Avocet Mining PLC

Annual Report and Accounts 2016

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About us

Avocet Mining PLC ('Avocet' or 'the Company') is a West African gold mining and exploration Company. The Company operates the Inata gold mine in Burkina Faso and has an interest in 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 4.1 million ounces at a grade of 1.68 g/t Au and includes an Ore Reserve of 0.34 million ounces at a grade of 1.84 g/t Au. Production in 2016 was 72,485 ounces.

The Souma project, which is located approximately 20 kilometres east of the Inata processing plant, is the subject of a search for financing which aims to progress the project up the development curve with the objective of submitting a Mining Licence application as soon as a Feasibility Study has been completed. Mineralisation at Souma is quartz hosted and does not have the same carbonaceous ore types as seen at Inata.

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.

In October 2016, the Company announced that it had entered into a Joint Venture agreement over the Tri-K project with Managem SA ("Managem"), a Moroccan mining group. Under the terms of this agreement, Managem has received a 40% interest in the project, which will increase to 70% upon the successful completion of a US$10 million work programme to increase the mineral reserve to 1 million ounces and to produce a bankable feasibility study for a Carbon-in-leach ('CIL') project.

STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the year ended 31 December 2016.

The Strategic Report is a requirement of the Companies Act for the year ended December 2016. 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 3 - 4 and pages 5 to 7 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 22-25 under Review of Operations.

The financial review on pages 8 to 11 includes an analysis of the development and performance of the business of the Company during the 2016 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, depreciation and capex).

The Group's Business Plan and Strategy are outlined on page 12, while risk management and internal controls within the business (including the Company's viability statement) are outlined on pages 12 to 14. In addition, the key risks and uncertainties faced by the business are set out on pages 15 to 16.

An outline of the Company's safety and health performance is summarised on pages 17 to 18. Information concerning environmental matters, the Company's employees and social, community and human rights issues are discussed in the sustainable development section on pages 19 to 21.

The Strategic Report, as set out on pages 3 to 21, has been approved by the Board.

By order of the Board

Yolanda Bolleurs
Chief Financial Officer and Company Secretary

CHAIRMAN'S STATEMENT

After a turbulent few years, during which the mining sector as a whole experienced a protracted bear market, there were signs at the start of 2016 that the economic environment for gold mining companies might be on the turn. By early March 2016, the gold price had risen US$200 per ounce compared to its closing price in 2015 of US$1,062 and in the course of the year, a number of transactions were announced that signalled the re-emergence of consolidation among junior players in West Africa, which had almost dried up since 2013.

Both of these factors were important for Avocet's strategic priorities in 2016.

Developments in 2016

Avocet Mining PLC

At the corporate level, the loan of US$27.4 million as per 6 June 2017 from Manchester Securities Corp (an affiliate of Elliott Management ("Elliott"), the Company's largest shareholder) remains an unsustainable debt burden and will need to be renegotiated in order to put the balance sheet of the Group on a more stable footing. These discussions will remain a key priority for Avocet.

Inata

At Inata, the focus was and remains, the generation of cash in order to reduce the mine's indebtedness, while exploring refinancing opportunities that will allow additional production to be added to the mine life from satellite deposits. The 2016 average cash cost was US$966 per ounce and although considerable efforts have been put into reducing the mine's cost base, the ability of the mine to generate cash to reduce debts at US$1,200 gold prices is clearly considerably easier than at US$1,100.

During the first half of 2016, production at Inata enabled some US$12.1 million of financial debts to be repaid. In the second half of the year, production was impacted first by the fact that ore types being processed were, as expected, more preg-robbing in nature, which reduced recovery levels and second by the forced shutdown of the mine for four weeks in October-November following the seizure of gold shipments arising out of a legal dispute with ex-workers.

Tri-K project

With regard to the Company's Tri-K project in Guinea, the focus in 2016 was to safeguard the asset by attracting investment and negotiating revised timelines in respect of the Mining and Exploration Permits, both of which, without governmental support, might have been withdrawn in the year without compensation.

In October 2016, a Joint Venture agreement was finally entered into with a preferred partner, Managem, who will obtain an interest of 70 per cent in the project in return for an initial payment of US$4 million and the completion of a US$10 million work programme aimed at producing a new Bankable Feasibility Study ('BFS') for a Carbon-in-Leach ('CIL) operation with a reserve of at least 1 million ounces.

The Company believes the partnership with Managem to be a fruitful one for all parties. The group, which is listed on the Casablanca stock exchange, has a proven record of bringing mines into production in West Africa (including Guinea) and thanks to strong national ties between Morocco and Guinea has been able to obtain the support of the Guinean government for the proposed partnership, including, crucially, the renegotiation of time lines for the Mining Permits and renewals of Exploration Licences, as well as other fiscal and operating concessions.

The scale and economics of the Tri-K project will naturally be established more clearly in the BFS, which we expect to be completed in the first part of 2018. However the deposit remains open at strike and at depth and anomalies in the surrounding district point to the possibility of significant, if unproven, upside to the known resource. The Siguiri basin, in which the Tri-K project sits, has hosted large gold projects, including the Siguiri mine owned by AngloGold Ashanti as well as Nordgold's Lefa project, both of which have been considerably larger than the initial reserve targeted for Tri-K.

Developments in 2017

Avocet Mining PLC

On 3 April 2017, Boudewijn Wentink was appointed as Chief Executive Officer, with Yolanda Bolleurs as Chief Financial Officer. Both Boudewijn and Yolanda have considerable experience in restructuring and refinancing matters, which the Board believe to be key to putting the Company onto a more solid financial platform going forward. David Cather became Technical Director, in order to provide oversight and guidance on technical and operating matters, while Jim Wynn became, from 1 May 2017, a Non-executive Director.

On behalf of the Board, I wish to extend a welcome to Boudewijn and Yolanda, while thanking David and Jim for their contributions over the past few years.

Inata

New management has started discussions with trade creditors, banks and government to stabilise Inata and to restructure its debts.

In this process a key step was achieved on 31 May 2017: Inata's major trade and financial creditors (together representing approximately seventy per cent of Inata's debt) have agreed the terms of a standstill agreement with management for the duration of two months as strategic options are being explored in connection with a financial, debt and corporate restructuring of the company.

All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution, however, inevitably, there can be no guarantee that these negotiations will prove successful.

Tri-K project

Avocet received the decree signed by the Guinean President ratifying the Mining Convention for the Tri-K project in May. Following this, the so-called 'First Closing' was completed on 22 May 2017 and the Company has received from Managem US$ 4 million for 40 per cent of its interest in the project.

This marks the commencement of the US$10 million work programme, whose aim is to complete a Bankable Feasibility Study ('BFS') for a Carbon-in-Leach ('CIL') project at the site, with a reserve of at least 1 million ounces. Once this work programme and its objectives are completed, Avocet will then transfer an additional 30% of its interest (or 20%, if the reserve defined is less than 1 million ounces) to Managem, who will then take control of the operation and construction.

The coming months will be critical for the Company. The challenges facing the Company are considerable and readers should be aware of the risks to the future of the Inata mine, as well as the wider group, which are set out in the Risk Management section, as well as the Viability Statement.

Russell Edey
Chairman

CHIEF EXECUTIVE'S STATEMENT

2016 Highlights

- 72,485 ounces produced at Inata at a cash cost of US$966 per ounce
- Cash costs at Inata reduced compared with 2015 in spite of ongoing operational challenges
- Two Lost Time Injury ('LTI') incidents in 2016
- Joint Venture signed with Managem over the Tri-K project

Inata Gold Mine, Burkina Faso

During 2016, the primary focus of the Inata mine was to generate cash in order to reduce its indebtedness with trade and financial creditors.

The mine produced 72,485 ounces at a cash cost of US$966 per ounce, compared with 74,755 ounces at US$1,058 per ounce in 2015. Realised gold prices increased from US$1,167 per ounce in 2015 to US$1,240 in 2016, pointing to an increase in the margin per ounce produced from US$109 in 2015 to US$274 in 2016.

However production in the first half of 2016 was stronger than in the second half. This was due in part to the nature of the ore being mined in the first six months, which despite being relatively low grade, was generally clean and therefore yielded recoveries of around 92%, while the ore mined in the second half of the year was more carbonaceous and preg-robbing, with recoveries much lower at around 75%. In addition, legal action initiated by a group of ex-workers in October 2016 resulted in the temporary shutdown of the mine for four weeks. In all, 41,614 ounces were poured in H1 compared with 30,871 ounces in H2.

The result of this was that while the mine was able to reduce its overall indebtedness in the year, more progress was made in the first half of the year, where the mine's loans were reduced by over US$10 million, compared with the second half, where a new loan from Coris Bank and delays to repayment of the Ecobank loans meant that the net reduction in loans was reduced to US$4 million.

The mine remained under considerable pressure from its creditors: a number of the key suppliers are applying pressure on the mine to reduce their overdue balances.

Souma and Pali/Ouzeni, Burkina Faso

In addition to the remaining mine life at Inata, there exists the possibility to add production through incorporating the satellite deposits at Souma (20km to the North-east of the Inata plant) and Pali and Ouzeni (7km to the South-west and South-east respectively).

The Souma deposit, which currently has a Mineral Resource of 676k ounces, consists of a north-south deposit which, importantly, is free of preg-robbing properties. Due to its distance from the Inata permit, it would need to be the subject of a separate mining licence application, supported by a feasibility and environmental study, which in turn would require a short programme of drilling, testwork and documentation. This initial work, which would need to be completed ahead of the expiry of the Exploration Licence in July 2018, is estimated to cost between US$5-7 million. Once permission to mine has been granted, the intention would be to haul the Souma ore across the flat terrain separating the pit and the Inata plant where it would be processed. Capex for this production has been estimated (on a preliminary basis only) to be of the order of US$5 million, to cover haul roads, pit infrastructure and any enhancements necessary to the comminution part of the Inata plant.

The Pali and Ouzeni deposits are smaller orebodies that lie just outside the current Inata mining permit. It is anticipated that these could be converted to mineable reserves with a modest drilling programme of just US$1-2 million, which could be achieved through an extension of the existing permit perimeter (subject to governmental approval).

The addition of the deposits at Souma and Pali/Ouzeni to the Inata production plan would be transformative, increasing the mine life from three to six years, with improved economics. The key challenge is the successful negotiation of a financing package that satisfies both the existing Inata creditors as well as new sources of funding.

Tri-K, Guinea

Following the award of a mining permit for the Tri-K project on 27 March 2015, the Company's focus had been to raise financing for the construction of the project. Under the Guinean Mining Code, construction must commence within 12 months of the award date (27 March 2016) of the mining permit or fines of approximately US$100k per month can be applied and after 18 months (27 September 2016) the Guinean government has the right to withdraw the permit.

These dates were clearly of concern and the Company remained in constant communication with the Ministry of Mines and Geology, pointing to the unprecedentedly challenging market conditions for raising finance for West African mining projects, as well as the Ebola crisis also affecting interest in Guinea itself.

By the first deadline, the Company had identified a small group of potential investors and was able to assure the Government that progress was being made, albeit more slowly than had been hoped. Given the importance of Governmental approval to any refinancing deal, representatives of both the Ministry of Mines and Geology and SOGUIPAM (the Guinean state mining company) were heavily involved in final negotiations with Avocet's preferred partner, Managem.

On 10 October 2016, the Company was able to announce the terms of a Joint Venture over the Tri-K project with Managem, which would be subject to, inter alia, approval by Avocet's shareholders and the signing and then parliamentary ratification of a Mining Convention with the Guinean government. On 19 December 2016, the Mining Convention was signed by the Minister of Mines and Geology and the Minister of Budgets (as well as by Avocet and Managem), while shareholder approval of the transaction was granted at a General Meeting on 22 December 2016.

Corporate Review

2016 was a busy year in terms of corporate activity and much was achieved in spite of maintaining downward pressure on head office costs.

In January and April 2016, loans were agreed with Manchester Securities Corp, an affiliate of Elliott (Avocet's largest shareholder), for a total of US$1.5 million, which provided funding for corporate activities in the first half of the year. In the second half of 2016, funding was achieved by payment of Management fees from SMB's Inata gold mine, which signalled management's intentions for the Company to no longer rely on expensive debt to finance ongoing corporate activities.

On 9 June 2016, in addition to the normal resolutions set out at the AGM, shareholders were asked to approve a share re-organisation which included a 10:1 share consolidation, driven primarily by the need to comply with the ongoing obligations of the Oslo Børs.

Following the announcement of the Joint Venture with Managem on 10 October 2016, a circular setting out the terms of the transaction was sent to shareholders on 29 November 2016 and approved at a general meeting on 22 December 2016.

At the same meeting, shareholders approved a proposal to transfer Avocet's listing from the Premium List to the Standard List of the London Stock Exchange, in order to reduce costs and to make the Company's listing status more appropriate in view of its market capitalisation and financial situation.

Outlook for 2017 and beyond

Much remains to be achieved during 2017. At Inata, the immediate priority is to negotiate continued support from creditors to allow operations to continue, whilst the Company continues to seek the financing needed to secure the additional production from satellite pits (including Souma), which is likely to require restructuring the mine's balance sheet.

In April 2017, discussions started with trade creditors, banks and government to stabilise Inata and with a view to restructuring its debts. In this process, a key step was achieved on 31 May 2017: Inata's major trade and financial creditors (together representing approximately seventy per cent of Inata's debt) have agreed the terms of a standstill agreement with management for the duration of two months as strategic options are being explored in connection with a financial, debt and corporate restructuring of the company. All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution, however, inevitably, there can be no guarantee that these negotiations will prove successful.

The ratification of the Guinean Mining Convention, which includes a number of significant concessions over and above the terms of the Mining Code, was approved unanimously by the National Assembly on 24 February 2017. Avocet received the decree signed by the Guinean President ratifying the Mining Convention for the Tri-K project in May. Following this, the so-called 'First Closing' was completed on 22 May 2017 and the Company has received from Managem US$4 million for 40 per cent of its interest in the project. It also marked the commencement of the US$10 million work programme, whose aim is to complete a Bankable Feasibility Study ('BFS') for a Carbon-in-Leach ('CIL') project at the site, with a reserve of at least 1 million ounces.

Once this work programme and its objectives are complete, Avocet will then transfer an additional 30% of its interest (or 20%, if the reserve defined is less than 1 million ounces) to Managem, who will then take full control of the operation and construction.

Although Avocet had already completed a feasibility study for the project in 2013, this study outlined a smaller heap leach project whose capex was initially estimated at US$88 million and whose mine life was 5 years. The CIL operation planned by Managem is likely to be considerably larger, both in terms of capex (typically US$200-$300 million) but also in the scale of operations and mine life. This is primarily because a CIL project consists of more intensive processing of the ore, which, while more expensive in construction terms, allows considerably more of Tri-K's large ore body to be economically mined and treated.

Once the BFS has been finalised, which is expected to be in the first half of 2018, the next stage will be the raising of funding for construction. This is likely to include a portion of debt, with the equity contribution to be shared pro rata between Managem and Avocet. Under the terms of the agreement with Managem, Avocet has the right to decline to contribute its percentage of this cost, which would then require Managem to contribute all of the equity, diluting Avocet's interest proportionately.

Although details of the operation will be set out in the BFS, Avocet's management are optimistic about its prospects, based on the characteristics of the known orebody, the geological potential of the exploration permits (all of which have been renewed under the terms of the Mining Convention) and by comparison to other CIL mines in the Siguiri basin.

On a personal level, I would like to thank Avocet's staff at all levels for the support and commitment they have shown to dealing with the challenges facing the Company. 2016 was a difficult year and 2017 is likely to be even more so.

Boudewijn Wentink
Chief Executive Officer

FINANCIAL REVIEW

Financial highlights[1]

Year ended 31 December	**2016 Audited**	2015 Audited
US$000		
Revenue	**89,604**	85,038
Gross profit/(loss)	**13,060**	(4,895)
Profit/(loss) from operations	**9,464**	(52,518)
EBITDA	**12,005**	(1,996)
Profit/(loss) before tax	**5,278**	(55,698)
Analysed as:		
Profit/(loss) before taxation and exceptional items	**7,553**	(10,550)
Exceptional items	**(2,275)**	(45,148)
Profit/(loss) for the year	**4,795**	(49,705)
Net cash generated by operations (before interest and tax)	**16,589**	7,305
Net cash (outflow)/inflow	**(1,045)**	1,029

[1] Prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Revenue
Group revenue for the year was US$89.6 million compared with US$85.0 million in 2015. The Group sold 72,282 ounces at an average realised price of US$1,240 per ounce during 2016, compared with 72,872 ounces sold at an average realised price of US$1,167 per ounce in 2015. The increase in revenue was therefore essentially the result of the gold price increase in the year.

Gross profit and unit cash costs
The Group gross profit in 2016 was US$13.1 million compared with a loss of US$4.9 million in 2015, an improvement of US$18.0 million. The gold price contributed some US$4.9 million to this improvement, production costs were US$7.3 million lower year-on-year (partly due to cost control, but partly due to lower mining volumes), while the negligible depreciation charge in 2016 (the result of the full impairment of the Burkinabe fixed assets at the end of 2015) led to US$5.1 million improvements compared with the prior year. The recognition of a number of provisions in the year largely offset the net credit from inventory movements and foreign exchange movements.

Unit cash costs at Inata decreased from US$1,058 per ounce in 2015 to US$966 per ounce in 2016.

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	**2016 US$000**	2015 US$000
Cost of sales	**76,544**	89,933
Depreciation and amortisation	**(266)**	(5,374)
Changes in inventory	**(161)**	(5,895)
Adjustments for exploration expenses and other costs not directly related to production	**(6,096)**	426
Cash costs of production	**70,021**	79,090
Gold produced (ounces)	**72,485**	74,755
Cash cost per ounce (US$/oz)	**966**	1,058

Profit before tax
The Group reported a profit before tax of US$5.3 million in the year ended 31 December 2016, compared with a loss of US$55.7 million in the year ended 31 December 2015.

In 2016, the Group did not recognise any net impairments related to its mining and exploration assets, while in 2015 the assets of Inata were impaired by a total of US$45.1 million.

Before exceptional items, the profit before tax for the year ended 31 December 2016 was US$7.6 million compared with a loss of US$10.6 million for the year ended 31 December 2015.

During 2016, exceptional items totalling US$2.3 million were recognised. These included US$1.5 million of advisers' fees and other costs related to the Tri-K transaction signed with Managem SA in October 2016; and US$0.8 million relating to accrued leave in Burkina Faso which had not been recognised at the end of 2015 on the grounds of materiality at that time.

In 2015, an impairment of US$45.1 million was recognised against the value of the Inata mining assets.

	31 December 2016 US$000	31 December 2015 US$000
Transaction costs	**(1,475)**	–
Leave pay accrual from prior year	**(800)**	–
Impairment of Burkina Faso assets	–	(45,148)
Exceptional items	**(2,275)**	(45,148)

Taxation
The Group reported a credit in the tax expense line in the income statement of US$0.5 million in 2016 (2015: tax credit US$6.0 million), analysed as follows:

Year ended 31 December	**2016 US$000**	2015 US$000
Inata, Burkina Faso	**249**	(6,012)
Avocet Mining PLC, UK	**234**	19
	483	(5,993)

The 2015 tax credit in Burkina Faso included the release of a US$3.1 million provision in respect of a tax assessment undertaken in 2012 covering the years 2009-2011, following an agreement reached with the Burkinabe tax authorities in the year.

The 2015 tax line also includes the release of a US$3.1 million deferred tax provision in respect of interest tax ('IRVM') that would be due on settlement of loan interest invoices payable by the Company's Burkinabe subsidiary, Société des Mines de Bélahouro SA ('SMB'). This provision was released on the basis that the Company no longer expected these balances to be settled in full.

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$2.0 million in 2015 to a profit of US$12 million in 2016. This is reflected in the movements described above in respect of the gross profit.

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

Year ended 31 December	**2016 US$000**	2015 US$000
Profit/(loss) before tax and exceptionals	**7,553**	(10,550)
Depreciation and amortisation	**266**	5,374
Exchange gains	**(985)**	(3,136)
Finance expense	**5,171**	6,316
EBITDA	**12,005**	(1,996)

Cash flow and liquidity
A total cash outflow of US$1 million was reported for the year ended 31 December 2016. Net cash generated by operating activities (before interest and tax) totalled US$16.6 million, while capital expenditures amounted to US$0.1 million.

Financing during the year represented an outflow of US$14.1 million including the loan repayments of US$10.9 million to

Ecobank, US$8.4 million to Coris Bank, finance lease payments of US$0.3 million and proceeds from debt of US$1.5 million from Manchester Securities Corp (an affiliate of Elliott, Avocet's largest shareholder) and US$4.1 million from Coris Bank.

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

	2016			2015		
	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	**5,856**	**(66,060)**	**(60,204)**	4,816	(66,203)	(61,387)
Net cash generated by/(used in) operating activities	**13,290**	–	**13,290**	3,038	–	3,038
Payments relating to transaction costs	**(133)**	–	**(133)**	–	–	–
Property, plant and equipment	**(149)**	–	**(149)**	(3,793)	–	(3,793)
Net loan repayments	**(13,731)**	**13,731**	–	2,222	(2,222)	–
Other movements including foreign exchange	**(231)**	**(1,695)**	**(1,926)**	(427)	2,365	1,938
At 31 December	**4,902**	**(54,024)**	**(49,122)**	5,856	(66,060)	(60,204)

Included within cash at 31 December 2016 was US$3.8 million of restricted cash (31 December 2015: US$3.9 million), representing a US$2.0 million debt service reserve account held in relation to the Ecobank loan (2015: US$2.1 million) and US$1.8 million (2015: US$1.8 million) relating to amounts held on restricted deposit in Burkina Faso for the purposes of environmental rehabilitation work, as required by the terms of the Inata mining licence.

