



Avocet Mining

Q2 Results and Inata Update

5 August 2014

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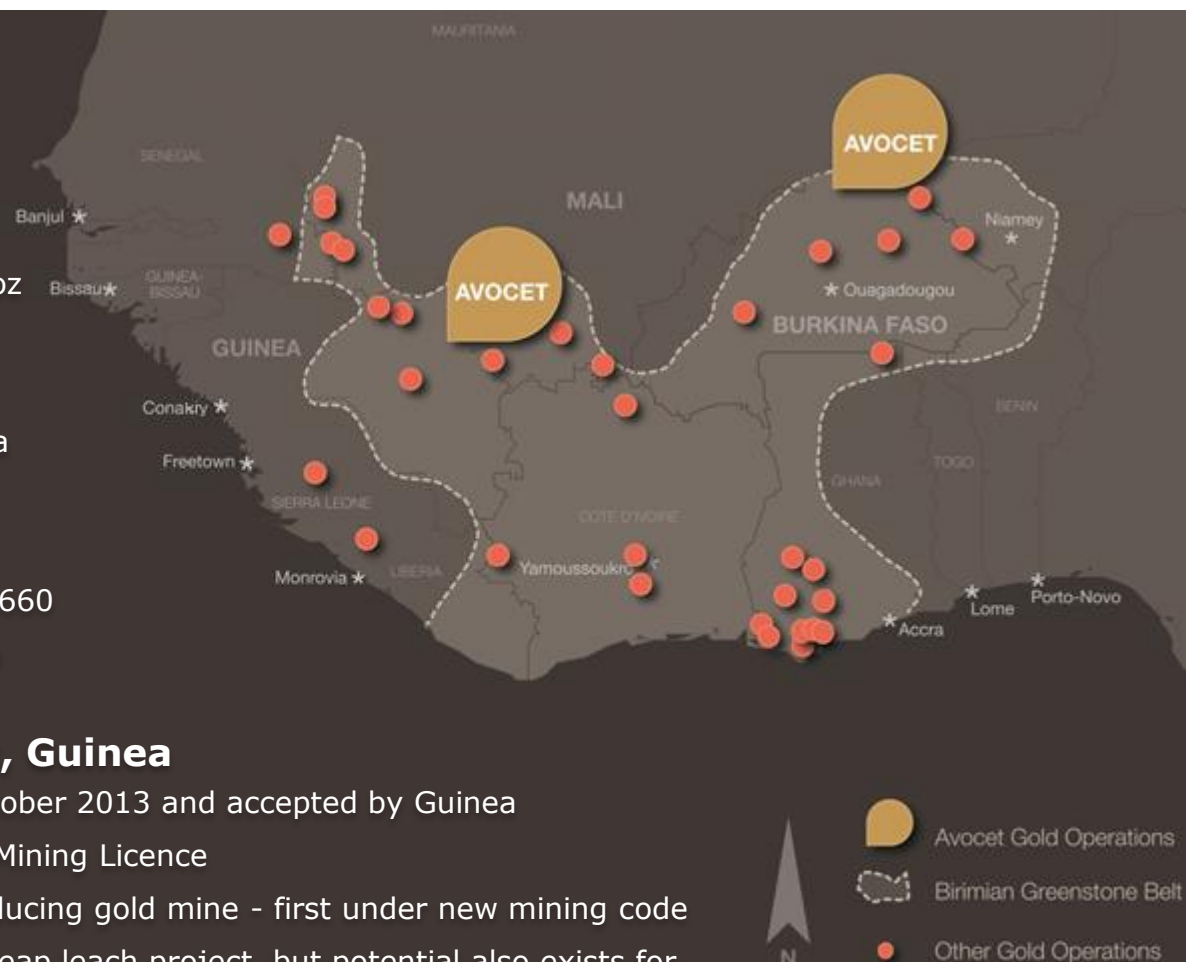
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Inata Gold Mine, Burkina Faso

- Producing mine of +100koz p.a.
- Inata Mineral Resources of 6.1 Moz and Ore Reserve of 0.5 Moz
- Significant upside:
 - further development of Souma
 - heap leach potential
 - underground mining potential
 - exploration potential within 1,660 square kilometres permit area

