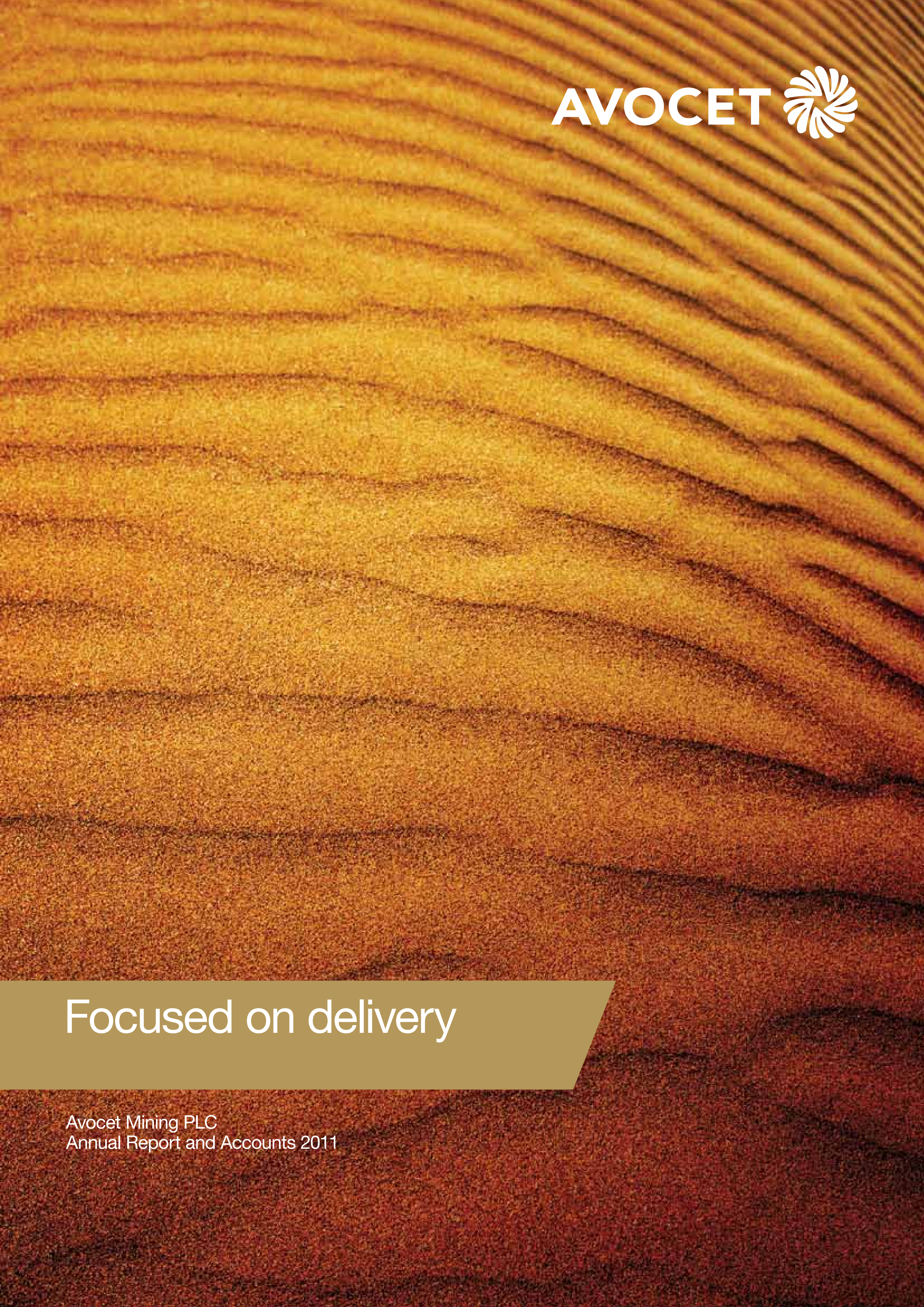


AVOCET

Focused on delivery

Avocet Mining PLC
Annual Report and Accounts 2011

Avocet is a West African focused gold mining and exploration company with its primary operations in Burkina Faso and Guinea. The Company is listed on the London Stock Exchange and the Oslo Børs.

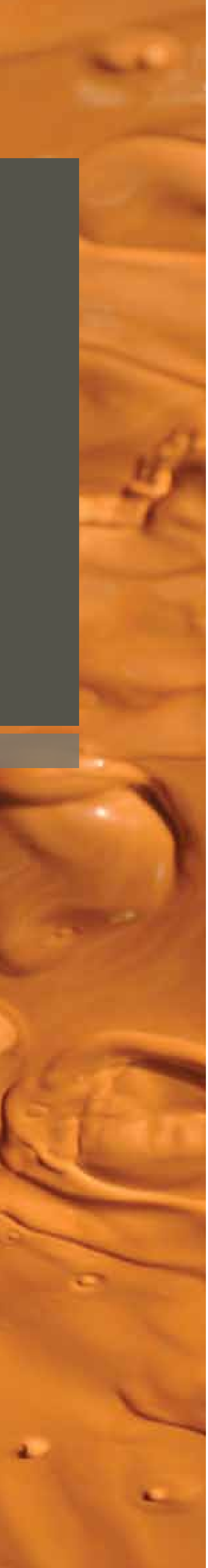
Avocet currently operates one gold mine, Inata in northern Burkina Faso, and has a pipeline of exploration projects in Burkina Faso and Guinea. The deposit at Inata presently comprises a Mineral Resource of 3.46 million ounces and a Mineral Reserve of 1.85 million ounces. Inata poured first gold in December 2009 and is expected to produce approximately 160,000 ounces of gold in 2012.

Overview

Business Review

Directors and Governance

Financial Statements



Highlights

- Company successfully restructured to focus exclusively on **West African gold** mining and exploration
- **Sale of South East Asian assets** for US$199 million to date
- Premium Listing on the Official List of the **London Stock Exchange's** Main Market achieved in December 2011
- Capacity and production at Inata Gold Mine ramped up to **167,000 ounces** (2010: 138,000 ounces)
- Mineral Resource and Mineral Reserve base at Inata Gold Mine expanded to **3.46 million ounces** and **1.85 million ounces** respectively
- Mineral Resource at Koulékoun, Guinea tripled to **1.83 million ounces**
- Total Group Mineral Resources more than doubled to **6.26 million ounces**
- Strong safety performance – **six million man hours worked without lost time injury** to December 2011
- Group profit before tax of **US$115.1 million** (2010: US$33.5 million)
- Profitability enhanced with EBITDA from continuing operations **increasing 54% to US$84.1 million**
- **Dividend policy of US$20 million** per annum announced, final dividend of 4.2 pence per share proposed

Operational overview

Avocet is an exclusively West African gold mining and exploration company. We currently operate the Inata Gold Mine in Burkina Faso and have a pipeline of exploration projects in Burkina Faso and Guinea.

Burkina Faso

Our operations in Burkina Faso are located within a highly prospective 1,660km^2 land package in the Bélahouro district approximately 220 kilometres north east of the capital Ouagadougou. The Bélahouro district is located on the Birimian greenstone belt.

Within this area, the Inata Gold Mine, which is 90% owned by Avocet, operates within a defined mine licence area of 20km^2. Extensive resource development is ongoing within this area. Outside of the mine licence area, exploration and resource development is ongoing with the most advanced project being Souma.

Mineral Resources

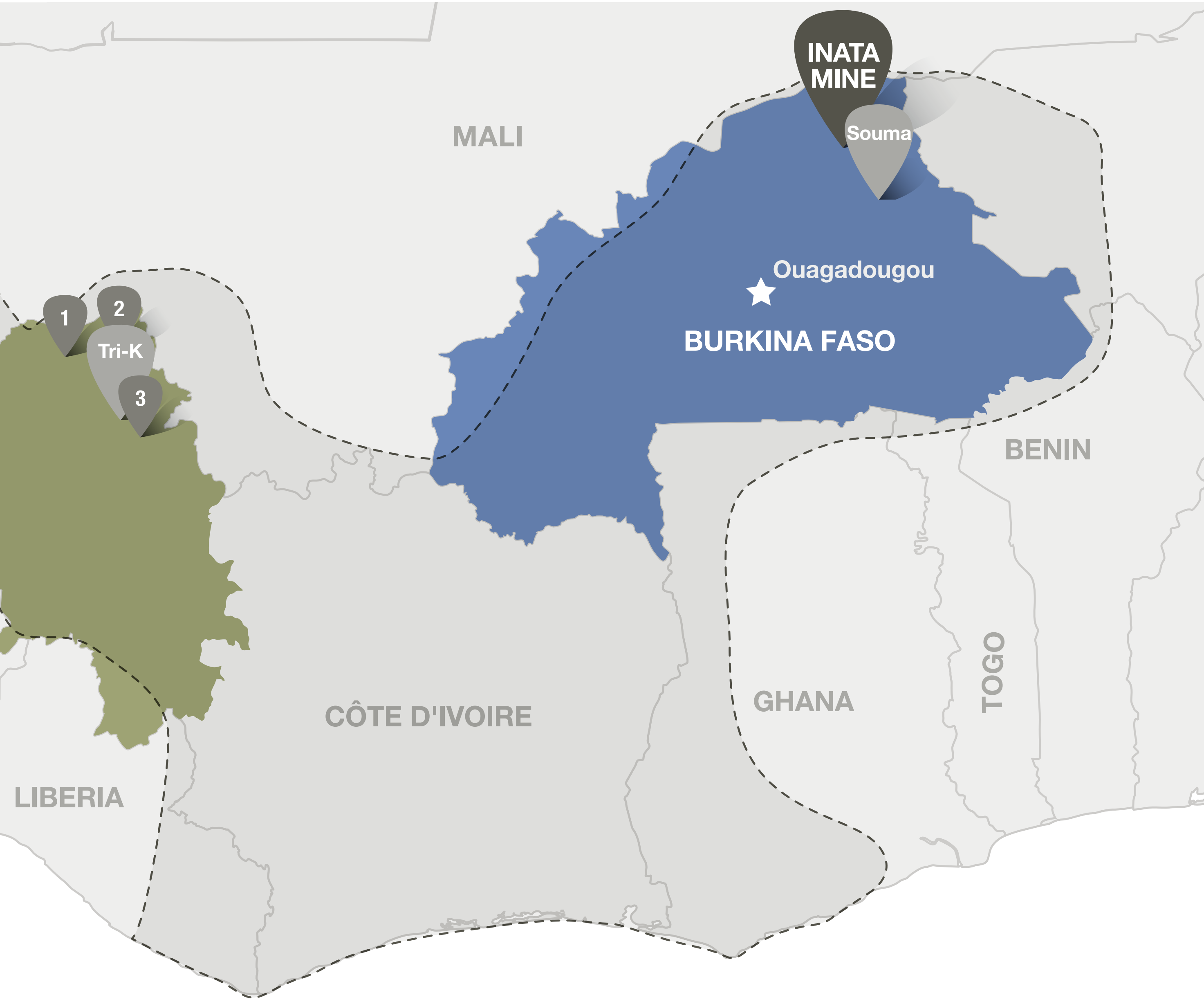
4.02M OZ.

Mineral Reserves

1.85M OZ.

Gold Production

167,000 OZ.



Guinea

The Company has a number of development projects across twelve exploration licences in Guinea. These include the 986km² Tri-K Block, consisting of eight exploration licences across the Koulékoun, Kodiéran and Kodiafaran gold prospects.

The most advanced is Koulékoun with a Mineral Resource of 1.47 million ounces which is expected to progress towards a feasibility study in 2012. The exploration licences in Guinea are 100% owned by Avocet.

Mineral Resources

2.24M OZ.

Mineral resources and reserves statement

INATA, BURKINA FASO

Mineral Reserves and Mineral Resources as at 31 December 2011.

The table below reports the Mineral Reserve estimate beneath the 31 December 2011 topographic surface and above an effective 0.63 g/t Au economic cut-off grade in accordance with the Australasian code for the reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). The Mineral Reserve has been estimated in accordance with the principles of the Canadian NI 43-101 and the JORC Code.

