.

Who we are reporting to:

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.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London

28 April 2015

Consolidated income statement

For the year ended 31 December 2014

	Note	**Year ended 31 December 2014 US$000**	Year ended 31 December 2013 US$000
Revenue		**110,444**	149,261
Cost of sales	4	**(129,716)**	(179,649)
Gross loss		**(19,272)**	(30,388)
Administrative expenses		**(5,717)**	(8,218)
Share based payments		**(856)**	(1,275)
Net impairment of assets	5,7	**(111,692)**	(40,727)
Loss from operations		**(137,537)**	(80,608)
Restructure of hedge	5,25	**-**	(20,225)
Loss on recognition of forward contracts	5,25	**-**	(96,632)
Change in fair value of forward contracts	5,25	**-**	54,192
Finance items			
Exchange gains/(losses)		**5,856**	(109)
Finance income	12	**2**	17
Finance expense	12	**(8,456)**	(6,020)
Loss before taxation		**(140,135)**	(149,385)
Analysed as:			
Loss before taxation and exceptional items	9	**(28,443)**	(45,993)
Exceptional items	5	**(111,692)**	(103,392)
Loss before taxation		**(140,135)**	(149,385)
Taxation	13	**(9,653)**	(3,484)
Loss for the year		**(149,788)**	(152,869)
Attributable to:			
Equity shareholders of the parent company		**(136,120)**	(142,483)
Non-controlling interest		**(13,668)**	(10,386)
Loss for the year		**(149,788)**	(152,869)
Earnings per share:			
Basic loss per share (cents per share)	14	**(67.09)**	(71.56)
Diluted loss per share (cents per share)	14	**(67.09)**	(71.56)
EBITDA[1]	6	**(2,231)**	(10,463)

[1] 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 2014

	Note	**Year ended 31 December 2014**	Year ended 31 December 2013
		US$000	US$000
Loss for the year		**(149,788)**	(152,869)
Reclassification adjustments for loss included in the income statement	17	**-**	1,714
Total comprehensive loss for the year		**(149,788)**	(151,155)
Attributable to:			
Equity holders of the parent		**(136,120)**	(140,769)
Non-controlling interest		**(13,668)**	(10,386)
Total comprehensive loss for the year		**(149,788)**	(151,155)

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

Consolidated statement of financial position

At 31 December 2014

	Note	**31 December 2014 US$000**	31 December 2013 US$000
Non-current assets			
Intangible assets	15	**17,206**	23,249
Property, plant and equipment	16	**32,750**	131,988
Other financial assets	17	**-**	74
		49,956	155,311
Current assets			
Inventories	18	**41,004**	58,919
Trade and other receivables	19	**8,502**	17,972
Cash and cash equivalents	20	**4,816**	15,201
		54,322	92,092
Current liabilities			
Trade and other payables	21	**45,751**	34,934
Other financial liabilities	22	**32,648**	27,179
		78,399	62,113
Non-current liabilities			
Financial liabilities	22	**35,902**	52,415
Deferred tax liabilities	23	**4,614**	-
Other liabilities	24	**6,493**	6,249
		47,009	58,664
Net (liabilities)/assets		**(21,130)**	126,626
Equity			
Issued share capital	29	**17,072**	16,247
Share premium		**146,391**	146,040
Other reserves	30	**17,895**	17,895
Retained earnings		**(169,614)**	(34,350)
Total equity attributable to the parent		**11,744**	145,832
Non-controlling interest		**(32,874)**	(19,206)
Total equity		**(21,130)**	126,626

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 2014

	Note	Share capital US$000	Share premium US$000	Other reserves US$000	Retained earnings US$000	Total attributable to the parent US$000	Non-controlling interest US$000	Total equity US$000
At 1 January 2013		**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	5,17	–	–	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	30	–	–	64	249	313	–	313
At 31 December 2013		**16,247**	**146,040**	**17,895**	**(34,350)**	**145,832**	**(19,206)**	**126,626**
Loss for the year		–	–	–	(136,120)	(136,120)	(13,668)	(149,788)
Total comprehensive income for the year		**–**	**–**	**–**	**(136,120)**	**(136,120)**	**(13,668)**	**(149,788)**
Issue of shares		825	351	–	–	1,176	–	1,176
Share based payments		–	–	–	856	856	–	856
At 31 December 2014		**17,072**	**146,391**	**17,895**	**(169,614)**	**11,744**	**(32,874)**	**(21,130)**

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

Consolidated cash flow statement

For the year ended 31 December 2014

	Note	**Year ended 31 December 2014 US$000**	Year ended 31 December 2013 US$000
Cash flows from operating activities			
Loss for the year		**(149,788)**	(152,869)
Adjusted for:			
Depreciation of non-current assets	16	**23,614**	29,418
Net impairment of non-current assets	5, 7	**111,692**	40,727
Share based payments		**856**	1,275
Taxation in the income statement		**9,653**	3,484
Other non-operating items in the income statement	28	**199**	6,438
		(3,774)	(71,527)
Movements in working capital			
Decrease/(increase) in inventory		**2,063**	(1,970)
Decrease in trade and other receivables		**3,029**	7,152
Increase/(decrease) in trade and other payables		**10,777**	(7,000)
Net cash generated by/(used in) operations		**12,095**	(73,345)
Interest received		**-**	2
Interest paid		**(5,981)**	(1,847)
Income tax paid		**(906)**	(3,521)
Net cash generated by/(used in) operating activities		**5,208**	(78,711)
Cash flows from investing activities			
Payments for property, plant and equipment		**(11,613)**	(15,667)
Exploration and evaluation expenses		**(28)**	(14,478)
Net cash used in investing activities		**(11,641)**	(30,145)
Cash flows from financing activities			
Net proceeds from equity issued		**1,175**	–
Loans repaid	22	**(4,371)**	(6,805)
Proceeds from debt		–	77,805
Payments in respect of finance leases	22	**(744)**	(573)
Financing costs		–	(1,444)
Net cash flows (used in)/generated by financing activities		**(3,940)**	68,983
Net cash movement		**(10,373)**	(39,873)
Exchange (losses)/gains		**(12)**	186
Total decrease in cash and cash equivalents		**(10,385)**	(39,687)
Cash and cash equivalents at start of the year		**15,201**	54,888
Cash and cash equivalents at end of the year	20	**4,816**	15,201

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 2014

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 2014.

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 2013 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 55 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.

In issue but not effective for periods commencing on 1 January 2014

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 January 2014 are:

IFRS 9 Financial Instruments (IASB effective date 1 January 2018)[1]
IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016) [1]
IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017) [1]
IFRIC Interpretation 21 Levies (IASB effective 1 January 2014) [2]
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (IASB effective date 1 July 2014) [3]
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016) [1]
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016) [1]
Annual Improvements to IFRSs 2010-2012 Cycle (IASB effective date generally 1 July 2014) [3]
Annual Improvements to IFRSs 2011-2013 Cycle (IASB effective date 1 July 2014) [4]
Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016) [1]
Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016) [1]
Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016) [1]
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016) [1,5]

[1] Not adopted by the EU (as at 20 April 2015)
[2] EU mandatory effective date is financial years starting on or after 17 June 2014
[3] EU mandatory effective date is financial years starting on or after 1 February 2015
[4] EU mandatory effective date is financial years starting on or after 1 January 2015
[5] Not likely to be adopted in its current form as the IASB is redeliberating this issue

The Directors anticipate that the above pronouncements, where relevant, will be adopted in the Group's financial statements for the year beginning 1 January 2015 and will have little impact on the Group's accounting policies or results.

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

1. First loan - taken out in March 2013, under which US$16.7 million was outstanding at 31 December 2014, comprising US$15.0 million principal and US$1.7 million accrued interest. The first loan was due on 31 December 2013 and is secured against the Tri-K exploration asset in Guinea;
2. Second loan - unsecured demand loan of US$1.5 million taken out in January 2015; and
3. Third loan - demand loan of US$1.5 million taken out in April 2015. The US$1.5 million drawn down in April is part of a facility totalling US$2.1 million of which the remaining US$0.6 million is subject to shareholder approval and at Elliott's discretion. Shareholder approval will be sought at a separate general meeting to be held immediately following the Company's Annual General Meeting on 19 June for the third Elliott loan to be secured on certain of Avocet's assets. If shareholder approval is not obtained, the remaining US$0.6 million will not be available for draw down.

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

Société des Mines de Bélahouro (SMB), the Avocet subsidiary that owns Inata, has debt of US$42 million with Ecobank and trade creditors totalling US$31 million. Inata continues to struggle operationally and work continues to improve its gold recoveries and production. Based on current circumstances the mine is not presently expected to be able to make debt repayments to Avocet. The liabilities of SMB are non-recourse to Avocet.

Since the start of 2014, the Company has conducted a business review in response to the financial status of the group, including considering various options for maximising the value of its assets for the benefits of shareholders, namely at Inata, Souma and Guinea. The aim of this review, which remains ongoing, is to secure sufficient funding to address the Elliott loans as well as any ongoing funding for corporate activities and Inata. During this time a US$1.2 million placing in August 2014 and the second and third Elliott loans have provided funds for corporate activities.