Tri-K Development Project, Guinea

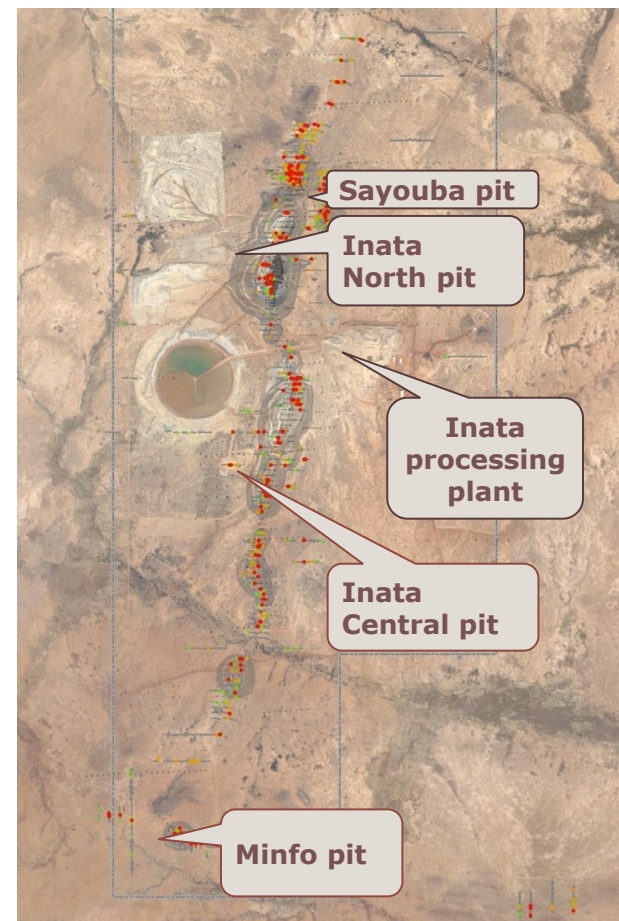
- Feasibility Study submitted in October 2013 and accepted by Guinea government – awaiting award of Mining Licence
- Potential to be Guinea's next producing gold mine - first under new mining code
- Feasibility study assumes initial heap leach project, but potential also exists for CIL development



	H1 2013	H1 2014
Gold production (ounces)	61,726	44,798
Average realised gold price (US\$/oz)	1,361	1,287
Total cash production cost (US\$/oz)	1,204	1,246
Loss before tax and exceptional items (US\$000)	(8,241)	(20,222)
Loss before tax (US\$000)	(65,699)	(46,002)
Loss per share (US cents per share)	(29.78)	(26.50)
EBITDA (US\$000)	7,592	(2,921)
Net cash generated by/(used in) operations (US\$000)	(25,752)	4,371

H1 2014 – production results

	Full year 2012	Full year 2013	H1 2013	H1 2014
Ore mined (k tonnes)	2,653	3,114	1,787	1,439
Waste mined (k tonnes)	30,474	30,100	17,827	7,934
Total mined (k tonnes)	33,127	33,214	19,614	9,373
Ore processed (k tonnes)	2,556	2,353	1,236	1,020
Average head grade (g/t)	1.95	1.75	1.75	1.53
Process recovery	87%	86%	84%	87%
Gold Produced (oz)	135,189	118,443	61,726	44,798
Cash costs (US\$/oz)				
Mining	412	547	562	485
Processing	309	373	366	439
Administration	161	187	176	232
Royalties	118	96	100	90
	1,000	1,203	1,204	1,246



- On 12 June Avocet announced a revised life of mine plan (LOMP) for Inata
- The revised 5 year life of mine plan is based on the following:
 - 77 million tonnes of material mined between 2014 and 2018
 - 9.5 million tonnes milled at a grade of 2.16 g/t and a recovery of 86%
 - 570,000 ounces of gold produced
 - average cash cost of ~US\$900/oz
 - cash flow of ~US\$115m before debt servicing at a gold price of US\$1,250/oz