	Gross			Attributable		
	Tonnes (Mt)	Grade (g/t)	Contained ounces	Tonnes (Mt)	Grade (g/t)	Contained ounces
Mineral Reserves						
Proven	16,091,000	1.72	888,000	14,482,000	1.72	799,000
Probable	17,234,000	1.70	940,000	15,511,000	1.70	846,000
ROM Stockpiles	497,000	1.25	20,000	447,000	1.25	18,000
Reserves total	**33,822,000**	**1.70**	**1,848,000**	**30,440,000**	**1.70**	**1,663,000**
Mineral Resources[1]						
Measured	17,881,000	1.68	964,000	16,093,000	1.68	868,000
Indicated	39,446,000	1.35	1,712,000	35,501,000	1.35	1,541,000
Measured + Indicated	57,327,000	1.45	2,676,000	51,594,000	1.45	2,409,000
Inferred	17,846,000	1.36	779,000	16,061,000	1.36	701,000
Resources total	**75,173,000**	**1.43**	**3,455,000**	**67,655,000**	**1.43**	**3,110,000**

1. Mineral Resources are inclusive of Mineral Reserves and reported above 0.5g/t Au cut-off and below the 31 December 2011 topographic surface. The Mineral Resources were estimated by Mr David Williams (MAusIMM, MAIG) and Mr Sam Beckett (MAIG), both of whom are consultants employed by CSA Global Pty Ltd. Both Mr Williams and Mr Beckett have the experience relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Persons as defined by the Australasian JORC Code (2004) for the reporting of Exploration Results, Mineral Resources and Ore Reserves and as Qualified Persons as defined by the Canadian National Instrument 43-101 for the reporting of Exploration Results, Mineral Resources and Mineral Reserves (NI 43-101). Mr Williams and Mr Beckett have consented to the inclusion of the technical information in this report in the form and context in which it occurs.
2. The Mineral Reserves were estimated by Mr Clayton Reeves (MSAIIM), Principal Mining Consultant, CSA Global (UK). Mr Reeves is a Competent Person as defined by the JORC Code and a Qualified Person as defined by NI-43-101. Mr Reeves has consented to the inclusion of the technical information in this report in the form and context in which it occurs.
3. Avocet owns 90% of Société des Mines de Bélahouro SA, owner of the Inata Gold Mine.
4. Rounding errors may occur.

SOUMA, BURKINA FASO

Mineral Resources as at 31 October 2010.

The table below reports the Mineral Resource above a 0.5 g/t Au cut-off in accordance with the JORC Code. The Mineral Resource has been estimated in accordance with the principles of the Canadian NI 43-101 and the JORC Code.

	Gross			Attributable		
	Tonnes (Mt)	Grade (g/t)	Contained ounces	Tonnes (Mt)	Grade (g/t)	Contained ounces
Mineral Reserves						
Proven	–	–	–	–	–	–
Probable	–	–	–	–	–	–
Reserves total	**–**	**–**	**–**	**–**	**–**	**–**
Mineral Resources[1]						
Measured	–	–	–	–	–	–
Indicated	324,000	1.44	15,000	324,000	1.44	15,000
Measured + Indicated	324,000	1.44	15,000	324,000	1.44	15,000
Inferred	10,376,000	1.64	546,000	10,376,000	1.64	546,000
Resources total	**10,700,000**	**1.63**	**561,000**	**10,700,000**	**1.63**	**561,000**

1. Mineral Resources are reported above 0.5g/t Au cut-off. The Mineral Resources were estimated by Mr David Williams (MAusIMM, MAIG), a consultant employed by CSA Global Pty Ltd. Mr Williams has the experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the Australasian JORC Code (2004) for the reporting of Exploration Results, Mineral Resources and Ore Reserves and as a Qualified Person as defined by the Canadian National Instrument 43-101 for the reporting of Exploration Results, Mineral Resources and Mineral Reserves (NI 43-101). Mr Williams consents to the inclusion of the technical information in this report in the form and context in which it occurs.
2. Avocet owns 100% of the Souma property through its wholly-owned subsidiary, Goldbelt Resources (West Africa) SARL.
3. Rounding errors may occur.

KOULÉKOUN, GUINEA

Mineral Resources as at 20 December 2011.

The table below reports the Mineral Resource above a 0.5 g/t Au cut-off in accordance with the JORC Code. The Mineral Resource has been estimated in accordance with the principles of the Canadian NI 43-101 and the JORC Code.

	Gross			Attributable		
	Tonnes (Mt)	Grade (g/t)	Contained ounces	Tonnes (Mt)	Grade (g/t)	Contained ounces
Mineral Reserves						
Proven	–	–	–	–	–	–
Probable	–	–	–	–	–	–
Reserves total	**–**	**–**	**–**	**–**	**–**	**–**
Mineral Resources						
Measured	–	–	–	–	–	–
Indicated	21,610,000	1.44	1,001,000	21,610,000	1.44	1,001,000
Measured + Indicated	21,610,000	1.44	1,001,000	21,610,000	1.44	1,001,000
Inferred	22,600,000	1.15	832,000	22,600,000	1.15	832,000
Resources total	**44,210,000**	**1.29**	**1,833,000**	**44,210,000**	**1.29**	**1,833,000**

1. Mineral Resources are reported above 0.5g/t Au cut-off. The Company owns 100% of Wega Mining Guinée, owner of the Koulékoun gold project. The Koulekoun Mineral Resource was estimated by Mr David Williams (MAusIMM), Principal Consultant, CSA Global Pty Ltd. Mr Williams is a Competent Person as defined by the JORC Code.
2. Rounding errors may occur.

KODIÉRAN, GUINEA

Mineral Resources as at 20 December 2011.

The table below reports the Mineral Resource above a 0.5 g/t Au cut-off in accordance with the JORC Code. The Mineral Resource has been estimated in accordance with the principles of the Canadian NI 43-101 and the JORC Code.

	Gross			Attributable		
	Tonnes (Mt)	Grade (g/t)	Contained ounces	Tonnes (Mt)	Grade (g/t)	Contained ounces
Mineral Reserves						
Proven	–	–	–	–	–	–
Probable	–	–	–	–	–	–
Reserves total	**–**	**–**	**–**	**–**	**–**	**–**
Mineral Resources						
Measured	–	–	–	–	–	–
Indicated						
Measured + Indicated						
Inferred	7,260,000	1.76	411,000	7,260,000	1.76	411,000
Resources total	**7,260,000**	**1.76**	**411,000**	**7,260,000**	**1.76**	**411,000**

1. Mineral Resources are reported above 0.5g/t Au cut-off. The Company owns 100% of Wega Mining Guinée SA, owner of the Kodiéran prospect. The Mineral Resource was estimated by Mr John Milovanovic (FAusIMM), Chief Resource Geologist for Avocet. Mr Milovanovic has the experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the Australasian JORC Code (2004) for the reporting of Exploration Results, Mineral Resources and Ore Reserves.
2. Rounding errors may occur.

Gold market review

Jewellery demand reduced 3% over the prior year but due to higher prices was a new annual record value of US$99 billion. In line with historical trends, India was the largest market for gold jewellery in 2011. However in the second half of 2011, China's jewellery demand outpaced that of India, and expectations are that it is likely to remain that way going forward.

Gold price[1]	2007	2008	2009	2010	2011
High	842	1,024	1,218	1,426	**1,897**
Low	608	693	813	1,052	**1,316**
Average	696	872	974	1,227	**1,573**
Avocet realised price[2]	**699**	**879**	**975**	**1,174**	**1,333**

1 London AM fix (US$/oz.).
2 Realised prices are for the full Group (including South East Asian operations), and include the impact of hedged sales in 2010 and 2011.

Over the five years from January 2007, the price of gold rose from US$640 per ounce to US$1,564 per ounce. This is an increase of some 144% that reflects a period of sustained economic uncertainty that began with the banking crisis in 2008, and has continued since that time.

More recently this demand has reflected new economic developments such as inflationary concerns in emerging economies caused by rising commodity prices, US dollar devaluation resulting from quantitative easing, sovereign debt issues in the Eurozone and the periods of economic recession in most western economies.

On 5 September 2011, the spot price for gold reached US$1,920 per ounce, a record nominal high. Over the course of the year, the gold price rose steadily from US$1,300 per ounce in January 2011 to this peak in September, before seeing a decline to the year end price of US$1,564 per ounce as investors sought to realise profits. At the start of 2012, the gold price began recovering and by the end of January 2012 had risen above US$1,700 per ounce. This was despite continued US dollar strength over the month of January.

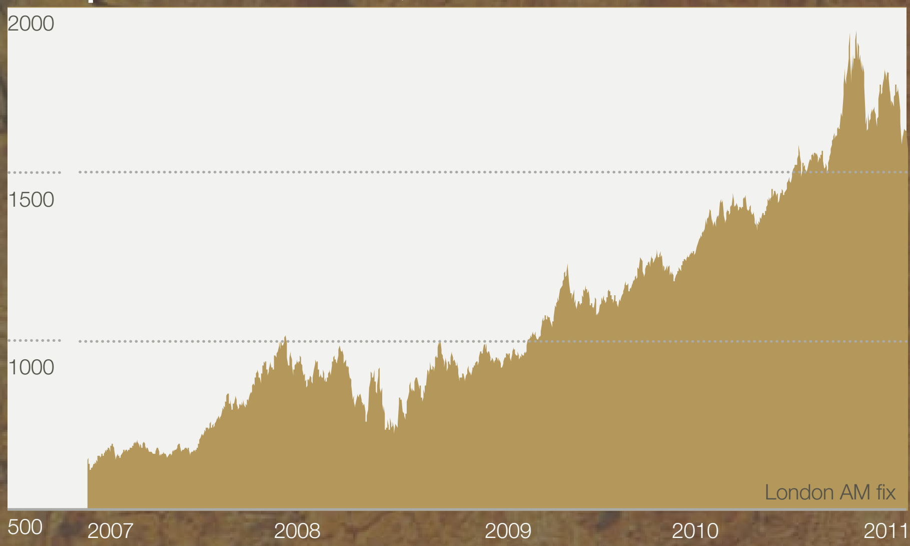
Historically, the gold price has been driven by demand in the jewellery sector, which has accounted for the majority of consumption. More recently, economic turbulence has led to an increase in demand for gold as an investment, either through direct ownership or through Exchange Traded Funds.

The investment case for gold relates to its attractiveness as a 'safe haven', which retains its fundamental value in the face of falling asset values, as a hedge against currency inflation, and as a counterweight to perceived weakness in the US dollar.

In 2011 gold demand increased marginally to US$206 billion, primarily driven by investment demand which increased 5% over the prior year. Strong demand for gold bars and coins was recorded in India, China and Europe.

Jewellery demand reduced 3% over the prior year but due to higher prices was a new annual record value of US$99 billion. In line with historical trends, India was the largest market for gold jewellery in 2011. However in the second half of 2011, China's jewellery demand outpaced that of India, and expectations are that it is likely to remain that way going forward.

Gold prices 2007–2011 US$/oz.



Source: Kitco

2011 saw a net increase in investment in gold by central banks as purchases increased dramatically from 77 tonnes in 2010 to 440 tonnes in 2011. For many years prior to 2009, central banks had contributed to the gold supply in the market by selling their reserves of gold. This situation reversed in 2010, and in 2011 purchases of gold by central banks were estimated to account for approximately 10% of total demand.

Partly as a result of reduced selling from central banks as well as a reduction in gold recycling, gold supply reduced by 4% to 3,994 tonnes in 2011. This was despite mine supply reaching a record 2,810 tonnes – a 4% increase on 2010.

Whilst views on the continued increase in gold prices in the short to medium term are varied, few gold market analysts foresee a significant reduction over this period. The majority of commentators have remained optimistic about the medium to long term prospects for gold, pointing to the fact that the key drivers of gold's recent bull run have not changed, and show few signs of abating. Market consensus for the gold price is around US$1,800 per ounce in 2012, and US$1,950 per ounce in 2013.

Business review

Business review

This section provides a detailed overview of the Company's strategic, operational and financial performance over the course of 2011 as well as a review of our corporate social responsibility activities. It includes:

– Chairman's statement
– Chief Executive's review
– Health and safety review
– Environmental activities review
– Community relations review
– Financial review.

Chairman's statement

I am pleased to report that over the course of 2011, the Company has made significant steps towards its strategy of becoming a leading West African gold mining and exploration company.

RUSSELL EDEY
Chairman

In July, the Company announced its intention to pay a maiden dividend of US$20 million per annum

When I took over as Chairman in September 2010, I recognised that Avocet was a company that combined a solid history of gold production and exploration with some promising new assets in a developing region, under the management of an ambitious and energetic team. I am pleased to report that over the course of 2011, the Company has made significant steps towards its strategy of becoming a leading West African gold mining and exploration company.

The decision to divest the Company's South East Asian assets was bold, given the historic associations with the region, but clearly the right strategic call. The consideration received of US$200 million surpassed market expectations. The funds have given the Company's balance sheet strength at a time when finance is not always easily obtained, and are being invested in the growth of the Company in West Africa.

In July, the Company announced its intention to pay a maiden dividend of US$20 million per annum, to be paid as interim and final dividends. This reflects our confidence in the cash generating ability of the Inata Gold Mine in Burkina Faso and, by returning earnings to shareholders, sets Avocet apart from many peers, at a time when dividend payments are particularly welcome to investors.

In December 2011, the Company successfully completed its move from the AIM Market to the Main Market of the London Stock Exchange. The Company is now listed on two regulated markets – Oslo and London with the latter being the primary listing – and it is expected that this will generate additional investor interest. The Company will be considered for inclusion in the FTSE 250 index in March 2012 which should add to this interest.