While business review discussions have been encouraging with parties interested in the development or sale of Tri-K or Souma, it cannot be guaranteed that such funding for the Company or the wider group will be secured. The combination of these circumstances represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Board has a reasonable expectation that the outcome of the financing process will be successful, including obtaining shareholder approval for the third Elliott loan, based on its view of the prospects for Tri-K and Souma, the parties involved and the nature of early stage discussions. The Board has therefore continued to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2014.

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

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 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC code') produced by the Australasian Joint Ore Reserves Committee. 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 life of mine 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. Certain relevant

judgements are discussed in note 7 in respect of the impairment of mining assets.

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 2014, which was triggered by a reduction in the gold price, as well as a reassessment of the Inata life of mine plan.

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 13. 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 intercompany recharges.

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 works 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. At year end, US$5.7 million of VAT recoverable was impaired as a result of uncertainty relating to its recoverability.

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 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 were 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 are 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. The Group's operating segments are determined as the UK, Burkina Faso (which includes the Inata mine as well as exploration activity within the Bélahouro licence area), and Guinea (which includes the Tri-K project).

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 2013, 40,500 ounces of gold were sold into forward contracts with Macquarie Bank Limited, 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 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. 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 and exploration property and plant:

Category	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 are 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. The costs of short term variations from a life of mine stripping ratio are absorbed as part of current period mining costs or ore stockpiles, rather than being capitalised.

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 generates 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.

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 , 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, or impaired, 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 designated as held for trading financial assets or liabilities at fair value through profit or loss, in accordance with IAS39, on the basis that they represent derivatives not designated as hedging instruments. 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

For the year ended 31 December 2014	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
INCOME STATEMENT				
Revenue	**-**	**110,444**	**-**	**110,444**
Cost of Sales	**-**	**(128,645)**	**(1,071)**	**(129,716)**
Cash production costs:				-
– mining	-	(36,296)	-	(36,296)
– processing	-	(38,084)	-	(38,084)
– overheads	-	(20,118)	-	(20,118)
– royalties	-	(7,537)	-	(7,537)
	-	(102,035)	-	(102,035)
Changes in inventory	-	(895)	-	(895)
Expensed exploration and other cost of sales[1]	-	(2,101)	(1,071)	(3,172)
Depreciation and amortisation[2]	-	(23,614)	-	(23,614)
Gross loss	**-**	**(18,201)**	**(1,071)**	**(19,272)**
Administrative expenses and share based payments	(6,573)	-	-	(6,573)
Net impairment of assets	(74)	(105,547)	(6,071)	(111,692)
Loss from operations	**(6,647)**	**(123,748)**	**(7,142)**	**(137,537)**
Net finance items	(1,695)	(903)	-	(2,598)
Loss before taxation	**(8,342)**	**(124,651)**	**(7,142)**	**(140,135)**
Analysed as:				
Loss before tax and exceptional items	(8,268)	(19,104)	(1,071)	(28,443)
Exceptional items	(74)	(105,547)	(6,071)	(111,692)
Taxation	(12)	(9,641)	-	(9,653)
Loss for the year	**(8,354)**	**(134,292)**	**(7,142)**	**(149,788)**
Attributable to:				
Equity shareholders of parent company	(8,354)	(120,624)	(7,142)	(136,120)
Non-controlling interest	-	(13,668)	-	(13,668)
Loss for the year	**(8,354)**	**(134,292)**	**(7,142)**	**(149,788)**
EBITDA[3]	**(6,573)**	**5,413**	**(1,071)**	**(2,231)**

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 2014	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
STATEMENT OF FINANCIAL POSITION				
Non-current assets	-	30,933	19,023	49,956
Inventories	-	40,936	68	41,004
Trade and other receivables	352	7,992	158	8,502
Cash and cash equivalents	145	4,632	39	4,816
Total assets	**497**	**84,493**	**19,288**	**104,278**
Current liabilities	(19,355)	(58,673)	(371)	(78,399)
Non-current liabilities	(164)	(46,845)	-	(47,009)
Total liabilities	**(19,519)**	**(105,518)**	**(371)**	**(125,408)**
Net (liabilities)/assets	**(19,022)**	**(21,025)**	**18,917**	**(21,130)**

For the year ended 31 December 2014	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
CASH FLOW STATEMENT				
Loss for the year	(8,354)	(134,292)	(7,142)	(149,788)
Adjustments for non-cash and non-operating items[1]	2,632	137,405	5,977	146,014
Movements in working capital	797	14,248	824	15,869
Net cash (used in)/generated by operations	**(4,925)**	**17,361**	**(341)**	**12,095**
Net interest (paid)/received	(755)	(5,226)	-	(5,981)
Tax paid	-	(906)	-	(906)
Purchase of property, plant and equipment	-	(11,613)	-	(11,613)
Deferred exploration expenditure	-	-	(28)	(28)
Loans repaid	-	(4,371)	-	(4,371)
Proceeds from equity issued	1,175	-	-	1,175
Other cash movements[2]	723	(1,800)	321	(756)
Total decrease in cash and cash equivalents	**(3,782)**	**(6,555)**	**(48)**	**(10,385)**

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.

For the year ended 31 December 2013	UK US$000	Burkina Faso US$000	Guinea US$000	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	(12,781)	(3,026)	(12,708)
Depreciation and amortisation[2]	(195)	(29,223)	-	(29,418)
Gross profit/(loss)	**2,904**	**(30,266)**	**(3,026)**	**(30,388)**
Administrative expenses and share based payments	(9,493)	-	-	(9,493)
Net impairment of assets	(2,589)	(30,500)	(7,638)	(40,727)
Loss from operations	**(9,178)**	**(60,766)**	**(10,664)**	**(80,608)**
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	-	54,192	-	54,192
Net finance items	(2,567)	(3,547)	2	(6,112)
Loss before taxation	**(11,745)**	**(126,978)**	**(10,662)**	**(149,385)**
Analysed as:				
Loss before tax and exceptional items	(9,156)	(33,813)	(3,024)	(45,993)
Exceptional items	(2,589)	(93,165)	(7,638)	(103,392)
Taxation	-	(3,484)	-	(3,484)
Loss for the year	**(11,745)**	**(130,462)**	**(10,662)**	**(152,869)**
Attributable to:				
Equity shareholders of parent company	(11,745)	(120,076)	(8,028)	(142,483)
Non-controlling interest	-	(10,386)	-	(10,386)
Loss for the year	**(11,745)**	**(130,462)**	**(10,662)**	**(152,869)**
EBITDA[3]	**(6,394)**	**(1,043)**	**(3,026)**	**(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 US$000	Burkina Faso US$000	Guinea US$000	Total US$000
STATEMENT OF FINANCIAL POSITION				
Non-current assets	74	129,963	25,274	155,311
Inventories	-	58,842	77	58,919
Trade and other receivables	402	17,292	278	17,972
Cash and cash equivalents	3,927	11,187	87	15,201
Total assets	**4,403**	**217,284**	**25,716**	**247,403**
Current liabilities	(18,187)	(43,404)	(522)	(62,113)
Non-current liabilities	(164)	(58,500)	-	(58,664)
Total liabilities	**(18,351)**	**(101,904)**	**(522)**	**(120,777)**
Net (liabilities)/assets	**(13,948)**	**115,380**	**25,194**	**126,626**

For the year ended 31 December 2013	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
CASH FLOW STATEMENT				
Loss for the year	(11,745)	(130,462)	(10,662)	(152,869)
Adjustments for non-cash and non-operating items[1]	6,356	67,177	7,809	81,342
Movements in working capital	(1,315)	(3,867)	3,364	(1,818)
Net cash used in operations	**(6,704)**	**(67,152)**	**511**	**(73,345)**
Net interest received/(paid)	2	(1,847)	-	(1,845)
Tax paid	-	(3,521)	-	(3,521)
Purchase of property, plant and equipment	-	(15,498)	(169)	(15,667)
Deferred exploration expenditure	-	(5,595)	(8,883)	(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)	1,642	8,287	(387)
Total decrease in cash and cash equivalents	**(3,462)**	**(35,971)**	**(254)**	**(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.

5. EXCEPTIONAL ITEMS

	31 December 2014 US$000	31 December 2013 US$000
Impairment of Burkina Faso assets	**(105,547)**	(30,500)
Impairment of Guinea exploration asset	**(6,071)**	(7,322)
Impairment of available for sale financial assets	**(74)**	(2,238)
Impairment of Mali exploration asset	**-**	(316)
Impairment of corporate fixed assets	**-**	(351)
Restructure of forward contracts	**-**	(20,225)
Loss on recognition of forward contracts	**-**	(96,632)
Change in fair value of forward contracts	**-**	54,192
Exceptional loss	**(111,692)**	(103,392)

Net impairments of Burkina Faso assets

The Group recognised a net impairment of non–current assets of US$105.5 million (2013: US$30.5 million) in respect of the Inata cash generating unit, and Bélahouro exploration licences, driven by a reduction in the forecasted gold price and changes in the life of mine plan, together with lower expected cash recoveries from VAT and inventory balances. Further details are provided in note 7.