Steps taken to address Inata funding requirement **AVOCET**

- In December 2013, Avocet announced that Inata was expected to require further funding of US\$20-30m in 2014. This has been reduced to US\$15-20m by a combination of the revised mine plan and additional cost reductions
- Inata forecast to produce more gold per month from September, following commissioning of the new carbon blinding circuit designed to allow higher recoveries from carbonaceous ore
- Negotiations continue with Ecobank and other parties to satisfy Inata's funding requirement and a number of measures have been agreed to ease short term liquidity
- Assuming remaining negotiations are concluded satisfactorily with these parties, and subject to successful commissioning of the carbon blinding circuit, the current life of mine plan indicates that the funding requirement of US\$15-20m will be satisfied

- While steps have been taken to address Inata's funding requirements, Inata's cash constraints mean that it cannot be relied upon in the short term to meet the wider Group's funding requirements
- For the longer term, management believes that the current life of mine plan does not reflect upside benefits at Inata
- Business review continues, with a view to addressing the outstanding Elliott loan as well as providing additional working capital for the parent company and Inata
- Discussions ongoing with several parties about a range of potential transactions, including refinancing, investment or asset sales

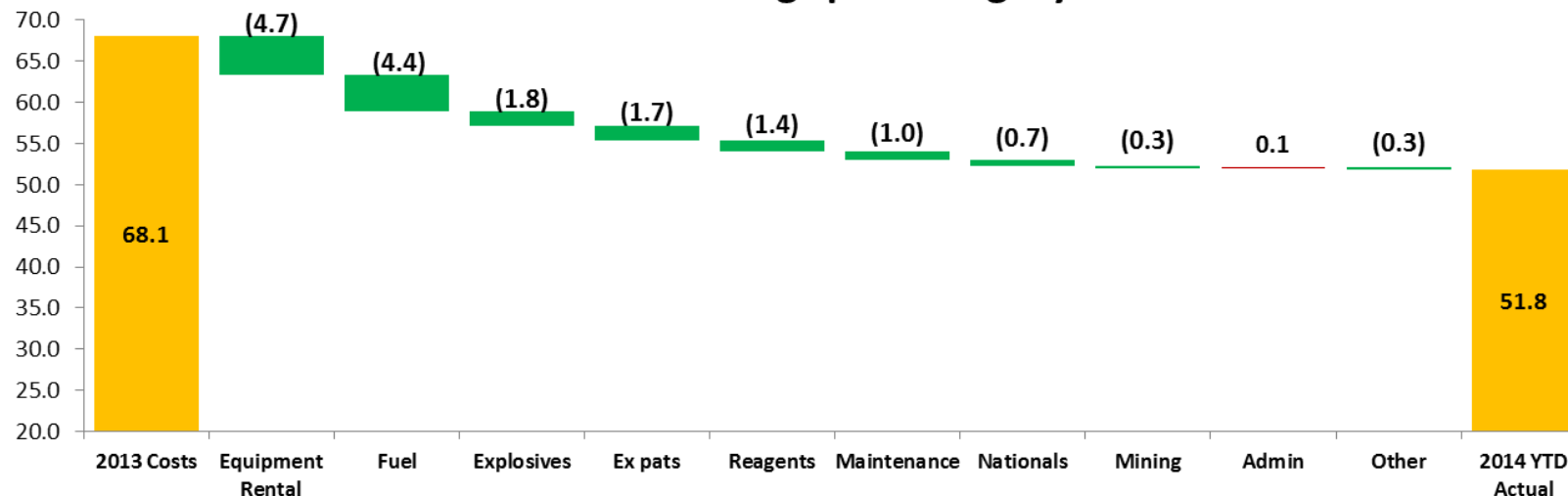


Inata update

2012 - 13	2014
Inata mining in 2012 and 2013 was predicated on mine plans generated at US\$1,400 and US\$1,200/oz, when gold prices were significantly higher	Following the drop in gold price in 2013, Inata mine plans run at US\$950/oz or US\$1,100, to focus on higher grade ore
Total of 33 million tonnes mined in each year, with strip ratios between 10x and 11x, resulting in high mining costs	Mining levels of 15-20 million tonnes, resulting in lower mining costs
Recognition of refractory carbonaceous ore, particularly at depth	Commissioning carbon blinding circuit in September to increase recoveries
	<p>Evaluating potential:</p> <ul style="list-style-type: none"> • to heap leach existing low grade stockpiles • to exploit the Souma satellite deposit either by trucking ore to Inata mill or at a new heap leaching facility • for underground mining of high grade shoot beneath Inata main pit