Company debt at 31 December 2016 consisted of US$26.4 million owed to Manchester Securities Corp, US$20.4 million due to Ecobank and US$4.1 million due to Coris Bank. The Manchester loan, of which US$18 million is secured over the Company's Guinean assets, is owed by Avocet Mining PLC (the parent Company), while the Ecobank and Coris loans, which are secured over various assets of the Inata mine, are owed by SMB in Burkina Faso.

Depreciation

The Group's depreciation charge decreased from US$5.4 million in the year ended 31 December 2015 to US$0.1 million in the year ended 31 December 2016. This decrease is primarily the result of the impairments applied to the fixed assets in Burkina Faso, which were fully written down in 2015.

Year ended 31 December	**2016 US$000**	2015 US$000
Inata	**149**	5,374
Other	**117**	–
	266	5,374

Capital expenditure

The Group's capital expenditure in the year was US$0.1 million analysed as follows:

	2016			2015		
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)	**–**	**149**	**149**	–	3,765	3,765
Tri-K project (Guinea)	**–**	**–**	**–**	–	–	–
Head office (UK)	–	**–**	**–**	–	28	28
	–	**149**	**149**	–	3,793	3,793

Capital investment both in property, plant and equipment and in exploration activity was reduced compared with 2015 in order to conserve cash. Capex during the year mainly related to the completion of the second tailings management facility and upgrades and refurbishments to mining plant and equipment.

Non-financial Key Performance Indicators ('KPIs')

The Company's non-financial KPIs primarily relate to gold production (see Review of Operations page 22 to 25) and safety at the mine (see page 17 to 18 for further details).

Yolanda Bolleurs
Chief Financial Officer

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 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. The SMB debt and its servicing is unsustainable and will need to be renegotiated in order to put the balance sheet of Inata on a more stable footing. All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution, however, inevitably, there can be no guarantee that these negotiations will prove successful.

Avocet also holds a number of exploration licences in Burkina Faso surrounding the Inata gold mine. 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 discussions are underway to secure finance to ensure the work can be completed in 2017 to allow an application to be made for a mining permit.

In Guinea, the Company's strategy is to support the work programme to be undertaken over the coming 12 months by Managem under the terms of the Joint Venture agreement signed in October 2016. The outcome of this work programme, which is expected to cost at least US$10 million and which will be funded by Managem, will be the completion of a Bankable Feasibility Study ('BFS') for a Carbon-in-Leach ('CIL') operation at the site, with a reserve of at least 1 million ounces. Thereafter, the focus of both Avocet and Managem will be the raising of funding for the construction of this operation (the costs of which will be estimated in the BFS). In the event that Avocet is able to contribute pro rata to the construction costs (after debt), its interest in the project will remain at 30 per cent, however if the Company is unwilling or unable to contribute, its interest will be diluted.

2017 Business Plan

The 2017 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
- Souma – raise funding to initiate a Feasibility Study and the process of applying for a mining licence
- Tri-K – minimise ongoing running costs for Avocet's interests in Guinea and provide support for Managem as they complete their work programme at the site
- Head Office - secure longer term funding to allow the Company to meet all ongoing corporate obligations

RISK MANAGEMENT AND INTERNAL CONTROL

VIABILITY STATEMENT

Principal risks facing the Group

The Board considers the key risks facing the Group to be those set out in the section Principal Risks and Uncertainties on pages 15 to 16. The Board monitors these risks regularly and on an ongoing basis, not only at Board and Committee meetings, but through ad hoc meetings and telephone discussions, as well as emails and update reports from senior management.

Period over which viability has been assessed

Guidelines issued in conjunction with the updated UK Corporate Governance Code include the strong recommendation that Boards consider the viability of their Companies over periods considerably longer than the 12 month term used for assessment of the Going Concern basis (see note 1 to the accounts).

It is indisputable that the ability of the Company to continue as a Going Concern for a 12 month period, let alone any longer term, is and has for some time, been a serious concern. The Board are acutely aware of this fact and have devoted a considerable amount of time to the discussion of the relevant issues, risks and the appropriate responses and mitigating actions.

Under normal circumstances, a mining Company in possession of one or more operating assets would view the length of the life of mine for those assets and possibly longer, as an appropriate timeframe over which to consider the risks to the liquidity and viability of the Company.

However in Avocet's current circumstance, the threats to its solvency are more immediate. The risks considered most relevant to the consideration of the Company's viability over the next 12 months, which are addressed in detail in note 1 to the Financial Statements, are set out below:

Continued financial support from Elliott

The Company has loan facilities from the Elliott Lender with an outstanding balance of US$27.4 million as at 6 June 2017. The Elliott loans bear interest at between 11 per cent and 14 per cent per annum, are repayable on demand and the majority of them are secured on the Group's assets (excluding Inata). The Elliott Loans are fully drawn and no further facilities have been provided since August 2016. Accordingly, the Elliott Lender is entitled to enforce the terms of the Elliott Loans and security at any time.

If the Elliott Lender was to enforce its rights to demand repayment, the Directors do not believe that there is any likelihood of being able secure alternative sources of finance, in which case the Company would enter an insolvency process as a result of which Shareholders should expect to lose all of the value of their Ordinary Shares.

Accordingly, the Company is reliant on the continuing support of the Elliott Lender.

In addition, the interest burden of the Elliott Loans, which is in excess of US$200k per month, cannot currently be met out of Company funds and therefore it will be necessary to restructure these loans in order to put the Company on a sustainable financial footing. Negotiations with Elliott in this regard have not yet commenced, as any solution will need to take into consideration the investment of any external financier who may be interested in investing in some or all of the Group's assets.

Notwithstanding the need to restructure the terms of these loans, the Company believes the funds generated through its interest in Tri-K to be the most likely means of repaying its debts to Elliott. It is not yet possible to be certain as to the means through which this repayment might be achieved, however possibilities include:

- the raising of significant external finance for the construction of Tri-K (in order to avoid dilution of Avocet's 30% interest), which might allow a restructuring of the current debt facilities with Elliott;
- Use of proceeds of the sale of Avocet's interest in the project to repay Elliott;
- Application of intra-group loans and dividend payments from Tri-K once it enters into production.

Should Elliott request the repayment of these loans, the Company would be obliged at short notice to seek alternative funding, which would be a considerable challenge.

Gold price

The profitability of both the Tri-K project and the Inata gold mine (including surrounding deposits) depend on the gold price.

The cash costs at Inata during 2016 and into 2017 have ranged between US$900 and US$1,100 per ounce, therefore a modest fall in gold prices from current levels would result in margins becoming extremely tight, which would make the servicing of the mine's debts and creditors challenging.

The sensitivities of Tri-K's cashflows to different gold prices cannot be determined with any confidence before the completion of its BFS, however, as with any gold mine, its profitability and value are likely to be heavily dependent on the gold price.

In financial forecasts, the Company uses US$1,200 per ounce. The Board believe this to be a reasonable long term price, in line with market consensus forecasts.

Nevertheless, it remains clear that a sustained fall in the gold price would put severe pressure on the operations at Inata and would also threaten the economic viability of the Tri-K project – as well as the Avocet Group as a whole.

Support from Inata's creditors

The Inata gold mine at 21 April 2017 had approximately US$28 million in trade creditors and a further US$26 million in bank and other debt facilities. Many of the balances owing to suppliers are overdue and the mine has faced a number of demands to bring balances within credit limits as well as a number of interruptions to essential supplies.

It is possible that one or more creditors might continue to refuse to allow critical supplies to be delivered to the mine, or might otherwise initiate legal action that could disrupt operations.

Inata's management have spent a considerable amount of time discussing the mine's predicament with key suppliers, pointing to the fact that the best means to ensure creditors are repaid is to allow supplies to continue to be made and for the mine to produce gold.

In April 2017, discussions started with trade creditors, banks and government to stabilize Inata and with a view to restructure its debts. In this process a key step has been achieved on 31 May 2017: Inata, its major trade and financial creditors (together representing approximately seventy per cent of Inata's debt) have agreed the terms of a standstill agreement for the duration of two months as strategic options are being explored in connection with a financial, debt and corporate restructuring of the company. All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution, however, inevitably, there can be no guarantee that these negotiations will prove successful.

In the event that the mine was unable to continue and the insolvency of its operating company is unavoidable, it is possible that Avocet may be able to realise value from its interest in the exploration permits, particularly Souma. However even in the event that this were not possible, none of the debts in the Group's Burkina Faso entities have any recourse to the Company's interests in Guinea or in the UK, therefore as the Company has obtained funds to cover head office operating costs (from the proceeds of First Closing from the Tri-K divestment), then the loss of the Group's Burkinabe assets would not necessarily lead to the insolvency or discontinuation of the rest of the Group.

Souma permit

The future of the Inata gold mine beyond 2019 will rely upon the successful completion of a Feasibility Study for the Souma deposit, located 20km north-east of the Inata plant.

The work needed to complete the study, which is expected to cost between US$5-7 million, must be completed in order for an application for a mining permit to be submitted by July 2018.

The Company is currently in negotiation with its financiers with regards to the funding of this activity. However, until any financing package is negotiated, there can be no guarantee that this funding will be made available.

Longer-term Viability

Although the Directors do not believe they can provide a meaningful assurance as to the viability of the Company beyond the 12 month period covered by the Going Concern review, the Board does nevertheless continue to review plans for the operation of the Company over the longer term.

Such reviews include the following:

- The requirement for management to produce Life of Mine Plans for Inata to cover the full periods of production
- Review of exploration options within existing permits, which might further extend production
- Consideration and discussion of financial restructuring scenarios to safeguard the Company's liquidity beyond the near term
- Longer-term views on commodity prices (notably gold and oil)

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Avocet Mining PLC has identified the risks in the table below as being those that are most likely to have a material impact on the prospects of the Company, based on their knowledge of the economic and other exogenous factors likely to affect the liquidity and continued operation of the Company and its assets, as well as their experience in the type of issues that specifically affect mining operations.

Risk	Comment	Business Impact	Mitigation
Continued financial support from Elliott	The Company has a debt owing to an affiliate of Elliott Associates which is repayable on demand. If Elliott were to invoke that demand, it is unlikely that the Company would be able to source funds in the short term to meet this repayment obligation and would therefore become insolvent.	High	The Company regularly discusses its financial situation with Elliott and continues to explore possibilities of restructuring its balance sheet in order to put the Company's finances on a more sustainable footing.
Adverse action undertaken by key suppliers and creditors of Inata	The Inata gold mine has bank and trade creditors of approximately USS$60m. The mine is committed to reducing these amounts as quickly as its cashflows allow. However in many instances, suppliers and financiers have demanded repayments that cannot be met by the cashflows of the operations and negotiations have been necessary. In the event that one or more major creditor insists on full repayment in a timeframe that the cashflows of the mine do not permit, it is possible that that creditor might take legal recourse, which may lead to the insolvency of the Inata gold mine. It is also possible that if a supplier withholds the delivery of items critical to the operation of the Inata gold mine (such as fuel, reagents, explosives, etc), then the mine may not be able to continue in operation. If Inata were to cease operating permanently as a result of creditor action, this would likely mean the insolvency of its legal entity, SMB. In this scenario, the prospects for the creditors of SMB would be limited. In particularly, it would be unlikely that more than a modest portion of outstanding debts could be paid out of the sale of the entity's assets. In addition, no further management fees would be paid to the head office entity, Avocet Mining PLC, which would then need to rely on funding from other sources (either the proceeds from the Tri-K divestment or from third party fundraising) in order to avoid the insolvency of the Group.	High	At prevailing gold prices and current production forecasts, the Inata gold mine can continue to operate at a positive margin, which means that it can make a contribution to the repayment of its creditors. It is therefore in the interests of all creditors (as well as stakeholders) that the mine continues in operation in order to achieve this. Mine management, supported by head office, remain in constant communication with key creditors in this regard. In the event of the insolvency of SMB (the entity owning the Inata mine), the prospects for the mine's creditors would not be good. It is unlikely that proceeds realised from the sale of the mine's assets, most of which are secured in favour of Ecobank (fixed assets) or Elliott Management (gold in circuit), would be sufficient for anything other than a very modest distribution to creditors.

Risk	Comment	Business Impact	Mitigation
Operating issues at Inata	The Inata gold mine has faced and continues to face, a number of operating issues. These have included mechanical reliability of its mining fleet and plant; metallurgical uncertainty of its orebody; pit wall stability; strikes and staff relations; and maintaining timely delivery of supplies. Any one, or a combination of these, might lead to Inata becoming loss making, at which point it would become necessary to close the mine in order to prevent further losses being incurred.	High	In spite of challenging circumstances, the Inata team remains committed to dealing with the challenges that arise, as well as planning against foreseen difficulties in the future. In the event of the mine closing as a result of these matters, the consequences would be negative for Inata's stakeholders – including its creditors, employees and suppliers. If Inata were to cease operating permanently, this would likely mean the insolvency of its legal entity, SMB and would mean that the prospects for the creditors of SMB would be limited. In particularly, it would be unlikely that more than a modest portion of outstanding debts could be paid out of the sale of the entity's assets.
Gold price	The gold price is a key element in determining sales income for the Inata gold mine (and therefore its continued viability), but also the attractiveness of the Souma and other satellite projects to new investors. At current production levels, a fall of US$100 per ounce in the gold price reduces the cash generated by the mine by approximately US$7 million.	High	The Board has no control over the gold price, so limited mitigating action is possible. Some financing packages might include an element of hedging, but the Board believes that the value for its assets depends to a large extent on the upside offered in the event that the gold price continues to rise and therefore hedging against the downside might remove this attraction.
Civil unrest and terrorism	Recent events in Burkina Faso and elsewhere in West Africa have underlined the increased risk of terrorist and similar incidents to foreigners and to foreign-owned assets.	High	The Company has increased its security arrangements both in Ouagadougou, on site and for transit between the two. The chief objective for this is to safeguard the mine's staff, those of contractors/suppliers and the Company's assets. However it remains a possibility that a terrorist action, or the threat of such an action, might make the continued operation of the mine unsafe. Under such circumstances, it may be necessary to close the mine.
Loss of Souma permit	If financing cannot be sourced for the Souma project, it is possible that the legal entity that owns the exploration permit in which Souma sits might not be able to continue as a solvent entity.	Moderate	The Company is in discussion with a number of parties interested in financing Souma and continues to discuss the permitting situation with the government of Burkina Faso.

SAFETY AND HEALTH

Avocet is committed to providing a safe, healthy and sustainable environment for all its employees, contractors, visitors and neighbours. The Company actively strives to identify and manage the potential direct and indirect effects of all its activities.

At the Inata Gold Mine, safety and health governance is directed by the Management Safety Committee which meets regularly to lead all aspects of safety, health and environment, ensuring ongoing compliance with both Burkina Faso law as well as international best practice. Group safety, health and environment is the ultimate responsibility of the Avocet Mining PLC Board Safety, Health, Environment and Community ('SHEC') Committee.

Safety focus

Leading indicators

The Company has continued and will continue to make the safety of the workforce, contractors and neighbouring communities a priority. Through relevant training and regular reinforcement, the Company strives to ensure all site workers are aware of the hazard in the workplace and are empowered to work with management to improve safety.

During 2016, general and role specific safety training was delivered along with daily tool box talks and monthly safety meetings. All these activities were coordinated through the management Occupation Safety, Health and Environment Committee which met monthly as well as carried out regular 'safety tours' of different work areas. Specifically, the following were completed:

- 1,806 induction or specialist training sessions for SMB staff, contractors and visitors including annual refresher training
- 173 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
- 105 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 discussed and developed
- 10 Occupational Safety and Health Committee meetings and 10 management workplace walkabouts (technical shutdown meant two months were missed)
- Weekly Emergency Response Team training, focusing on incident response, casualty recover, first aid and firefighting

During 2016 the mine extended its operation into an area near the village of Filio. This involved the relocation of a small number of houses within the new pits safe blast zone. The Company also undertook significant rerouting of the mine access road, which is also used by the local populace, to route it away from active mining areas.

In order to allow the safe development of a new pit, known as Filio, a full review of safety aspects was carried out which resulted in a number of risk management measures. These included construction of a 1.4 km access road diversion, significant increase in road signage, additional road lighting, raising hazard awareness in local communities and a new haul route routing mine traffic away from mine and process infrastructure.

Lagging indicators

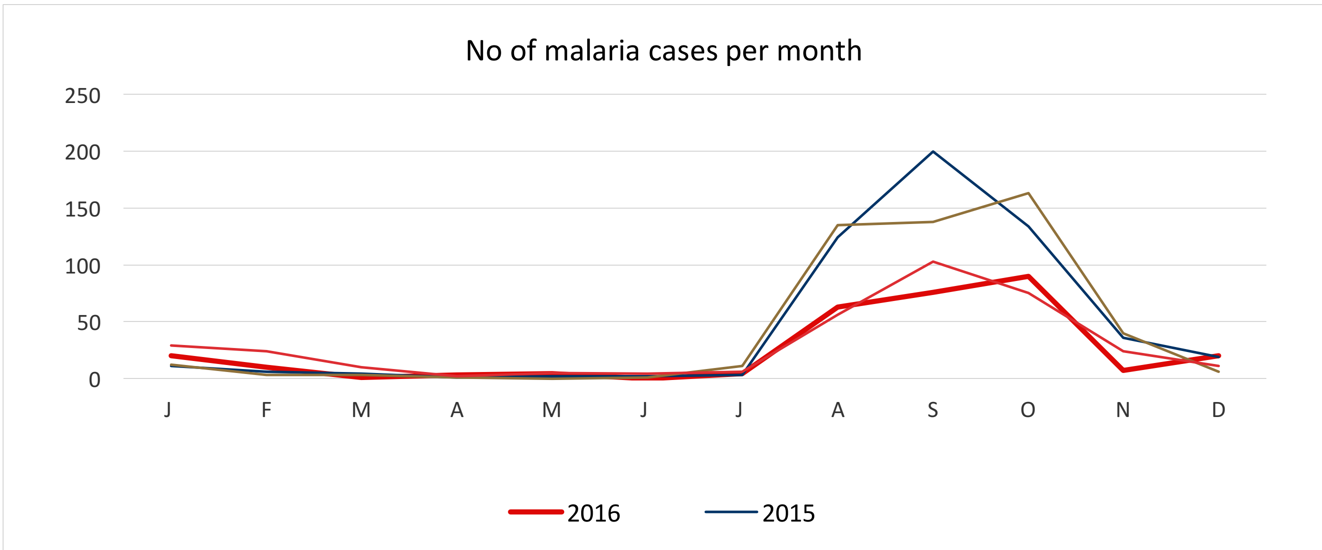
During 2016 there were two Lost Time Injuries ('LTIs') at Avocet operations. Workers involved in both accidents received injuries sufficient to require them to take time off work, but both recovered fully and returned to work in their previous roles. Following these LTIs, all workers were put through safety refresher training, with a particular focus of hazard identification. At the end of the year the Company had recorded 174 consecutive LTI-free days, which equated to 1.80 million hours.

In addition, there were 18 accidents which required first aid and 8 which required medical treatment by our site medical team. None of these resulted in serious injury.

Health focus

The battle against mosquito borne disease has again been the core focus of the medical teams' activities in 2016, working to reduce mosquito populations. In 2016, the mosquito problem was exacerbated by a national epidemic in Burkina Faso of Dengue Fever. The mine's mosquito control programme was therefore extended well beyond the end of the rainy season to combat potential spread of Dengue. As with previous years we combined Internal Residual Spraying (IRS), fogging and larvacide treatment of standing water. Individual preventative actions were also reinforced through a poster campaign and tool box talks.

In 2016 there were a total of 298 cases, the lowest number recorded for many years. This low number is likely to be due to a combination of our mosquito control programme, as well as low rainfall for the year which reduced the number and persistence of breeding places (this contrasted with 2015 when a high rainfall was recorded). As in previous years the overwhelming majority of the cases were diagnosed in the rotational national workforce who split their time between the mine site or administration office (where mosquito control measures can be implemented) and their own homes (where we cannot).


No of malaria cases per month
250
200
150
100
50
0
J
F
M
A
M
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J
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N
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2016
2015

SUSTAINABLE DEVELOPMENT

Environmental Focus

The Company monitors a wide range of environmental parameters including water quality, air quality, noise and vibration (during blasting) to evaluate potential impacts from our operations. During 2016 our monitoring found no exceedances of our statutory or self-imposed targets and management continue to be confident that operations are having no adverse impacts on the environment.

A small number of complaints were received from a village following blasting in a new pit.

During the technical shutdown at the mine in Q4 a small team was retained on site to ensure the continuance of compliance monitoring and other critical activities such as waste management.

Greenhouse gases

Almost all of Avocet's emissions of CO2 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 CO2 is estimated using standard CO2 production rates per litre of diesel fuel consumed.