Impairment of Guinea exploration asset

The Group also recognised an impairment of US$6.1 million (2013: US$7.3 million) in the capitalised exploration costs (intangible assets) in relation to the Tri-K project in Guinea. Further details are provided in note 7.

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 reflected a permanent diminution in the value of that asset. Management considered the fall to be indicative of the investment's ability to provide a future return and was therefore not considered a short term fluctuation in the market value. The cumulative loss that had been recognised directly in other comprehensive income was reclassified from equity and recognised in profit or loss as a cumulative impairment of US$2.2 million. During 2014, the remaining value of the assets was impaired to nil.

Impairment of Mali exploration asset

During 2013, 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 corporate fixed assets

The Group's accounting policy requires assets to be assessed for impairment in their smallest possible cash generating unit ('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 existed to support the carrying value of corporate assets, which were therefore fully impaired in 2013.

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 reflected 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 bought 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 was recognised reflecting the reduction in fair value liability.

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

	31 December 2014 US$000	31 December 2013 US$000
Loss before taxation	**(140,135)**	(149,385)
Exceptional Items (see note 5)	**111,692**	103,392
Depreciation	**23,614**	29,418
Exchange (gains)/losses	**(5,856)**	109
Net finance income	**(2)**	(17)
Net finance expense	**8,456**	6,020
EBITDA	**(2,231)**	(10,463)

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

	31 December 2014 US$000	31 December 2013 US$000
EBITDA	**(2,231)**	(10,463)
Working capital	**15,869**	(1,818)
Net interest paid	**(5,981)**	(1,845)
Income tax paid	**(906)**	(3,521)
Hedge restructure	**-**	(20,225)
Loss on recognition of forward contracts	-	(96,632)
Change in fair value of forward contracts	-	54,192
Provisions and other non-cash costs	**(1,543)**	1,601
Net cash generated by/(used in) operating activities	**5,208**	(78,711)

7. IMPAIRMENT OF 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.

At 31 December 2014 the Company concluded that the reduction in the market forecasted gold price and the decrease in the expected gold recovered from the change in Inata's life of mine plan were indicators of impairment. An assessment was carried out of the fair value of Inata'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$105.5 million (2013: US$30.5 million) was recorded in 2014, being an impairment of mining property and plant of US$83.9 million (2013: US$3.9 million), spares parts inventory of US$15.9 million (2013: US$nil), and VAT recoverable of US$5.7 million (2013: US$nil). The 2013 impairment also included an impairment of US$26.6 million in respect of capitalised exploration costs.

When calculating the VIU, certain assumptions and estimates were made. Changes in these assumptions can have a significant effect on the recoverable amount and therefore the value of the impairment recognised. Should there be a change in the assumptions which indicated the impairment, this could lead to a revision of recorded impairment losses in future periods. The key assumptions are outlined in the following table.

Assumption	Judgements	Sensitivity
Timing of cash flows	Cash flows were forecast over the expected life of the mine. The life of mine plan in December 2014 forecasted mining activities to occur until April 2017, with a further four months during which stockpiles would be processed and rehabilitation costs would be incurred.	An extension or shortening of the mine life would result in a corresponding increase or decrease in impairment, the extent of which it was not possible to quantify.
Production costs	Production costs were forecast based on detailed assumptions, including staff costs, consumption of fuel and reagents, maintenance, and administration and support costs.	An increase in production costs excluding royalties of 10% would increase the pre-tax impairment attributable by US$17.9 million[1].
Gold price	Management have used a gold price of US$1,200 per ounce, in line with market consensus estimates and management's own view of gold prices over the period of the Life of Mine.	A decrease of 10% in the gold price assumption would increase the pre-tax impairment recognised in the year by US$21.9 million[1].
Discount rate	A discount rate of 20% (pre-tax) was used in the VIU estimation, based on estimations of Avocet's own cost of capital, adjusted for specific risk factors related to the Inata LoMP (liquidity risk, production risk, etc).	An increase in the discount rate of five percentage points would decrease the pre-tax impairment recognised in the year by US$0.7million[1].
Gold production	The life of mine plan was based on gold production of 0.25 million ounces for the Inata Mine.	A 10% decrease in ounces produced, compared with the life of mine gold production, would increase the pre-tax impairment recognised in the year by US$21.9 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 Inata at prior reporting dates

The Inata mine has undergone a number of impairments in recent years, which have been summarised below.

At 31 December 2012 the Company concluded that the reduction in Inata's Ore 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 during 2013, such reviews were carried out on a quarterly basis and during 2013 resulted in a reversal of impairment and subsequent impairments 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.

At 30 June 2014, the Company reviewed its latest life of mine plan forecast (details of which were announced on 12 June 2014), and concluded that the reduction in gold production (and therefore cash generation) compared to previous forecasts represented an indicator of impairment. An assessment was carried out of the fair value of Inata'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$25.8 million was recorded in the accounts at 30 June 2014, which was applied against the carrying value of mine development costs at Inata.

	31 December 2014 US$000	31 December 2013 US$000	31 December 2012 US$000
Impairment at 31 December 2012	**–**	–	(135,300)
Impairment partial reversal at 31 March 2013	**–**	72,200	–
Impairment at 30 June 2013	**–**	(73,300)	–
Impairment at 31 December 2013	**–**	(29,400)	–
Impairment at 30 June 2014	(25,780)	–	–
Impairment at 31 December 2014	(79,767)	–	–
Net impairment	**(105,547)**	(30,500)	(135,300)

Impairment of Guinea exploration asset

During the year, cost and production estimates for the Tri-K project in Guinea were revisited, with a view to optimising the project. The gold price assumption was also reduced to US$1,200 per ounce. Based on these revised estimates, an impairment assessment indicated that an impairment of the carrying value of the project was required, based on a fair value estimate of US$18.8 million for the Guinea exploration CGU. As a result, an impairment of US$6.1 million was recorded at 31 December 2014 (2013: US$7.3 million).

8. LOSS FOR THE PERIOD BEFORE TAX

	31 December 2014 US$000	31 December 2013 US$000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**23,257**	28,872
Depreciation of property, plant and equipment held under finance lease	**357**	546
Operating lease charges	**1,262**	6,539
Audit services:		
– fees payable to the Company's auditor for the audit of the Company and Group accounts	**210**	205
Fees payable to the Company's auditor for other services:		
– interim review services	**-**	44
– tax services	**18**	14
– accounting advice	**-**	17

9. LOSS BEFORE TAXATION AND EXCEPTIONAL ITEMS
Loss before taxation and exceptional items is calculated as follows:

	31 December 2014 US$000	31 December 2013 US$000
Loss from operations	**(137,537)**	(80,608)
Impairment of Burkina Faso assets	**105,547**	30,500
Impairment of Guinea exploration asset	**6,071**	7,322
Impairment of Mali exploration asset	**-**	316
Impairment of corporate fixed assets	**-**	351
Impairment of available for sale financial assets	**74**	2,238
Exchange gains/(losses)	**5,856**	(109)
Net finance expense	**(8,454)**	(6,003)
Loss before taxation and exceptional items	**(28,443)**	(45,993)

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 (wwww.avocetmining.com).

	31 December 2014 US$000	31 December 2013 US$000
Wages and salaries	**1,572**	3,097
Social security costs	**182**	242
Bonus	**64**	625
Redundancy payments	**-**	230
Share based payments	**-**	107
Pension costs – defined contribution plans	**109**	129
Total remuneration of key management personnel	**1,927**	4,430

11. TOTAL EMPLOYEE REMUNERATION (INCLUDING KEY MANAGEMENT PERSONNEL)

	31 December 2014 US$000	31 December 2013 US$000
Wages and salaries	**23,647**	31,326
Social security costs	**2,130**	1,983
Bonus	**348**	1,055
Redundancy payments	**388**	884
Share based payments	**856**	1,273
Pension costs – defined contribution plans	**634**	183
Total employee remuneration	**28,003**	36,704
The average number of employees during the period was made up as follows:		
Directors	**6**	8
Management and administration	**59**	88
Mining, processing and exploration staff	**750**	861
	815	957

12. FINANCE INCOME AND EXPENSE

	31 December 2014 US$000	31 December 2013 US$000
Finance income		
Bank interest received	**2**	17
Finance expense		
Interest on loans	**6,655**	1,983
Interest on finance leases	**225**	273
Other finance costs	**1,576**	3,764
	8,456	6,020
Net finance expense	**8,454**	6,003

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

The interest on loans of US$6.7 million consists of US$5.0 million in respect of the Inata facility with Ecobank Burkina and US$1.7 million in respect to the Elliott loan. The interest on finance leases relates to the fuel storage facility located on the Inata site. Other finance costs reflect costs incurred in respect of the Group's financing activities during the year.