Ongoing cost reduction at Inata

Cost savings per Category



The above chart compares the June 2014 YTD v June 2013 YTD costs (excluding royalties)

2014 costs YTD are US\$16.3m, or 24%, lower than the equivalent costs from 2013. This is primarily due to a combination of reduced mining activity, end of contract mining fleet rental, and lower throughput

- **Rental equipment:** US\$4.7m lower largely as a result of the contractor fleet no longer being utilised
- **Fuel:** US\$4.4m lower than 2013 as a result of reduced mining activity and the mill shutdown in March
- **Explosives:** US\$1.8m lower due to reduced blasting activities
- **Expats:** US\$1.4m lower YTD as a result of reduced average number of expats from 61 to 52 (9%)
- **Maintenance:** US\$1.0m lower due to reduced mining activity and cost saving measures
- **Reagents:** US\$1.4m lower as a result of reduced quantity of tonnes milled and changes in reagent ratios, as well as lower prices, notably for cyanide

- Costs savings at operational level should contribute to improved conversion of material from resource to reserve
- More mineralised material at the nearby Souma deposit should become economic to mine, including from Souma South and 3 other deposits not currently included in the LOMP
- Higher gold prices would also improve reserve conversion and cash flow
 - Current LOMP based on \$950 pit shells (\$1,100 in North and Central pits) and \$1,250 gold sales price
 - US\$100/oz increase in sales price would add approximately US\$45m to LOMP cash flow, and could significantly increase reserves

- Carbon blinding circuit currently being installed and will be commissioned in September 2014
- Limits ability of organic carbon in ore to absorb gold and therefore allows carbonaceous ore to be processed as normal
- New carbon blinding circuit expected to achieve higher recoveries over LOM
- Inata plant will continue processing lower grade benign oxide material until carbon blinding circuit is commissioned
- Once commissioned, the carbon blinding circuit will allow high grade carbonaceous ore to be processed, increasing monthly gold production and reducing costs per ounce of gold produced well below the level in H1 2014
- Blinding circuit is a simple project with capex now estimated at US\$7.2m, compared with the previous US\$6.5m estimate