In 2016, the Inata mine produced 12,526 tonnes equivalent of CO2, which equals 0.17 tonnes per ounce of gold produced. The following table, which shows the equivalent results over the previous seven years, indicates the first annual reduction in the quantity of CO2 emitted on a per ounce. This is attributed in part to the exploitation of small shallow pits, located nearer the beneficiation and processing plant than those which had previously mined resulting in shorter haul distances.

	2010	2011	2012	2013	2014	2015	2016
CO_2 emissions (tonnes)	12,602	16,369	20,006	19,347	13,398	13,795	12,526
Gold produced (oz)	137,732	166,744	135,189	118,443	86,037	74,755	72,485
CO_2 production rate (tonnes per oz)	0.09	0.10	0.15	0.16	0.16	0.18	0.17

Community engagement

Since 2010, Avocet has used Fondation Avocet pour le Burkina ('FAB') to act as the vehicle for its community based projects in Burkina Faso. 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.

The primary focus of FAB's activities in 2016 was on three areas: community healthcare, education and potable water. Within these focus areas were the following key activities:

Community healthcare

- Construction of toilets and showers at the maternity wing of Gomdé clinic and at the pharmacy in Tiahiguel;
- Donation of maternity medical equipment to the clinics in Gomdé and Filio and to the pharmacy in Tiahiguel.

Education

- Sale at reduced prices (sponsoring) of 1,050 lamps to the communities of the six villages neighbouring Inata mine.

Potable water

- Drilling of four drinking water boreholes in the villages of Namata Mossi, Namata Fulbé, Filio and Tiahiguel.
- Repairs to the water storage towers of Gomdé Mossi, Sona, Namata and Filio (School/Health centre);
- Training of 11 manual borehole pump maintenance assistants.

In addition to the above, the Foundation was behind the donation of 1,250 kgs of sugar to communities, religious leaders, provincial and communal administrative authorities, local elected officials and traditional chiefs of the districts neighbouring Inata to of Tongomayel, Arbinda, Koutougou and Djibo and to the Governor of Sahel Region.

Extractive Industries Transparency Initiative ('EITI')

Avocet expressly supports the EITI and formally became an active supporting company in 2011. The primary 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 2015 and 2016, 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.

	2016					2015				
US$000	**Burkina Faso**	**Guinea**	**Mali**	**UK**	**Total 2016**	Burkina Faso	Guinea	Mali	UK	Total 2015
Royalties[1]	**4,601**	**–**	**–**	**–**	**4,601**	2,094	–	–	–	2,094
Custom duties[2]	**1**	**62**	**–**	**–**	**63**	4	8	–	–	12
IRVM[3]	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Land tax[4]	**653**	**11**	**–**	**–**	**664**	16	12	–	–	28
Permit renewal	**–**	**–**	**–**	**–**	**–**	3	276	–	–	279
Corporation tax	**232**	**–**	**–**	**–**	**232**	504	–	–	–	504
Total tax borne (EITI)	**5,487**	**73**	**–**	**–**	**5,560**	2,621	296	–	–	2,917
Net VAT (recovered)/paid[5]	**1,086**	**4**	**–**	**(44)**	**1,046**	(4,680)	5	–	(50)	(4,725)
Non-recoverable VAT on fuel[5]	**3,164**	**–**	**–**	**–**	**3,164**	3,589	–	–	–	3,589
Fuel tax[6]	**1,441**	**–**	**–**	**–**	**1,441**	1,971	–	–	–	1,971
Payroll tax - employer	**1,680**	**8**	**18**	**100**	**1,806**	1,159	9	18	153	1,339
Payroll tax - employee	**2,799**	**9**	**14**	**320**	**3,142**	2,167	11	16	491	2,685
Withholding tax[7]	**513**	**4**	**–**	**–**	**517**	184	13	–	–	197
Other	**6**	**2**	**1**	**–**	**9**	16	14	1	–	31
Total net payments to government	**16,176**	**100**	**33**	**376**	**16,685**	7,027	348	35	594	8,004

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

Avocet's management are committed to the development and training of national staff, particularly local communities. The percentage of non-Burkinabe staff at the Inata mine decreased from 5.3% (37 heads) in December 2014 to 4.4% (25 heads) by December 2015 and then further to 3.5% (19 heads) by December 2016.

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 2016, the average percentage of female employees was 5% (2015: 6%). There were no female Board members during 2016.

REVIEW OF OPERATIONS

Inata Gold Mine

Production Statistics	**2016**	2015	2014	2013
Ore mined (k tonnes)	**1,341**	1,313	2,529	3,114
Waste mined (k tonnes)	**9,811**	12,826	11,495	30,100
Total mined (k tonnes)	**11,152**	14,139	14,024	33,214
Ore processed (k tonnes)	**1,843**	1,865	1,903	2,353
Average head grade (g/t)	**1.46**	1.85	1.77	1.75
Process recovery rate	**84%**	67%	79%	86%
Gold produced (oz)	**72,485**	74,755	86,037	118,443

Unit Cash Costs US$/oz	**2016**	2015	2014	2013
Mining	**302**	318	422	547
Processing	**385**	462	442	373
Administration	**193**	203	234	187
Royalties	**87**	75	88	96
Total	**966**	1,058	1,186	1,203

Gold produced at Inata in the year totalled 72,485 ounces, compared with 74,755 in 2015. Production was impacted by the temporary suspension of operations for approximately four weeks from 27 October 2016, following the seizure of a gold shipment by Burkinabe bailiffs acting under the instructions of a group of ex-workers who were claiming unpaid back pay.

Although the mine returned to operation in late November 2016, the mine took a number of weeks to reach full capacity.

During the first half of the year, mining focussed on cleaner ore types and recoveries over the first two quarters averaged 92%. Although grades processed in the second half of the year were higher, more of the ore was preg-robbing in nature and recovery levels were therefore lower at 75%, for a full year average of 84%. Total gold produced in H1 was 41,614 ounces while H2 production was just 30,871.

In spite of lower production in 2016 compared with 2015, cost control measures, including ongoing reductions in headcount and support costs, meant that unit costs were lower in the year – US$966 per ounce compared with US$1,058 per ounce in 2015.

Safety

In 2016, there were two Lost Time Injuries ('LTIs') reported at Inata and by the end of the year, the Company had recorded 174 consecutive LTI-free days, which equated to 1.80 million hours.

Tri-K

During 2016, no work took place at the Tri-K site. Instead, the management were focused on negotiations with investment partners for the project. On 10 October 2016, the Company announced that it had entered into a Joint Venture agreement with Managem.

Under the terms of this agreement (which remains subject to the formal publication of a presidential decree in respect of its Mining Convention), Managem will obtain an initial 40 per cent interest in the project (excluding the government's free carry of 15 per cent) for an up-front payment of US$4m. This interest will increase to 70 per cent upon the expenditure of at least US$10 million on exploration and development work at the site, the completion of a Bankable Feasibility Study for a CIL plant and increasing the reserve to at least 1 million ounces. In the event that all other commitments are met but the reserve remains less than 1 million ounces, Managem's interest will increase to just 60 per cent.

ORE RESERVES AND MINERAL RESOURCES

BURKINA FASO

Avocet Mining PLC 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.

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 2016 mining surface.

Inata's Ore Reserves were estimated to be 0.34 million ounces as at 31 December 2016 based on pit shells optimised at US$1,150 per ounce, increased from 0.24 million ounces as at 31 December 2015. Cut off grades within the US$1,150 per ounce pit shells were based on a gold price assumption of US$1,250 per ounce. The increase in Ore Reserves is attributable to an increased gold price assumption, the identification of additional geological resources at Minfo and improved recoveries now assumed in the treatment of carbonaceous (preg-robbing) ores.

The financial analysis of the Ore Reserve Statement is independent of future financing requirements.

Inata, Minfo and Filio Trends

Ore Reserve estimates are reported beneath the 31 December 2016 topographic surface and above an effective weighted average 0.8 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 2016 topographic surface.

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Ore Reserves						
Proven	3,066,000	1.89	186,000	2,759,000	1.89	167,400
Probable	1,823,000	1.81	106,000	1,641,000	1.81	95,400
ROM stockpiles	873,000	1.72	48,400	786,000	1.72	43,600
Ore Reserves total	5,762,000	1.84	340,400	5,186,000	1.84	306,400
Mineral Resources						
Measured	7,318,000	1.59	373,000	6,586,000	1.59	335,700
Indicated	22,217,000	1.74	1,245,300	19,995,000	1.74	1,120,800
Measured + Indicated	29,535,000	1.70	1,618,300	26,581,000	1.70	1,456,500
Inferred	29,018,000	1.61	1,506,000	26,116,000	1.61	1,355,400
Mineral Resources total	58,553,000	1.66	3,124,300	52,697,000	1.66	2,811,900

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

Ouzeni and Pali

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Mineral Resources						

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
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	3,066,000	1.89	186,000	2,759,000	1.89	167,400
Probable	1,823,000	1.81	106,000	1,641,000	1.81	95,400
ROM stockpiles	873,000	1.72	48,400	786,000	1.72	43,600
Ore Reserves total	5,762,000	1.84	340,400	5,186,000	1.84	306,400
Mineral Resources						
Measured	7,318,000	1.59	373,000	6,586,000	1.59	335,700
Indicated	24,627,000	1.80	1,424,800	22,405,000	1.80	1,300,300
Measured + Indicated	31,945,000	1.75	1,797,800	28,991,000	1.75	1,636,000
Inferred	43,428,000	1.62	2,271,800	40,526,000	1.62	2,121,200
Mineral Resources total	75,373,000	1.68	4,069,600	69,517,000	1.68	3,757,200

TRI-K, GUINEA

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

Ore Reserves

From October 2013, the Company reported an Ore Reserve of 480,000 ounces in respect of a heap leach operation at the Tri-K project, as set out in the initial feasibility study submitted to the Guinean government in September 2013. This study led to the granting of a Mining Permit for the project on 27 March 2015.

However, the Joint Venture agreement entered into in October 2016 with Managem now means that a heap leach operation is no longer envisaged at Tri-K. Managem have committed to a 12-month programme of work targeting the completion of a new feasibility study for a larger CIL project at the site with 1 million ounces of reserve. In light of this, management no longer consider it appropriate to continue to report the Ore Reserve under the heap leach project.

Mineral Resources as at 31 December 2016.

The table below reports the Mineral Resource above a 0.5 g/t Au cut-off, as at 31 December 2016.

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
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

	Gross			Attributable		
	Tonnes	Grade (g/t)	Contained ounces	Tonnes	Grade (g/t)	Contained ounces
Mineral Resources total	66,500,000	1.41	3,018,000	66,500,000	1.41	3,018,000

Note: rounding errors may occur

QUALIFIED AND COMPETENT PERSONS

The information in this report that relates to Inata Ore Reserves in Burkina Faso is based on information compiled by Mr Martin Raml, who is a Qualified Person, as defined by NI 43.101. Martin Raml is employed by Avocet Mining PLC.

The information in this report that relates to Exploration results in both Burkina Faso and Guinea is based on information supplied by Mr Robert Seed, a competent person. Robert Seed is employed by Avocet Mining PLC 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;
– Report of the Directors;
– Report on corporate governance; and
– Remuneration report.

CURRENT BOARD OF DIRECTORS

Executive Directors

Boudewijn Wentink – Chief Executive Officer
Boudewijn was appointed Chief Executive Officer in April 2017. Boudewijn has a wealth of experience in managing businesses in challenging circumstances, most recently with New World Resources plc, a coal mining group based in the Czech Republic, where he served as New World Resources' finance and legal director and executive director.

David Cather – Technical Director
David was appointed Technical Director in April 2017, having been Chief Executive Officer since 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 plc 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.

Non-Executive Directors

Russell Edey - 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.

Barry Rourke – 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 – Non-executive Director
Gordon joined the Board of Avocet Mining in February 2012. A geologist by training, Gordon has over 40 years of experience in mining and exploration geology, 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 as Chairman of Lydian International.

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

Jim Wynn – Non-executive Director
Jim joined Avocet Mining in November 2008 and was appointed Finance Director in September 2015. 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. Jim became a Non-executive Director with effect from 1 May 2017.

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 2016.

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 page 107.

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 1 and a description of the Company's business model is also set out on page 12.

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

Share capital
As at 27 May 2017 the issued share capital of the Company was comprised of 20,949,671 ordinary shares of 1 pence each and 209,496,710 deferred shares of 0.49 pence each. Each ordinary share carries the right to one vote per share, while the deferred shares have very limited rights, including no right to vote. 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.

Prior to 9 June 2016, the issued share capital of the Company stood at 209,496,710 ordinary shares of 5 pence each, with each ordinary share carrying the right to one vote per share. On 9 June 2016, a shareholders' resolution was passed consisting of two stages: firstly, each ordinary share was split into one intermediary ordinary share with a nominal value of 0.1 pence and one deferred share with a nominal value of 4.9 pence; secondly, every 10 intermediary ordinary shares were cancelled and replaced with a single new ordinary share with a nominal value of 1 pence each.

The purpose of this share consolidation was to increase the market value of each share (in order to comply with the Company's listing obligations on the Oslo Børs, which stipulate that the market price of each listed share cannot go below 1 NOK, or approximately 8.4 pence at the time), while reducing the number of ordinary shares in issue so as to leave the total value of ordinary shares unchanged. The consolidation also had the effect of reducing the nominal value of the ordinary shares to a level considerably below their market price.

The rights of the deferred shares are very limited, rendering them effectively valueless. They have no voting rights, no entitlement to dividends, may not be transferred without the Company's written approval and are only entitled to payment on the winding up of capital after each ordinary share has received £1m each.

Details relating to Share Capital and the purchase and transfer of Treasury and Own Shares are set out in notes 28 and 29 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.

On 22 December 2016, the Company's shareholders approved a resolution to move down from the Premium List to the Standard List of the Main Market of the London Stock Exchange. The reason for this listing was to reduce the costs associated with compliance with the more rigorous obligations of a Premium Listing, which the Board considered appropriate for a company of Avocet's size and financial condition. This transfer became effective on 25 January 2017.

Results and dividends
The Group reported a profit for the year of US$4.8 million (2015: Loss of US$49.7 million). The results for the year are explained in the Financial Review on pages 8 to 11.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016.

Events after the reporting period
On 3 April 2017, Boudewijn Wentink was appointed Chief Executive Officer, while David Cather became Technical Director. Jim Wynn stepped down as Finance Director as of 1 May 2017, at which point he became a Non-executive Director. Yolanda Bolleurs was appointed Chief Financial Officer from 3 April 2017.

In April 2017, discussions started with trade creditors, banks and government in Burkina Faso, to stabilise Inata and with a view to restructuring its debts. In this process, a key step has been achieved on 31 May 2017: Inata, its major trade and financial creditors (together representing approximately seventy per cent of Inata's debt) have agreed the terms of a standstill agreement for the duration of two months as strategic options are being explored in connection with a financial, debt and corporate restructuring of the company. All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution, however, inevitably, there can be no guarantee that these negotiations will prove successful.

Avocet received the decree signed by the Guinean President ratifying the Mining Convention for the Tri-K project in May. Following this, the so-called 'First Closing' was completed on 22 May 2017 and the Company has received from Managem USD 4 million for 40 per cent of its interest in the project.

There were no other 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 15 to 16. Financial risk and capital management disclosures are provided within notes 21, 24 and 25 to the financial statements.

Directors and their interests in shares

The names of the current Directors are shown on page 26 and details of their interests in the share capital of the Company are shown on page 45.

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

Substantial shareholders

At 5 June 2017, 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]	2,824,504	13.51
UBS AG	2,209,220	10.57
Prelas AS	1,431,803	6.84
Bank of America Merrill Lynch	1,086,654	5.20

[1] – Elliott also holds a beneficial interest in 2,964,823 Contracts For Difference ('CFDs').

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 regular discussions are held with these suppliers. However, given sufficient advance warning, 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 18.

Corporate governance

A report on corporate governance is provided on pages 31 to 37.

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 20. 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, although no shares have been issued under these schemes for some time.

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	Unaudited H1 2016 Interim Results
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 and D Cather voluntarily waived a portion of his salary – See Remuneration Report for details
9.8.4(6)	Directors' waivers of future emoluments	See above
9.8.4(7)	Non pro-rata allotments for cash (issuer)	None in year
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 are set out on pages 17 to 18 and those relating to sustainable development are provided on pages 19 to 21. This latter section also includes the disclosures in relation to the Company's greenhouse gas emissions.

Going concern
The Board believe there to be a material uncertainty over the ability of the Company to continue as a Going Concern. These matters are set out in full in note 1 to the financial statements.

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 as adopted by the European Union ('IFRSs'). 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 that 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 the Company faces.

Boudewijn Wentink
Chief Executive Officer

6 June 2017

REPORT ON CORPORATE GOVERNANCE

Chairman's introduction

The priorities for the Company during 2016 were clearly the management of the Inata mine, in the context of financial and operating difficulties and the conclusion of the Tri-K joint venture with Managem.

On 22 December 2016, a resolution was approved by shareholders to move the Company's listing down from the Premium List to the Standard List, as a result of which the compliance obligations are reduced in a number of areas, including corporate governance.

The Board believes that a less rigorous compliance regime to be more appropriate to a Company of Avocet's size, particularly when keeping costs to a minimum forms a critical part of the ability of the Company to continue in operation. Nevertheless, the Board remains committed to good governance in all material respects and wishes to assure shareholders that it will continue to remain focused on safeguarding the assets and interests of the Company.

Russell Edey
Chairman

6 June 2017

Throughout the year ended 31 December 2016 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, except with regard to the frequency of assessment of Board performance, as described below.

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 current 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 2016, the Board met twelve 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 and offers training, 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.

The Chairman and other Board members consider the training and development needs of each Director and concluded that none was necessary in the year, as all Directors were adjudged to have sufficient experience and knowledge.

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 and G Wylie to be independent.

The Chairman of the Board is RP Edey and the Chief Executive Officer is B Wentink (DC Cather until 3 April 2017). The Board has named BJ Rourke as the senior independent Non-executive Director.

	Position	Appointed	Status	Audit Committee	Remuneration Committee	Nomination 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
G Wylie	NED	22 Feb 2012	Independent	Member	Member	Member	Chair
J Wynn	NED	7 Sep 2015	Non-independent	–	–	–	–
BC Wentink	CEO	3 April 2017	Executive	–	–	–	–
D Cather	TD	18 Jul 2012	Executive	–	–	–	–

Board performance

The Board undertakes a regular 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. The recommendations of the UK Corporate Governance Code are that this review be undertaken by an external facilitator every three years. Such an external review was last 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 Board acknowledges that the next external review is overdue, however this has been deferred for reasons of cost constraint.

The most recent internal 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
Attendance at Board and committee meetings by the relevant Board members during 2016 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	SHEC Committee
RP Edey	12/12	4/4	2/2	1/1	2/2
BJ Rourke	11/12	4/4	2/2	1/1	2/2
G Wylie	12/12	4/4	2/2	1/1	2/2
DC Cather	12/12	n/a	n/a	n/a	n/a
J Wynn	12/12	n/a	n/a	n/a	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), BJ Rourke and G Wylie.

Operations
The Nomination Committee meets at least once a year, or more frequently as required. In 2016, it met in December to consider whether any changes were required to the directorate. Although none were necessary at that time, on 31 March 2017, the Committee convened to recommend the appointment of B Wentink as Chief Executive Officer, in place of D Cather, who moved to become Technical Director. In addition, the Committee accepted the resignation of J Wynn as Finance Director, effective 1 May 2017 (at which point he would become a Non-executive Director) and approved the appointment of Y Bolleurs as Chief Financial Officer in his place. Both B Wentink and Y Bolleurs joined with effect from 3 April 2017.

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.

Following the resignation of N Harwerth in 2013, the Board has not included any female members, although from 3 April 2017, the Company appointed a female Chief Financial Officer (Y Bolleurs). 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.

The Nomination Committee met only once in 2016, as no changes to the Board or senior management were proposed nor considered. In March 2017, the Nomination Committee met to consider changes to the executive management team and recommended the appointment of B Wentink as CEO and Y Bolleurs as CFO, with D Cather to become Technical Director. In addition, the Nomination Committee recommended the appointment of J Wynn to a Non-executive director role, following his decision to stand down as executive director with effect from 1 May 2017.

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 normally meets at least twice a year, or more frequently as required. In 2016, the Remuneration Committee met twice. The Committee considered the remuneration strategy for the Group as a whole, particularly in the context of scarce funds, as well as to approve the Remuneration Report in the 2016 Annual Report.

Further details on remuneration matters are set out in the Remuneration Report on pages 38 to 47.

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

Audit Committee

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

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

Composition
The Audit Committee must consist of not less than three Independent 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 2016, the Committee met on four 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 2016 and up to 6 June 2017, the Audit Committee considered the key areas of risk and judgement relevant to the Company, including their treatment in the Financial Statements (Full Year and Interims). These included:
- The ongoing liquidity and going concern of the Group – in particular to consider the risks to the interests of the Company's creditors and stakeholders of continuing in operation and whether or not the Company continued to be a going concern;
- The valuation and impairment of the Company's assets, – including an assessment of the cost and carrying value of the Inata gold mine and Tri-K projects, based on internal cashflow forecasts, market valuations and other indications from third parties;
- Legal matters; and
- The adequacy of financial controls at Inata.