13. TAXATION

	31 December 2014 US$000	31 December 2013 US$000
Current tax:		
Current tax on loss for the year	-	–
Current tax relating to prior years	**5,039**	3,521
Current tax charge	**5,039**	3,521

In 2012, SMB (the subsidiary in Burkina Faso which operates the Inata mine) underwent a tax audit in respect of the 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 and paid this amount in December 2013 in what it believed to be full and final settlement. Subsequently, however, a revised assessment of US$8.5 million was received by the Company. The Company continues to believe further payment is not valid, but nonetheless paid US$0.9 million in the year and has accrued the remaining US$4.1 million within current tax relating to prior years.

	31 December 2014 US$000	31 December 2013 US$000
Deferred tax:		
Deferred tax provision in respect of withholding taxes on intra-group balances	**4,614**	–
Origination and reversal of temporary differences in respect of mining property and plant in Burkina Faso	–	(37)
Deferred tax charge/(credit)	**4,614**	(37)
Total tax charge for the year	**9,653**	3,484

The deferred tax liability of US$4.6 million relates to withholding tax (WHT) and interest tax (IRVM) that would be due in Burkina Faso on settlement of intragroup management fees and loan interest invoices. Restrictions on payments to Group companies as a result of Avocet's loan arrangements with Macquarie Bank Limited, together with limited cash availability, have meant that a number of these invoices remain unpaid. As it is the intention to settle these amounts in full, deferred tax has been accrued in respect of the WHT and IRVM.

Factors affecting the tax charge for the year:

	31 December 2014 US$000	31 December 2013 US$000
Loss for the period before tax	**(140,135)**	(149,385)
Loss for the period multiplied by the UK standard rate of corporation tax 21.5% (2013: 23.25%)	**(30,129)**	(34,732)
Effects of:		
Disallowable expenses	**24,198**	28,176
Taxable income not recognised under IFRS	-	4,767
Gains not taxable	**(1,259)**	–
Tax provision in respect of withholding taxes on intra-group balances	**4,614**	–
Adjustment in respect of prior periods	**12**	3,521
Change in expected recovery of deferred tax asset	-	(37)
Carry forward of tax losses	**12,217**	1,789
Tax charge for the period	**9,653**	3,484

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$144 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.

14. EARNINGS PER SHARE

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

	31 December 2014 Shares	31 December 2013 Shares
Weighted average number of shares in issue for the year		
– number of shares with voting rights	**202,893,879**	199,104,701
– effect of share options in issue	**-**	17,782
Total used in calculation of diluted earnings per share	**202,893,879**	199,122,483

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 potential ordinary shares for 2014 and 2013 would decrease the loss per share, they are therefore not included in diluted earnings per share. Note 27 outlines share options in issue, none of which were exercisable at the period end.

	31 December 2014 US$000	31 December 2013 US$000
Earnings per share		
Loss for the year	**(149,788)**	(152,869)
Adjustments:		
Adjusted for non-controlling interest	**13,668**	10,386
Loss for the year attributable to equity shareholders of the parent	**(136,120)**	(142,483)
Loss per share		
– basic (cents per share)	**(67.09)**	(71.56)
– diluted (cents per share)	**(67.09)**	(71.56)
Earnings per share before exceptional items		
Loss for the year attributable to equity shareholders of the parent	**(136,120)**	(142,483)
Adjustments:		
Add back exceptional items	**111,692**	103,392
Less tax benefit from exceptional items	**–**	–
Add back non-controlling interest of exceptional items	**10,447**	(6,393)
Loss for the year attributable to equity shareholders of the parent before exceptional items	**(13,981)**	(45,484)
Earnings per share before exceptional items		
– basic (cents per share)	**(6.89)**	(22.84)
– diluted (cents per share)	**(6.89)**	(22.84)

15. INTANGIBLE ASSETS

	Note	**31 December 2014 US$000**	31 December 2013 US$000
At 1 January		**23,249**	49,442
Additions		**28**	14,459
Capitalised depreciation	16	**–**	1,078
Transferred to property, plant and equipment	16	**–**	(7,486)
Impairment of exploration assets	5	**(6,071)**	(34,244)
At 31 December		**17,206**	23,249

Year end balances are analysed as follows:

	31 December 2014 US$000	31 December 2013 US$000
Burkina Faso	**–**	–
Guinea	**17,206**	23,249
Total	**17,206**	23,249

As set out in note 7, an impairment review determined a fair value of US$18.8 million for the Guinea exploration CGU (which includes US$1.8 million of other net assets) resulting in a US$6.1 million impairment to intangible assets. Under the Guinea Mining Code, work must commence on the project within 12 months of the date of grant of the permit.

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 was capitalised as an intangible asset in 2013, in accordance with accounting standards/industry practice. No depreciation was capitalised in 2014.

The intangible asset in Burkina Faso, which represents capitalised exploration costs in the Bélahouro area, were in 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 as part of the Inata asset impairment in 2013.

16. PROPERTY, PLANT AND EQUIPMENT

		Mining property and plant					
		Mine development costs	Plant and machinery	Vehicles, fixtures, and equipment	Exploration property and plant	Office equipment	
Year ended 31 December 2014	Note	Burkina Faso US$000	Burkina Faso US$000	Burkina Faso US$000	Guinea US$000	UK US$000	Total US$000
Cost							
At 1 January 2014		**106,251**	**87,833**	**64,095**	**3,095**	**770**	**262,044**
Additions		1,656	8,275	1,682	–	–	11,613
Assets scrapped		–	–	(1,304)	–	–	(1,304)
Reclassification to inventory as spares		–	–	(2,578)	–	–	(2,578)
Impairment	7	(31,793)	(51,073)	(1,082)	–	-	(83,948)
At 31 December 2014		**76,114**	**45,035**	**60,813**	**3,095**	**770**	**185,827**
Depreciation							
At 1 January 2014		**64,886**	**32,100**	**31,230**	**1,070**	**770**	**130,056**
Charge for the year		11,228	4,063	8,115	208	-	23,614
Accumulated depreciation relating to scrapped assets		–	–	(593)	–	–	(593)
At 31 December 2014		**76,114**	**36,163**	**38,752**	**1,278**	**770**	**153,077**
Net Book Value at 31 December 2014		**-**	**8,872**	**22,061**	**1,817**	**-**	**32,750**
Net Book Value at 31 December 2013		41,365	55,733	32,865	2,025	–	131,988

Included within property, plant and equipment are assets held under finance leases with a net book value of US$2.4 million (2013: US$2.8 million) and assets in the course of construction with a value of US$8.2 million (2013: US$6.6 million), principally being 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 2013	Note	Mining property and plant: Mine development costs Burkina Faso US$000	Plant and machinery Burkina Faso US$000	Vehicles, fixtures, and equipment Burkina Faso US$000	Exploration property and plant Guinea US$000	Office equipment UK US$000	Total US$000
Cost							
At 1 January 2013		**96,789**	**87,589**	**57,884**	**2,926**	**1,121**	**246,309**
Additions		5,324	2,041	6,211	169	–	13,745
Additions to mine closure		546	–	–	–	–	546
Assets scrapped		–	(1,797)	–	–	–	(1,797)
Transfer from intangible exploration assets	15	7,486	–	–	–	–	7,486
Impairment	7	(3,894)	–	–	–	(351)	(4,245)
At 31 December 2013		**106,251**	**87,833**	**64,095**	**3,095**	**770**	**262,044**
Depreciation							
At 1 January 2013		**56,958**	**23,624**	**18,744**	**755**	**575**	**100,656**
Charge for the year		7,928	9,572	11,723	–	195	29,418
Charge for the year – capitalised	15	–	–	763	315	–	1,078
Accumulated depreciation relating to scrapped assets		–	(1,096)	–	–	–	(1,096)
At 31 December 2013		**64,886**	**32,100**	**31,230**	**1,070**	**770**	**130,056**
Net Book Value at 31 December 2013		**41,365**	**55,733**	**32,865**	**2,025**	**–**	**131,988**
Net Book Value at 31 December 2012		39,831	63,965	39,140	2,171	546	145,653

17. OTHER FINANCIAL ASSETS

	31 December 2014 US$000	31 December 2013 US$000
At 1 January	**74**	599
Impairment	**(74)**	-
Fair value adjustment	**-**	(525)
At 31 December	**-**	74

The Other Financial Asset held during the year 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 was not considered a short term fluctuation in the market value. During 2013, the cumulative loss that had been recognised directly in other comprehensive income (US$1.7 million) was reclassified from equity and recognised in the income statement as a cumulative impairment of US$2.2 million. During 2014, the remaining value of the assets was impaired to nil.

18. INVENTORIES

	31 December 2014 US$000	31 December 2013 US$000
Consumables	**13,858**	30,881
Work in progress	**24,694**	24,018
Finished goods	**2,452**	4,020
Total inventories	**41,004**	58,919

Consumables represent stocks of mining supplies, reagents, lubricants and spare parts held on site. As a result of Inata's shorter life of mine, the value of spares and consumables held at Inata has been impaired by US$15.9 million in the year.