- View of new blinding agent tanks



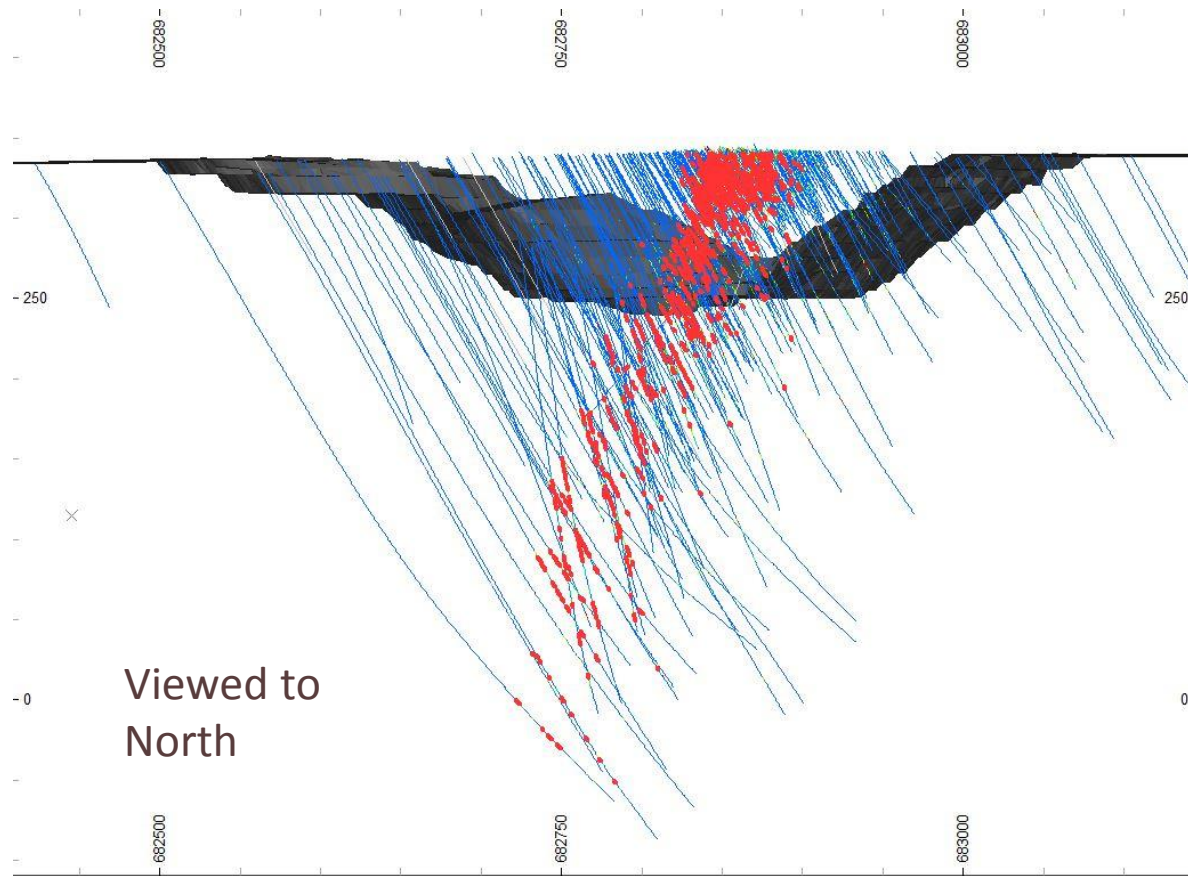


Inata - upside potential

- Targets for 1-1.5 g/t oxide ore include areas south of Dynamite in Souma, where mineralisation lies close to surface
- Of the five deposits at Souma, only one is currently included in the Inata LOMP
- Other target areas exist within the Belahouro district
- Of eight new mining projects in Burkina Faso, four are heap leach (Karma, Bouly, Bombore, Banfora) in addition to the current Kalsaka/Sega operation
- Inata has existing infrastructure and management team, lowering barriers to entry for a heap leach project, both in terms of capex and opex
- Expected that final stages of gold processing for a Souma heap leach operation could be carried out using existing plant at Inata
- Subject to available funds for in-fill drilling and initial test work, approximately six months would be required for PFS level economic assessment