All of these matters were addressed through discussions between Board members and senior management, as well as reviews of forecasts, updates on correspondence and negotiations with third parties and (where relevant) preparation of papers.

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

During 2016, the Audit Committee considered the performance of the Group's external auditors. Upon reviewing the plans and results of the 2015 audit work, the Audit Committee was satisfied with the way in which the 2015 year-end audit was conducted.

It was noted that Grant Thornton had been the Company's auditors for over 15 years without there being any external tender process since their appointment. It was noted, however, that the partner leading the audit, as well as the audit team, had changed regularly over this period. The Company engaged Grant Thornton in respect of two non-audit services: as reporting accountants in respect of the Class 1 Circular for the Tri-K transaction published on 22 November 2016; and for VAT advisory services in 2016. The partners and staff involved in these discrete pieces of work were entirely separate from the audit teams and the Audit Committee therefore does not believe this work compromised 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 19 June 2015.

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.

<u>Safety, Health Environment and Communities ('SHEC') Committee</u>
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 and RP Edey.

Operations
The SHEC Committee met twice during the year. At that meeting, it focussed on an assessment of the safety environment at Inata, as well as considering ongoing matters relating to community relations, health, environmental and security. The Committee also focused on the ongoing security risked posed by the terrorist attacks in Burkina Faso, especially those which took place in the Soum region where the Inata mine is located. The Committee approved management recommendations that measures be taken to improve security at the mine site, at Ouagadougou and for convoys between the two.

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 2016 financial statements is discussed in detail in note 1 to the financial statements.

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. The Board review the effectiveness and adequacy of internal controls on an annual basis and 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 2016, 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 entity 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 Fidexco). 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.

Employees
The Company's employee matters are discussed in the Strategic Report on page 20.

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 Blytheweigh 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

The key risks that relate to the Group have been set out on pages 15-16, 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.

Russell Edey
Chairman

6 June 2017

REMUNERATION REPORT

This report is presented to shareholders by the Board and provides information on Directors' remuneration for the year ended 31 December 2016. 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 2016 and how we intend to implement our remuneration policy in 2017.

ANNUAL STATEMENT

In setting the Remuneration strategy for 2016, 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.

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

Element and purpose	Operation	Opportunity	Performance measures
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
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 normally 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.

Element and purpose	Operation	Opportunity	Performance measures
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

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.

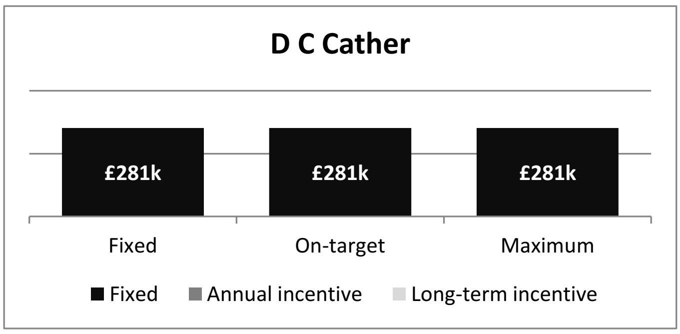
When recruiting a new Non-Executive Director, the Board will determine the appropriate fee level in line with the policy stated above.

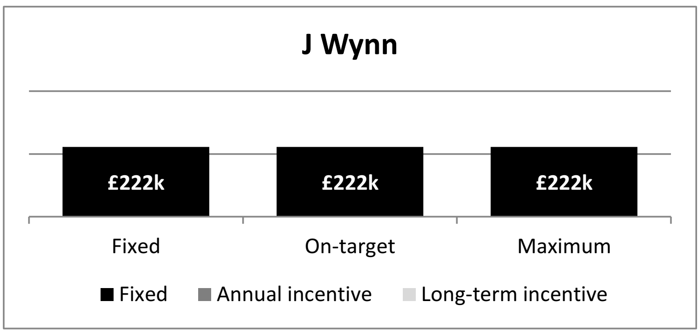
Remuneration scenarios

During the year, D Cather was entitled to a gross salary of £300k plus benefits of £6k and J Wynn received £200k plus benefits of £22k.

D Cather voluntarily waived 10% of his contractual salary and pension entitlement with effect from October 2015 and 7.3% with effect from May 2016, in order to conserve cash for the Company. The Non-executive Directors (R Edey, G Wylie and B Rourke) also agreed to suspend payment of their director's fees from November 2016 until the settlement of the Tri-K transaction was concluded, which occurred in May 2017.

No 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 2016.





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.

ANNUAL REPORT ON REMUNERATION

This section of the report presents the remuneration paid to or receivable by directors in respect of 2016, as well as how we intend to implement our policy for 2017.

Please note that following the 10:1 consolidation of the Company's ordinary shares on 9 June 2016, all share figures quoted here (including the number and pricing of share options and PSPs) have been restated for consistency.

Single figure of total remuneration – audited

12 months ended	Salary US$000		Benefits[1] US$000		Pension US$000		Annual Incentive US$000		Long-Term Incentive[2] US$000		Total $000	
	Dec 2015	**Dec 2016**	Dec 2015	**Dec 2016**	Dec 2015	**Dec 2016**	Dec 2015	**Dec 2016**	Dec 2015	**Dec 2016**	Dec 2015	**Dec 2016**
Executive Directors												
DC Cather	447	**371**	–	–	40	**7**	–	**–**	–	**–**	487	**378**
AM Norris[3]	320	**-**	4	–	29	–	–	**–**	–	**–**	349	–
J Wynn[4]	77	**269**	2	**6**	7	**24**	–	**–**	–	**–**	86	**299**
Non-executive Directors												
RP Edey	46	**40**	–	–	–	**–**	–	**–**	–	**–**	46	**40**
MJ Donoghue[5]	25	–	–	–	–	**–**	–	**–**	–	**–**	25	–
BJ Rourke	38	**34**	–	–	–	**–**	–	**–**	–	**–**	38	**34**
G Wylie	38	**34**	–	–	–	**–**	–	**–**	–	**–**	38	**34**

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 2015 or 2016
3 A Norris stood down from the Board on 7 September 2015
4 J Wynn was appointed to the Board on 7 September 2015
5 M Donoghue stood down from the Board on 19 May 2015

2016 annual incentive outcomes – audited

During 2016, as in 2015, the Company was under considerable pressure to conserve cash, in order to meet its obligations to creditors and financiers as far as possible. The Remuneration Committee therefore determined 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 and on that basis, no annual incentive targets were set for 2016.

Long-term incentives vesting in 2016 – audited

Performance Share Plan (PSP) vesting in 2016

There were no PSP shares which vested in 2016.

Share Option Plan vesting in 2016

Details of those options held by Directors which vested in 2016 and 2015 are set out on pages 44 to 46. None of these options had any embedded value on the date on which they became exercisable.

Scheme interests awarded during 2016 – audited
No share options were awarded to any staff during 2016.

Payments to past directors – audited
No payments were made to past Directors in 2016

Payments for loss of office – audited
No loss of office payments were made to Directors in 2016

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

	2016 (US$m)	**2015 (US$m)**	**% change**
Aggregate employee remuneration	15.7	23.0	-32%
Dividends incl. share buybacks	-	-	n/a

Aggregate employee remuneration reduced in 2016 compared to 2015 as a result of a reduction in the workforce across the Group, as well as a targeted policy of replacing expatriate managers with locally-trained staff.

No dividends have been paid, nor are any proposed, in respect of 2015 or 2016.

Percentage change in CEO remuneration

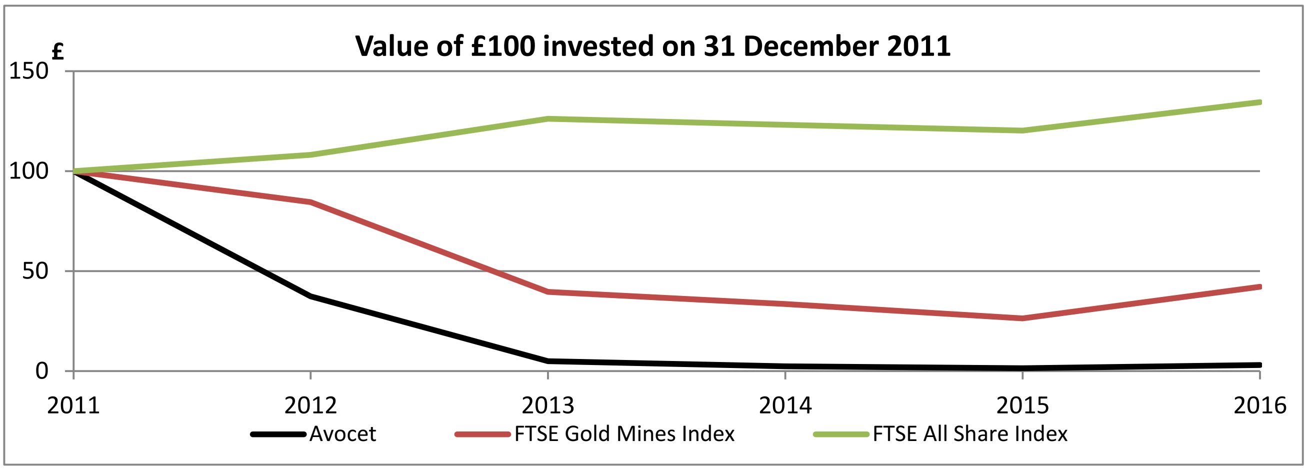
The table below sets out the percentage change in CEO salary, taxable benefits and annual bonus from 2015 to 2016 compared to the wider employee population.

	CEO	Other employees
Salary	0%	-32%
Taxable benefits	0%	-94%
Annual bonus	n/a	n/a

D Cather was not awarded a pay rise in 2015 or 2016 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 2011 to 31 December 2016. 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.



		2009	2010	2011	2012	2013	2014	2015	2016
CEO single figure of total remuneration (US$000)		1,166	1,820	679	828	546	539	487	378
Annual incentive as a percentage of maximum		100%	100%	41%	35%	0%	0%	0%	0%
Long-term incentives as a percentage of maximum	Share options[1]	0%	0%	0%	25%	0%	0%	0%	0%
	PSP shares[2]	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a

[1] Prior to May 2011, options were awarded based under an old Share Option scheme

[2] 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 did not complete until 31 December 2015. No awards were made in 2015 or 2016.

Implementation of remuneration policy in 2017

<u>Executive Directors</u>

Executive Director salary levels for 2016 were as follows:

	2016 salary (£)	2015 Salary (£)	% increase
D Cather[1]	300,000	300,000	0%
M Norris[2]	-	250,000	n/a
J Wynn[3]	200,000	200,000	0%

[1] D Cather waived 10% of his contractual salary and pension entitlement with effect from October 2015 and 7.3% with effect from May 2016

[2] M Norris stood down from the Board on 7 September 2015

[3] J Wynn was appointed to the Board on 7 September 2015, at a salary of £200,000.

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 2017.

The salary for B Wentink, who was appointed on 3 April 2017, was set at £250,000 per annum.

<u>Non-Executive Directors</u>

Non-Executive Director fees for the years 2013-2017 are as follows:

Position	**2017**	**2016**	**2015**	**2014**	**2013**
Chairman of the Board	£30,000	£30,000	£30,000	£70,000	£70,000
Non-executive Directors' fees	£25,000	£25,000	£25,000	£30,000	£30,000
Additional fees for chairmanships:					
Technical Review Committee	-	-	-	£15,000	£15,000
SHEC Committee	-	-	-	£15,000	£15,000
Audit Committee	-	-	-	£10,000	£10,000
Remuneration Committee	-	-	-	£5,000	£5,000

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 2017 in respect of committee chairmanships.

In recognition of cashflow pressures facing the head office of the Company, the Non-executive Directors agreed to defer fee payments from November 2016 until the completion of the Tri-K transaction, which was completed in May 2017.

Directors' shareholdings – audited
The beneficial interests of Directors and Persons Discharging Managerial Responsibility ('PDMRs') in the shares of the Company at 31 December 2016 were as follows:

	Shares owned	**Restricted shares held in EBT/SIP**			**PSP shares**	**Share options**	
		EBT	**SIP**	**Total**		**Performance conditions**	**No performance Condition**
DC Cather	5,000	1,492	-	1,492	-	-	25,000
R Edey	15,032	-	-	-	-	-	-
J Wynn	3,189	-	236	236	-	7,500	10,000
	23,221	**1,492**	**236**	**1,728**	**-**	**7,500**	**35,000**

The following share options held by PDMRs have performance conditions:

Date of grant	18 Mar 2010
Date first exercisable	18 Mar 2013
Grant price (Pence)	1,050
Performance condition	See below
J Wynn	7,500
Total	**7,500**

Performance conditions outlined are that 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

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 2016, there were no movements of shares held under the EBT:

	EBT shares allocated at 31 December 2015	EBT shares allocated during the period	EBT shares released/ cancelled during the period	EBT shares allocated at 31 December 2016	Date on which shares vest
Executive Directors					
DC Cather	1,492	-	-	1,492	02/05/14
Others					
Others	682	-	-	6,820	
Total	**2,174**	**-**	**-**	**2,174**	

The EBT held 33,430 shares at 31 December 2016.

During the year ended 31 December 2016, there were no share allocations or releases were made under the SIP.

	SIP shares allocated at 31 December 2015	SIP shares allocated during the period	SIP shares released/ cancelled during the period	SIP shares allocated at 31 December 2016	Latest date on which shares vest
Executive Directors					
J Wynn	236	-	-	236	13/05/15
Others					
Others	-	-	-	-	
Total	**236**	**-**	**-**	**236**	

The SIP held 190 shares at 31 December 2016.

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 2015[1]	Options exercised/ cancelled during the period	Options granted during the period	Options held at 31 December 2016	Exercise price (pence)	Date of grant	Date from which exercisable	Expiry date
DC Cather	25,000	-	-	25,000	750	01/08/12	01/08/15	01/08/22
	75,000	(75,000)	-	-	205	26/03/13	26/03/16	26/03/16
	100,000	**(75,000)**	**-**	**25,000**				
J Wynn	491	(491)	-	-	750	17/05/09	17/05/12	17/05/16
	7,500	-	-	7,500	1,050	18/03/10	18/03/13	18/03/17
	1,333	-	-	1,333	2,193	23/05/11	21/02/12	21/02/18
	1,333	-	-	1,333	2,193	23/05/11	21/02/13	21/02/18
	1,334	-	-	1,334	2,193	23/05/11	21/02/14	21/02/18
	6,000	-	-	6,000	2,297	12/03/12	12/03/15	12/03/22
	19,500	(19,500)	-	-	205	26/03/13	26/03/16	26/03/16
	37,491	**(19,991)**	**-**	**17,500**				

[1] restated to reflect the changes as a result of the share consolidation which took place on 9 June 2016

No options became exercisable during 2015 or 2016.

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
08-Mar-13	235	75,000	08-Mar-16	08-Mar-23
01-Aug-12	750	25,000	01-Aug-13	01-Aug-22
18-Mar-10	1,050	37,500	18-Mar-13	18-Mar-17
23-May-11	2,193	3,000	21-Feb-12	21-Feb-18
		3,000	21-Feb-13	21-Feb-18
		3,000	21-Feb-14	21-Feb-18
12-Mar-12	2,297	16,000	12-Mar-15	12-Mar-22
Total		**162,500**		

Share Price Movements During 2016
The mid-market closing price of the Company's shares at 31 December 2016 was £0.54 (31 December 2015: £0.26). The highest and lowest trading prices of the Company's shares during the year were £1.23 and £0.25 respectively.

Dilution
Taking account of all shares newly issued as a consequence of incentive schemes over the ten-year period to 31 December 2016 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')
Other than Directors and the Group's auditor, there were no other PDMRs during 2016.

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 34.

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 participate directly in discussions which concern his own remuneration. 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 number of votes against the motion to accept the 2015 Remuneration Report at the 2016 AGM was not significant, as set out below:

	Shares owned	% of votes cast
For	38,733,519	99.71%
Against	112,715	0.29%
Withheld	141,980	0.36%
Total	**38,988,214**	

This report has been approved by the Board.

Barry Rourke
Chairman, Remuneration Committee

6 June 2017

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

What we have audited

Avocet Mining plc's financial statements for the year ended 31 December 2016 which comprise of 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for qualified opinion on the group financial statements

With respect to physical inventory contained in the ore stockpile, in circuit and in finished goods as at 31 December 2015 (being $11,450,000 included within total inventory of $17,274,000 as disclosed in note 17) the audit evidence available to us was limited because we were unable to observe the counting of this physical inventory due to safety concerns arising from acts of terrorism within Burkina Faso. Owing to the nature of the group's accounting records, we were unable to obtain sufficient appropriate audit evidence regarding the quantities of this inventory by using other audit procedures, which caused us to qualify our audit opinion on the financial statements relating to that year.

Since opening inventories enter into the determination of the financial performance, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the consolidated income statement. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Our opinion on the financial statements is modified

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter - Going concern and the carrying value of assets in Burkina Faso

In forming our opinion on the group financial statements, 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.
The group is reliant on the continuing support from an affiliate of Elliott Associates, the Company's largest shareholder, however, should Elliott request the repayment of these loans, the Company would be obliged at short notice to seek alternative funding, which the Directors believe would be a considerable challenge.
In relation to Burkina Faso, and in particular Inata, the immediate priority is to negotiate continued support from creditors to allow operations to continue. The carrying value of all assets held in Burkina Faso assumes a successful outcome, if there is not a successful outcome to negotiations with all stakeholders at Inata operations may not be able to continue and hence assets in Burkina Faso would need to be impaired in full. This will represent a considerable challenge, with compromises needed from all stakeholders, with there being no guarantee of a successful outcome.
These conditions, along with the other matters explained in note 1 to the 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 and of the carrying value of assets in Burkina Faso.
The Group financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

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.

Overview of our audit approach

- Overall group materiality: $837,000, which is based on approximately 1% of the group's revenues;
- We performed a full scope 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, which covers 100% of revenue; and
- Key audit risks were identified as Going concern and Inventory - Ore stockpile

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	*How we responded to the risk*
Going Concern The financial statements are prepared on a going concern basis in accordance with International Accounting Standard (IAS) 1 'Presentation of Financial Statements'. As the directors' assessment of the group's ability to continue as a going concern requires significant judgement we identified going concern as a significant risk requiring special audit consideration, specifically given the group's dependency on timing of funding.	Our audit work included, but was not restricted to: • We considered the directors' plans for future actions in relation to its going concern assessment along with its parent company cashflow forecasts covering the coming 12 months, taking into account any relevant events subsequent to the year-end through discussion at Audit Committee, as disclosed in Note 1; and • Management provided us with a copy of the signed presidential decree from the President of Guinea formally enacting the Tri-K mining convention into national law which we have reviewed and agreed fulfilled the final criteria for first close of the Tri-K transaction. • We inspected evidence of the receipt of proceeds due to the Company upon first close of the Tri-K transaction. 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 30, the Audit Committee also considered the on-going liquidity and going concern of the group as one of the key areas of risk and judgement relevant to the group for the year.
Inventory – Ore stockpile The measurement and valuation of ore stockpile included in inventory, together with its net realisable value, involves significant judgement by the directors as to the quantum and quality of the gold ore held in the stockpile. At 31 December 2016 ore stockpile was recorded in the consolidated statement of financial position at the lower of its cost and net realisable value being $8,446,000. We therefore identified the valuation of ore stockpile as a significant risk requiring special audit consideration.	Our audit work included, but was not restricted to: • Observing the three key controls over stockpile valuations: • Run of mine ore tonnages are closely monitored by spotters who count the movement of haulage trucks from pit to the discrete sections in the stockpile. The counts are then submitted and summarised in a daily report. We have monitored and reperformed this control. • The tonnages processed through the mill are well understood using the weightometers on the conveyor feeds, which are calibrated weekly. We attended a calibration as part of our inventory review. • On a weekly and monthly basis surveys are perfomed on the stockpiles for a more accurate picture of stockpile tonnages. We attended a survey being performed 14 December 2016. • We viewed documents which supported our understanding of the controls in place and

Audit risk	How we responded to the risk
	performed a walkthrough of controls to support the reconciliation of value attributed to the physical inventory contained in ore stockpile on the date that we observed the counting to the value attributed to it at the year-end. The group's accounting policy in respect of inventory is included in note 3 to the group financial statements and related disclosures are included in note 17.

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 use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the group financial statements as a whole to be $837,000 (2015: $2,700,000), which was approximately 1% of the group's revenues (2015: 5% of the loss before income taxes) in the year to 31 December 2016. This benchmark is considered appropriate because, as an operating company, this is an important measure of performance. No revision to the materiality determined at the planning stage of our audit was necessary as we judged that it remained appropriate in the context of the group's actual financial results for the year ended 31 December 2016.

Given the financial performance in 2016, using the same benchmark as in previous years would have resulted in a lower materiality than the level that we determined for the year ended 31 December 2015. Revenues are considered to be the most appropriate benchmark due to their consistency in recent years and being an important measure of performance. Given the history of impairments to the Inata CGU, which have not been considered exceptional due to their frequency, earnings before income taxes are no longer considered to be the most appropriate benchmark due to the ongoing volatility of this performance measure.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% (2015: 60%) of financial statement materiality. 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 $41,850 (2015: $130,000). 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

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

We conducted our audit in accordance with International Standards on Auditing (ISAs) (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 overall approach to the group audit included the group audit team performing a full scope 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, which covers 100% of revenue. 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; and
- 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.