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.

19. TRADE AND OTHER RECEIVABLES

	31 December 2014 US$000	31 December 2013 US$000
Payments in advance to suppliers	**2,296**	3,533
VAT recoverable	**4,682**	13,148
Prepayments	**1,524**	1,291
Total trade and other receivables	**8,502**	17,972

The reduction in VAT recoverable largely reflects claims that have been received in Burkina Faso or written off where no longer considered recoverable. A total of US$5.7 million of unrecovered VAT has been written off on the basis of being outstanding for more than 12 months by 31 December 2014.

20. CASH AND CASH EQUIVALENTS

	31 December 2014 US$000	31 December 2013 US$000
Cash at bank and in hand	**4,816**	15,201
Cash and cash equivalents	**4,816**	15,201

Included within cash at 31 December 2014 was US$4.2 million of restricted cash (31 December 2013: US$5.6 million), representing a US$2.3 million debt service reserve account held in relation to the Ecobank loan (2013: US$2.7 million), and US$1.9 million (2013: 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. US$1.5 million held in escrow in relation to the Burkina Faso tax dispute at 31 December 2013 was released during the year.

21. TRADE AND OTHER PAYABLES

	31 December 2014 US$000	31 December 2013 US$000
Trade payables	**38,975**	31,227
Corporation tax	**3,735**	–
Social security and other taxes	**102**	140
Accrued expenses	**2,939**	3,567
Total trade and other payables	**45,751**	34,934

The Corporation tax liability consists of a provision in respect of a tax assessment for the years 2009, 2010 and 2011, as set out in note 13.

22. OTHER FINANCIAL LIABILITIES

Current financial liabilities	**31 December 2014 US$000**	31 December 2013 US$000
Interest bearing debt	**31,679**	26,065
Finance lease liabilities	**715**	860
Warrants on the Company's own equity	**254**	254
Total current financial liabilities	**32,648**	27,179

Non-current financial liabilities	**31 December 2014 US$000**	31 December 2013 US$000
Interest bearing debt	**34,524**	50,410
Finance lease liabilities	**1,378**	2,005
Total non-current financial liabilities	**35,902**	52,415
Total financial liabilities	**68,550**	**79,594**

Interest bearing debt
On 31 December 2014, the Group had interest bearing debt of US$66.2 million (31 December 2013: US$76.5 million).

Elliott loan
The Elliott loan of US$16.7 million (31 December 2013: US$15.7 million) 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 loan is recognised as a current liability held at amortised cost and includes the US$15.0 million loan principal and accrued interest of US$1.7 million (2013: US$0.7 million). The weighted average interest on the loan during the year was 11.2%.

Ecobank Inata loan
At 31 December 2014, a loan balance of US$44.5 million was due in respect of a medium term loan facility with Ecobank Burkina Faso ("Ecobank"), which was drawn down in October 2013. The loan amount was provided and held in Francs de la Communauté Financière d'Afrique ("FCFA"), which is the legal currency of Burkina Faso. The Ecobank loan was provided to the Company's 90% subsidiary, Société des Mines de Bélahouro SA ('SMB'), which owns the Inata mine.

The Ecobank facility has a five year term and bears an interest rate of 8% per annum. Ecobank has the right to secure the balance against certain of the assets of SMB. Monthly debt service payments of 0.6 billion FCFA (currently equal to US$1.1 million) comprising interest and principal will continue for the 60 month duration of the loan. The facility requires that an amount equal to two months' payments, 1.3 billion FCFA (US$2.3 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 2014, payments totalling US$15.3 million were made in respect of this loan, which was made up of US$10.1 million in loan repayments, US$4.4 million of interest, and US$0.8 million in VAT charged on 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 within twelve months are included as current US$10.0 million (2013: US$ 10.4 million) with the remaining balance of US$34.5 million (2013: US$ 50.4 million) included as non-current.

Ecobank VAT advance
Included within current interest bearing debt is a balance of US$5.0 million (US$5.7 million of net cash advances less US$0.7m foreign exchange movements) due to Ecobank as short-term loans secured on VAT recoverable amounts. Under an agreement with Ecobank, SMB is able to draw down a cash advance of up to 80% of any VAT rebates confirmed as payable by the Burkina Faso tax department. On receipt of the rebate, the advance is repayable.

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 2013 year was 6.6%. The final US$5.0 million repayment was made on 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 PLC's equity was issued to Elliott 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 Mining property and plant.

Gross finance lease liabilities – minimum lease payments	**31 December 2014 US$000**	31 December 2013 US$000
No later than 1 year	**754**	907
Later than 1 year and no later than 5 years	**1,758**	2,666
Later than 5 years	**–**	–
	2,512	3,573
Future finance charges on finance leases	**(419)**	(707)
Present value of lease liabilities	**2,093**	2,866

Present value of lease liabilities	**31 December 2014 US$000**	31 December 2013 US$000
No later than 1 year	**715**	860
Later than 1 year and no later than 5 years	**1,378**	2,006
Later than 5 years	**–**	–
	2,093	2,866

23. DEFERRED TAX

	31 December 2014 US$000	31 December 2013 US$000
Liabilities		
At 1 January	**-**	37
Deferred tax charge/(credit) in the year	**4,614**	(37)
At 31 December	**4,614**	–

During 2014 the Group recorded deferred tax liabilities of US$4.6 million in relation to the withholding tax (WHT) and interest tax (IRVM) that would be due on settlement of intragroup management fees and loan interest invoices, as set out in note 13.

24. OTHER LIABILITIES

	Mine closure US$000	Post retirement benefits US$000	**Total US$000**
At 1 January 2014	6,085	164	**6,249**
New amounts provided during the year	244	–	**244**
At 31 December 2014	6,329	164	6,493

Mine closure provisions represent management's best estimate of the cost of mine closure at its operation in Burkina Faso. 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 management's 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 2015. The main assumptions used by the actuary were as follows:

	31 December 2014	31 December 2013
Rate of increase for pensions in payment	**0.0%**	0.0%
Discount rate	**6.0%**	6.1%
Inflation	**3.0%**	3.0%

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

	US$000	US$000
Cash	**328**	234
Present value of scheme liabilities	**(380)**	(398)
Deficit in scheme	**(52)**	(164)
Rate of return	**0.0%**	0.0%

25. FINANCIAL INSTRUMENTS

Categories of financial instrument:

	31 December 2014		31 December 2013	
	Measured at fair value	**Measured at amortised cost**	Measured at fair value	Measured at amortised cost
Categories	**Available for sale asset and warrants on the Company's own equity US$000**	**Loans and receivables including cash and cash equivalents US$000**	Available for sale asset and warrants on the Company's own equity US$000	Loans and receivables including cash and cash equivalents US$000
Financial assets				
Cash and cash equivalents	**–**	**4,816**	–	15,201
Other financial assets	**–**	**–**	74	–
Total Financial Assets	**–**	**4,816**	74	15,201
Financial liabilities				
Trade and other payables	**–**	**45,751**	–	34,934
Interest bearing borrowings	**–**	**66,203**	–	76,475
Finance lease liabilities	**–**	**2,093**	–	2,865
Warrants on the Company's own equity	**254**	**–**	254	–
Total Financial Liabilities	**254**	**114,047**	254	114,274

	31 December 2014 US$000	31 December 2013 US$000
Results from financial assets and liabilities		
Other financial assets – fair value through other comprehensive income	**-**	(525)
Other financial assets – impairment	**(74)**	-
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

The fair value movement in other financial assets in 2013 and impairment in 2014 relate to the Company's shares in Golden Peak, an exploration company that management deemed in the year to be unlikely to return to profitability.

At 31 December 2012 the Company held forward gold contracts with Macquarie Bank Limited, which 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.

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:

	31 December 2014 US$000	31 December 2013 US$000
Cash and cash equivalents	**4,816**	15,201
Available for sale financial assets	**-**	74
	4,816	15,275

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 an ongoing requirement to manage the funds it is able to generate at its operating mine, Inata, as well as to raise new financing to fund corporate and development activities. This is an area which receives considerable focus from the Board and management on a daily basis, as cash balances have remained critically low for some period, and balances are due to key suppliers.

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

	31 December 2014 US$000	31 December 2013 US$000
Trade payables	**38,975**	31,227
Other short-term financial liabilities	**32,433**	26,933
Current financial liabilities (due less than one year)	**71,408**	57,520
Non-current financial liabilities (due greater than one year)	**36,282**	53,076
	107,690	110,596

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 2014 US$000**	Weighted average interest rate %	At 31 December 2013 US$000
Cash and cash on hand	**0.0**	**4,816**	0.0	15,201
Short-term deposits	**n/a**	**–**	n/a	–
Cash and cash equivalents	**0.0**	**4,816**	0.0	15,201
Interest bearing debt	**8.58**	**(66,203)**	8.58	(76,475)
Net (debt)/cash		**(61,387)**		(61,274)

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$0.7 million in the year (31 December 2013: US$0.2 million).