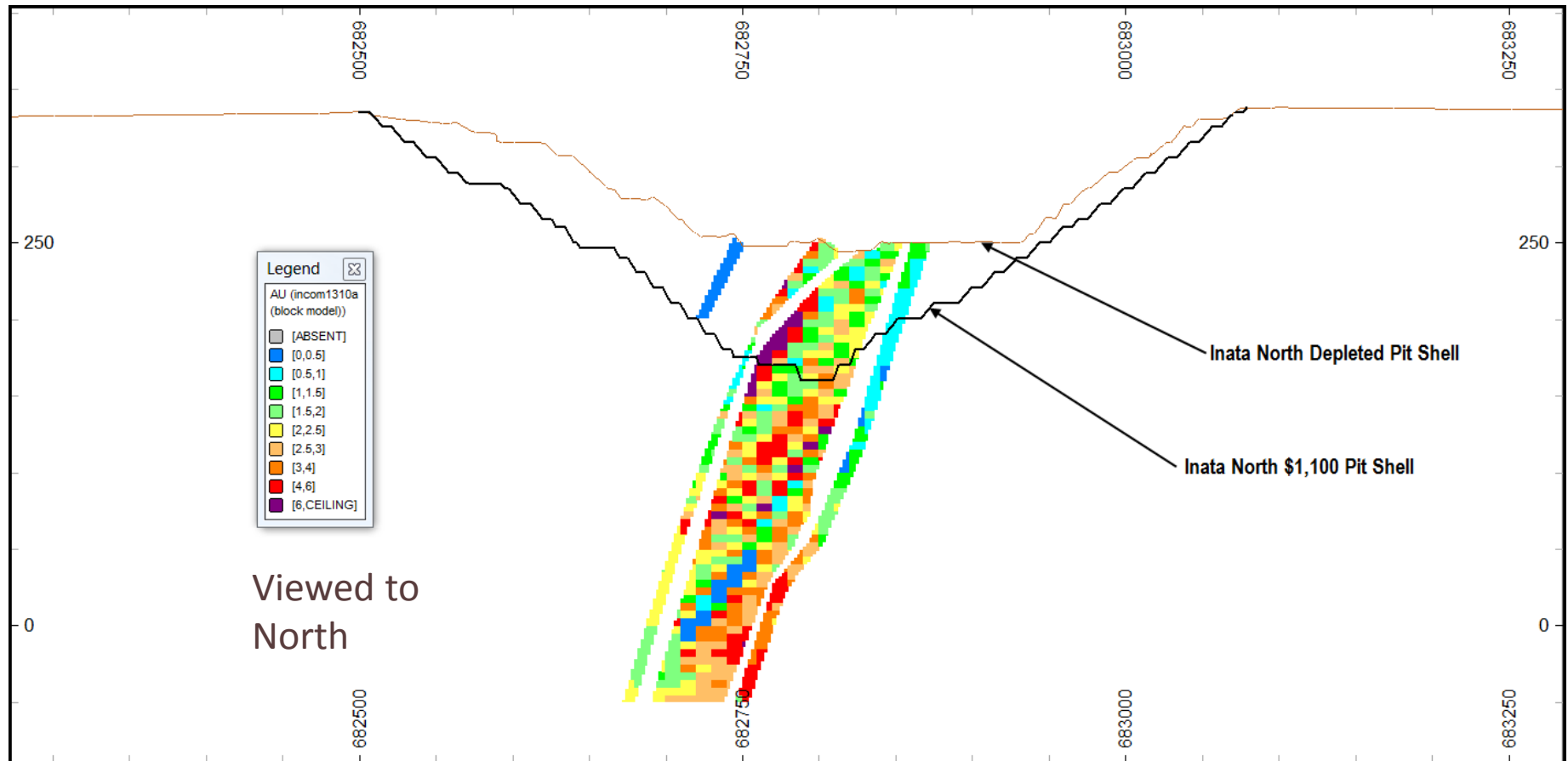
- In light of increasing strip ratios and reduced overhead costs Avocet has revisited existing drilling data below current pit shells to examine the potential for underground mining
- Re-examination of data shows the existence of a steeply dipping plunging shoot of mineralisation beneath the Inata North pit with grades that may support extraction by underground methods
- Underground methods had not previously been considered
- The shoot is open at depth and is a short distance from the mill (~1.25km)
- A preliminary evaluation of this underground option would require further drilling, confirmatory metallurgical testwork, a geotechnical study and an updated economic study
- Depending upon the outcome of this work, this may lead either to a decision on a more definitive evaluation or to a trial mining operation
- Subject to available funding, it is estimated that this work would take approximately 18 months

Inata North Pit showing drill intersections (>3g/t)



- Zone of approximately 200m strike and 50m width intersected to a depth of around 300m below current base of pit
- Shoot is open at depth below the deepest exploration holes drilled

Inata North Pit, east west section through the resource model



- Current depletion surface and \$1,100 pit shell displayed

- Based on very preliminary estimates, management considers that heap leach and underground operations, in conjunction with the current open pit life of mine plan, could double the life of mine, with gold production potentially approaching 200,000 ounces in some years
- It should be noted that this illustrative upside is subject to significant engineering and drilling work before it can be established whether the underground or heap leach are technically feasible or financially viable



Outlook

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- Steps have been taken to address Inata funding requirement via measures to increase short term liquidity
- Potential to significantly increase reserve and production base via Souma development, heap leach and underground opportunities
- Business review initiated in January continues, with a view to addressing the outstanding Elliott loan as well as providing additional working capital for the parent company and Inata
- Discussions ongoing with several parties about a range of potential transactions, including refinancing, investment or asset sales
- As a result of lower Q2 production, full year guidance for 2014 is now approximately 105,000 ounces



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