Looking ahead, we are undertaking studies into an increase in production from the Inata Gold Mine where significant increases in Mineral Resources and Reserves have recently been confirmed.

In Guinea our exploration expenditure has been rewarded by a tripling in the Mineral Resources at Koulékoun. Discussions are taking place between our management and the Government of Guinea to establish a mutually satisfactory basis upon which any mine which we might establish in that country will operate and be taxed.

This year's Annual General Meeting will be held at the offices of our brokers J.P. Morgan Cazenove on Wednesday 3 May 2012. There will be an opportunity for shareholders to submit questions in advance, if they wish, to be dealt with during the AGM. The AGM circular enclosed with this report includes further details of the meeting, the resolutions to be proposed and the procedure for submitting questions ahead of the meeting.

I would like to take this opportunity to thank the entire Avocet team for their discipline and dedication towards achieving all of the Company's stated 2011 objectives, and for their positive contribution in the countries in which we do business. Without the commitment of all the employees, the Company would not have been able to fulfil its strategic initiatives and deliver value to its shareholders.

As stated last year, I remain positive about the outlook for the gold price in 2012 and about the Company's continued success.

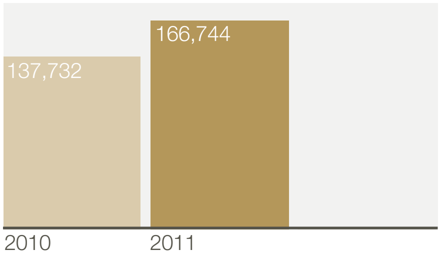
RUSSELL EDEY
Chairman

Chief Executive's review

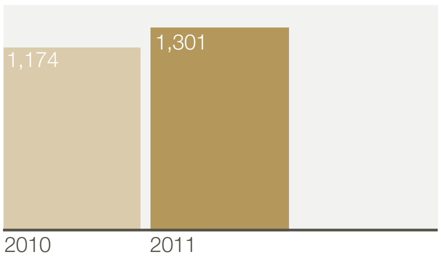
2011 was a year of dramatic change for Avocet. In 2010 we embarked on a strategy to transform the Company into a leading West African gold mining and exploration company. By the end of 2011 we had achieved all of the objectives that we set eighteen months ago to realise this change.

BRETT RICHARDS
Chief Executive Officer

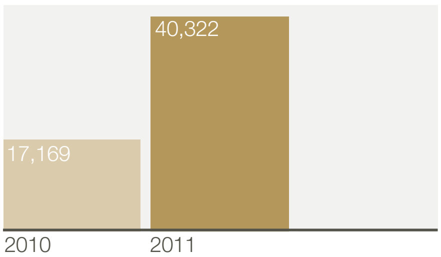
Gold production from continuing operations (ounces)



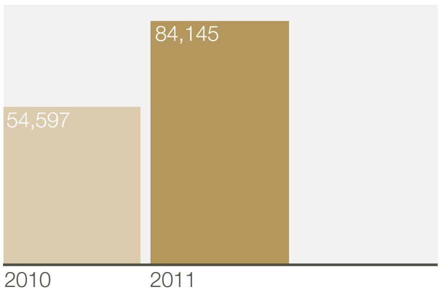
Average realised gold price (US$/oz.)[1]



Profit before tax and exceptional items from continuing operations (US$000)



EBIDTA from continuing operations (US$000)



2011 was a year of dramatic change for Avocet. In 2010 we embarked on a strategy to transform the Company into a leading West African gold mining and exploration company. By the end of 2011 we had achieved all of the objectives that we set eighteen months ago to realise this change.

During 2011, the environment in which the Company operates also saw dramatic change. Demand for gold continued to rise as global economic uncertainties persisted, with a record price of US$1,920 per ounce achieved in September 2011. The European debt crisis and continued speculation of quantitative easing in the United States reinforced gold's position in the investment markets as a relative safe haven. Whilst the impact of higher prices achieved was certainly to our advantage, pricing pressures on input materials and services in the gold mining sector increased in line with the escalation in gold price. In particular, the strong rise in fuel prices, which have a general correlation to gold prices, significantly impacted production cash costs and profitability for the industry as a whole.

The socio-political environment in West Africa remained broadly stable during 2011. The governments of both Burkina Faso and Guinea continue to be strong supporters of the gold industry as a catalyst for economic development. In Burkina Faso, a short period of social unrest occurred in late April, triggering a spike in retail fuel costs, food costs and other staples across the country. This social tension was exacerbated by strike action in the military over a wage dispute, which led to widespread strike action across the country, including at the Inata Gold Mine and most of the country's other mines. Negotiations with our employees were concluded within a week, resulting in an acceptable wage increase and a peaceful return to work.

In September 2011, the Government of Guinea passed a new Mining Code into law, with the objective of ensuring a fair return from mining activities for the people of Guinea. The new Mining Code was intended to improve the financial transparency and environmental responsibility of mining companies, whilst promoting foreign inward investment. Many provisions in the previous 1995 Mining Code remained intact, including the Government's existing 15% free carried interest in mining ventures. However, there were several material changes in the new code which are currently undergoing public review and scrutiny to calibrate their alignment to the mandate of ensuring a fair return from mining activities, whilst balancing the promotion and attraction of new investment in the sector in Guinea. Changes include an option for the Government to purchase an additional 20% equity interest for cash; a maximum number and size of exploration permits to be held in specific commodities; and certain quotas to encourage the employment of Guinean nationals. Many observers in Guinea believe that amendments to the new Mining Code are likely to be made over the coming months to ensure optimum alignment to the mandate.

1 Relates to continuing operations only and excludes the results from South East Asian operations in the year. Includes hedge sales in 2011 of 75,869 at an average price of US$966 per ounce (2010: 51,199 ounces at US$970 per ounce).

Chief Executive's review continued

Year in review

The company delivered increased production, doubled Mineral Reserves and increased Mineral Resources at the Inata Gold Mine. This was achieved whilst maintaining a solid safety record for its employees. In Guinea, the Mineral Resources for the Tri-K project rose to 2.24 million ounces. Avocet moved from AIM to the London Stock Exchange's Main Market.

In addition to this, the Company has continued to support local community and environment projects including the waste management programme which you will read more about below.

August

In August 2011, a sustainable development project was launched in partnership with local villages to recycle mine waste into usable items for the community.

November

In November 2011, the Company announced its intention to move from AIM to seek admission to the Official List and to trading on the London Stock Exchange's Main Market. Trading on the Main Market commenced on 8 December.

As at November 2011, the Inata Gold Mine achieved in excess of six million man hours without injury since the mine opened in December 2009, making it an industry leader in safety practices in West Africa.

April

Avocet progresses stated intention to double Mineral Reserves at the Inata Gold Mine with initial Mineral Resources increase to 2.12 million ounces. Final Mineral Reserve update as at 31 December double reserves to 1.85 million ounces.

October

Mining commences at Inata Far South pit. The opening of this third pit allows for flexibility of mine scheduling and optimal ore blending.

The processing plant at Inata reaches its ramped up capacity of 340 tonnes per hour, an increase of 18% over the prior year.

December

The Company issued a Mineral Resource update for the Tri-K block in Guinea of 2.24 million ounces, exceeding the stated target of 2 million ounces by the year end.

STRATEGIC DEVELOPMENTS

The first step towards growing the Company into a leading West African gold mining and exploration company was to focus the Company's asset base exclusively on West Africa.

In late December 2010 we announced the sale of our South East Asian assets to J&Partners for US$200 million. The sale was substantially completed by June 2011 by which date US$170 million had been received. A further US$27 million of proceeds was received in September 2011 bringing the total consideration received in 2011 to US$197 million. A further US$2 million was received on 16 February 2012, following the sale of a remaining exploration asset, for a total received of US$199 million.

In April 2011, Avocet was informed that a law suit had been filed against it in the District Court of Jakarta, Indonesia by PT Lebong Tandai ('PT LT'), Avocet's former partner in a joint venture in Indonesia. The law suit relates to a challenge as to the legality of the sale of Avocet's South East Asian assets. PT LT asserts that it is entitled to acquire all of these assets pursuant to an agreement allegedly entered into between PT LT and Avocet in April 2010. In 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. The District Court subsequently found in Avocet's favour and dismissed the case. PT LT has since lodged an appeal to the Indonesian High Court against the District Court's decision. Despite the appeal by PT LT, which may take several months, the Board of Avocet is encouraged that the District Court has ruled in Avocet's favour in the first instance. The Board also remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.

Having substantially completed the divestment of our South East Asian interests, developing and growing the Company's assets in West Africa was and remains our key strategic objective.

In July 2011, the Board made a commitment to invest US$20 million per year over three years in exploration in the Bélahouro District to facilitate Mineral Resource development and Mineral Reserve replenishment. This commitment facilitated one of the largest exploration drilling programmes in the region over the course of 2011, and resulted in a significant increase of the Inata Mineral Resource to 3.46 million ounces. Furthermore, Inata's Mineral Reserves were increased to 1.85 million ounces, equivalent to a life of mine of 12.5 years at current capacity and production profile of the Inata Gold Mine. Together with Mineral Resource increases at our Tri-K project in Guinea, the Company has seen Group Mineral Resources double to 6.26 million ounces over 2011.

A scoping study was initiated in the third quarter of 2011 to assess how best to further increase the Inata Gold Mine's production profile in the coming years. Based on the scoping study work to date, and the new larger reserve, the Company remains committed to an expansion targeted at 245,000 ounces of gold production per annum by the end of 2013. Following a period of lower recoveries during Q3 associated with processing carbonaceous ore, Inata's strong fourth quarter indicated that the impact of carbon is not unduly affecting the mine's performance. Although the study has not yet concluded, current indications are that the ability to process carbonaceous ore with high recoveries will increasingly add value throughout the life of mine, either in the form of a new plant or through expansion and modification of the existing plant. Further metallurgical test work is required over the coming months in order to determine the optimum processing methods, plant configuration and location.

Inata's Mineral Reserves were increased to 1.85 million ounces, equivalent to a life of mine of 12.5 years at current capacity.

Sale of South East Asian assets

US$200million

The opportunity exists while planning the expansion scenarios, to address the longer term issues that typically arise later in a mine's life (processing harder rock, deeper pits, lower grade and more carbonaceous ore) by configuring a plant capable of maximising gold production from different ore types. The study has considered ore sources from mineralised areas within the Inata mine licence area, as well as potential mineralisation outside the mine licence area, including Damba, Pali, Ouzemi, Filio, Kourfadie and Dynamite and Miiliam on the Souma Trend. Emphasis has therefore been placed not only on maximising the potential of the existing Mineral Reserve, but also on being able to exploit new reserve additions within the large Bélahouro district. Potential process plant options considered by the scoping study have included a heap leach operation, expansion of the existing plant, construction of a new plant, and a combination of these.

Early analysis showed that the heap leach option could prove to be a means of providing expanded production quickly and with relatively low capital expenditure, however in order for the heap leach option to be optimal as the first phase of expansion, it will have to be shown that sufficient quantities of low grade oxide material exist within the Inata Mine Licence Area. Expanding the existing plant also represents an opportunity to increase gold production at relatively low capex, but with most of the new pits being developed to the south or potentially at Souma in the east, haul distances and costs would be increased, while some modifications would also be required to allow the plant to fully exploit harder or more carbonaceous ore feed. The construction of a new plant, capable of processing all types of ore including carbonaceous material, may entai slightly higher capital expenditure but would provide more flexibility in terms of configuration and location, while optimising processing efficiency and gold production.

The Company's expertise in dealing with carbonaceous ore is a key advantage. Resin-in-leach processing, as used in the Company's former mine in Malaysia, could be considered for a new plant or as a modification to the existing plant. Expansion work will therefore require focused metallurgical test work, mineral distribution analysis and carbon modelling of the mineral resources and reserves in and around Inata during the remainder of the first half of 2012, with a view to determining the optimum expansion plant configuration and location by the middle of the year. The Company would then expect permitting and construction to take place in the remainder of 2012 and into late 2013, with start-up of expanded production likely to commence thereafter. Further updates on the Inata expansion will be made over the coming months as we progress through the study and test work.

In July of 2011, Inata's gold hedge was restructured, with 20% of the hedge book being eliminated at a cost of approximately US$40 million, and the remaining position of 233,733 ounces being rescheduled over seven years. Deliveries are now 8,250 ounces per quarter through to June 2018 at a price of US$950 per ounce as opposed to the initial schedule of 25,000 ounces per quarter at US$970 per ounce. As a result of the restructure, the proportion of Inata's current annual production that is exposed to spot prices doubled from 40% to approximately 80%.