Other reporting required by regulations

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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.

Under the Listing Rules, we are required to review:

- the directors' statements in relation to going concern and longer-term viability, set out on pages 28 and 13 respectively; and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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 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.

In respect solely of the limitation on our work relating to inventory and cost of sales, described in the Basis for qualified opinion on group financial statements paragraph, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit. We have nothing to report in respect of any of the other matters above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a

reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, 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 ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Other matter

We have reported separately on the parent company financial statements of Avocet Mining plc for the year ended 31 December 2016 and on the information in the Directors' Remuneration Report that is described as having been audited. That report includes an emphasis of matter.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
6 June 2017

Consolidated income statement

For the year ended 31 December 2016

	Note	**Year ended 31 December 2016** US$000	Year ended 31 December 2015 US$000
Revenue		**89,604**	85,038
Cost of sales	4	**(76,544)**	(89,933)
Gross profit/(loss)		**13,060**	(4,895)
Administrative expenses		**(2,121)**	(2,475)
Transaction costs	5	**(1,475)**	-
Net impairment of assets	5,8	**-**	(45,148)
Profit/(loss) from operations		**9,464**	(52,518)
Finance items			
Exchange gains		**985**	3,136
Finance expense	12	**(5,171)**	(6,316)
Profit/(loss) before taxation		**5,278**	(55,698)
Analysed as:			
Profit/(loss) before taxation and exceptional items	9	**7,553**	(10,550)
Exceptional items	5	**(2,275)**	(45,148)
Profit/(loss) before taxation		**5,278**	(55,698)
Taxation	13	**(483)**	5,993
Profit/(loss) for the year		**4,795**	(49,705)
Attributable to:			
Equity shareholders of the parent company		**3,623**	(45,732)
Non-controlling interest		**1,172**	(3,973)
Profit/(loss) for the year		**4,795**	(49,705)
Earnings per share[1]:			
Basic profit/(loss) per share (cents per share)	14	**17.33**	(218.76)
Diluted profit/(loss) per share (cents per share)	14	**17.33**	(218.76)
EBITDA[1]	6	**12,005**	(1,996)

[1] The 2015 earnings per share has been restated to reflect the changes as a result of the share consolidation which took place on 9 June 2016

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

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

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Year ended 31 December 2016	Year ended 31 December 2015
	US$000	US$000
Profit/(loss) for the year	**4,795**	(49,705)
Total comprehensive income/(loss) for the year	**4,795**	(49,705)
Attributable to:		
Equity holders of the parent	**3,623**	(45,732)
Non-controlling interest	**1,172**	(3,973)
Total comprehensive income/(loss) for the year	**4,795**	(49,705)

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

Consolidated statement of financial position

At 31 December 2016

	Note	**31 December 2016 US$000**	31 December 2015 US$000
Non-current assets			
Intangible assets	15	**18,781**	17,206
Property, plant and equipment	16	**-**	1,692
		18,781	18,898
Current assets			
Inventories	17	**15,369**	17,274
Trade and other receivables	18	**4,550**	6,648
Cash and cash equivalents - unrestricted	19	**1,118**	1,934
Cash and cash equivalents - restricted	19	**3,784**	3,922
		24,821	29,778
Current liabilities			
Trade and other payables	20	**36,551**	42,681
Other financial liabilities	21	**46,588**	45,973
		83,139	88,654
Non-current liabilities			
Financial liabilities	21	**8,775**	21,960
Deferred tax liabilities	22	**1,586**	1,670
Provisions	23	**15,704**	6,813
		26,065	30,443
Net liabilities		**(65,602)**	(70,421)
Equity			
Issued share capital	28	**17,072**	17,072
Share premium		**146,391**	146,391
Other reserves	29	**17,895**	17,895
Retained earnings		**(211,285)**	(214,932)
Total equity attributable to the parent		**(29,927)**	(33,574)
Non-controlling interest		**(35,675)**	(36,847)
Total equity		**(65,602)**	(70,421)

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

RP Edey **BJ Rourke**

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

6 June 2017

Avocet Mining PLC is registered in England No. 03036214

Consolidated statement of changes in equity

For the year ended 31 December 2016

	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 2014	**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
Total transactions with owners	**825**	**351**	**–**	**856**	**2,032**	**-**	**2,032**
At 31 December 2014	**17,072**	**146,391**	**17,895**	**(169,614)**	**11,744**	**(32,874)**	**(21,130)**
Loss for the year	–	–	–	(45,732)	(45,732)	(3,973)	(49,705)
Total comprehensive income for the year	**–**	**–**	**–**	**(45,732)**	**(45,732)**	**(3,973)**	**(49,705)**
Share based payments	–	–	–	414	414	-	414
Total transactions with owners	**–**	**–**	**–**	**414**	**414**	**-**	**414**
At 31 December 2015	**17,072**	**146,391**	**17,895**	**(214,932)**	**(33,574)**	**(36,847)**	**(70,421)**
Profit/(Loss) for the year	–	–	–	3,623	3,623	1,172	4,795
Total comprehensive income for the year	**–**	**–**	**–**	**3,623**	**3,623**	**1,172**	**4,795**
Share based payments	–	–	–	24	24	-	24
Total transactions with owners	**–**	**–**	**–**	**24**	**24**	**-**	**24**
At 31 December 2016	**17,072**	**146,391**	**17,895**	**(211,285)**	**(29,927)**	**(35,675)**	**(65,602)**

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

Consolidated cash flow statement

For the year ended 31 December 2016

	Note	**Year ended 31 December 2016 US$000**	Year ended 31 December 2015 US$000
Cash flows from operating activities			
Profit/(loss) for the year		**4,795**	(49,705)
Adjusted for:			
Depreciation of non-current assets	16	**266**	5,374
Net impairment	5,7	**–**	45,148
Share based payments		**24**	414
Provisions	23	**3,313**	–
Taxation in the income statement	13	**483**	(5,993)
Other non-operating items in the income statement	27	**3,154**	1,409
		12,035	(3,353)
Movements in working capital			
Decrease in inventory		**1,904**	8,281
Decrease in trade and other receivables		**1,436**	1,082
Increase in trade and other payables		**1,214**	1,295
Net cash generated by operations		**16,589**	7,305
Interest paid		**(3,067)**	(3,767)
Income tax paid		**(232)**	(500)
Net cash generated by operating activities	6	**13,290**	3,038
Cash flows from investing activities			
Payments for property, plant and equipment		**(149)**	(3,793)
Payments relating to transaction costs		**(133)**	–
Net cash used in investing activities		**(282)**	(3,793)
Cash flows from financing activities			
Loans repaid	21	**(19,366)**	(10,169)
Proceeds from debt	21	**5,635**	12,391
Payments in respect of finance leases	21	**(322)**	(438)
Net cash flows (used in)/generated by financing activities		**(14,053)**	1,784
Net cash movement		**(1,045)**	1,029
Exchange gains		**91**	11
Total (decrease)/increase in cash and cash equivalents		**(954)**	1,040
Cash and cash equivalents at start of the year		**5,856**	4,816
Cash and cash equivalents at end of the year		**4,902**	5,856

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 2016

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 International Financial Reporting Standards as adopted by the European Union ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union at 31 December 2016.

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.

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 37 to 49 present information about the Company as a separate entity rather than about the Group and have been prepared under Financial Reporting Standard 101 "Reduced disclosure framework" (FRS101) as permitted by the Companies Act 2006.

In issue but not effective for periods commencing on 1 January 2016

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 January 2016 are:

IFRS 9 Financial Instruments (IASB effective date 1 January 2018)[1, 3]
IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)[1,3]
IFRS 16 Leases (effective 1 January 2019)[2]
IFRIC 22 Foreign Currency Translations and Advance Consideration (Effective 1 January 2018)[2]
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)[2]
Amendment to IAS7 Disclosure Initiative (Effective 1 January 2017)[2]
Amendment to IAS12 Recognition of Deferred Tax assets for unrealised losses (Effective 1 January 2017)[2]
Annual Improvements to IFRSs 2014 - 2016 Cycle (effective 1 January 2018)[2]

[1] Endorsed by the EU
[2] Not Endorsed by the EU
[3] EU effective date is 1 January 2018

The Directors anticipate that the above pronouncements, where relevant, will be adopted in the Group's financial statements for the year beginning 1 January 2016 and will have little impact on the Group's accounting policies or results.

Going concern

Continued financial support from Elliott

The Company has the following loans, which totalled US$27.4 million on 6 June 2017, due to an affiliate of Elliott Associates, its largest shareholder:

1. First Loan - taken out in March 2013, under which US$20.5 million was outstanding at 26 April 2017, comprising US$15.0 million principal and US$5.5 million accrued interest. The first loan was due on 31 December 2013 and is secured against the Tri-K asset in Guinea;
2. Second Loan - unsecured demand loan of US$3.7million consisting of US$3.05 million principal plus accrued interest of US$0.6 million. The initial US$1.5 million was drawn down in January 2015 and a further US$0.75 million was drawn down in three equal tranches between January and March 2016 and a further US$0.8 million was drawn down in four equal tranches between April and July 2016; and
3. Third Loan - demand loan of US$3.0 million consisting of US$2.5 million principal plus accrued interest of US$0.5 million. The initial US$2.05 million was drawn down in August 2015 (of which US$1.55 million was used to repay a previous unsecured loan) and a further US$0.4 million was drawn down between September and October 2015. These amounts are secured over a range of Group assets including intragroup loans, shares in subsidiaries and over the gold in circuit and gold in transit of the Inata gold mine.

The First Loan was entered into in March 2013 in order to finance the Tri-K project Feasibility Study in Guinea. It had been intended to repay this facility by 31 December 2013 using cashflows from the Inata gold mine, however a fall in the gold price combined with production difficulties meant that this was not possible. Since 1 January 2014, the facility has been in default and is therefore repayable on demand.

The Second Loan and the Third Loan were drawn down over the course of 2015 and into 2016 and were used to provide funding for corporate and administrative activities in London and in Guinea.

These loans are repayable on demand and if repayment was requested by Elliott, the Company would have considerable difficulty in raising external financing needed to settle these amounts in full.

Since 2014, the cashflow shortages resulting from gold prices and lower production at the Inata mine meant the Company has relied primarily on loan financing from Elliott in order to meet its running costs of its head office and Guinea administrative functions.

These loans represent short-term facilities with high interest rates (between 11% and 14%). In order to become financially secure, the Company will need to negotiate a restructuring of these loans with Elliott.

Accordingly, the Company is reliant on the continuing support of the Elliott Lender.

In addition, the interest burden of the Elliott Loans, which is in excess of US$200k per month, cannot currently be met out of Company funds and therefore it will be necessary to restructure these loans in order to put the Company on a sustainable financial footing. Negotiations with Elliott in this regard have not yet commenced, as any solution will need to take into consideration the investment of any external financier who may be interested in investing in some or all of the Group's assets.

Notwithstanding the need to restructure the terms of these loans, the Company believes funds generated through its interest in Tri-K to be the most likely means of repaying its debts to Elliott. It is not yet possible to be certain as to the means through which this repayment might be achieved, however possibilities include:

- the raising of significant external finance for the construction of Tri-K (in order to avoid dilution of Avocet's 30% interest), which might allow a restructuring of the current debt facilities with Elliott;
- Use of proceeds of the sale of Avocet's interest in the project to repay Elliott;
- Application of intra-group loans and dividend payments from Tri-K once it enters into production.

Should Elliott request the repayment of these loans, the Company would be obliged at short notice to seek alternative funding, which would be a considerable challenge. However, management do not believe Elliott currently intend to demand repayment of their loans.

Head office creditors

Apart from the Elliott Loans, the head office creditors are primarily advisers whose fees relate to the Tri-K deal and directors' fees. These creditors understood that they will be repaid on receipt of the proceeds of the Tri-K disposal and were prepared to await this event.
Avocet received the decree signed by the Guinean President ratifying the Mining Convention for the Tri-K project in early May. Following this, the so-called 'First Closing' was completed on 22 May and the Company received from Managem USD 4 million for 40 per cent of its interest in the project.
The Company relied until recently on management fees out of the Inata mine, however as the mine is experiencing operational and cashflow issues, it is not certain that funds will be available to settle management fees in the near future and therefore the Company will need to rely on the money received from Managem. After payment of the outstanding Tri-K obligations and current Head Office obligations, the Company has funds available to fund Head Office costs and invest in SMB's restructuring in return for an opportunity for it and its shareholders to participate in the Avocet business going forward.

Gold price

The profitability of both the Tri-K project and the Inata gold mine (including surrounding deposits) depends on the gold price.

The cash costs at Inata during 2016 and into 2017 have ranged between US$900 and US$1,100 per ounce and therefore a modest fall in gold prices from current levels would result in margins becoming extremely tight, which would make the servicing of the mine's debts and creditors challenging.

The Company has no control over the gold price and is not in a position to enter into any hedging arrangements in view of its financial difficulties.

The sensitivities of Tri-K's cashflows to different gold prices cannot be determined with any confidence before the completion of its BFS, however, as with any gold mine, its profitability and value are likely to be heavily dependent on the gold price.

In financial forecasts, the Company uses US$1,200 per ounce. The Board believes this to be a reasonable long term price, in line with market consensus forecasts.

Nevertheless, it remains clear that a sustained fall in the gold price would put severe pressure on the operations at Inata and would also threaten the economic viability of the Tri-K project – as well as the Avocet Group as a whole.

Support from Inata's creditors

The Inata gold mine at 21 April 2017 had approximately US$28 million in trade creditors and a further US$26 million in bank and other debt facilities. Many of the balances owing to suppliers are overdue and the mine has faced a number of demands to bring balances within credit limits.

There have been a number of recent interruptions to critical supplies, which have temporarily affected mining or production. Other creditors might also refuse to allow critical supplies to be delivered to the mine, or might otherwise initiate legal action that could disrupt operations.

In order to stabilise production and avoid interruptions to supplies which have affected ongoing operations over the past few months, the mine needs to spend at least US$3-5 million urgently on inventories and spare parts, either out of funds generated from operations or from third party investment.

Inata's management have spent a considerable amount of time discussing the mine's predicament with key suppliers, pointing to the fact that the best means to ensure creditors are repaid is to allow supplies to continue to be made and for the mine to produce gold.

Nevertheless, the current life of mine plan, which shows production running until the end of 2019, indicates that in the absence of a very significant near-term increase in the gold price, the mine will not be able to repay all of its creditors. However, as long as the mine forecasts indicate that it is able to generate cashflow from its ongoing activities, these funds can be used to reduce the mine's indebtedness, which is likely to be a considerably better outcome for creditors than closing the mine and putting its operating company into a form of insolvency.

The threat of creditor action and the risk to ongoing production, represents a material uncertainty as to the ability of Inata to continue as a going concern.

In relation to Burkina Faso, and in particular Inata, the immediate priority is to negotiate continued support from creditors to allow operations to continue. The carrying value of all assets held in Burkina Faso assumes a successful outcome, if there is not a successful outcome to negotiations with all stakeholders at Inata, operations may not be able to continue and hence assets in Burkina Faso would need to be impaired in full. This will represent a considerable challenge, with compromises needed from all stakeholders, with there being no guarantee of a successful outcome. These conditions indicate the existence of a material uncertainty that may cast significant doubt over the group's ability to continue as a going concern and of the carrying value of assets in Burkina Faso.

In the event that the mine was unable to continue and the insolvency of its operating company is unavoidable, it is possible that

Avocet may be able to realise value from its interest in the exploration permits, particularly Souma. However even in the event that this were not possible, none of the debts in the Group's Burkina Faso entities have any recourse to the Company's interests in Guinea or in the UK, therefore as the Company has obtained funds to cover head office operating costs (from the proceeds of First Closing from the Tri-K divestment), then the loss of the Group's Burkinabe assets would not necessarily lead to the insolvency or discontinuation of the rest of the Group.

On 31 May SMB, its major trade creditors and its bank (together representing approximately seventy per cent of SMB's debt) agreed the terms of a standstill agreement for the duration of two months as strategic options are being explored in connection with a financial, debt and corporate restructuring of the company.
Pursuant to this agreement SMB's major trade creditors and its bank shall refrain from exercising their rights and remedies and taking any legal action to protect and preserve such rights and remedies, in relation to the outstanding debts. SMB agreed to a payment scheme for deliveries of services and goods during the standstill period that provides for payments thereof in sync with the receipt of the gold proceeds by SMB.
All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution.

Souma permit

The future of the Inata gold mine beyond 2019 will rely upon the successful completion of a Feasibility Study for the Souma deposit, located 20km north-east of the Inata plant.

The work needed to complete the study, which is expected to cost between US$5-7 million, must be completed in order for an application for a mining permit to be submitted by July 2018.

The Company is currently in negotiation with its financiers with regards to the funding of this activity. However, until any financing package is negotiated, there can be no guarantee that this funding will be made available.

Conclusion

The above areas of risk represent material uncertainties that may cast significant doubt over the ability of the Group to continue as a Going Concern and that it may be unable to realise all of its assets and discharge all of its liabilities in the normal course of business. Nevertheless, the Directors have a reasonable expectation that these risks can be managed, or will not come to pass and accordingly the Financial Statements have been prepared on a Going Concern basis and do not include the adjustments that would result if the Group were unable to continue as a Going Concern.

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. 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 2015, 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.

The value of consumables and spares in inventory are normally held at the lower of cost and realisable value. In the 2016 accounts, provisions were made against slow and obsolete stock items, such that all items greater than 1 year old were written down in full and the overall carrying value was decreased to just 10% of the cost. Management believe this to be a reasonable resale level for recently bought stock items.

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$0.1 million of VAT recoverable was written off as a result of uncertainty relating to its recoverability.

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.

Joint Ventures
A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method.

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.

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
Office 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, stock pile 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.

Share based payment disclosures have been amended to account for the share consolidation which took place on 9 June 2016.

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 2016	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
INCOME STATEMENT				
Revenue	**–**	**89,604**	**–**	**89,604**
Cost of Sales	**–**	**(75,965)**	**(581)**	**(76,544)**
Cash production costs:				
– mining	–	(21,881)	–	(21,890)
– processing	–	(27,876)	–	(27,867)
– overheads	–	(13,978)	–	(13,978)
– royalties	–	(6,286)	–	(6,286)
	–	(70,021)	–	(70,021)
Changes in inventory	–	(161)	–	(161)
Expensed exploration and other cost of sales[1]	–	(5,632)	(464)	(6,096)
Depreciation and amortisation[2]	–	(149)	(117)	(266)
Gross profit/(loss)	**–**	**13,641**	**(581)**	**13,060**
Administrative expenses and share based payments	(2,121)	–	–	(2,121)
Transactions costs	(1,475)	–	–	(1,475)
Profit/(Loss) from operations	**(3,596)**	**13,641**	**(581)**	**9,464**
Net finance items	(2,097)	(2,089)	–	(4,186)
Profit/(Loss) before taxation	**(5,693)**	**11,552**	**(581)**	**5,278**
Analysed as:				
Profit before tax and exceptional items	(4,218)	12,352	(581)	7,553
Exceptional items	(1,475)	(800)	–	(2,275)
Taxation	(234)	(249)	–	(483)
Profit/(Loss) for the year	**(5,927)**	**11,303**	**(581)**	**4,795**
Attributable to:				
Equity shareholders of parent company	(5,927)	10,131	(581)	3,623
Non–controlling interest	–	1,172	–	1,172
Profit/(Loss) for the year	**(5,927)**	**11,303**	**(581)**	**4,795**
EBITDA[3]	**(2,121)**	**14,590**	**(464)**	**12,005**

[1] Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised and foreign exchange.
[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 2016	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
STATEMENT OF FINANCIAL POSITION				
Non-current assets	–	–	18,781	18,781
Inventories	–	15,316	53	15,369
Trade and other receivables	383	3,857	310	4,550
Cash and cash equivalents – unrestricted	45	1,063	10	1,118
Cash and cash equivalents – restricted	–	3,784	–	3,784
Total assets	**428**	**24,020**	**19,154**	**43,602**
Current liabilities	(29,753)	(53,065)	(321)	(83,139)
Non–current liabilities	(71)	(25,994)	–	(26,065)
Total liabilities	**(29,824)**	**(79,059)**	**(321)**	**(109,204)**
Net (liabilities)/assets	**(29,396)**	**(55,039)**	**18,833**	**(65,602)**

For the year ended 31 December 2016	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
CASH FLOW STATEMENT				
(Loss)/profit for the year	(5,927)	11,303	(581)	4,795
Adjustments for non–cash and non-operating items[1]	2,742	58	354	3,154
Movements in working capital	440	7,778	422	8,640
Net cash (used in)/generated by operations	**(2,745)**	**19,139**	**195**	**16,589**
Net interest paid	–	(3,067)	–	(3,067)
Tax paid	–	(232)	–	(232)
Purchase of property, plant and equipment	–	(149)	–	(149)
Payments relating to transaction costs	(133)	–	–	(133)
Loans advanced/(repaid)	1,550	(15,281)	–	(13,731)
Other cash movements[2]	1,200	(1,124)	(307)	(231)
Total (decrease)/increase in cash and cash equivalents	**(128)**	**(714)**	**(112)**	**(954)**