Foreign currency risk
The Group's cash balances at 31 December 2014 and 31 December 2013 consisted of the following currency holdings:

	At 31 December 2014 US$000	At 31 December 2013 US$000
Sterling	**16**	163
US dollars	**516**	3,770
Francs de la Communauté Financière d'Afrique (FCFA)	**4,284**	11,268
	4,816	15,201

The Group's loan balances at 31 December 2014 and 31 December 2013 consisted of the following currency holdings:

	At 31 December 2014 US$000	At 31 December 2013 US$000
US dollars	**16,667**	15,755
Francs de la Communauté Financière d'Afrique (FCFA)	**49,536**	60,720
	66,203	76,475

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 75% of total production costs. The Burkina Faso FCFA, which has a fixed exchange rate to the euro, weakened by 13% against the US dollar in the year. It is estimated that without this weakening, profit would have been US$8.0 million lower.

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.

26. 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.

27. SHARE BASED PAYMENTS

Performance Share Plan ('PSP') shares

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

	31 December 2014		31 December 2013	
	Number	**Weighted average award value (£)**	Number	Weighted average award value (£)
Outstanding at the beginning of the period	**1,850,000**	**0.42**	720,000	1.28
Granted during the period	**–**	**–**	1,455,000	0.07
Exercised during the period	**–**	**–**	–	–
Cancelled or expired during the period	**(590,000)**	**1.18**	(325,000)	0.75
Outstanding at the period end	**1,260,000**	**0.07**	1,850,000	0.42
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 (£)
26 Mar 2013	26 Mar 2016	1,260,000	01 Jan 2013	31 Dec 2015	0.20	47.5%	0.30%	0.07
Total		**1,260,000**				**47.5%**	**0.30%**	**0.07**

Share options

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

	31 December 2014		31 December 2013	
	Number	**WAEP (£)**	Number	WAEP (£)
Outstanding at the beginning of the period	**9,150,524**	**0.69**	6,669,514	1.26
Granted during the period	**-**	**-**	5,825,000	0.22
Exercised during the period	**-**	**-**	-	-
Cancelled or expired during the period	**(3,775,120)**	**0.71**	(3,343,990)	1.00
Outstanding at the period end	**5,375,404**	**0.68**	9,150,524	0.69
Exercisable at the period end	**-**	**-**	-	-

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	330,488
17/05/2009	3	17/05/2012	5	1.91%	0.75	49.97%	0.28	4,917
25/06/2009	3	25/06/2012	5	2.13%	0.81	50.16%	0.30	700,000
18/03/2010	3	18/03/2013	4	2.42%	1.05	55.86%	0.47	625,000
23/05/2011	0.75	21/02/2012	2.75	1.46%	2.19	53.98%	0.57	53,333
23/05/2011	1.75	21/02/2013	3.75	1.88%	2.19	53.98%	0.69	53,333
23/05/2011	2.75	21/02/2014	4.75	2.25%	2.19	53.98%	0.79	53,333
12/03/2012	3	12/03/2015	5	1.02%	2.30	45.80%	0.76	265,000
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	260,000
08/03/2013	2.82	08/03/2013	2.82	0.38%	0.23	46.63%	0.02	400,000
08/03/2013	3	08/03/2013	3	0.41%	0.23	47.22%	0.03	990,000
26/03/2013	2.77	26/03/2013	3	0.27%	0.20	46.64%	0.02	130,000
26/03/2013	3	26/03/2016	3	0.29%	0.20	47.47%	0.02	1,260,000
								5,375,404

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$ 0.9 million related to share based payment transactions during the year (US$1.3 million in the year ended 31 December 2013).

Further details of the PSP and Share Option Plan are provided in the Remuneration Report on pages 41 to 53.

28. 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

	31 December 2014 US$000	31 December 2013 US$000
Exchange (gains)/losses in operating activities	**(4,151)**	325
Exchange (gains)/losses in finance items	**(5,856)**	109
Finance income	**(2)**	(17)
Finance expense	**8,456**	6,021
Movement in provisions and other non-cash items	**1,752**	-
Other non-operating items in the income statement	**199**	6,438

29. SHARE CAPITAL

	31 December 2014		31 December 2013	
	Number	**US$000**	Number	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	**9,950,000**	**825**	–	–
Closing balance	**209,496,710**	**17,072**	199,546,710	16,247

On 14 August 2014, the Company issued 9,950,000 new ordinary shares to existing investors, at a price of 7.13 pence per share (a discount of 5% to the closing price of 7.51 pence on the previous day, the date on which the terms where agreed). Elliott, Avocet's largest shareholder, subscribed for 2,550,000 of these shares, while Prelas AS, Avocet's second-largest shareholder, subscribed for 4,950,000, while two other Norwegian private investors J Roger and A Vohra subscribed for 2,000,000 and 450,000 shares respectively. No new shares were issued in 2013.

30. OTHER RESERVES

	Merger reserve US$000	Investment in own and treasury shares US$000	Revaluation of other financial assets US$000	Foreign exchange US$000	Total US$000
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
Movement in year	–	–	–	–	–
At 31 December 2014	**19,901**	**(1,845)**	**–**	**(161)**	**17,895**

In 2014, the Company allotted no new shares to the EBT. No shares were released from the EBT in the year.

At 31 December 2014, 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 2014, the Company held 442,009 treasury shares. During 2014, no shares were issued by the Company from treasury shares.

31. CONTINGENT LIABILITIES

There are no Contingent liabilities at 31 December 2014 (2013: US$ 4.7 million).

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 PTLT 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. In May 2014, the Supreme Court ruled in Avocet's favour that the High Court's decision was correct and that the District Court did not have jurisdiction to hear the matter. The Company is unaware of whether PT LT has sought, or will seek, a judicial review of the Supreme Court's decision.

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 Company understands that PT LT has filed a third law suit against J&Partners or its affiliates which makes similar arguments as the Second PT LT Case (the 'Third PT LT Case'). The Company understands that the South Jakarta District Court has dismissed the Third PT LT Case and that PTLT has appealed to the Indonesian High Court against the District Court's decision.

The Board remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action by PT LT. As any financial settlement with PT LT is considered to be remote, this matter does not constitute a contingent liability, however the matter is disclosed in these financial statements to replicate statements already made by the Company.

The buyer, J&Partners, has notified Avocet that in the event PT LT were successful in actions against J&Partners, J&Partners would make a claim for damages against Avocet. The basis for the claim would be that Avocet had breached a warranty in the sales agreement, which is governed by English law, in which it stated that it was selling the assets free of encumbrance. Avocet strongly disagrees that there was any such breach and initiated arbitration in the English courts to have any such claim dismissed.

The arbitration hearing took place in London in January 2015. The arbitrator's decision is not expected for several months. Should the arbitration in the English courts be decided in Avocet's favour, it would be entitled to seek recovery of a proportion of its costs from J&Partners. Should the arbitration be decided in J&Partners' favour, J&Partners would be entitled to seek recovery of a proportion of its costs from Avocet. No amount has been provided for an adverse cost recovery award.

32. CAPITAL COMMITMENTS

At 31 December 2014 the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US$1.0 million (31 December 2013: US$5.4), primarily related to the construction of the second tailings management facility.

33. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

34. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2014 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 2014	**Charged in the year US$000**	**Balance at 31 December 2014 US$000**	**Charged in the year US$000**	**Balance at 31 December 2014 US$000**
Société des Mines de Bélahouro SA (90%)	**6,647**	**138,328**	**662**	**58,080**

During 2014, Wega Mining AS capitalised a total of US$51.3 million of debt owed by SMB in order to comply with Burkina Faso capital ratio requirements.

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

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$nil (31 December 2013: US$nil).

35. 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.

The AISCs below are based on the Avocet Group and include share based payments and general and corporate administrative costs.

	Q1 2014 (Unaudited)	Q2 2014 (Unaudited)	Q3 2014 (Unaudited)	Q4 2014 (Unaudited)	2014 (Audited)	2013 (Audited)
	US$000	US$000	US$000	US$000	US$000	US$000
Gold produced (oz)	23,148	21,650	21,736	19,503	86,037	118,443
Total cash production cost (US$000)	27,288	28,511	25,724	20,512	102,035	142,458
Total cash production cost (US$/oz)	*1,179*	*1,317*	*1,183*	*1,052*	*1,186*	*1,203*
Other costs of sales (US$000)	656	1,313	233	224	2,426	6,106
Foreign exchange (US$000)	(75)	573	(6,576)	1,927	(4,151)	1,895
Sustaining capital expenditure (US$000)	2,457	780	534	909	4,680	13,489
Share based payments (US$000)	377	377	377	(275)	856	1,275
Administrative expenses (US$000)	1,069	1,423	1,448	1,777	5,717	8,218
All-in Sustaining Costs (US$000)	31,772	32,977	21,740	25,074	111,563	173,441
All-in Sustaining Costs (US$/oz)	1,373	1,523	1,000	1,286	1,297	*1,464*

36. GROUP STRUCTURE

All subsidiaries within the Avocet Group are 100% owned, with the exception of Société des Mines de Bélahouro SA (SMB), a Burkina Faso incorporated entity, which is 90% owned. In accordance with the Mining Code of Burkina Faso, the remaining 10% is owned by the Burkinabe Government, who are represented on the Board of SMB. It is not considered that the Governmental ownership represents a restriction on the activities of the company, nor on the free flow of its funds. All material contracts and financial arrangements are referred to the Board of SMB for approval.