In July 2011 the Company announced the adoption of a regular dividend policy. The Company's policy is to pay dividends at an initial level of approximately US$20 million per annum, one third as an interim dividend and two thirds as a final dividend. This level of payment strikes a balance between returning profit to shareholders and being able to invest in the growth of our business. An interim dividend of 2.1 pence per share was paid on 30 September 2011. The Board has proposed a final dividend of 4.2 pence per share, which would give a total dividend for the year of 6.3 pence per share, which is expected to result in an aggregate payment for the year of US$20.0 million in line with the stated dividend policy. This final dividend is subject to shareholder approval at the Annual General Meeting on 3 May 2012, and if approved, will be paid on 1 June 2012 to shareholders on the register at the close of business on 11 May 2012.

In view of the Company's many strategic accomplishments, the Avocet Board took a decision in the third quarter to seek admission to the Official List of the Main Market of the London Stock Exchange. This admission was duly granted and trading on the London Stock Exchange commenced on 8 December 2011. Avocet remains listed on the Oslo Børs in Norway, where over 35% of its shares are held, however the Company's primary listing is now in London. Avocet's shares are expected to be included in the FTSE 250 Index at the next inclusion date of 7 March 2012.

EXPLORATION REVIEW

During 2010 the Company set itself a target of doubling the size of the Mineral Reserve at the Inata Gold Mine, based on successful increases in the mine's Mineral Resource. Our other strategic exploration objective has been to advance the Koulékoun gold project in Guinea towards a feasibility study. In addition to these objectives, the Company's longer term growth aspirations are being supported by the development of a pipeline of prospects in the surrounding permits in both Burkina Faso and Guinea. During 2011, Avocet spent US$34 million on exploration in West Africa. To facilitate further growth, a decision was made in July of 2011 to invest US$20 million per annum in exploration expenditure in Burkina Faso and a similar amount in Guinea.

Following a successful exploration campaign in 2011, the Group's Mineral Resource base in West Africa has now increased to 6.26 million ounces, an increase of 165%, or nearly 4 million ounces, compared with the 2.38 million ounces at the time of the Wega Mining acquisition in 2009. Mineral Reserves at Inata have doubled in the same timeframe, despite mining depletion of 337,000 ounces.

At Inata, the Company drilled 47,400 metres of reverse circulation (RC) and 33,300 metres of diamond (DD) and RC with Diamond tail drill holes in the calendar year. This programme resulted in the doubling of the Inata Mineral Resource by the end of the year with Measured and Indicated Mineral Resources of 57.3Mt @ 1.45 g/t Au containing 2.68 million ounces and Inferred Mineral Resources of 17.8Mt @ 1.36 g/t Au containing 0.78 million ounces gold.
The Mineral Resource grew at depth, particularly at Inata North, and through the discovery of parallel zones within the Inata Trend and new zones of mineralisation on the parallel east-west Minfo Trend to the south. The latter is particularly important, as the discovery of the Minfo East prospect along the Minfo Trend highlighted the potential for significant mineralisation along a longer strike length than previously appreciated. In addition, current knowledge indicates the presence of a parallel zone of mineralisation approximately 70 metres to the north, which could result in a reduction in current stripping ratios if both zones can be mined from a single pit.

Exploration work continued throughout the year in the broader Bélahouro region, where Avocet holds exploration licences covering over 1,634 square kilometres. Scout drilling of the Pali and Filio prospects identified additional mineralised targets that will be further developed in 2012.

Early in 2011 a helicopter-borne geophysical VTEM survey was undertaken across the Tri-K block of permits in northeast Guinea. The survey identified a number of conductive anomalies at Kodiafaran and in the Koulékoun District, as well as two large bodies of granite that appeared to have gold mineralisation focused on their margins namely Kodiéran and Gbinli. These conductive and resistive anomalies pointed to a number of targets that will be followed up with drilling in 2012.

Over the remainder of the year 33,900 metres of RC and 15,400 metres of DD drilling at Koulékoun were completed. The result of this drilling was an increase in the Mineral Resource by 175% to 1.83 million ounces. Koulékoun is now defined by Indicated Mineral Resources of 21.6Mt @ 1.44 g/t Au containing 1.00 million ounces gold and Inferred Mineral Resources of 22.6Mt @ 1.15 g/t Au containing 0.83 million ounces gold. Drill results also indicated that the Mineral Resource is hosted in a 40–80m thick zone of north-northwest-striking porphyry dyke. This primary ore body has been drilled over a strike length of 2,000 metres and to a vertical depth of 350 metres and has proven to be broad and tabular in structure. Resource grades occur over a strike length of 950 metres and the mineralisation is open at depth.
The porphyry is cut by a northeast-striking structure and gold grades are locally higher in the pipe formed by the intersection of this structure with the porphyry. The structure adds Mineral Resources in the hanging wall to the main porphyry, which will reduce the amount of waste in an open pit and reduce the stripping ratio.

Over the year 18,000 metres of RC drilling were undertaken at Kodiéran, which identified a maiden Inferred Mineral Resource of 7.3Mt @ 1.79 g/t Au containing 0.41 million ounces gold. New resource candidates at Fowaro and Kourounin were also identified. Scout drilling of 10,400 metres RC at Balandougou intersected gold mineralisation that requires follow up drilling in 2012.

During 2010 the Company set itself a target of doubling the size of the Mineral Reserve at the Inata Gold Mine, based on successful increases in the mine's Mineral Resource. Our other strategic exploration objective has been to advance the Koulékoun gold project in Guinea towards a feasibility study.

Group's Mineral Resource Base

6.26million oz.

Invested in West African exploration

US$34million

Chief Executive's review continued

Inata Gold Mine Production statistics	2011	2010
Ore mined (k tonnes)	2,494	1,879
Waste mined (k tonnes)	22,707	11,430
Total mined (k tonnes)	25,201	13,309
Ore processed (k tonnes)	2,471	1,759
Average head grade (g/t)	2.26	2.66
Process recovery rate	91%	94%
Gold produced (oz.)	**166,744**	**137,732**
Cash costs (US$/oz.)		
Mining	217	130
Processing	244	210
Administration	139	129
Royalties	93	62
	693	**531**

OPERATIONS REVIEW

The Inata Gold Mine is 220 km north of the capital of Burkina Faso, Ouagadougou on the edges of the Birimian greenstone belt. The mine is owned by Société des Mines de Bélahouro SA (SMB) of which Avocet owns 90% and the government of Burkina Faso the remaining 10%.

After the Inata Gold Mine's first full year of production in 2010, mining continued to ramp up in 2011. A decision was reached in late 2010 to increase the plant capacity from 287 tonnes per hour to 340 tonnes per hour and to increase mining capacity to deliver the necessary ore feed to achieve as much. The expansion in plant capacity was successfully implemented and the target processing rate was reached on schedule in the third quarter of 2011 with commissioning of the third mining fleet during the same quarter. From an initial overall mine capacity of approximately 12Mt per annum in early 2010, this had risen to approximately 30Mt per annum during the fourth quarter of 2011. As well as allowing ore mining to match the increased plant throughput, the increased mining rates in 2011 allowed the mine to handle the higher stripping ratios demanded by the Mineral Reserve increase announced in September 2010. Combined with good plant availabilities, the feed rate of 340 tonnes per hour meant that tonnes processed were 40% higher than the prior year at 2.5 million tonnes.

The increase in milling capacity was matched by the addition of a second elution column in the final recovery circuit. This facility will not only reduce the operational risk posed by having a single line circuit, but more importantly improves the carbon management and regeneration capacity as well as minimising the gold in circuit at any point in time.

In addition to focusing on plant capacity, considerable effort has been made during 2011 to reduce plant maintenance costs and improve plant availabilities. Several initiatives have been undertaken, particularly with regard to re-engineering high wear areas of the plant. These have been successfully implemented and the average availability for the year was 89% after taking the industrial action work stoppages in May into account.

Cash costs for the year at US$693 per ounce were below revised guidance and were competitive in an environment of significant cost pressures affecting the whole sector.

Considerable investment also took place during the year to reduce the risk to operations by reviewing our stock of critical spares and all reasonable measures have now been undertaken to ensure the high levels of availability are maintained going forward.

A similar process was adopted in the Heavy Duty Maintenance section with regards to the maintenance of the mining fleet. This area benefited from the construction of new workshops which have not only had a positive impact on availabilities, but also now facilitate the planned maintenance component rebuild schedule. The combination of a sound maintenance philosophy and modern condition monitoring techniques has enabled the lives of several major components to be safely extended with considerable cost saving benefits.

Mining during the first half of the year was primarily from the Inata North but by September 2011 this starter pit had essentially been depleted and, consequently, the prime source of ore since then was and will continue to be from the Inata Central pit. This was supplemented by ore from the Inata Far South pit, where mining commenced in the fourth quarter of 2011. The stripping of the Sayouba and Inata South pits will commence in March and October 2012 respectively.

In 2011 head grade dropped to 2.26 from 2.66 g/t Au in 2010. As the Mineral Reserve grade is 1.70 g/t Au, head grades will trend towards this average over the longer term. Resources at Minfo Trends are higher grade, which when converted to Mineral Reserves are expected to have a positive impact on the life of mine grade.

During the second half of the year, especially in the third quarter, processing of a high proportion of carbonaceous ore from deeper in the Inata North pit impacted recoveries, and this, together with lower head grades and higher plant throughput rates meant that gold recoveries reduced from 94% in 2010 to 91% in 2011.

The mine's geology department is compiling a carbon model for the Inata Gold Mine to better understand the location and impact of carbon in the ore body. Studies are also underway to optimise plant recoveries and to mitigate preg-robbing. Together with the commissioning of a gravity circuit and additional carbon regeneration capacity in early 2012, these measures will ensure optimal recoveries going forward, as will Avocet's experience in managing carbonaceous ore in South East Asia.

In total, the Inata Gold Mine currently has three operating open pits that allow for flexibility to blend ore optimally, thereby facilitating stable recovery rates and production, as well as to reschedule its mining plan in response to marketplace dynamics. The number of pits will increase to at least six under the current mine plan; thus providing greater scheduling and blending opportunities going forward.

Cash costs for the year at US$693 per ounce were below revised guidance and were competitive in an environment of significant cost pressures affecting the whole sector. Costs rose from US$533 per ounce in the first quarter to US$773 per ounce in the fourth. Higher fuel costs were a key factor, with increases in mining and plant activity levels exacerbated by rising fuel prices. The fuel price increase reflected an underlying increase in global oil prices and the decision taken mid-year by the Government of Burkina Faso that value added tax on fuel would no longer be recoverable. As well as Inata's direct fuel consumption, higher fuel prices also drove up freight costs of goods delivered to site. Higher mining rates resulted in a proportional increase in maintenance costs, and the higher labour rates introduced as a result of the industrial action taken in May of 2011 also impacted upon overall costs. Royalties rose as a direct result of higher spot prices as well as a higher proportion of gold sold at spot prices following the hedge restructure in July. On a cost per ounce basis, unit costs were also driven higher by lower grades and recoveries.

Where possible, costs were actively managed with a number of operational improvements. Specifically, automated cyanide dosing introduced during the second half of 2011 reduced cyanide consumption in the order of 20%, and a similar saving is expected through the introduction of automated lime dosing in the second half of 2012. Significant cost reductions are also anticipated through the introduction of a fuel-based cooling system for the powerhouse, which will improve the efficiency of the generators, and this is expected to be on line by mid-2012.

Of particular importance to Avocet, is the excellent safety performance that we have achieved subsequent to the acquisition of the Inata Gold Mine. In late November, the Inata Gold Mine achieved the significant milestone of six million man hours worked injury free. This achievement was the result of ongoing vigilance and proactive measures taken to maintain high level of staff training and awareness. However, a lost time incident occurred in late December 2011, when an operator sustained a sprained ankle while dismounting from an excavator following a fire in the excavator. While it is regrettable that an incident occurred, the injury occurred after the operator had followed standard safety processes by activating the equipment's fire suppression system, thus minimising the fire hazard to himself and disruption to mining operations.

OUTLOOK FOR 2012

During 2011 the focus in Burkina Faso was on increasing Inata's plant capacity to 340 tonnes per hour and adding mining capacity to support this higher throughput. During 2012 the mine's operations team will be firmly focused on operating and cost efficiencies. Several operational projects are now being progressed that will directly impact on reagent and fuel consumption and consequently reduce operating costs. In addition a business process review was initiated during 2011 to optimise Inata's business systems, including its supply chain. Reduced purchase prices, consolidated logistics and optimised inventory levels are among the anticipated benefits.

In Burkina Faso, the Company's project team, including those responsible for successfully completing Inata's construction and commissioning, will advance Inata's expansion plans, with an initial emphasis on comprehensive metallurgical test work. Once complete, the results of this analysis will determine the optimal expansion plan which will be progressed immediately into construction.