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 2015	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
INCOME STATEMENT				
Revenue	**–**	**85,038**	**–**	**85,038**
Cost of Sales	**–**	**(89,008)**	**(925)**	**(89,933)**
Cash production costs:				
– mining	–	(23,772)	–	(23,772)
– processing	–	(34,492)	–	(34,492)
– overheads	–	(15,256)	–	(15,256)
– royalties	–	(5,570)	–	(5,570)
	–	(79,090)	–	(79,090)
Changes in inventory	–	(5,895)	–	(5,895)
Expensed exploration and other cost of sales[1]	–	1,198	(772)	426
Depreciation and amortisation[2]	–	(5,221)	(153)	(5,374)
Gross loss	**–**	**(3,970)**	**(925)**	**(4,895)**
Administrative expenses and share based payments	(2,475)	–	–	(2,475)
Net impairment of assets	–	(45,148)	–	(45,148)
Loss from operations	**(2,475)**	**(49,118)**	**(925)**	**(52,518)**
Net finance items	(2,768)	(412)	–	(3,180)
Loss before taxation	**(5,243)**	**(49,530)**	**(925)**	**(55,698)**
Analysed as:				
Loss before tax and exceptional items	(5,243)	(4,382)	(925)	(10,550)
Exceptional items (impairments)	–	(45,148)	–	(45,148)
Taxation	(19)	6,012	–	5,993
Loss for the year	**(5,262)**	**(43,518)**	**(925)**	**(49,705)**
Attributable to:				
Equity shareholders of parent company	(5,262)	(39,545)	(925)	(45,732)
Non-controlling interest	–	(3,973)	–	(3,973)
Loss for the year	**(5,262)**	**(43,518)**	**(925)**	**(49,705)**
EBITDA[3]	**(2,475)**	**1,251**	**(772)**	**(1,996)**

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 2015	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
STATEMENT OF FINANCIAL POSITION				
Non–current assets	–	–	18,898	18,898
Inventories	–	17,212	62	17,274
Trade and other receivables	217	6,211	220	6,648
Cash and cash equivalents – unrestricted	173	1,640	121	1,934
Cash and cash equivalents – restricted	–	3,922	–	3,922
Total assets	**390**	**28,985**	**19,301**	**48,676**
Current liabilities	(25,043)	(63,280)	(331)	(88,654)
Non–current liabilities	–	(30,443)	–	(30,443)
Total liabilities	**(25,043)**	**(93,723)**	**(331)**	**(119,097)**
Net (liabilities)/assets	**(24,653)**	**(64,738)**	**18,970**	**(70,421)**

For the year ended 31 December 2015	UK US$000	Burkina Faso US$000	Guinea US$000	Total US$000
CASH FLOW STATEMENT				
Loss for the year	(5,262)	(43,518)	(925)	(49,705)
Adjustments for non–cash and non–operating items[1]	765	45,786	(199)	46,352
Movements in working capital	(1,067)	10,363	1,362	10,658
Net cash (used in)/generated by operations	**(5,564)**	**12,631**	**238**	**7,305**
Net interest (paid)/received	–	(3,767)	–	(3,767)
Tax paid	–	(500)	–	(500)
Purchase of property, plant and equipment	–	(3,765)	(28)	(3,793)
Loans advanced/(repaid)	3,928	(1,706)	–	2,222
Other cash movements[2]	1,664	(1,963)	(128)	(427)
Total decrease in cash and cash equivalents	**28**	**930**	**82**	**1,040**

[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 2016 US$000	31 December 2015 US$000
Transaction costs	**(1,475)**	–
Leave pay accrual from prior year	**(800)**	–
Impairment of Burkina Faso assets	**–**	(45,148)
Exceptional loss	**(2,275)**	(45,148)

Transaction costs

Transaction costs of US$1.5 million were incurred during the year in respect of the Joint Venture agreement with Managem relating to the Tri-K asset in Guinea. This transaction was completed in May 2017.

Prior year leave pay

Included in the staff provisions of US$3.1 million is an amount of US$0.8 million which relates to accrued but unpaid employee leave entitlements in Burkina Faso due at 31 December 2015. This amount had not been recognised in previous reporting periods on the grounds of materiality.

Net impairments of Burkina Faso assets

The Group recognised a net impairment of non–current assets of US$ nil (2015: US$45.1 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.

Net Impairment of Guinea assets

The group recognised a net impairment of non-current assets of US$ nil (2015: US$ nil).

An impairment of US$1.6 million was recognised against the exploration property, plant and equipment in Tri-K, which was offset by an equal and opposite impairment reversal in respect of the Tri-K intangible asset. Further details are provided in note 7.

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 2016 US$000	31 December 2015 US$000
Profit/(loss) before taxation	**5,278**	(55,698)
Exceptional Items (see note 5)	**2,275**	45,148
Depreciation	**266**	5,374
Exchange gains	**(985)**	(3,136)
Net finance expense	**5,171**	6,316
EBITDA	**12,005**	(1,996)

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

	31 December 2016 US$000	31 December 2015 US$000
EBITDA	**12,005**	(1,996)
Working capital	**8,640**	7,260
Net interest paid	**(3,067)**	(3,767)
Income tax paid	**(232)**	(500)
Provisions and other non–cash costs	**(4,056)**	2,041
Net cash generated by operating activities	**13,290**	3,038

7. IMPAIRMENT OF ASSETS

No impairments were recognised on the Group's Burkina Faso assets in 2016.

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 CGU. This includes all tangible non-current assets, intangible exploration assets and net current assets excluding cash.

Impairment of Inata at prior reporting dates

At 31 December 2015 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$45.1 million was recorded in 2015, being an impairment of mining property and plant of US$31.9 million, spares parts inventory of US$5.6 million and stockpile ore inventory of US$7.6 million.

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

Assumption	Judgements	Sensitivity
Timing of cash flows	Cash flows were forecast over the current life of the mine, which forecasts mining activities to occur until Q4 2019, 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 have resulted in a corresponding increase or decrease in impairment, the extent of which it was not possible to quantify.
Production costs	Production costs were forecast based on detailed assumptions, including staff costs, consumption of fuel and reagents, maintenance and administration and support costs.	A change of 10% in production costs excluding royalties would have varied the pre-tax impairment attributable by US$15.1 million[1].
Gold price	A gold price of US$1,100 per ounce was assumed.	A change of 10% in the gold price assumption would have varied the pre-tax impairment recognised in the year by US$18.1 million[1].
Discount rate	A discount rate of 20% (pre-tax) was used in the VIU estimation, based on estimations of Avocet's cost of capital, adjusted for specific risk factors related to Inata including liquidity and production risks.	An increase in the discount rate of five percentage points would have decreased the pre-tax impairment recognised in the year by US$0.1million[1].
Gold production	The January 2017 life of mine plan showed total gold production of 0.31 million ounces.	A 10% change in ounces produced would have varied the pre-tax impairment recognised in the prior year by US$18.1 million[1].

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

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.

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

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.

At 30 June 2015, the Company revised its near term gold price assumptions down to US$1,100 per ounce (from US$1,200 per ounce at 31 December 2014) for 2015-2017, the period covered by the current Inata life of mine. These lower gold prices, together with the production uncertainties associated with the complex ore types which remain to be processed in the life of mine, were considered by management to be an indication of impairment of the Inata cash generating unit. As a result of this review, a pre-tax impairment loss of US$30.6 million was recorded in the accounts at 30 June 2015, of which US$28.4 million was set against the carrying value of the fixed assets of Inata (which were reduced to nil in the Consolidated Statement of Financial Position), with the remaining US$2.2 million set against the value of the stockpiled ore.

	31 December 2016 US$000	31 December 2015 US$000	31 December 2014 US$000	31 December 2013 US$000
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)	–
Impairment at 30 June 2015	–	(30,609)	–	–
Impairment at 31 December 2015	–	(14,539)	–	–
Impairments at 30 June 2016	–	–	–	–
Impairments at 31 December 2016	–	–	–	–
Net impairment	–	(45,148)	(105,547)	(30,500)

Impairment of Guinea fixed assets and reversal of impairment of exploration asset

An impairment review over the Company's assets in Guinea (the Tri-K project) indicated a fair value estimate of US$18.8 million at 31 December 2014 and 31 December 2015. The transaction to divest up to 70% of the project to Managem for proceeds of US$14.0 million, which was signed on 9 October 2016, supported this valuation and indicated that no further impairments were necessary over the Tri-K CGU.

Included within the balance of US$18.8 million was a fixed asset balance of US$1.6 million. At 31 December 2016, the Company considered that these specific assets could not be shown to have any residual value and should therefore be written down in full. As the overall value of the Tri-K project remained unchanged, this write off was offset by an equal and opposite reversal in the impairment of the project's intangible assets. The overall effect in the Group accounts therefore was a reduction in tangible assets and an increase in intangible assets, of US$1.6 million, with no impact on the Income Statement.

8. LOSS FOR THE PERIOD BEFORE TAX

	31 December 2016 US$000	31 December 2015 US$000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**266**	5,292
Depreciation of property, plant and equipment held under finance lease	**–**	82
Operating lease charges	**263**	1,613
Audit services:		
– fees payable to the Company's auditor for the audit of the Company and Group accounts	**155**	160
Fees payable to the Company's auditor for other services:		
– tax compliance services	**13**	18
– tax advisory services	**17**	-
– all services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	**62**	-

9. PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS

Loss before taxation and exceptional items is calculated as follows:

	31 December 2016 US$000	31 December 2015 US$000
Profit/(loss) from operations	**9,464**	(52,518)
Transaction costs	**1,475**	–
Prior year leave pay	**800**	–
Impairment of Burkina Faso assets	**–**	45,148
Exchange gains	**985**	3,136
Net finance expense	**(5,171)**	(6,316)
Profit/(loss) before taxation and exceptional items	**7,553**	(10,550)

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 2016 US$000	31 December 2015 US$000
Wages and salaries	**778**	1,179
Social security costs	**104**	153
Bonus	**–**	–
Share based payments	**–**	–
Pension costs – defined contribution plans	**39**	104
Total remuneration of key management personnel	**921**	1,436

11. TOTAL EMPLOYEE REMUNERATION (INCLUDING KEY MANAGEMENT PERSONNEL)

	31 December 2016 US$000	31 December 2015 US$000
Wages and salaries	**12,102**	14,880
Social security costs	**3,535**	3,012
Bonus	**–**	69
Redundancy payments	**9**	4,504
Share based payments	**24**	413
Pension costs – defined contribution plans	**39**	104
Total employee remuneration	**15,709**	22,980
The average number of employees during the period was made up as follows:		
Directors	**5**	6
Management and administration	**14**	34
Mining, processing and exploration staff	**548**	534
	567	574

12. FINANCE INCOME AND EXPENSE

	31 December 2016 US$000	31 December 2015 US$000
Finance income		
Bank interest received	**–**	–
Finance expense		
Interest on loans	**4,779**	5,705
Interest on finance leases	**113**	152
Other finance costs	**279**	459
Net finance expense	**5,171**	6,316

The interest on loans of US$4.8 million consists of US$2.2 million in respect of the Inata facility with Ecobank Burkina, US$0.3 million in respect of the short term facility with Coris Bank and US$2.3 million in respect of the Elliott Loans. 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 2016 US$000	31 December 2015 US$000
Current tax:		
Current tax on profit for the year	**567**	–
Current tax relating to prior years	**–**	(3,049)
Current tax charge/(credit)	**567**	(3,049)

The current tax charge in 2016 relates to taxation on the results of the Inata mine in Burkina Faso. The credit of US$3.0 million in 2015 relates to the release of a provision in respect of a taxation assessment covering 2009-2011, which was settled in the year.

	31 December 2016 US$000	31 December 2015 US$000
Deferred tax:		
Deferred tax provision in respect of withholding taxes on intra-group balances	**(84)**	(2,944)
Deferred tax charge/(credit)	**(84)**	(2,944)
Total tax charge/(credit) for the year	**483**	(5,993)

The deferred tax liability of US$1.6 million (2015: US$1.7 million) relates to withholding tax ('WHT') and interest tax ('IRVM') that would be due in Burkina Faso on settlement of intragroup management fee invoices. Restrictions on payments to Group companies as a result of Avocet's loan arrangements, together with limited cash availability, have led management to believe it is now unlikely that the loan interest balances will be paid in full and accordingly it was considered appropriate to release this element of the provision during 2015.

Factors affecting the tax charge for the year:

	31 December 2016 US$000	31 December 2015 US$000
Profit/(loss) for the period before tax	**5,278**	(55,698)
Profit/(loss) for the period multiplied by the UK standard rate of corporation tax 20% (2015: 20%)	**1,055**	(11,140)
Effects of:		
Differences in taxation rate	**434**	(4,190)
Disallowable expenses	**549**	12,724
Gains not taxable	**295**	(996)
Tax provision in respect of withholding taxes on intra-group balances	**(145)**	(2,944)
Tax on turnover in Burkina Faso	**333**	–
Adjustment in respect of prior periods	**–**	(3,049)
(Utilisation)/carry forward of tax losses	**(940)**	3,602
Tax charge/(credit) for the period	**483**	(5,993)

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$79.7 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 2016 Shares	31 December 2015 Shares
Weighted average number of shares in issue for the year[1]		
– number of shares with voting rights	**20,905,470**	20,905,470
– effect of share options in issue	**–**	–
Total used in calculation of diluted earnings per share	**20,905,470**	20,905,470

[1] The 2015 weighted average number of shares has been restated to reflect the position as a result of the share consolidation which took place on 9 June 2016

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 2015 would decrease the loss per share, they are therefore not included in diluted earnings per share. Note 26 outlines share options in issue, none of which were exercisable at the period end.

	31 December 2016 US$000	31 December 2015 US$000
Earnings per share		
Earnings/(loss) for the year	**4,795**	(49,705)
Adjustments:		
Adjusted for non-controlling interest	**(1,172)**	3,973
Profit/(Loss) for the year attributable to equity shareholders of the parent	**3,623**	(45,732)
Profit/(Loss) per share		
– basic (cents per share)	**17.33**	(218.76)
– diluted (cents per share)	**17.33**	(218.76)
Earnings per share before exceptional items		
Profit/(Loss) for the year attributable to equity shareholders of the parent	**3,623**	(45,732)
Adjustments:		
Add back exceptional items	**2,275**	45,148
Less non-controlling interest of exceptional items	**(80)**	(4,515)
Profit for the year attributable to equity shareholders of the parent before exceptional items	**5,818**	3,931
Earnings per share before exceptional items		
– basic (cents per share)	**27.83**	18.80
– diluted (cents per share)	**27.83**	18.80

15. INTANGIBLE ASSETS

	Note	31 December 2016 US$000	31 December 2015 US$000
At 1 January		**17,206**	17,206
Additions		**–**	–
Impairment partial reversal at 31 December 2016	5, 7	**1,575**	–
At 31 December		**18,781**	17,206

The Company's intangible assets relate exclusively to the Tri-K project in Guinea.

As set out in note 7, in 2016 the write off of US$1.6 million of tangible fixed assets in Guinea led to an equal and opposite reversal of the impairment against the intangible asset in Guinea, on the grounds that the overall value of the Tri-K CGU remained unchanged at US$18.8 million.

16. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2016	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 2016		**76,420**	**37,649**	**42,181**	**3,123**	**770**	**160,143**
Additions		–	149	–	–	–	149
At 31 December 2016		**76,420**	**37,798**	**42,181**	**3,123**	**770**	**160,292**
Depreciation							
At 1 January 2016		**76,420**	**37,649**	**42,181**	**1,431**	**770**	**158,451**
Charge for the year		–	149	–	117	–	266
Impairment	7	–	–	–	1,575	–	1,575
At 31 December 2016		**76,420**	**37,798**	**42,181**	**3,123**	**770**	**160,292**
Net Book Value at 31 December 2016		–	–	–	–	–	–
Net Book Value at 31 December 2015		–	–	–	1,692	–	1,692

All of the Company's fixed assets in Burkina Faso and in the UK were impaired to nil as at 31 December 2015. Subsequent additions in 2016 were fully written down in the year.

The impairment of US$1.6 million of fixed assets in Guinea took place as the carrying value of those properties could no longer be supported (see note 7 and note 15 above).

Year ended 31 December 2015	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 2015		**76,114**	**45,035**	**60,813**	**3,095**	**770**	**185,827**
Additions		3,072	692	–	28	–	3,792
Impairment	7	(2,766)	(8,078)	(18,632)	–	–	(29,476)
At 31 December 2015		**76,420**	**37,649**	**42,181**	**3,123**	**770**	**160,143**
Depreciation							
At 1 January 2014		**76,114**	**36,163**	**38,752**	**1,278**	**770**	**153,077**
Charge for the year		306	1,486	3,429	153	–	5,374
At 31 December 2014		**76,420**	**37,649**	**42,181**	**1,431**	**770**	**158,451**
Net Book Value at 31 December 2015		**–**	**–**	**–**	**1,692**	**–**	**1,692**
Net Book Value at 31 December 2014		**–**	8,872	22,061	1,817	–	32,750

17. INVENTORIES

	31 December 2016 US$000	31 December 2015 US$000
Consumables	**1,845**	5,824
Stockpile	**8,446**	7,283
Work in progress	**2,428**	2,079
Finished goods	**2,650**	2,088
Total inventories	**15,369**	17,274

Consumables represent stocks of mining supplies, reagents, lubricants and spare parts held on site. US$1.8 million is deemed to be the realisable value of the spares and consumables held on site at year end and represents less than 10% of the historic cost.

The stockpile at 31 December 2016 consisted of 873k tonnes of ore at an average grade of 1.72 g/t for 48k ounces of contained gold.

Work in progress reflects the cost of gold contained in circuit. Finished goods represent gold that has been poured but has not yet been sold, whether in transit or undergoing refinement.

18. TRADE AND OTHER RECEIVABLES

	31 December 2016 US$000	31 December 2015 US$000
Payments in advance to suppliers	**597**	1,182
VAT recoverable	**3,806**	4,415
Prepayments	**147**	1,051
Total trade and other receivables	**4,550**	6,648

A total of US$0.1 million (2015: US$1.0 million) of unrecovered VAT was written down on the basis of being outstanding for more than 12 months by 31 December 2016.

19. CASH AND CASH EQUIVALENTS

	31 December 2016 US$000	31 December 2015 US$000
Cash at bank and in hand – unrestricted	**1,118**	1,934
Cash at bank and in hand - restricted	**3,784**	3,922
Cash and cash equivalents	**4,902**	5,856

Included within cash at 31 December 2016 was US$3.8 million of restricted cash (31 December 2015: US$3.9 million), representing a US$2.0 million debt service reserve account held in relation to the Ecobank loan (2015: US$2.1 million) and US$1.8 million (2015: US$1.8 million) relating to amounts held on restricted deposit in Burkina Faso for the purposes of environmental rehabilitation work, as required by the terms of the Inata mining licence.

20. TRADE AND OTHER PAYABLES

	31 December 2016 US$000	31 December 2015 US$000
Trade payables	**28,897**	36,059
Corporation tax	**268**	167
Other	**10**	156
Social security and other taxes	**30**	47
Accrued expenses	**7,346**	6,252
Total trade and other payables	**36,551**	42,681

21. OTHER FINANCIAL LIABILITIES

Current financial liabilities	**31 December 2016 US$000**	31 December 2015 US$000
Interest bearing debt	**45,763**	44,987
Finance lease liabilities	**825**	732
Warrants on the Company's own equity	**–**	254
Total current financial liabilities	**46,588**	45,973

Non-current financial liabilities	**31 December 2016 US$000**	31 December 2015 US$000
Interest bearing debt	**8,261**	21,073
Finance lease liabilities	**514**	887
Total non-current financial liabilities	**8,775**	21,960
Total financial liabilities	**55,363**	67,933

Interest bearing debt
On 31 December 2016, the Group had interest bearing debt of US$54.1 million (31 December 2015: US$66.1 million).

Non-current financial liabilities	**31 December 2016 US$000**	31 December 2015 US$000
Elliott loans	**26,396**	22,533
Ecobank loan	**20,444**	31 188
Ecobank VAT facility	**3,101**	4,032
Coris Bank loan	**4,083**	8,307
Finance lease	**1,339**	1,619
Warrants	**–**	254
Total financial liabilities	**55,363**	67,933

Elliott loan

At 31 December 2016 the Company had debts totalling US$26.4million (31 December 2015: US$22.5 million) due to Manchester Securities Corp, an affiliate of Elliott Management (the 'Elliott loans'). The Elliott Loan balance is made up of three individual loans, which are the subject of separate loan agreements, with different interest rates and security, as summarised in the table below:

	First Loan US$000	Second Loan US$000	Third Loan US$000	Total US$000
Principal at 1 January 2016	15,000	1,500	2,450	**18,950**
Accrued interest at 1 January 2016	3,300	169	114	**3,583**
Total Elliott loans due at 1 January 2016	**18,300**	**1,669**	**2,564**	**22,533**
Loans drawn down in period	-	1,550	-	**1,550**
Accrued interest in period	1,655	363	295	**2,313**
Principal at 31 December 2016	15,000	3,050	2,450	**20,500**
Accrued interest at 31 December 2016	4,955	532	409	**5,896**
Total Elliott loans due at 31 December 2016	**19,955**	**3,582**	**2,859**	**26,396**

First Loan

The First Loan was entered into in March 2013. The original repayment date was 31 December 2013. However, the Company was unable to meet this repayment obligation and since this time, the loan has been in default and therefore repayable on demand. The interest rate applicable to this loan is 11 per cent per annum and the loan has been secured against the Company's interests in Tri-K.