The interest of the Government in SMB is shown in the financial statements under Non-controlling Interest in the income statement and statement of financial condition, as there are no other Non-controlling interests in the Group.

37. UNAUDITED QUARTERLY INCOME STATEMENT FOR CONTINUING OPERATIONS

The following table presents an analysis of the 2014 results by quarter. This analysis has not been audited and does not form part of the statutory financial statements.

	Q1 2014 (Unaudited) US$000	Q2 2014 (Unaudited) US$000	Q3 2014 (Unaudited) US$000	Q4 2014 (Unaudited) US$000	**2014 (Audited) US$000**	2013 (Audited) US$000
Revenue	**31,473**	**27,880**	**27,559**	**23,532**	**110,444**	149,261
Cost of sales	**(36,370)**	**(36,071)**	**(26,947)**	**(30,328)**	**(129,716)**	(179,649)
Cash production costs:						
– mining	(10,745)	(10,996)	(8,589)	(5,966)	**(36,296)**	(64,833)
– processing	(9,313)	(10,339)	(10,029)	(8,403)	**(38,084)**	(44,111)
– overheads	(5,150)	(5,245)	(5,197)	(4,526)	**(20,118)**	(22,175)
– royalties	(2,080)	(1,931)	(1,909)	(1,617)	**(7,537)**	(11,339)
	(27,288)	(28,511)	(25,724)	(20,512)	**(102,035)**	(142,458)
Changes in inventory	(1,450)	2,172	(418)	(1,199)	**(895)**	4,935
Expensed exploration and other cost of sales	(1,382)	(2,569)	4,576	(3,797)	**(3,172)**	(12,708)
Depreciation and amortisation	(6,250)	(7,163)	(5,381)	(4,820)	**(23,614)**	(29,418)
Gross (loss)/profit	(4,897)	(8,191)	612	(6,796)	**(19,272)**	(30,388)
Administrative expenses	(1,069)	(1,423)	(1,448)	(1,777)	**(5,717)**	(8,218)
Share based payments	(377)	(377)	(377)	275	**(856)**	(1,275)
Net impairment of assets	-	(25,780)	-	(85,912)	**(111,692)**	(40,727)
Loss from operations	(6,343)	(35,771)	(1,213)	(94,210)	**(137,537)**	(80,608)
Loss on recognition of forward contracts	-	-	-		**-**	(96,632)
Restructure of forward contracts	-	-	-	-	**-**	(20,225)
Change in fair value of forward contracts	-	-	-	-	**-**	54,192
Finance items						
Exchange (losses)/gains	(2)	9	(23)	5,872	**5,856**	(109)
Finance expense	(1,867)	(2,030)	(1,955)	(2,604)	**(8,456)**	(6,020)
Finance income	-	2	-	-	**2**	17
Loss before taxation	**(8,212)**	**(37,790)**	**(3,191)**	**(90,942)**	**(140,135)**	(149,385)
Analysed as:						
Loss before taxation and exceptional items	(8,212)	(12,010)	(3,191)	(5,030)	**(28,443)**	(45,993)
Exceptional items	-	(25,780)	-	(85,912)	**(111,692)**	(103,392)
Taxation	(12)	(9,576)	-	(65)	**(9,653)**	(3,484)
Loss for the period	**(8,224)**	**(47,366)**	**(3,191)**	**(91,007)**	**(149,788)**	(152,869)
Attributable to:						
Equity shareholders of the parent company	(7,446)	(45,312)	(3,125)	(80,237)	**(136,120)**	(142,483)
Non-controlling interest	(778)	(2,054)	(66)	(10,770)	**(13,668)**	(10,386)
	(8,224)	**(47,366)**	**(3,191)**	**(91,007)**	**(149,788)**	(152,869)
EBITDA	**(470)**	**(2,451)**	**4,168**	**(3,478)**	**(2,231)**	(10,463)

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

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014;
- have been properly prepared in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other matter

We have reported separately on the group financial statements of Avocet Mining PLC for the year ended 31 December 2014. That report includes an emphasis of matter in relation to going concern and a corresponding matter arising from the group audit in relation to the carrying value of intercompany loan and debtor balances with group undertakings.

What we have audited

Avocet Mining PLC's financial statements comprise the parent company balance sheet and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:

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/auditscopeukprivate.

What the directors are responsible for:

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the 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.

Who we are reporting to:

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.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
28 April 2015

Company balance sheet

At 31 December 2014

	Note	At 31 December 2014 US$000	At 31 December 2013 US$000
Fixed assets			
Tangible assets	41	**-**	-
Shares in Group undertakings	42	**28,072**	104,201
Other investments	43	**-**	74
		28,072	104,275
Current assets			
Debtors due within one year	44	**269**	25,278
Cash at bank and in hand		**69**	3,693
		338	28,971
Creditors: amounts falling due within one year	45	**(19,462)**	(18,168)
Net current (liabilities)/assets		**(19,124)**	10,803
Total assets less current liabilities		**8,948**	115,078
Net assets		**8,948**	115,078
Capital and reserves			
Called up share capital	46	**17,072**	16,247
Share premium account	47	**146,391**	146,040
Investment in own shares	48	**(169)**	(169)
Investment in treasury shares	48	**(1,676)**	(1,676)
Other reserves	49	**-**	-
Profit and loss account	50	**(152,670)**	(45,364)
Equity shareholders' funds		**8,948**	115,078

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

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.

Going concern

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

1. First loan - taken out in March 2013, under which US$16.7 million was outstanding at 31 December 2014, comprising US$15.0 million principal and US$1.7 million accrued interest. The first loan was due on 31 December 2013 and is secured against the Tri-K exploration asset in Guinea;
2. Second loan - unsecured demand loan of US$1.5 million taken out in January 2015; and
3. Third loan - demand loan of US$1.5 million taken out in April 2015. The US$1.5 million drawn down in April is part of a facility totalling US$2.1 million of which the remaining US$0.6 million is subject to shareholder approval and at Elliott's discretion. Shareholder approval will be sought at a separate general meeting to be held immediately following the Company's Annual General Meeting on 19 June for the third Elliott loan to be secured on certain of Avocet's assets. If shareholder approval is not obtained, the remaining US$0.6 million will not be available for draw down.

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

Société des Mines de Bélahouro (SMB), the Avocet subsidiary that owns Inata, has debt of US$42 million with Ecobank and trade creditors totalling US$31 million. Inata continues to struggle operationally and work continues to improve its gold recoveries and production. Based on current circumstances the mine is not presently expected to be able to make debt repayments to Avocet. The liabilities of SMB are non-recourse to Avocet.

Since the start of 2014, the Company has conducted a business review in response to the financial status of the group, including considering various options for maximising the value of its assets for the benefits of shareholders, namely at Inata, Souma and Guinea. The aim of this review, which remains ongoing, is to secure sufficient funding to address the Elliott loans as well as any ongoing funding for corporate activities and Inata. During this time a US$1.2 million placing in August 2014 and the second and third Elliott loans have provided funds for corporate activities.

While business review discussions have been encouraging with parties interested in the development or sale of Tri-K or Souma, it cannot be guaranteed that such funding for the Company or the wider group will be secured. The combination of these circumstances represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Board has a reasonable expectation that the outcome of the financing process will be successful, including obtaining shareholder approval for the third Elliott loan, based on its view of the prospects for Tri-K and Souma, the parties involved and the nature of early stage discussions. The Board has therefore continued to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2014.

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

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.

40. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit is stated after charging:

	31 December 2014 US$000	31 December 2013 US$000
Auditor's remuneration		
– audit – Company	**12**	10
Non-audit services		
– interim review services	**-**	34
– other services relating to taxation	**16**	17
Depreciation of owned tangible fixed assets	**-**	195
Operating lease charges	**224**	131

41. TANGIBLE FIXED ASSETS

	Office and IT equipment US$000	Total US$000
Cost		
At 1 January 2014	1,119	1,119
Additions	-	-
Disposals	-	-
At 31 December 2014	1,119	1,119
Depreciation		
At 1 January 2014	1,119	1,119
Charge for the year	-	-
Impairment	-	-
Disposals	-	-
At 31 December 2014	1,119	1,119
Net book value at 31 December 2014	-	-
Net book value at 31 December 2013	-	-

All fixed assets were impaired to nil during 2013. No fixed assets were acquired during 2014.