In 2012, the exploration activities in Burkina Faso will include geochemical auger and aircore drilling of geophysical anomalies surrounding the Inata Gold Mine and along the Souma Trend. The Company will follow up priority prospects with RC and DD drilling later in the year to develop new Mineral Resources. In the meantime, considerable drilling is required to expand the identified zones of mineralisation in the Inata Mine licence area, particularly in the south of the area where the intersection between the Inata and Minfo Trends requires further development. Souma remains a quality candidate for further growth in Mineral Resources that will be drilled once the many targets near Inata have been tested. In Guinea, Avocet will conduct geochemical aircore drilling of geophysical anomalies at Kodiafaran and in the Koulékoun District. Kodiéran and Balandougou will be the subject of further drilling programmes to develop and increase their Mineral Resources. Both the Burkina Faso and Guinea exploration programmes are expected to provide a base of Mineral Resource expansion in 2013 that will directly support Avocet's future production growth.

With Koulékoun advanced to a sufficient scale to warrant a feasibility study into developing a mine, and in view of the recent mining code changes, the senior executive group from Avocet, along with its key advisors, held discussions in Conakry during January 2012 with the highest levels of the Guinea government. The discussions were focused on a mutual exchange of information, at which Avocet provided an update on its projects in Guinea and both parties discussed the new mining code. At the Government's invitation, Avocet has subsequently tabled a number of areas of the new mining code that require clarity and definition, as well as areas that require consideration for change. While uncertainty continues to exist on how the mining code may develop and how it will be implemented, these discussions confirmed the Government's desire to attract inward investment, while balancing the needs of the Guinean people. Avocet anticipates receiving clarity in the new mining code, as well as confirmation of the process for achieving a fiscal stability agreement in the coming months. If a satisfactory stability agreement can be achieved by the middle of 2012, we intend to progress Koulékoun into a definitive feasibility study, a comprehensive exercise that is expected to take a full twelve months to complete. Construction is therefore likely to take a further twelve months, which indicates targeted first gold in late 2014. We intend to provide regular updates to shareholders throughout the process.

This past year will go down in Avocet's history as a transformational one, but also a very successful one. Our success reflects the dedication and commitment of the Avocet team, and I would like to thank all Avocet employees for their contribution to our achievements this year. I look forward to 2012 being an equally successful year, and another stepping stone towards our long term objective of becoming a leading West African gold mining and exploration company.

BRETT RICHARDS
Chief Executive Officer

Health and safety review

The health and safety of employees is of paramount importance to Avocet, and is one of the guiding principles of our business.

The health and safety of employees is of paramount importance to Avocet, and is one of the guiding principles of our business. Avocet recognises that employees represent the Company's most valuable resource and that they have a right to work in a safe and healthy environment.

In order to ensure safety is embedded throughout the business, Avocet has established an Occupational Health & Safety Committee at Inata made up of elected representatives from each department, and a second, the Management Safety Committee, made up of department Managers and chaired by the General Manager of each business unit. Both committees meet monthly to discuss all aspects of safety, and remedial action is taken on safety issues in the workplace. Inata's Management Safety Committee will in turn report to the Health, Safety and Environment (HSE) Committee of Avocet's Board of Directors. This committee was established during 2011 to solicit guidance and counsel that appropriate systems are in place to deal with the management of health and safety matters (see page 45 in the Corporate Governance section). This includes reviewing policies and procedures, assessing serious incidents, establishing appropriate and timely responses, and ensuring ongoing compliance with Burkina Faso law and regulations, and international best practice. The HSE Committee meets at least four times a year and is chaired by Gordon Wylie. Its other members are Mike Donoghue, Barry Rourke and Russell Edey.

WORKPLACE HEALTH

Avocet's management takes responsibility for ensuring that their workplaces do not pose a hazard to their employees' short or long term health. At the Inata Gold Mine, the three primary health risks are that of malaria, infections from parasites and respiratory tract infections.

During 2011, efforts to reduce the number of cases of malaria continued successfully with the total number of incidences down 54% on 2010. This reflected regular insecticide spraying of the plant and living quarters, as well as an improved awareness amongst employees, to reduce their exposure to mosquitoes, and providing of prophylactic sprays and mosquito nets. As a result the incidence of malaria amongst employees is noticeably lower than the national average.

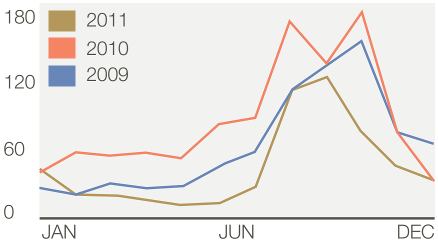
Parasitic infections remain a cause for health concern in this remote part of Burkina Faso in which the Company operates. A biannual programme providing de-worming medication to all staff reduced the percentage of employees with recorded infestation from 82% when the Inata Gold Mine was acquired, to 58% in 2011. Further campaigns are planned in 2012 to reduce this still high incidence.

Working in the Sahel region of Africa brings risk of respiratory tract infections due to the high levels of dust that naturally occurs in the region. To mitigate this risk, the mine has a programme of dust suppression through surface water spraying, particularly in areas of high mining traffic such as the pits and roads. In 2011, a dome was constructed to cover the fine ore stockpile. This dome protects the stockpile from wind and contains dust generated by conveyor discharge, and has therefore contributed significantly towards reducing overall site dust levels.

HIV/AIDS infection rates are relatively low in Burkina Faso compared to many sub-Saharan countries and even more so in the remote area of the Inata Gold Mine. Avocet management is acutely aware of the impact on HIV infections levels that a remote and transient mining workforce on a new supply route can have. As such, a voluntary HIV testing programme was launched in August 2011 at the Inata mine site. Approximately 15% of employees and contractors on site were tested in the last four months of the year and testing is ongoing.

During 2011, efforts to reduce the number of cases of malaria continued successfully with the total number of incidences down 54% on 2010.

Incidence of malaria



WORKPLACE SAFETY

At the heart of Avocet's safety management at the Inata Gold Mine is a system of regular and comprehensive training programmes, underpinned by rigorous safe working procedures.

Avocet strives to ensure that a culture of continuous improvement exists across all work locations, which it promotes through the use of hazard identification systems and individual departmental audits. All Avocet employees, contractors and visitors undergo safety inductions on arrival at site.

Avocet's health and safety managers investigate all incidents, accidents and near misses, with the focus being on identifying root causes to ensure these are eliminated or controlled. Operations supervisors are then provided with training on these leading indicators to allow them to proactively manage safety in the workplace. After supervisory training, Inata's safety department continues to work alongside supervisors to ensure safety regulations are fully adhered to.

The success of this safety programme is reflected in the fact that Inata's mine site employees and long term contractors had a number of achievements during 2011. Most notably on November 23 the milestone of six million man hours without a lost time injury was passed. Unfortunately a lost time injury occurred shortly afterwards in December 2011. Avocet is dedicated to replicating its world class safety performance in 2012 and beyond.

Avocet's safety track record has been achieved by adhering to a set of basic rules, in particular by ensuring that:

- Procedures and work practices are regularly reviewed and updated;
- Personal protective equipment is correctly maintained and properly used;
- Safety is viewed as a measure of individual, departmental and site performance and is therefore considered in determining overall remuneration;
- Employees are adequately trained for jobs to which they are assigned;
- Positive encouragement is given toward safety awareness and initiatives;
- All incidents are promptly reported, investigated and remedial action taken;
- Regular workplace inspections and audits are conducted; and
- Regular safety meetings are held at all levels.

Environmental activities review

The environmental impact of Avocet's mining activities is evaluated and managed with a comprehensive Environmental Management System that was established in 2010. This system ensures compliance with all relevant national regulations and international best practice. To this end, Avocet continues to maintain close working relationships with the Ministry of Environment in Burkina Faso as well as other regulatory authorities. Management submit regular reports of onsite activities to the Ministry of Environment and Ministry of Mines, as well as receiving site inspections.

Environmental training and education is recognised as an important component in minimising any adverse impact mining might have on the environment. All employees and contractors undertake an environmental induction programme and an ongoing programme of training is in place to cover environmental issues.

Environmental monitoring is carried out in accordance with an approved Environmental Management Plan. These monitoring activities include the testing of water quality (including potable water, ground water and surface water for chemical residue presence) and air quality (including reviews of dust, noise, vibration and gas emissions). In 2010 an environment control laboratory for the chemical analysis of environmental samples was established at the Inata mine site to allow samples to be tested on site. Some 180 water samples and over 100 dust samples were collected and sent to this as well as other external laboratories in the year for analysis against a wide array of parameters. The results obtained were compared to national and international standards as well as our own data baseline. In 2011 the sampling, analysis and results identified no adverse impacts related to mining.

Ecological monitoring is also carried out and during 2011 a fauna inventory programme was initiated with the view to determining the impact of mining activities on wildlife as well as proposing solutions to minimise any such impacts. The inventory covered entomological, ornithological and mammalian species. It is apparent from the findings of this inventory that fauna species and numbers within the mine fence line have been increasing since the baseline study of the area was undertaken in 2008. Recommendations issued from the inventory have been taken into account in the Environmental Management Plan.

Restoration and rehabilitation have been key components of the Environmental Management System throughout the life of the Inata Gold Mine. During 2011 over 12,000 trees of various native species were planted and over 50 hectares of disturbed and fragile land were restored. An alternative method of stabilising disturbed land using native grasses is also undergoing testing. Avocet's objectives for 2012 are to continue to increase the number of trees planted and land recovered, and to create a fertile area of vegetation for each of the local villages. In addition to the rehabilitation of vegetation, during the course of 2011, Avocet rehabilitated two defunct cyanide leaching pits, previously used by artisanal miners. In collaboration with the Ministry of Environment, as well as local authorities, these dangerous treatment sites were depolluted with the removal of contaminated water and soil. These were subsequently deposited in the Inata Gold Mine's tailings dam.

On 1 December 2011, Avocet became a signatory to the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold ('Cyanide Code'). The Cyanide Code is a voluntary industry code of best practice for gold mining companies using cyanidation mill tailings and leach solutions and was developed under the guidance of the United Nations Environmental Programme and is implemented by the International Cyanide Management Institute. The objective of the Cyanide Code is to ensure the safe transport and management of cyanide and to assist in the protection of human health and the reduction of environmental impacts. Avocet's mining operations in Burkina Faso will undergo independent audit to ensure compliance with the Code.

On 29 July 2011 one of Avocet's suppliers had an incident on the road to Inata, when a vehicle carrying cyanide overturned into a water course on the down stream side of a reservoir wall. A team from Inata promptly mobilised to assist the supplier and regional authorities in their response to the incident, and Avocet requested of the authorities that the area downstream be cordoned off until the recovery of the containers had been completed. Elevated cyanide values were recorded in the immediate vicinity of the incident, but these dissipated immediately upon recovery of the containers, and Inata's environmental management team conducted water tests over a period of several weeks thereafter. Neither people nor livestock were injured or harmed as a result of the incident.

Avocet's waste management programme was developed with an emphasis on the reduction of physical waste and where possible the recycling of any waste generated on the Inata mine site. Recycling is undertaken in partnership with local communities where recycling programmes provide jobs and incomes. In 2011, 17 new villages joined this programme. Between the participating villages approximately 3,400 cubic metres of recyclable waste, Ecological monitoring is carried out. During 2011 a fauna inventory programme was initiated with the view to determining the impact of mining activities on wildlife as well as proposing solutions to minimise any such impacts.

including lime bags, metal and plastic drums and wood were converted by local artisans to goods for local use in 2011. The objective for 2012 is to extend the programme to regional towns and to make the programmes self-sustaining by virtue of the income generated. Local participation in and awareness of physical waste management is continuously promoted to encourage communities to reduce their physical waste. Following the celebration of the World Environment Day at the Inata mine site, a waste collection ceremony was organised at the local Sona village with the widespread participation of villagers.

In September 2011, a water purification system was installed at the Inata mine site for the provision of potable water. The use of bottled water on site was subsequently discontinued. This initiative cut the mine site's physical waste generation down dramatically by removing the need for the recycling of some 500,000 plastic bottles per annum. In addition, the elimination of the need to transport this quantity of bottles from their point of supply has reduced the carbon footprint of both mine and employees.

For the treatment of all waste that cannot be recycled, a standardised incinerator was installed in 2011. The incineration of this waste eliminates the need for it to be transported to a local dumping facility as well as the need for a waste landfill to be established at the Inata mine site. Since its construction, 52% of all non-recyclable waste has been incinerated.

Community relations review

The Inata Gold Mine is located in the north of Burkina Faso close to the Mali border where, prior to the construction and operation of the mine, local communities were predominantly pastoral, and the economy was based on subsistence farming. The communities in these areas are well established with a history dating back over 900 years.