Second Loan

The Second Loan began as a US$1.5 million loan that was drawn down in January 2015. This facility was increased by US$0.75 million in January 2016 and again by US$0.8 million in April 2016 in order to provide working capital for corporate and head office activities during 2016. The last tranche of this facility was drawn down on 25 July 2016.

The Second Loan has an interest rate of 14 per cent per annum, is unsecured and is repayable on demand.

Third Loan

The Third Loan was entered into in April 2015 and comprises three tranches, all of which have been fully drawn down in respect of an aggregate amount of US$2.4 million. The loan is secured over a number of Group assets outside Guinea, including almost all shareholdings and intra-group loans, the exploration permits in Burkina Faso (including Souma) and the gold in circuit and in transit at Inata.

The Third Loan has an interest rate of 12 per cent per annum and is repayable on demand.

Ecobank Inata loan

At 31 December 2016, a loan balance of US$20.4 million (2015: US$31.2 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 fixed assets of SMB. Monthly debt service payments of 0.6 billion FCFA (currently equal to approximately 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$2.1 million), be held as a debt service reserve account. Subject to the debt service reserve account requirement, there are no restrictions on SMB's use of loan proceeds or cash flow generated, including the transfer of funds from SMB to Avocet for corporate purposes. The Ecobank loan facility has no hedge requirement.

During 2016, payments totalling US$12.7 million were made in respect of this loan, which was made up of US$10.1 million in loan repayments, US$2.2 million of interest and US$0.4 million in VAT charged on interest. The weighted average interest on the loan during the year was 10.82%.

The facility is recognised at amortised cost and the amounts due within twelve months are included as current US$12.2 million (2015: US$ 12.6 million) with the remaining balance of US$8.3 million (2015: US$18.6 million) included as non-current.

Ecobank VAT advance

Included within current interest bearing debt is a balance of US$3.1 million (2015: US$4.0 million) 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. Net repayments of US$0.8 million were made in 2016, with US$0.1 million of FX movements.

Coris bank Inata loan

On 28 October 2016, the Company agreed a short-term loan of 2.5 billion CFA (US$4.2 million) with Coris Bank International. The proceeds of the loan were used to address temporary working capital shortages at the Inata mine in Burkina Faso following the temporary shutdown in October 2016. The loan amount was provided and held in FCFA, carries a coupon rate of 9% and was repaid in full on 3 April 2017.

On 30 November 2015, the Company entered into another short-term loan of 5.0 billion CFA (US$8.4 million) with Coris, which was repaid in full in July 2016.

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 was 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 was considered a liability rather than equity as the exercise price was quoted in GBP and therefore the cash payment from Elliott would not have been fixed when accounting in the Company's functional currency USD.

The warrant related to 4,000,000 of ordinary shares with a strike price of GBP 0.40. The warrant was valued using a Black-Scholes model based on the 31 December 2013 closing share price of GBP 0.0953. Due to the subsequent fall in the share price, the revaluation of this liability was deemed to be non-material.

3 million warrants expired on 3 June 2016 and the remaining warrants, which, following the 10:1 share consolidation in June 2016, were reduced to 100,000 in number at an increased strike price of GBP4.00, expired on 2 September 2016.

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 Consolidated Statement of Financial Position and capitalised the cost of the fuel storage facility in Mining property and plant.

Gross finance lease liabilities – minimum lease payments	**31 December 2016 US$000**	31 December 2015 US$000
No later than 1 year	**854**	765
Later than 1 year and no later than 5 years	**588**	1,078
Later than 5 years	**–**	–
	1,442	1,843
Future finance charges on finance leases	**(103)**	(224)
Present value of lease liabilities	**1,339**	1,619

Present value of lease liabilities	**31 December 2016 US$000**	31 December 2015 US$000
No later than 1 year	**825**	732
Later than 1 year and no later than 5 years	**514**	887

Later than 5 years	**–**	–
	1,339	1,619

22. DEFERRED TAX

	31 December 2016 US$000	31 December 2015 US$000
Liabilities		
At 1 January	**1,670**	4,614
Deferred tax credit in the year	**(84)**	(2,944)
At 31 December	**1,586**	1,670

During 2016 the Group recorded deferred tax liabilities of US$1.6 million (2015: US$1.7 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.

23. PROVISIONS

	Mine closure US$000	Post-retirement benefits US$000	Staff provisions US$000	Royalties US$000	Total US$000
At 1 January 2016	**6,649**	**164**	–	–	**6,813**
Reclassification from Trade Creditors				5,578	5,578
Amounts (reversed)/provided during the year	(1,866)	(93)	3,028	2,244	3,313
At 31 December 2016	**4,783**	**71**	**3,028**	**7,822**	**15,704**

Mine closure provisions represent management's best estimate of the cost of mine closure at its operation in Burkina Faso.

The provision has reduced as a result of revisions in the various assumptions pertaining to the categories of the provision. A decision was taken to reduce the re-vegetation from 100% of an area down to 10% as to re-vegetate 100% of the area is considered unsustainable due to the harsh climate of the area. Another decision was the proposal not to decommission the dam situated in the Gomdé area, as the body of water created by this feature provides a vital source of irrigation and fishing for local communities.

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.

Staff provisions of US$3.0 million include a provision for untaken leave and for unpaid entitlements (currently the subject of ongoing legal action).

The royalty provision represents amounts that have not been paid in respect of a 2.5% royalty in favour of Royal Gold Inc over production from the Inata mine, US$5.6 million of which had been included under Trade Creditors at 31 December 2015. The Company paid royalties under this agreement until July 2015, after which the legal validity of the agreement was challenged by the Burkina Faso government, who have refused to permit payments to be made from the Inata mine's operating company in respect of this royalty, which they believe to be invalid. Notwithstanding the previous payments made to Royal Gold, the status of this royalty agreement is uncertain. The royalty agreement itself was Resolute West Africa Ltd ('RWAL'), a subsidiary of the Group which holds 90% of the shares in Société des Mines de Bélahouro SA (which owns the Inata mine) and 100% of the shares in Goldbelt Resources West Africa SARL (which holds the Burkinabe exploration permits). The royalty is the subject of a guarantee from Wega Mining Inc, a dormant Canadian subsidiary of the Group which has held no assets since before the Group's acquisition of Wega Mining AS in 2009. Wega Mining Inc was formerly the parent entity of RWAL, but was restructured in 2008.

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 2016. The main assumptions used by the actuary were as follows:

	31 December 2016	31 December 2015
Rate of increase for pensions in payment	**0.0%**	0.0%
Discount rate	**5.6%**	5.8%
Inflation	**3.0%**	3.0%

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

	US$000	US$000
Cash	**299**	314
Present value of scheme liabilities	**(370)**	(376)
Deficit in scheme	**(71)**	(62)
Rate of return	**0.0%**	0.0%

24. FINANCIAL INSTRUMENTS

Categories of financial instrument:

	31 December 2016		31 December 2015	
	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 - unrestricted	**–**	**1,118**	–	1,934
Cash and cash equivalents – unrestricted	**–**	**3,784**	–	3,922
Other financial assets	**–**	**–**	–	–
Total Financial Assets	**–**	**4,902**	–	5,856
Financial liabilities				
Trade and other payables	**–**	**36,551**	–	42,681
Interest bearing borrowings	**–**	**54,024**	–	66,060
Finance lease liabilities	**–**	**1,339**	–	1,619
Warrants on the Company's own equity	**–**	**–**	254	–
Total Financial Liabilities	**–**	**91,914**	254	110,360

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 2016 US$000	31 December 2015 US$000
Cash and cash equivalents - unrestricted	**1,118**	1,934
Cash and cash equivalents – restricted	**3,784**	3,922
	4,902	5,856

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 2016 US$000	31 December 2015 US$000
Trade payables	**28,897**	36,059
Other short-term financial liabilities	**46,588**	45,719
Current financial liabilities (due less than one year)	**75,485**	81,778
Non-current financial liabilities (due greater than one year)	**8,775**	21,960
	84,260	103,738

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 2016 US$000**	Weighted average interest rate %	At 31 December 2015 US$000
Cash and cash on hand	**0.0**	**4,902**	0.0	5,856
Short-term deposits	**n/a**	**–**	n/a	–
Cash and cash equivalents	**0.0**	**4,902**	0.0	5,856
Interest bearing debt	**9.41**	**(54,024)**	9.56	(66,060)
Net debt		**(49,122)**		(60,204)

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$0.5 million in the year (31 December 2015: US$0.7 million).

Foreign currency risk

The Group's cash balances at 31 December 2016 and 31 December 2015 consisted of the following currency holdings:

	At 31 December 2016 US$000	At 31 December 2015 US$000
Sterling	**38**	73
US dollars	**5**	97
Guinean Francs	**3**	–
Francs de la Communauté Financière d'Afrique ('FCFA')	**4,856**	5,686
	4,902	5,856

The Group's loan balances at 31 December 2016 and 31 December 2015 consisted of the following currency holdings:

	At 31 December 2016 US$000	At 31 December 2015 US$000
US dollars	**26,395**	22,533
Francs de la Communauté Financière d'Afrique ('FCFA')	**27,629**	43,527
	54,024	66,060

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 3% (2015: 4%) against the US dollar in the year. It is estimated that without this weakening, profit would have been US$1.9 million (2015: US$2.4 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

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

25. 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.

26. 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 2016		31 December 2015	
	Number	**Weighted average award value (£)**	Number	Weighted average award value (£)
Outstanding at the beginning of the period	–	–	1,260,000	0.07
Granted during the period	–	–	–	–
Exercised during the period	–	–	–	–
Cancelled or expired during the period	–	–	(1,260,000)	0.07
Outstanding at the period end	–	–	–	–
Exercisable at the period end	–	–	–	–

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 2016		31 December 2015	
	Number	**WAEP (£)**	Number	WAEP (£)
Outstanding at the beginning of the period	**3,144,917**	**0.61**	5,405,405	0.69
Granted during the period	**–**	**–**	–	–
Exercised during the period	**–**	**–**	–	–
Cancelled or expired during the period	**(151,992)**	**0.81**	(2,260,488)	0.81
Adjustment as a result of the share consolidation	**(2,830,425)**			
Outstanding at the period end	**162,500**	**0.81**	3,144,917	0.61
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
18/03/2010	3	18/03/2013	4	2.42%	10.50	55.86%	0.47	37,500
23/05/2011	0.75	21/02/2012	2.75	1.46%	21.93	53.98%	0.57	3,000
23/05/2011	1.75	21/02/2013	3.75	1.88%	21.93	53.98%	0.69	3,000
23/05/2011	2.75	21/02/2014	4.75	2.25%	21.93	53.98%	0.79	3,000
12/03/2012	3	12/03/2015	5	1.02%	22.97	45.80%	0.76	16,000
01/08/2012	3	01/08/2015	5	0.59%	7.50	56.47%	0.25	25,000
08/03/2013	3	08/03/2013	3	0.41%	2.35	47.22%	0.03	75,000
								162,500

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$24k related to share based payment transactions during the year (US$0.4 million in the year ended 31 December 2015).

Further details of the PSP and Share Option Plan are provided in the Remuneration Report on pages 36 to 45.

27. 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 2016 US$000	31 December 2015 US$000
Exchange losses/(gains) in operating activities	**903**	(2,559)
Exchange gains in finance items	**(985)**	(3,136)
Finance expense	**5,266**	6,316
Movement in provisions and other non-cash items	**(2,030)**	788
Other non-operating items in the income statement	**3,154**	1,409

28. SHARE CAPITAL

	31 December 2016		31 December 2015	
	Number	**US$000**	Number	US$000
Authorised:				
Ordinary share of 1p (2015 5p)	**80,000,000**	**1,395**	800,000,000	69,732
Deferred shares of 4.9p	**800,000.000**	**68,337**	–	–
Total	**880,000,000**	**69,732**	800,000,000	69,732
Allotted, called up and fully paid:				
Ordinary shares	**20,949,671**	**341**	209,496,710	17,072
Deferred shares	**209,496,710**	**16,731**	–	
Closing balance	**230,446,381**	**17,072**	209,496,710	17,072

On 10 June 2016, the Company's share capital was subdivided from 209,496,710 ordinary shares of 5p each into 209,496,710 intermediate shares of 0.1p each and 209,496,710 deferred shares of 4.9p each.

On the same day the Company consolidated the intermediate ordinary shares on 1 0:1 basis and the intermediate ordinary shares were re-designated as 1 new ordinary share of 1p each.

The deferred shares have no rights to vote, attend or speak at general meetings of the Company or to receive any dividend or other distribution and have no valuable economic rights to participate in any return of capital on a winding up or liquidation of the Company.

29. OTHER RESERVES

	Merger reserve US$000	Investment in own and treasury shares US$000	Foreign exchange US$000	Total US$000
At 31 December 2014	19,901	(1,845)	(161)	17,895
Movement in year	–	–	–	–
At 31 December 2015	**19,901**	**(1,845)**	**(161)**	**17,895**
Movement in year	–	–	–	–
At 31 December 2016	**19,901**	**(1,845)**	**(161)**	**17,895**

In 2016, the Company allotted no new shares to the EBT. No shares were released from the EBT in the year.

At 31 December 2016, the Company held 33,620 own shares (of which 33,430 were held in the EBT and 190 were held in the Share Incentive Plan).

At 31 December 2016, the Company held 44,200 treasury shares. During 2016, no shares were issued by the Company from treasury shares.

30. CONTINGENT LIABILITIES

There were no Contingent liabilities at 31 December 2016 (2015: US$ nil).

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, 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 disagreed that there was any such breach and initiated arbitration in the English courts to have any such claim dismissed.

The arbitration hearing took place in London in January 2015 and the verdict was delivered in December 2015. Although the verdict was partial and certain areas remained unresolved, the Company does not believe there to be any further contingent liabilities with regard to the arbitration.

No further developments in respect of this case have taken place since the arbitration verdict and the Company believes it is highly unlikely that any successful action can now be brought against it by PT LT.

Claim for Repayment of VAT

In March 2016, the Company received notification from HM Revenue and Customs that its VAT registration status had been challenged on the grounds that its management fees were not considered taxable supplies due to not having been fully settled in cash. The Company believes that these were valid taxable supplies in respect of bona fide services performed by Avocet Mining PLC on behalf of its subsidiaries (notably the Inata gold mine) and the non-payment was the result of temporary cashflow shortages and other restrictions in connection with its subsidiary's loan facilities. In the event that the VAT registration were to be held to be invalid (which the Board considers a remote possibility), the total VAT reclaimed that would be repayable by the Company would be approximately £950k (US$1.4 million).

31. CAPITAL COMMITMENTS

At 31 December 2016, the Group had entered into no contractual commitments for the acquisition of property, plant and equipment of (31 December 2015: US$ nil).

32. OPERATING LEASE COMMITMENTS

Operating lease commitments	**At 31 December 2016 US$000**	At 31 December 2015 US$000
Due within one year	**116**	379
After one year but within two years	**63**	-
After two years but within five years	**-**	-
	179	379

Operating lease payments represent rentals payable by the Group for offices and employee housing.

33. EVENTS AFTER THE REPORTING PERIOD

On 3 April 2017, David Cather stepped aside as Chief Executive Officer and Boudewijn Wentink was appointed in his stead with immediate effect. At the same date, it was announced that Jim Wynn would be standing down on 30 April 2017 as Finance Director. Yolanda Bolleurs was appointed as Chief Financial Officer on 3 April 2017.

On 3 April 2017, D Cather became Technical Director and from 1 May 2017, J Wynn became a Non-executive Director.

In April 2017, discussions started with trade creditors, banks and government to stabilize Inata and with a view to restructure its debts. In this process a key step was achieved on 31 May 2017: Inata, its major trade and financial creditors (together representing approximately seventy per cent of Inata's debt) agreed the terms of a standstill agreement for the duration of two months as strategic options are being explored in connection with a financial, debt and corporate restructuring of the company. All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution, however, inevitably, there can be no guarantee that these negotiations will prove successful.

Avocet received the decree signed by the Guinean President ratifying the Mining Convention for the Tri-K project in May. Following this, the so-called 'First Closing' was completed on 22 May 2017 and the Company received from Managem US$4 million for 40 per cent of its interest in the project.

34. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2016 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 2016	**Charged in the year US$000**	**Balance at 31 December 2016 US$000**	**Charged in the year US$000**	**Balance at 31 December 2016 US$000**
Société des Mines de Bélahouro SA (90%)	**753**	**135,961**	**–**	**58,079**

	Avocet Mining PLC		Wega Mining AS	
Year ended 31 December 2015	Charged in the year US$000	Balance at 31 December 2015 US$000	Charged in the year US$000	Balance at 31 December 2015 US$000
Société des Mines de Bélahouro SA (90%)	770	137,451	–	58,079

During 2016 an amount of £250 (approximately US$308) was paid to H Wynn, spouse of J Wynn, in respect of accounting services to the Company.

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

No dividends were received by Directors during 2015 or 2016 in respect of shares held in the Company.

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 2014. 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 2016 (Unaudited)	Q2 2016 (Unaudited)	Q3 2016 (Unaudited)	Q4 2016 (Unaudited)	2016 (Audited)	2015 (Audited)
Gold produced (oz)	20,528	21,086	17,694	13,177	72,485	74,755
Total cash production cost (US$000)	18,986	19,032	18,532	13,471	70,021	79,090
Total cash production cost (US$/oz)	*925*	*903*	*1,047*	*1,022*	*966*	*1,058*
Other costs of sales (US$000)	1,499	982	803	2,812	6,096	(426)
Foreign exchange (US$000)	330	588	334	(349)	903	(2,559)
Sustaining capital expenditure (US$000)	98	51	–	–	149	3,793
Share based payments (US$000)	6	6	6	6	24	414
Administrative expenses (US$000)	465	489	595	548	2,097	2,061
All-in Sustaining Costs (US$000)	21,384	21,148	20,270	16,488	79,290	82,373
All-in Sustaining Costs (US$/oz)	*1,042*	*1,003*	*1,146*	*1,251*	*1,094*	*1,102*

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 2016 results by quarter. This analysis has not been audited and does not form part of the statutory financial statements.

	Q1 2016 (Unaudited) US$000	Q2 2016 (Unaudited) US$000	Q3 2016 (Unaudited) US$000	Q4 2016 (Unaudited) US$000	**2016 (Audited) US$000**	2015 (Audited) US$000
Revenue	**25,649**	**26,196**	**26,109**	**11,650**	**89,604**	**85,038**
Cost of sales	**(20,476)**	**(23,731)**	**(17,529)**	**(14,808)**	**(75,965)**	**(89,933)**
Cash production costs:						
– mining	(5,969)	(6,281)	(6,125)	(3,506)	**(21,881)**	(23,772)
– processing	(7,702)	(7,311)	(7,379)	(5,484)	**(27,876)**	(34,492)
– overheads	(3,766)	(3,439)	(3,216)	(3,557)	**(13,978)**	(15,256)
– royalties	(1,549)	(2,001)	(1,812)	(924)	**(6,286)**	(5,570)
	(18,986)	(19,032)	(18,532)	(13,471)	**(70,021)**	(79,090)
Changes in inventory	141	(3,657)	1,821	1,534	**(161)**	(5,895)
Expensed exploration and other cost of sales	(1,499)	(982)	(803)	(2,812)	**(6,096)**	426
Depreciation and amortisation	(132)	(60)	(15)	(59)	**(266)**	(5,374)
Gross profit/(loss)	5,173	2,465	8,580	(3,158)	**13,060**	(4,895)
Administrative expenses	(465)	(489)	(595)	(548)	**(2,097)**	(2,061)
Share based payments	(6)	(6)	(6)	(6)	**(24)**	(414)
Transaction costs	–	–	–	(1,475)	**(1,475)**	–
Net impairment of assets	–	–	–	–	–	(45,148)
Profit/(loss) from operations	4,702	1,970	7,979	(5,187)	**9,464**	(52,518)
Finance items						
Exchange (losses)/gains	(777)	617	(586)	1,731	**985**	3,136
Finance expense	(1,512)	(1,109)	(1,187)	(1,363)	**(5,171)**	(6,316)
Finance income	–	–	–	–	**–**	**–**
Profit/(loss) before taxation	**2,413**	**1,478**	**6,206**	**(4,819)**	**5,278**	**(55,698)**
Analysed as:						
Profit/(loss) before taxation and exceptional items	2,413	1,478	6,206	(2,544)	**7,553**	(10,550)
Exceptional items	–	–	–	(2,275)	**(2,275)**	(45,148)
Taxation	–	(79)	(135)	(269)	**(483)**	5,993
Profit/(loss) for the period	**2,413**	**1,399**	**6,071**	**(5,088)**	**4,795**	**(49,705)**
Attributable to:						
Equity shareholders of the parent company	2,078	1,149	5,318	(4,922)	**3,623**	(45,732)
Non-controlling interest	335	250	753	(166)	**1,172**	(3,973)
	2,413	**1,399**	**6,071**	**(5,088)**	**4,795**	**(49,705)**
EBITDA	**4,834**	**2,030**	**7,994**	**(2,853)**	**12,005**	**(1,996)**

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

Our opinion on the financial statements is unmodified

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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 financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 39 to the parent company's financial statements concerning the parent company's ability to continue as a going concern.