42. SHARES IN GROUP UNDERTAKINGS

Subsidiary undertakings	**31 December 2014 US$000**	31 December 2013 US$000
Cost		
At 1 January	**104,201**	109,018
Additions	**-**	-
Impairment	**(76,129)**	(4,612)
Disposals	**-**	(205)
At 31 December	**28,072**	104,201
Net book value at 31 December	**28,072**	104,201

In 2014, following a review of the underlying valuation of its assets, an impairment of US$76.1 million was recognised against the Company's investment in Wega Mining AS shares (2013: US$4.6 million).

During the period the principal trading subsidiaries of the Company, including those held indirectly by the Company, were as shown in the following table.

Name of entity	Nature of business	Country of registration or incorporation & operation	Class of share capital held	Percentage of ordinary share capital held by Company	Percentage of ordinary share capital held by 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

	31 December 2014 US$000	31 December 2013 US$000
At 1 January	**74**	599
Additions	**–**	–
Disposals	**–**	–
Impairment	**(74)**	–
Fair value adjustment	**–**	(525)
At 31 December	**-**	74

44. DEBTORS

	31 December 2014 US$000	31 December 2013 US$000
Due within one year		
Amounts owed by Group undertakings	**-**	24,959
Other debtors	**106**	175
Prepayments	**163**	144
	269	25,278

Following a review of the valuation of its underlying assets, the Company recognised an impairment of US$35.5 million against loans due from Group undertakings in the year. Prior to impairments, these loans had a book value of US$260.1 million, however the impairment in 2014, on top of impairments of US$117.5 million in 2012 and US$107.1 million in 2013, have brought their carrying value to nil.

45. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	31 December 2014 US$000	31 December 2013 US$000
Other taxes and social security	**102**	140
Other creditors	**15,905**	15,584
Amounts due to Group undertakings	**–**	–
Accruals and deferred income	**3,455**	2,444
	19,462	18,168

Other creditors includes a loan of US$15.0 million due to Elliott. Accrued interest in respect of this loan of US$1.7 million (2013: US$0.8 million) is included under Accruals and deferred income.

46. SHARE CAPITAL

	At 31 December 2014		31 December 2013	
	Number	**US$000**	Number	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 period	**9,950,000**	**825**	–	–
Closing balance	**209,496,710**	**17,072**	199,546,710	16,247

On 14 August 2014, the Company issued 9,950,000 new ordinary shares to existing investors, at a price of 7.13 pence per share (a discount of 5% to the closing price of 7.51 pence on the previous day, the date on which the terms where agreed). Elliott, Avocet's largest shareholder, subscribed for 2,550,000 of these shares, while Prelas AS, Avocet's second-largest shareholder, subscribed for 4,950,000, while two other Norwegian private investors J Roger and A Vohra subscribed for 2,000,000 and 450,000 shares respectively. No new shares were issued in 2013.

47. SHARE PREMIUM ACCOUNT

	31 December 2014 US$000	31 December 2013 US$000
At 1 January	**146,040**	146,040
New shares issued in period	**351**	-
At 31 December	**146,391**	146,040

48. INVESTMENT IN OWN SHARES AND TREASURY SHARES

	31 December 2014 US$000		31 December 2013 US$000	
	Own shares US$000	**Treasury shares US$000**	Own shares US$000	Treasury shares US$000
At 1 January	**169**	**1,676**	233	1,676
Transfer between reserves	**-**	**-**	-	-
Purchased from the market	**-**	**-**	-	-
Released during the period	**-**	**-**	(64)	-
At 31 December	**169**	**1,676**	169	1,676

In 2014 and 2013, the Company allotted no new shares to the EBT. During 2013, 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$0.064 million. No shares were released from the EBT in 2014.

At 31 December 2014, 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 2014 and 2013, no shares were issued by the Company from Treasury shares. At 31 December 2014, the Company held 442,009 Treasury shares.

49. OTHER RESERVES

	31 December 2014 US$000		31 December 2013 US$000	
	Revaluation of other financial assets US$000	**Total US$000**	Revaluation of other financial assets US$000	Total US$000
At 1 January	**-**	**-**	(1,714)	(1,714)
Impairment of other reserves	**-**	**-**	2,238	2,238
Fair value adjustment	**-**	**-**	(524)	(524)
At 31 December	**-**	**-**	-	-

Other reserves represent the revaluation to fair value of other financial assets. Refer to note 43 for further information.

50. PROFIT AND LOSS ACCOUNT

	31 December 2014 US$000	31 December 2013 US$000
At 1 January	**(45,364)**	67,445
Retained loss for the year	**(108,163)**	(112,483)
Share based payments	**857**	1,663
Profit on release of EBT shares	**-**	249
Impairment of revaluation reserve	**-**	(2,238)
At 31 December	**(152,670)**	(45,364)

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

	31 December 2014 US$000	31 December 2013 US$000
Loss for the financial period	**(108,163)**	(112,483)
New capital subscribed	**825**	-
Share premium arising on new shares issued in the year	**351**	-
Reduction in investment in own shares	**-**	64
Share based payments	**857**	1,663
Profit on release of EBT shares	**-**	249
Fair value adjustment	**-**	(524)
Net change in equity shareholders' funds	**(106,130)**	(111,031)
Opening equity shareholders' funds	**115,078**	226,109
Closing equity shareholders' funds	**8,948**	115,078

52. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2014 or 31 December 2013.

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 PTLT 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. In May 2014, the Supreme Court ruled in Avocet's favour that the High Court's decision was correct and that the District Court did not have jurisdiction to hear the matter. The Company is unaware of whether PT LT has sought, or will seek, a judicial review of the Supreme Court's decision.

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 Company understands that PT LT has filed a third law suit against J&Partners or its affiliates which makes similar arguments as the Second PT LT Case (the 'Third PT LT Case'). The Company understands that the South Jakarta District Court has dismissed the Third PT LT Case and that PTLT has appealed to the Indonesian High Court against the District Court's decision.

The Board remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action by PT LT. As any financial settlement with PT LT is considered to be remote, this matter does not constitute a contingent liability, however the matter is disclosed in these financial statements to replicate statements already made by the Company.

The buyer, J&Partners, has notified Avocet that in the event PT LT were successful in actions against J&Partners, J&Partners would make a claim for damages against Avocet. The basis for the claim would be that Avocet had breached a warranty in the sales agreement, which is governed by English law, in which it stated that it was selling the assets free of encumbrance. Avocet strongly disagrees that there was any such breach and initiated arbitration in the English courts to have any such claim dismissed.

The arbitration hearing took place in London in January 2015. The arbitrator's decision is not expected for several months. Should the arbitration in the English courts be decided in Avocet's favour, it would be entitled to seek recovery of a proportion of its costs from J&Partners. Should the arbitration be decided in J&Partners' favour, J&Partners would be entitled to seek recovery of a proportion of its costs from Avocet. No amount has been provided for an adverse cost recovery award.

53. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2014 or 31 December 2013.

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 2014 and 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:

	Avocet Mining PLC		**Wega Mining AS**	
Year ended 31 December 2014	**Charged in the year US$000**	**Balance at 31 December 2014 US$000**	**Charged in the year US$000**	**Balance at 31 December 2014 US$000**
Société des Mines de Bélahouro SA (90%)	**6,647**	**138,328**	**662**	**58,080**

During 2014, Wega Mining AS capitalised a total of US$51.3 million of debt owed by Société des Mines de Bélahouro SA in order to comply with Burkina Faso capital ratio requirements.

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

Information on remuneration of Key Management Personnel is set out in note 10 of the Group financial statements.

No dividends were received by Directors during the year in respect of shares held in the Company during 2014 or 2013.

Shareholder information
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.

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 Cantor Fitzgerald Europe, Investec Bank PLC, J.P. Morgan Securities PLC, Liberum Capital Limited, BMO Capital Markets Limited, KCG Europe Limited, Peel Hunt LLP, Shore Capital Stockbrokers Limited, and Winterflood Securities Limited.

HISTORICAL SHARE PRICES:

Quarter Ended	High pence	Low pence
31 March 2014	13.5	7.8
30 June 2014	9.7	7.0
30 September 2014	8.6	6.3
31 December 2014	6.4	4.4

Closing price:	
31 December 2014	4.5

Total number of shares in issue:	
31 December 2013	199,546,710
31 December 2014	**209,496,710**

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 SHAREHOLDERS – 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

Executive directors
DC Cather – Chief Executive Officer
AM Norris – Finance Director

Non-executive directors
RP Edey – Chairman
MJ Donoghue
BJ Rourke
G Wylie

Company Secretary and registered office
JEGM Wynn
5th Floor, 15 Old Bailey
London EC4M 7EF

Registrars and transfer office
Computershare Investor Services PLC
PO Box 82, The Pavilions, Bridgwater Road
Bristol BS99 7NH

Bankers
Barclays Bank PLC
Ecobank Burkina SA

Stockbrokers
J.P. Morgan Cazenove Ltd

Auditor
Grant Thornton UK LLP

Solicitors
Field Fisher Waterhouse
Norton Rose LLP