In 2010, Avocet created a foundation to act as the vehicle for its community based projects in Burkina Faso. The Fondation Avocet pour Burkina (Foundation) is governed by representatives of Avocet – Avocet's subsidiary in Burkina Faso Société des Mines de Bélahouro SA (SMB) and local community leaders. The Foundation liaises with local communities and provides funding for select educational, health and other projects submitted by these communities and jointly identified as priorities between the SMB management and local community representatives. The Foundation is funded by SMB and following an initial contribution of US$140,000 by Avocet, ongoing payments are made by SMB at a rate of US$1 per ounce of gold produced. The day to day running of the Foundation is done by SMB's Community Relations department, which is responsible for all communication with local communities and for the promotion of their sustainable social and economic development.

In 2011, the Community Relations department placed particular emphasis on developing and enhancing relations in the region and with various government agencies. Regular monthly meetings with all community spokespersons and officials as well as regular visits by management into the local communities, promoted dialogue and improved relations. Broader governmental relations were enhanced with the hosting of visits from the Ministries of Agriculture, Mining, Water Resources and Environment.

The Foundation led a number of corporate social responsibility initiatives in 2011, with its major projects focused on health, education, and clean water programmes.

The promotion of good health in the communities that it serves is one of the Foundation's key objectives. During 2011 the Foundation donated an ambulance to the Arbinda community some 30 km from the mine site. This provides the community with rapid access to the hospital facilities in Djibo and in 2011 transported over 40 patients to its hospital. The Foundation also funded the building of a health and social wellness centre in Filio Village.

A well-established network of government healthcare clinics is in place in rural Burkina Faso. The services provided by this network are supplemented by the SMB medical staff who conducts weekly visits to village clinics, rotating through each of the villages on a regular basis. During 2011, over 1,000 patients were seen by SMB medical staff. These visits are coordinated with an ongoing programme of education for local communities on how to minimise risk of infection and diseases. As a result of relatively higher levels of employment around the Inata mine site, the population in this region is growing at a greater than average rate and this is placing strains on the existing medical infrastructure. For 2012, the Foundation is therefore considering the construction of a new government healthcare clinic, which would be built by the Foundation and maintained and run by the government.

The promotion of basic education is also of key focus area of the Foundation. There are nine schools in the villages surrounding the Inata mine site that receive regular supplies from the Foundation. Donation of school kits to 839 children of all ages was made at the start of the 2011 academic year and educational visits for school children to the mine are also regularly arranged.

As part of Avocet's commitment to environmental education and rehabilitation, a school garden was developed at the Filio school. The garden was constructed by the children themselves with material provided by Avocet and the hope is that environmental education will start at this level. The school building was renovated at the same time and solar electricity panels installed.

Easy access to potable water supply promotes good health and is an ongoing initiative of the Foundation. Water supplies to local communities benefited from the installation by the Foundation of two hand pumps and three solar pumps along with the rehabilitation of existing hand pumps throughout the course of 2011.

SMB undertook a number of initiatives in 2011 with regards to local employment and promotion of business opportunities for the communities surrounding the Inata mine site. These initiatives have resulted in an increased level of openness, transparency and understanding between the Company and the communities. Avocet and its contractors are the main source of permanent direct employment in the area around the Inata mine site, and wherever possible, Avocet procures supplies from local businesses. This is expected to create further, indirect employment as supporting enterprises develop to service the operation and its employees. Avocet has encouraged its contractors to follow these same principles.

Easy access to potable water supply promotes good health and is an ongoing initiative of the Foundation. Water supplies to local communities benefited from the installation by the Foundation of two hand pumps and three solar pumps along with the rehabilitation of existing hand pumps throughout the course of 2011.

Financial review

Group gross profit in 2011 was US$72.9 million compared with US$53.9 million in 2010, an increase of US$19.0 million. The bulk of this increase (US$19.2 million) was due to production increases at Inata, while the balance reflects the net impact of higher gold prices less the inclusion of only six months results from the disposed South East Asian operations.

MIKE NORRIS
Finance Director

FINANCIAL HIGHLIGHTS[1]

US$000	31 March 2009 (12 months) Audited	31 December 2009 (9 months) Audited	31 December 2009[2] (12 months) Unaudited	31 December 2010 (12 months) Audited	**31 December 2011 (12 months) Audited**
Revenue	97,042	82,945	108,757	254,593	**280,611**
Gross profit	19,446	12,143	15,849	53,925	**72,858**
Profit/(loss) from operations	4,832	(10,589)	(7,883)	38,260	**58,182**
EBITDA	22,929	18,471	23,451	86,272	**100,280**
Profit/(loss) before tax	33,879	(10,555)	(7,627)	33,549	**115,141**
Analysed as:					
Profit before taxation and exceptional items	15,004	7,888	10,439	33,394	**56,431**
Exceptional items	18,875	(18,443)	(18,066)	155	**58,710**
Profit/(loss) before tax	33,879	(10,555)	(7,627)	33,549	**115,141**
Profit/(loss) attributable to the equity shareholders of the parent company	24,524	(13,032)	(11,170)	14,630	**103,419**
Net cash generated by operations (before interest and tax)	23,659	17,139	24,353	67,334	**60,032**
Net cash (outflow)/inflow	(49,739)	(25,362)	(19,699)	2,467	**55,713**

1 Prepared in accordance with International Financial Reporting Standards. The table, and following commentary, presents continuing and discontinued operations in aggregate unless otherwise stated. Following the announcement on 24 December 2010 of the signing of a binding agreement to sell the Group's South East Asian assets, the Group's Malaysian and Indonesian operations have been presented as discontinued. Note 4 to the financial statements presents an analysis of the results of operations by segment, identifying continuing and discontinued operations.
2 During 2009 the Company changed its year end from March to December and reported a nine month period ended 31 December 2009. In view of this change in year end in 2009 and short reporting period, the Company has provided unaudited comparatives for the twelve months ended 31 December 2009.

Revenue

US$280.6million

EBITDA

US$100.3million

REVENUE

Group revenue for the year was US$280.6 million compared with US$254.6 million in 2010. 2010 results included a full year of revenue from the Company's South East Asian mines, which were sold in June 2011. However, in 2011 this was offset by two major factors: first, ounces sold at Inata were significantly higher in 2011, as the mine benefited from the ramp up and debottlenecking work that was undertaken in the previous year; and second, average realised gold prices in 2011 were US$1,333 per ounce, a 13% increase compared with 2010. Higher realised prices partly reflected the restructure of Inata's hedge in July 2011.

GROSS PROFIT AND UNIT COSTS[3]

Group gross profit in 2011 was US$72.9 million compared with US$53.9 million in 2010, an increase of US$19.0 million. The bulk of this increase (US$19.2 million) was due to production increases at Inata, while the balance reflects the net impact of higher gold prices less the inclusion of only six months results from the disposed South East Asian operations.

Unit costs at Inata increased from US$531 per ounce in 2010 to US$693 per ounce in 2011. The beneficial effect of higher gold production on unit costs per ounce of gold produced was more than offset by the impact of higher tonnes mined and processed, lower grades, and increases in input costs, notably increased labour rates and diesel prices, which were exacerbated by VAT on fuel, at 18%, becoming non-recoverable during 2011.

3 Throughout this report, all unit cash costs or cash costs per ounce include royalties.

The Group reported a profit before tax of US$115.1 million in the year ended 31 December 2011, compared with US$33.5 million in the year ended 31 December 2010.

The table below reconciles the Group's cost of sales to the cash cost per ounce in respect of continuing operations only (excluding the divested South East Asian operations). Further detail is provided in note 4 to the financial statements.

Year ended 31 December	2011 US$000	2010 US$000
Cost of sales	**156,652**	95,135
Depreciation and amortisation	**(39,020)**	(32,618)
Changes in inventory	**4,098**	3,977
Adjustments for exploration expensed and other costs not directly related to production	**(6,202)**	(3,876)
Cash costs of production	**115,528**	62,618
Gold produced (ounces)	**166,744**	137,732
Less: Inata production capitalised in Q1 2010 (ounces)	**–**	(19,838)
Adjusted gold produced (ounces)	**166,744**	117,894
Cash cost per ounce (US$/oz)	**693**	531

PROFIT BEFORE TAX

The Group reported a profit before tax of US$115.1 million in the year ended 31 December 2011, compared with US$33.5 million in the year ended 31 December 2010.

The 2011 profit figure included a number of exceptional items including gains on disposal of the Group's non-core South East Asian assets totalling US$92.5 million, a gain on disposal of shares held in Avion Gold Corporation of US$9.0 million, the US$39.8 million cost of restructuring Inata's hedge position in July 2011, and the US$3.1 million cost of listing on the Main Board of the London Stock Exchange. The results for 2010 included net exceptional gains of US$0.2 million, including the costs of listing on the Oslo Børs (US$2.4 million), offset by gains on disposal of a number of the Company's non-core assets (US$2.6 million).

Before exceptional items, profit before tax for the year ended December 2011 was US$56.4 million compared with US$33.4 million for the year ended December 2010, principally reflecting higher gold prices and the increase in production at Inata.

TAXATION

The Group's taxation charge amounted to US$10.0 million in 2011, analysed as follows:

Year ended 31 December	2011 US$000	2010 US$000
Inata, Burkina Faso	**4,973**	9,593
Avocet Mining PLC, UK	**2,324**	2,428
Penjom, Malaysia	**672**	25
North Lanut, Indonesia	**2,051**	3,291
	10,020	15,337

The tax charge in Burkina Faso represents a deferred tax charge as a result of the accelerated capital allowances on assets related to the construction of the Inata mine, as well as an adjustment to reflect the increase in Inata's tax rate to 27.5%, as from 2013 it is not expected to benefit from the reduced tax rate enjoyed in the first three years of activity in accordance with the country's mining convention.

The tax charge in Avocet Mining PLC reflects the write off of deferred tax assets following a reassessment of recoverability, subsequent to the decision to sell the Group's assets in South East Asia, and withholding tax suffered on dividends received from a subsidiary.

The taxes in Malaysia and Indonesia reflect the tax charges on profits generated in those countries prior to their sale.

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 increased from US$86.3 million in 2010 to US$100.3 million in 2011, an improvement of 16%. This reflected improvements to gross profit as described above. A reconciliation of Profit before tax and exceptionals to EBITDA is set out below:

Year ended 31 December	**2011 US$000**	2010 US$000
Profit before tax and exceptionals	**56,431**	33,394
Depreciation	**39,020**	48,012
Exchange losses	**116**	49
Net finance income	**(125)**	(5)
Net finance expense	**4,838**	4,822
EBITDA	**100,280**	86,272

CASH FLOW AND LIQUIDITY

A total cash inflow of US$55.7 million was reported for the year ended 31 December 2011. Despite higher EBITDA, net cash generated by operations, before interest and tax, was slightly lower, due to working capital movements, principally associated with increased mining and processing activity levels at Inata. At 31 December 2011, the Group had cash of US$105.2 million, debt of US$29.0 million and net cash of US$76.2 million, compared with a net debt position at 31 December 2010 of US$28.5 million.

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

	Cash US$000	Debt US$000	Net Cash/ (Debt) US$000
At 1 January 2011	**49,523**	**(78,000)**	**(28,477)**
Net cash generated by operating activities	52,610	–	52,610
Interim dividend	(6,505)	–	(6,505)
Deferred exploration costs	(34,869)	–	(34,869)
Property, plant and equipment	(48,561)	–	(48,561)
Sale of South East Asian assets	174,426	–	174,426
Debt repayments	(49,000)	49,000	–
Restructure of gold hedge	(39,757)	–	(39,757)
Purchase of own shares	(2,910)	–	(2,910)
Sale of Avion shares	16,501	–	16,501
Other cash movements	(6,222)	–	(6,222)
At 31 December 2011	**105,236**	**(29,000)**	**76,236**

Exploration activity in West Africa increased significantly in 2011 with accelerated drilling programmes taking place in Guinea and in Burkina Faso.

DEPRECIATION

The Group's depreciation charge reduced from US$48.0 million in the year ended 31 December 2010 to US$39.0 million in the year ended 31 December 2011. Depreciation at Inata increased from US$32.5 million to US$38.9 million, driven by an increase in gold production and continued investment in capex since first gold was poured in December 2009.

Year ended 31 December	2011	2010
US$000		
Inata	**38,886**	32,494
Other	**134**	124
Penjom	**–**	5,806
North Lanut	**–**	9,588
	39,020	48,012

No depreciation was charged in respect of Penjom and North Lanut, in accordance with IFRS, as these assets were classed as held for sale during 2011, following the agreement of sale terms with their eventual buyer in December 2010.