The Company and the group are reliant on the continuing support from an affiliate of Elliott Associates, the Company's largest shareholder, however, should Elliott request the repayment of these loans, the Company would be obliged at short notice to seek alternative funding, which the Directors believe would be a considerable challenge.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the parent company was unable to continue as a going concern.

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.

What we have audited

Avocet Mining PLC's parent company financial statements comprise the company balance sheet, the company statement of changes in equity and the related notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice including FRS 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

In our opinion, based on the work undertaken in the course of the audit:

- 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 Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

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.

Other matter

We have reported separately on the group financial statements of Avocet Mining PLC for the year ended 31 December 2016. That report includes a qualified opinion in relation to inventory and an emphasis of matter in relation to going concern and the carrying value of assets in Burkina Faso.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
6 June 2017

Company balance sheet

At 31 December 2016

	Note	At 31 December 2016 US$000	At 31 December 2015 US$000
Fixed assets			
Tangible assets	41	**–**	–
Shares in Group undertakings	42	**18,800**	18,800
		18,800	18.800
Current assets			
Debtors due within one year	43	**299**	134
Cash at bank and in hand		**41**	168
		340	302
Creditors: amounts falling due within one year	44	**(29,803)**	(24,644)
Net current liabilities		**(29,463)**	(24,342)
Total assets less current liabilities		**(10,663)**	(5,542)
Net liabilities		**(10,663)**	(5,542)
Capital and reserves			
Called up share capital	45	**17,072**	17,072
Share premium account	46	**146,391**	146,391
Investment in own shares	47	**(169)**	(169)
Investment in treasury shares	48	**(1,676)**	(1,676)
Profit and loss account		**(172,281)**	(167,160)
Equity shareholders' funds		**(10,663)**	(5,542)

During the year the Company made a loss of US$5.1 million (2015: US$14.9 million).

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

RP Edey **BJ Rourke**

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

6 June 2017

Avocet Mining PLC is registered in England No. 03036214

Company statement of changes in equity

At 31 December 2015

	Share capital US$000	Share premium US$000	Investment in own shares and treasury shares US$000	Profit and loss account US$000	Total equity US$000
At 1 January 2015	**17,072**	**146,391**	**(1,845)**	**(152,670)**	**8,948**
Loss for the year	–	–	–	(14,904)	(14,904)
Total comprehensive income for the year	–	**–**	**–**	**(14,904)**	**(14,904)**
Share based payments	–	–	–	414	414
At 31 December 2015	**17,072**	**146,391**	**(1,845)**	**(167,160)**	**(5,542)**
Loss for the year	–	–	–	(5,145)	(5,145)
Total comprehensive income for the year	–	**–**	**–**	**(5,145)**	**(5,145)**
Share based payments	–	–	–	24	24
At 31 December 2016	**17,072**	**146,391**	**(1,845)**	**(172,281)**	**(10,663)**

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

Avocet Mining PLC Company financial statements have been prepared in accordance with Financial Reporting Standard 101 “Reduced disclosure framework”, (FRS 101), for all periods presented. This differs from the Group financial statements which are prepared under IFRS.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- Share-based payments
- Financial instruments
- Capital management
- Presentation of comparative information in respect of certain assets
- Presentation of an income statement
- Presentation of a cashflow statement
- Standards not yet effective
- Impairment of assets
- Related party transactions

The principal accounting policies which differ to those set out in note 3 to the consolidated financial statements are noted below.

During the year the Company made a loss of US$5,145 (2015: US$14,904).

Going concern

Continued financial support from Elliott

The Company has the following loans, which totalled US$27.4 million on 29 May 2017, due to an affiliate of Elliott Associates, its largest shareholder:

1. First Loan - taken out in March 2013, under which US$20.5 million was outstanding at 26 April 2017, comprising US$15.0 million principal and US$5.5 million accrued interest. The first loan was due on 31 December 2013 and is secured against the Tri-K asset in Guinea;
2. Second Loan - unsecured demand loan of US$3.7million consisting of US$3.05 million principal plus accrued interest of US$0.6 million. The initial US$1.5 million was drawn down in January 2015 and a further US$0.75 million was drawn down in three equal tranches between January and March 2016 and a further US$0.8 million was drawn down in four equal tranches between April and July 2016; and
3. Third Loan - demand loan of US$3.0 million consisting of US$2.5 million principal plus accrued interest of US$0.5 million. The initial US$2.05 million was drawn down in August 2015 (of which US$1.55 million was used to repay a previous unsecured loan) and a further US$0.4 million was drawn down between September and October 2015. These amounts are secured over a range of Group assets including intragroup loans, shares in subsidiaries and over the gold in circuit and gold in transit of the Inata gold mine.

The First Loan was entered into in March 2013 in order to finance the Tri-K project Feasibility Study in Guinea. It had been intended to repay this facility by 31 December 2013 using cashflows from the Inata gold mine, however a fall in the gold price combined with production difficulties meant that this was not possible. Since 1 January 2014, the facility has been in default and is therefore repayable on demand.

The Second Loan and the Third Loan were drawn down over the course of 2015 and into 2016 and were used to provide funding for corporate and administrative activities in London and in Guinea.

All of these loans are repayable on demand and if repayment was requested by Elliott, the Company would have considerable difficulty in raising external financing needed to settle these amounts in full.

Since 2014, the cashflow shortages resulting from gold prices and lower production at the Inata mine meant the Company has relied primarily on loan financing from Elliott in order to meet its running costs of its head office and Guinea administrative functions.

These loans represent short-term facilities with high interest rates (between 11% and 14%). In order to become financially secure, the Company will need to negotiate a restructuring of these loans with Elliott.

Accordingly, the Company is reliant on the continuing support of the Elliott Lender.

In addition, the interest burden of the Elliott Loans, which is in excess of US$200k per month, cannot currently be met out of Company funds and therefore it will be necessary to restructure these loans in order to put the Company on a sustainable financial footing. Negotiations with Elliott in this regard have not yet commenced, as any solution will need to take into consideration the investment of any external financier who may be interested in investing in some or all of the Group's assets.

Notwithstanding the need to restructure the terms of these loans, the Company believes funds generated through its interest in Tri-K to be the most likely means of repaying its debts to Elliott. It is not yet possible to be certain as to the means through which this repayment might be achieved, however possibilities include:

- the raising of significant external finance for the construction of Tri-K (in order to avoid dilution of Avocet's 30% interest), which might allow a restructuring of the current debt facilities with Elliott;
- Use of proceeds of the sale of Avocet's interest in the project to repay Elliott;
- Application of intra-group loans and dividend payments from Tri-K once it enters into production.

Should Elliott request the repayment of these loans, the Company would be obliged at short notice to seek alternative funding, which would be a considerable challenge. However, management do not believe Elliott currently intend to demand repayment of their loans.

Head office creditors

Apart from the Elliott Loans, the head office creditors are primarily advisers whose fees relate to the Tri-K deal and directors' fees. These creditors understood that they will be repaid on receipt of the proceeds of the Tri-K disposal and were prepared to await this event.
Avocet received the decree signed by the Guinean President ratifying the Mining Convention for the Tri-K project early May. Following this, the so-called 'First Closing' was completed on 22 May and the Company received from Managem USD 4 million for 40 per cent of its interest in the project.

The Company relied until recently on management fees out of the Inata mine, however as the mine is experiencing operational and cashflow issues, it is not certain that funds will be available to settle management fees in the near future and therefore will need to rely on the money received from Managem. After payment of the outstanding Tri-K obligations and current Head Office obligations, the company has funds available to fund Head Office costs and invest in SMB's restructuring in return for an opportunity for it and its shareholders to participate in the Avocet business going forward..

Gold price

The profitability of both the Tri-K project and the Inata gold mine (including surrounding deposits) depends on the gold price.

The cash costs at Inata during 2016 and into 2017 have ranged between US$900 and US$1,100 per ounce and therefore a modest fall in gold prices from current levels would result in margins becoming extremely tight, which would make the servicing of the mine's debts and creditors challenging.

The Company has no control over the gold price and is not in a position to enter into any hedging arrangements in view of its financial difficulties.

The sensitivities of Tri-K's cashflows to different gold prices cannot be determined with any confidence before the completion of its BFS, however, as with any gold mine, its profitability and value are likely to be heavily dependent on the gold price.

In financial forecasts, the Company uses US$1,200 per ounce. The Board believes this to be a reasonable long term price, in line with market consensus forecasts.

Nevertheless, it remains clear that a sustained fall in the gold price would put severe pressure on the operations at Inata and would also threaten the economic viability of the Tri-K project – as well as the Avocet Group as a whole.

Support from Inata's creditors

The Inata gold mine at 21 April 2017 had approximately US$28 million in trade creditors and a further US$26 million in bank and other debt facilities. Many of the balances owing to suppliers are overdue and the mine has faced a number of demands to bring balances within credit limits.

There have been a number of recent interruptions to critical supplies, which have temporarily affected mining or production. Other creditors might also refuse to allow critical supplies to be delivered to the mine, or might otherwise initiate legal action that could disrupt operations.

In order to stabilise production and avoid interruptions to supplies which have affected ongoing operations over the past few months, the mine needs to spend US$3-5 million urgently on inventories and spare parts, either out of funds generated from operations or from third party investment.

Inata's management have spent a considerable amount of time discussing the mine's predicament with key suppliers, pointing to the fact that the best means to ensure creditors are repaid is to allow supplies to continue to be made and for the mine to produce gold.

Nevertheless, the current life of mine plan, which shows production running until the end of 2019, indicates that in the absence of a very significant near-term increase in the gold price, the mine will not be able to repay all of its creditors. However, as long as the mine forecasts indicate that it is able to generate cashflow from its ongoing activities, these funds can be used to reduce the mine's indebtedness, which is likely to be a considerably better outcome for creditors than closing the mine and putting its operating company into a form of insolvency.

The threat of creditor action and the risk to ongoing production, represents a material uncertainty as to the ability of Inata to continue as a going concern.

In relation to Burkina Faso, and in particular Inata, the immediate priority is to negotiate continued support from creditors to allow operations to continue. The carrying value of all assets held in Burkina Faso assumes a successful outcome, if there is not a successful outcome to negotiations with all stakeholders at Inata, operations may not be able to continue and hence assets in Burkina Faso would need to be impaired in full. This will represent a considerable challenge, with compromises needed from all stakeholders, with there being no guarantee of a successful outcome. These conditions indicate the existence of a material uncertainty that may cast significant doubt over the group's ability to continue as a going concern and of the carrying value of assets in Burkina Faso.

In the event that the mine was unable to continue and the insolvency of its operating company is unavoidable, it is possible that Avocet may be able to realise value from its interest in the exploration permits, particularly Souma. However even in the event that this were not possible, none of the debts in the Group's Burkina Faso entities have any recourse to the Company's interests in Guinea or in the UK, therefore as the Company has obtained funds to cover head office operating costs (from the proceeds of First Closing from the Tri-K divestment), then the loss of the Group's Burkinabe assets would not necessarily lead to the insolvency or discontinuation of the rest of the Group.

On 31 May 2017 SMB, its major trade creditors and its bank (together representing approximately seventy per cent of SMB's debt) have agreed the terms of a standstill agreement for the duration of two months as strategic options are being explored in connection with a financial, debt and corporate restructuring of the company.
Pursuant to this agreement SMB's major trade creditors and its bank shall refrain from exercising their rights and remedies and taking any legal action to protect and preserve such rights and remedies, in relation to the outstanding debts. SMB agreed to a payment scheme for deliveries of services and goods during the standstill period that provides for payments thereof in sync with the receipt of the gold proceeds by SMB.
All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution.

Souma permit

The future of the Inata gold mine beyond 2019 will rely upon the successful completion of a Feasibility Study for the Souma deposit, located 20km north-east of the Inata plant.

The work needed to complete the study, which is expected to cost between US$5-7 million, must be completed in order for an application for a mining permit to be submitted by July 2018.

The Company is currently in negotiation with its financiers with regards to the funding of this activity. However, until any financing package is negotiated, there can be no guarantee that this funding will be made available.

Conclusion

The above areas of risk represent material uncertainties that may cast significant doubt over the ability of the Company to continue as a Going Concern and that it may be unable to realise all of its assets and discharge all of its liabilities in the normal course of business. Nevertheless, the Directors have a reasonable expectation that these risks can be managed, or will not come to pass and accordingly the Financial Statements have been prepared on a Going Concern basis and do not include the adjustments that would result if the Company were unable to continue as a Going Concern.

Investments in subsidiaries
Investments are included at cost less amounts written off.

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 2016 US$000	31 December 2015 US$000
Auditor's remuneration		
– audit – Company	**12**	12
Non-audit services		
– tax compliance services	**13**	18
– Tax advisory services	**17**	-
– all services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	**62**	-
Operating lease charges	**142**	208

41. TANGIBLE ASSETS

	Office and IT equipment US$000	Total US$000
Cost		
At 1 January 2016	1,119	1,119
At 31 December 2016	**1,119**	**1,119**
Depreciation		
At 1 January 2016	1,119	1,119
At 31 December 2016	**1,119**	**1,119**
Net book value at 31 December 2016	**–**	**–**
Net book value at 31 December 2015	–	–

All fixed assets were impaired to nil during 2013. No fixed assets were acquired during 2016 or 2015.

42. SHARES IN GROUP UNDERTAKINGS

Subsidiary undertakings	**31 December 2016 US$000**	31 December 2015 US$000
Cost		
At 1 January	**18,800**	28,072
Impairment	**–**	(9,272)
At 31 December	**18,800**	18,800
Net book value at 31 December	**18,800**	18,800

In 2016, following a review of the underlying valuation of its assets, no impairment was recognised against the Company's investment in Wega Mining AS shares (2015: US$9.3 million).

Shares in Wega Mining AS are pledged in favour of Manchester Securities Corp.

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

				Percentage of ordinary share capital held by	
Name of entity	Nature of business	Country of registration or incorporation & operation	Class of share capital held	Company	Group
Société des Mines de Bélahouro SA	Gold mining	Burkina Faso	Ordinary	–	90%
Goldbelt Resources West Africa SARL	Gold exploration	Burkina Faso	Ordinary	–	100%
Wega Mining Guinée SA	Gold exploration	Guinea	Ordinary	–	100%

This information is given only in respect of undertakings as are mentioned in s410 (2) of the Companies Act 2006.

43. DEBTORS DUE WITHIN ONE YEAR

	31 December 2016 US$000	31 December 2015 US$000
Due within one year		
Amounts owed by Group undertakings	**–**	–
Other debtors	**243**	53
Prepayments	**56**	81
	299	134

Following a review of the valuation of its underlying assets, the Company recognised an impairment of US$0.5 million against loans due from Group undertakings in the year. Prior to impairments, these loans had a book value of US$262.5 million, however the impairment in 2016, on top of impairments in previous years, have brought their carrying value to nil. Amounts owed to the Company by its subsidiaries are secured in favour of Manchester Securities Corp.

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

	31 December 2016 US$000	31 December 2015 US$000
Other taxes and social security	**30**	47
Other financial liabilities	**27,533**	22,964
Accruals and deferred income	**2,240**	1,633
	29,803	26,644

Other financial liabilities include a loan of US$26.4 million due to Manchester Securities Corp (an affiliate of Elliott) and a US$0.1 million pension liability relating to ATI, Avocet's former operations in the USA.

45. SHARE CAPITAL

	31 December 2016 Number	31 December 2016 US$000	31 December 2015 Number	31 December 2015 US$000
Authorised:				
Ordinary share of 1p (2015 5p)	**80,000,000**	**1,395**	800,000,000	69,732
Deferred shares of 4.9p	**800,000,000**	**68,337**	–	–
Allotted, called up and fully paid:				
Ordinary shares	**20,949,671**	**341**	209,496,710	17,072
Deferred shares	**209,496,710**	**16,731**	–	–
Closing balance	**230,446,381**	**17,072**	209,496,710	17,072

On 10 June 2016, the Company's share capital was subdivided from 209,496,710 ordinary shares of 5p each into 209,496,710 intermediate shares of 0.1p each and 209,496,710 deferred shares of 4.9p each.

On the same day the Company consolidated the intermediate ordinary shares on a 10:1 basis and the intermediate ordinary shares were re-designated as 1 new ordinary share of 1p each.

The deferred shares have no rights to vote, attend or speak at general meetings of the Company or to receive any dividend or other distribution and have no valuable economic rights to participate in any return of capital on a winding up or liquidation of the Company.

46. SHARE PREMIUM

	31 December 2016 US$000	31 December 2015 US$000
At 1 January	**146,391**	146,391
At 31 December	**146,391**	146,391

47. INVESTMENT IN OWN SHARES AND TREASURY SHARES

	31 December 2016 US$000		31 December 2015 US$000	
	Own shares US$000	**Treasury shares US$000**	Own shares US$000	Treasury shares US$000
At 1 January	**169**	**1,676**	169	1,676
At 31 December	**169**	**1,676**	169	1,676

In 2016 and 2015, the Company allotted no new shares to the EBT. No shares were released from the EBT in 2016 or 2015.

At 31 December 2016, the Company held 33,620 Own Shares (of which 33,430 were held in the EBT and 190 were held in the Share Incentive Plan).

During 2016 and 2015, no shares were issued by the Company from Treasury shares. At 31 December 2016, the Company held 44,200 Treasury shares.

48. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2016 between the Company and Group companies that were not wholly-owned, in respect of management fees and interest on loans:

	Year ended 31 December 2016		Year ended 31 December 2015	
Year ended 31 December 2016	**Charged in the year US$000**	**Balance at 31 December 2016 US$000**	Charged in the year US$000	Balance at 31 December 2015 US$000
Société des Mines de Bélahouro SA (90%)	**753**	**135,961**	770	137,451

During 2016 an amount of £250 (approximately US$308) was paid to H Wynn, spouse of J Wynn, in respect of accounting services to the Company.

No dividends were received by Directors during 2015 or 2016 in respect of shares held in the Company.

49. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2016 or 31 December 2015.

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, 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 disagreed that there was any such breach and initiated arbitration in the English courts to have any such claim dismissed.

The arbitration hearing took place in London in January 2015 and the verdict was delivered in December 2015. Although the verdict was partial and certain areas remained unresolved, the Company does not believe there to be any further contingent liabilities with regard to the arbitration.

Claim for Repayment of VAT

In March 2016, the Company received notification from HM Revenue and Customs that its VAT registration status had been challenged on the grounds that its management fees were not considered taxable supplies due to not having been fully settled in cash. The Company believes that these were valid taxable supplies in respect of bona fide services performed by Avocet Mining PLC on behalf of its subsidiaries (notably the Inata gold mine) and the non-payment was the result of temporary cashflow shortages and other restrictions in connection with its subsidiary's loan facilities. In the event that the VAT registration were to be held to be invalid (which the Board considers a remote possibility), the total VAT reclaimed that would be repayable by the Company would be approximately £285k

(US$351K).

50. CAPITAL COMMITMENTS
There were no capital commitments at 31 December 2016 or 31 December 2015.

51. POST BALANCE SHEET EVENTS

On 3 April 2017, David Cather stepped aside as Chief Executive Officer to become Technical Director, with Boudewijn Wentink appointed in his stead with immediate effect. On 30 April 2017 Jim Wynn stood down as Finance Director and became a Non-executive Director. Yolanda Bolleurs was appointed as Chief Financial Officer on 3 April 2017.

In April 2017, discussions started with trade creditors, banks and government to stabilize Inata and with a view to restructure its debts. In this process a key step was achieved on 31 May 2017: Inata, its major trade and financial creditors (together representing approximately seventy per cent of Inata's debt) agreed the terms of a standstill agreement for the duration of two months as strategic options are being explored in connection with a financial, debt and corporate restructuring of the company. All stakeholders (including financial creditors, shareholders, government, key operational stakeholders and employees) will need to contribute to achieve a consensual restructuring solution, however, inevitably, there can be no guarantee that these negotiations will prove successful.

Avocet received the decree signed by the Guinean President ratifying the Mining Convention for the Tri-K project in May. Following this, the so-called 'First Closing' was completed on 22 May 2017 and the Company received from Managem US$4 million for 40 per cent of its interest in the project.

There were no other material post balance sheet events.

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, Peel Hunt LLP, Cenkos Securities PLC, Jefferies, Winterflood Securities and the Knight Capital Group.

HISTORICAL SHARE PRICES:

Quarter Ended	High pence	Low pence
31 March 2016	4.29	4.05
30 June 2016	89	84.5
30 September 2016	92	90.52
31 December 2016	54.5	52.19

Closing price:	
31 December 2016	54.25

Total number of shares in issue:	
31 December 2015	209,496,710
31 December 2016	**20,949,671**

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

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Boudewijn Wentink – Chief Executive Officer
David Cather – Technical Director

Non-executive directors
Russell Edey – Chairman
Barry Rourke
Gordon Wylie
Jim Wynn

Company Secretary and registered office
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Bankers
Barclays Bank PLC
Ecobank Burkina SA
Coris Bank SA

Stockbrokers
J.P. Morgan Cazenove Ltd

Auditor
Grant Thornton UK LLP

Solicitors
Fieldfisher LLP