CAPITAL EXPENDITURE

The Group's capital expenditure in the year was US$83.4 million analysed as follows:

	2011			2010		
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
West Africa	**31,874**	**47,298**	**79,172**	9,871	36,714	46,585
Other	**–**	**382**	**382**	299	65	364
Malaysia	**1,573**	**375**	**1,948**	–	2,979	2,979
Indonesia	**1,422**	**506**	**1,928**	2,564	2,160	4,724
	34,869	**48,561**	**83,430**	12,734	41,918	54,652

Exploration activity in West Africa increased significantly in 2011 with accelerated drilling programmes taking place in Guinea and in Burkina Faso. In addition to the US$31.9 million of deferred exploration expenditure (compared with US$9.9 million in 2010) shown in the cash flow statement within investing activities, a further US$1.8 million exploration support costs were expensed within other cost of sales during the year.

Capital expenditure on property, plant and equipment in West Africa totalled US$47.3 million. Significant investments in the year included the purchase of a third mining fleet (US$14 million), extension of the tailings storage facility (US$10 million), plant enhancements (US$9 million), barrage enhancements (US$6 million), and site buildings (US$5 million).

In light of the agreement to sell South East Asia, which was signed in December 2010 and largely completed in June 2011, exploration and capital expenditure in Malaysia and Indonesia was restricted to levels required to ensure the assets were transferred in good order.

MIKE NORRIS
Finance Director

Directors and governance

Directors and governance

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

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

Current Board of Directors and senior management

EXECUTIVE DIRECTORS

BA Richards† (47) – joined Avocet in November 2009 as Executive Vice President, Corporate Affairs. A human resources and operations executive, with previous experience at operational and head office level, most recently, Brett has held a variety of senior human resources and operational roles for Katanga Mining, Kinross Gold and Co-Steel Inc. Brett was appointed Chief Executive Officer on 27 July 2010.

AM Norris† (47) – was appointed Finance Director in July 2007 having previously been Chief Financial Officer since February 2007. Mike worked for L.E.K. Consulting, a firm of strategic management consultants, before qualifying as a chartered accountant with Coopers & Lybrand in 1993. He then held a number of senior financial and operational roles within Rio Tinto plc and Anglo American plc. He was Chief Financial Officer at two of Rio's mines in the US and held the position of production manager at one of them, an open pit gold mining operation.

NON-EXECUTIVE DIRECTORS

R Edey (69) – was appointed Non-executive Director in July 2010 and Chairman of the Company in September 2010. Russell retired as Chairman of AngloGold Ashanti Limited in May 2010 having been a member of that Company's Board since 1998. He is a Non-executive Director of Old Mutual PLC and several companies in the Rothschild Group, which he joined in 1977. Prior to that, he worked for Anglo American Corporation of South Africa Limited in South Africa and Australia.

H Arnet (50) – became a Non-executive Director in September 2009. Harald is Chief Executive Officer of Datum AS, Avocet's second largest shareholder. Arnold previously held the position of Senior Vice President, Corporate Finance, Norway for Svenska Handelsbanken.

MJ Donoghue (62) – became a Non-executive Director in July 2006. Mike is a mining engineer with over 30 years of experience in mining operations and new mine developments in Africa, Australia, South East Asia and Europe. Mike is the Executive Chairman of Ormonde Mining plc. Previously he held the position of General Manager – Operations, Delta Gold, Sydney, Australia.

RA Pilkington (66) – became a Non-executive Director in March 1996. Robert is a Senior Advisor of UBS Investment Bank. He is also a Director of ASA Limited, a closed end fund specialising in gold and other precious mineral investments. Following an earlier career with the Anglo American group, Robert has been an investment banker in New York for over 25 years, and has advised some of the world's leading gold mining companies.

BJ Rourke (61) – was appointed Non-executive Director in July 2010. Barry 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. Barry 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. In July 2010, Barry was appointed Chairman of the Audit Committee.

G Wylie (59) – Gordon joined the Board of Avocet Mining in February 2012. A geologist by training, Gordon has over 35 years of experience in mining and exploration geology, including eight years in AngloGold Ashanti's senior management team where he was responsible for global exploration projects. More recently, Gordon has served on the board of a number of listed companies with operations in Central Asia, South America, Europe and Russia. He currently serves on the board of Lydian International and Central Asian Gold. In the past five years, he has also served on the boards of OxusGold and Continental Gold.

COMPANY SECRETARY

JEGM Wynn (39) – joined Avocet in November 2008 and was appointed Company Secretary in January 2009. Jim is a Chartered Accountant and was previously employed by Anglo American plc where he held a number of roles within the finance, business development, and strategy departments of Anglo Industrial Minerals.

SENIOR MANAGEMENT

PA Flindell† (47) – a geologist with over 20 years' experience in gold and copper exploration, resource evaluation and reserve development in South East Asia, Central Asia and North America. Pete has played a key role in the discovery and development of two gold mines in Indonesia, including Avocet's North Lanut mine. He joined Avocet as Chief Geologist in May 2002 following 12 years of experience with Newmont Mining Corporation. Following the Wega Mining acquisition Pete became Executive Vice President – Exploration.

RQ Gray† (53) – joined Avocet in June 2009 as Executive Vice President – Operations, West Africa, following the acquisition of Wega Mining. Richard has extensive international experience in both underground and open pit mine operations, including 15 years working in South Africa for Gencor Ltd, and ten years in West Africa for Golden Star Resources Ltd. In addition to operations roles including Vice President and General Manager, Chief Operating Officer and Director Operations, Richard also has various business and project development experience including activities in the Dominican Republic and former Soviet Union. Richard holds a BSc (Hons) Mining Engineering from the Royal School of Mines, Imperial College and an MBA from the Graduate School of Business, Cape Town University.

Note: Ages are at 31 December 2011.
† Denotes member of the Executive Committee.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2011.

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 within the Chief Executive's review.

FUTURE DEVELOPMENTS

The Group's future developments are outlined in the Chairman's Statement and the Chief Executive's review.

SHARE CAPITAL

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

At 22 February 2012, the issued share capital of the Company stood at 199,546,710. Changes to the Company's share capital during 2011 and details relating to the purchase and transfer of Treasury and Own Shares are set out in notes 29 and 30 to the Group accounts.

COMPANY'S LISTINGS

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

RESULTS AND DIVIDENDS

The Group made a profit for the year of US$105.1 million (2010 – US$18.2 million). The results for the year are explained in the Financial Review from page 30. On 28 July 2011, the Company declared an interim dividend of 2.1 pence per share, which was paid on 30 September 2011 to shareholders on the Company's register on 9 September 2011.

It is the Company's policy to pay annual dividends of approximately US$20 million, split between an interim and final dividend based on a 1:2 ratio. In accordance with this policy, the Directors have recommended a final dividend of 4.2 pence which will be paid on 1 June 2012 to shareholders on the register on 11 May 2012.

EVENTS AFTER THE REPORTING PERIOD

On 16 February 2012 the sale of PT Sago Prima Pratoma was completed for proceeds of US$2 million. The assets of PT Sago Prima Pratoma were presented as assets held for sale in the 31 December 2011 balance sheet.

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. The KPIs for continuing operations for the year are shown in the highlights tables within the Chief Executive's Review commencing on page 12.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are outlined within the Report on Corporate Governance on pages 47 to 49.

DIRECTORS AND THEIR INTERESTS IN SHARES

The names of the current Directors are shown on page 38 and details of their interests in the share capital of the Company are shown on page 57.

In accordance with Code Provision B.7.1 of the UK Corporate Governance Code, all Directors will stand for re-election on an annual basis commencing at the 2012 AGM.

SUBSTANTIAL SHAREHOLDERS

At 22 February 2012 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Name	Shareholding	%
Elliott International, L.P. and Elliott Associates, L.P.	25,695,037	12.92
Datum AS	24,404,896	12.27
BlackRock Inc.	14,432,952	7.25
J.P. Morgan Asset Management (UK) Limited	12,009,103	6.04
Van Eck Associates Corp	7,248,571	3.64
Prelas AS	7,002,990	3.52

CREDITOR PAYMENTS

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

KEY CONTRACTS

The Company has contractual arrangements with key suppliers for its operations, notably for fuel, reagents, grinding media, and other materials, and good relations are maintained with these suppliers. However, alternative sources could be arranged if necessary, hence the Company does not believe it is unduly reliant on any single contract or supplier.

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. However the Company does on occasion make modest charitable contributions, including a payment of US$10,000 to the Norwegian Red Cross following the tragic events in Oslo during the year. In addition, the Company makes regular more significant contributions to community and social projects as outlined in the Community relations review (pages 28 to 29).

CORPORATE GOVERNANCE

A report on corporate governance is provided on pages 41 to 50.

Report of the Directors
continued

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

HEALTH, SAFETY AND ENVIRONMENT
Details of the Group's activities relating to health, safety and the environment are provided on pages 24 to 27.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The Directors are responsible for preparing the Directors' 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; and
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements 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.

In so far as each of the Directors 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 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 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 our knowledge:
- the financial statements, prepared in accordance with the applicable set of accounting standards, 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 management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

BRETT RICHARDS
Chief Executive Officer
22 February 2012

Report on corporate governance

CHAIRMAN'S INTRODUCTION

In this, my first full year as chairman of Avocet, I should like to outline the approach that has been adopted towards corporate governance by myself and my colleagues on the Board, and to underline the importance attached not only to compliance with our regulatory requirements but also to achieving best practice in these areas.

The Board is aware that it is accountable to the Company's shareholders and wider stakeholders for the corporate governance of the Group. We are fully committed to acting in the interests of our shareholders, but also to ensuring we maximise the benefits of the Company's operations to its broad range of stakeholders, including the communities in which we operate, our employees and their families, and national governments.

Since its listing on the Oslo Børs in June 2010, Avocet has been required to comply with the guidelines of the UK Corporate Governance Code (the Code), or explain its reasons for non-compliance. The move to the Main Market of the London Stock Exchange (LSE) has not changed that requirement; however the Company has recognised that the move brings with it an increase in focus on standards of corporate governance.

In response, the Company has instigated a number of specific improvements, including the following:

- The creation of two new Board Committees: the Technical Committee; and the Health, Safety and Environment Committee;
- The announcement of the intention to recruit two new Independent Non-executive Directors to strengthen the overall balance of skills and knowledge on the Board, particularly in technical areas and in experience of corporate governance (in which regard Gordon Wylie, was appointed on 22 February 2012);
- The adoption of new policies, including a Code of Conduct and Ethics, an Anti-bribery policy, and a Sharedealing Code; and
- The adoption of the policy that all Directors put themselves forward for re-election by the shareholders at each AGM.

A full set of mandates for the Board, and its Committees, are available for view at the Company's website www.avocetmining.com

In addition, we have reviewed and refreshed the way in which we as a Board assess our performance, and in particular have aligned this evaluation more closely with the guidelines of the Financial Reporting Council. In 2012, it is our intention to follow this up with an external assessment.

RUSSELL EDEY
Chairman
22 February 2012

I should like to outline the approach that has been adopted towards corporate governance by myself and my colleagues on the Board, and to underline the importance attached not only to compliance with our regulatory requirements but also to achieving best practice in these areas.

Report on corporate governance
continued

Throughout the year ended 31 December 2011 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 save in respect of the matter of the chairmanship of the Remuneration Committee, as discussed on page 44.

BOARD OF DIRECTORS

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

The Board consists of two Executive Directors who hold the key operational positions in the Company and six Non-executive Directors, who bring a breadth of experience and knowledge. The Company has stated its intention to increase the Board membership to nine by recruiting two new Non-executive Directors in the early part of 2012. On 22 February 2012, G Wylie was appointed to the Board as a Non-executive Director.

The Board meets at least every three months and is supplied with appropriate and timely information. In 2011, the Board met nine times. Where appropriate, the Board invites external advisers and/or senior management to attend meetings to discuss matters where their expertise may be beneficial.

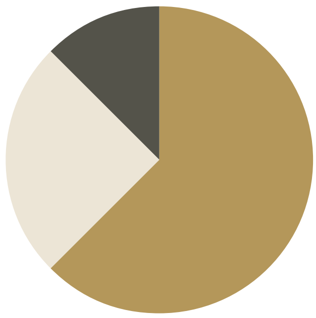
The responsibilities of RP Edey as Chairman include those contained in the Supporting Principles to paragraph A.3 of the UK Corporate Governance Code, namely for providing leadership to the Board, ensuring its effectiveness in all aspects of its role and setting its agenda; ensuring that adequate time 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.

BOARD INDEPENDENCE

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

The remaining Non-executive Director, H Arnet, is acknowledged to be non-independent by virtue of his employment as Chief Executive Officer of Datum AS, a major shareholder of the Company.

The Chairman of the Board is RP Edey, and the Chief Executive Officer is BA Richards. The Board has named RA Pilkington as the senior independent Non-executive Director.



5 Independent Directors
2 Executive Directors
1 Non-independent Director

	Position	Appointed	Status	Audit Committee	Remuneration Committee	Nomination Committee	Technical Committee[1]	HSE Committee
RP Edey	Chairman	8 July 2010	Independent	–	Chair	Chair	–	Member
RA Pilkington	NED	11 March 1996	Independent	Member	Member	Member	–	–
BJ Rourke	NED	8 July 2010	Independent	Chair	Member	Member	–	Member
MJ Donoghue	NED	11 July 2006	Independent	–	Member	Member	Chair	Member
H Arnet	NED	18 September 2009	Non-independent	Member	Member	Member	–	–
G Wylie	NED	22 February 2012	Independent	–	Member	Member	Member	Chair
BA Richards	Chief Executive Officer	27 July 2010[2]	Executive	–	–	–	Member	–
AM Norris	Finance Director	10 July 2007	Executive	–	–	–	–	–

1 The other members of the Technical Committee are PA Flindell and RQ Gray.
2 BA Richards was appointed interim Chief Executive Officer on 1 June 2010.

BOARD PERFORMANCE

Each year, the Board undertakes a formal process to evaluate its effectiveness, and that of the Board Committees and individual Directors, consisting of an internal review of the Board's performance against the guidelines of the Financial Reporting Council on Board effectiveness. The results of this self-assessment were collected in October 2011, and the findings discussed at the 14 December 2011 Board meeting, as well with individual Board members to discuss specific development areas.

It is the intention that this evaluation process be undertaken by an external facilitator on a three yearly basis, in accordance with the UK Corporate Governance guidelines.

BOARD AND COMMITTEE MEETINGS

There were nine Board meetings, six Audit Committee meetings, four Remuneration Committee meetings, and one meeting of the Nomination and Health, Safety, and Environment (HSE) Committees in the year. Attendance at these meetings of the Board by the relevant Board members is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Technical Committee	HSE Committee
RP Edey	9/9	n/a	4/4	1/1	n/a	1/1
RA Pilkington	8/9	6/6	4/4	1/1	n/a	n/a
BJ Rourke	9/9	6/6	4/4	1/1	n/a	1/1
MJ Donoghue	7/9	n/a	3/4	1/1	0/0	1/1
H Arnet	8/9	5/6	3/4	1/1	n/a	n/a
G Wylie	n/a	n/a	n/a	n/a	n/a	n/a
BA Richards	9/9	n/a	n/a	n/a	0/0	n/a
AM Norris	8/9	n/a	n/a	n/a	n/a	n/a

The Technical and HSE Committees were formally established in October 2011. The HSE held its first meeting on 14 December 2011, while the Technical Committee was not formally convened before the end of the year. Prior to the establishment of these Committees, matters reserved for their review were covered by the Board and senior management.

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.

During the year, the Board undertook a review of its Committees, and as a result introduced two new formal Committees (the Technical Committee and the HSE Committee), while refreshing the mandates for all Committees. The membership and mandates for all Committees are available on the Company's websites 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 on-going 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. Its members, and chairman, are to be determined by the Board. The current membership of the Committee comprises RP Edey (Chairman), H Arnet, RA Pilkington, MJ Donoghue, BJ Rourke and G Wylie.

Operations

The Nomination Committee meets at least once a year, or more frequently as required. In 2011, it met once, particularly to discuss the Board composition in the context of the Group's growth strategy, and its move to the Main Board of the London Stock Exchange. A key outcome of this meeting was to recommend the recruitment of two new independent Non-executive Directors, in order to enhance overall independence of the Board, and to provide a balance of skills among the Board members.

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;

Report on corporate governance
continued

- 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.

During the year, the Board identified that its balance of skills would be strengthened by an additional Non-executive Director with technical skills. External consultants were engaged to assist in the process of identifying a number of candidates, and examining their skills and experience against the current Board composition. As a result, G Wylie was appointed to the Board on 22 February 2012.

The Board has initiated a search for an external candidate to take over the responsibility as Chairman of the Remuneration Committee to ensure compliance with provision D.2.1 of the UK Corporate Governance Code.

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 RP Edey (Chairman), H Arnet, RA Pilkington, MJ Donoghue, BJ Rourke and G Wylie.

The Company acknowledges that the UK Corporate Governance Code provision D.2.1 states that the chairman of the Board should not also be the chairman of the Remuneration Committee. In view of his experience, the Company feels it is appropriate for RP Edey to occupy this role. However, a search has been initiated for an appropriate external candidate to take over these responsibilities as early in 2012 as is practicable.

Operations

The Remuneration Committee meets at least twice a year, or more frequently as required. In 2011, the Remuneration Committee met four times. As well as regular reviews of the remuneration levels of Executive Directors and senior managers, the Remuneration Committee also made the following recommendations to the Board during the year:

- the adoption of a revised set of short and long-term remuneration schemes (details of which can be found in the Remuneration Report on pages 50 to 57);
- the recommendation to the shareholders of the adoption of a revised employee share option scheme, to replace the scheme that had been originally established in 1999; and
- the approval of bonus payments to executives and senior management in respect of the sale of the Company's South East Asian assets (see page 54).

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

AUDIT COMMITTEE

Purpose

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

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

Composition

The Audit Committee must consist of not less than three Non-executive Directors. The Audit Committee is chaired by BJ Rourke, and also comprises RA Pilkington and H Arnet. 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 2011, for example, the Committee met on six 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.

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 (eg 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 internal 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 3 May 2012.

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 appropriate.

It is also responsible for monitoring the appropriateness of the Group's anti-bribery policies, particularly in light of the UK Bribery Act 2010, which came into force in July 2011.

TECHNICAL COMMITTEE

Purpose

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

Composition

The Technical Committee consists of MJ Donoghue (Chairman), G Wylie, BA Richards (Chief Executive Officer), PA Flindell (EVP Exploration) and RQ Gray (EVP Operations, West Africa). The Committee's mandate requires that the chairman be a Non-executive Director with technical expertise, and MJ Donoghue has significant experience in running mining operations over a long career.

Operations

The Committee meets at least four times a year, or more frequently as required. The Committee was formally established as a Board Committee in October 2011, prior to which it operated in the capacity of an unofficial Board Committee (although its members were the same, and its remit in line with that set out in its formal mandate) . Its establishment as a Board Committee was intended to formalise its role, and the Committee was strengthened by the addition of a new independent Non-executive Director with technical experience, G Wylie, who was appointed in February 2012. The Committee did not formally meet in 2011, however there were several meetings of its predecessor during the year.

Responsibilities

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

HEALTH, SAFETY AND ENVIRONMENT (HSE) COMMITTEE

Purpose

The HSE 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. Previously, significant issues in this area were dealt with by the Board itself. The HSE Committee was established in October 2011 in order to formalise a separate forum exclusively for the purpose of reviewing such matters.

Composition

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

Operations

Following its establishment in October 2011, it met for the first time in December 2011. Going forward, the HSE Committee is expected to meet at least four times a year.

Responsibilities

The HSE 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;

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- 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 Directors regularly review the liquidity of the Company, and as part of the review of quarterly financial results, management are required to submit a cash forecast in order to allow the Board to determine formally whether they view as appropriate the continued application of the 'going concern' basis for the Company's financial results. As part of this review, key variables are sensitised (for example the gold price), and the impact not only on the cash balance but also on any banking covenants is also tested (in 2011, this included the covenants related to the Macquarie Bank Limited project finance facility at Inata).

This review therefore happens at least four times each year, and more frequently where required. During 2011, an additional review of going concern was required as part of the Board's statement contained within the Main Board listing prospectus, attesting to the adequacy of the Group's working capital over the coming 18 months.

Based on the above reviews, the Board has approved the going concern basis for the 2011 financial statements.

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

NON-AUDIT SERVICES
The Board regularly reviews the provision of non-audit services from its auditors. 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. During the year, the Company engaged Grant Thornton UK LLP to act as reporting accountant with respect to the application for listing on the Main Board of the London Stock Exchange. This work was undertaken by a team, and led by a partner, that operated separately from the audit team, and the Company was therefore satisfied that the independence of Grant Thornton UK LLP as auditors was not compromised.

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

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

- the Chairman and the executive Directors meet on a regular basis to discuss the management of the Group and review any business risk and actions necessary.

EMPLOYEES

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

During 2011, national workers at the Inata Gold Mine underwent a ten-day strike. Their demands centred around improved working conditions and pay. Following negotiations with management, the strike was called off and work resumed, with revised terms that were satisfactory to employees and management.

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

RELATIONS WITH SHAREHOLDERS

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

The AGM is a forum for communicating with institutional and private investors, and all shareholders are encouraged to attend and participate. The Chairmen of the Board Committees are also available to answer questions, along with the Senior Independent Non-executive Director (RA Pilkington). 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 Buchanan Communications to assist in its financial public relations strategy.

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 health and safety, community development, and environmental responsibility) are at the forefront of strategic and operational decision-making.

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

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

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

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

Risk management

Risk	Comment	Business Impact	Mitigation
Economic risks			
Exposure to a fall in gold prices	Avocet's revenue is dependent on the market price of gold for all unhedged gold sales.	High	**Avocet maintains a policy of exposure to the spot gold price but has forward sales contracts covering approximately 20% of its production until 2018 (at a price of US$950 per oz.).**
Exposure to a strengthening in local currency rates	Avocet realises US dollars for all of its gold sales, and reports its results in US dollars. The Company has some exposure to the West African CFA, and the Guinean Franc, being the local currencies of Burkina Faso and Guinea respectively, in which many of its costs are denominated.	Low	**The Company continually monitors fluctuations in currency rates, and may on occasion purchase short term currency hedges (although did not do so in 2011). It is Avocet's policy to minimise the value of cash held in non-US dollar currencies.**
Exposure to unfavourable movements in purchase prices of input materials	The Company is exposed, both directly and indirectly, to the purchase price of diesel, steel, and reagents used in gold production.	Moderate	**The Company seeks to minimise its usage of input materials. It also monitors commodity prices constantly and considers whether hedging might be appropriate. No hedging was entered into during 2011**.
Exposure to increases in the market prices of the equipment and services it uses	Avocet is subject to increases in the market prices for services and equipment (eg mining contractors, drilling, tyres, vehicles, etc). During 2011, a gold price-led boom in mining activity led to increased demand for related services, and sector-wide price increases were seen.	Moderate	**The Company seeks to negotiate the best possible rates for all services and products it receives, taking into account not only price, but service quality and reliability.**

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

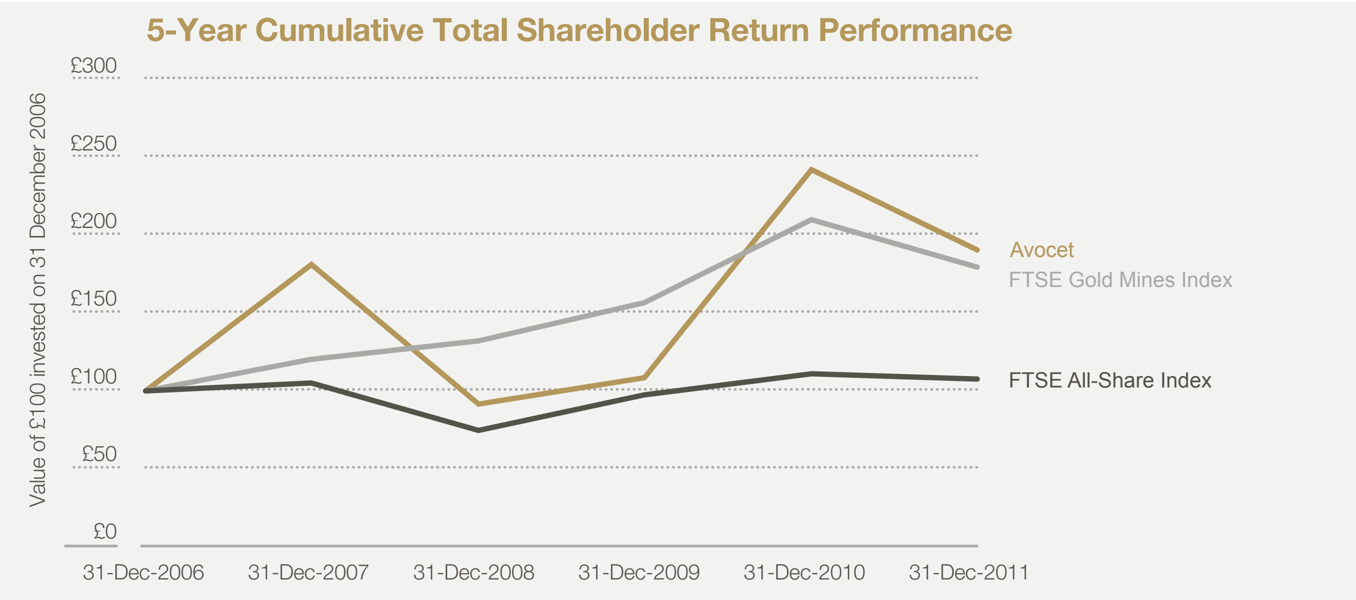
Risk	Comment	Business Impact	Mitigation
Country risks			
Exposure to political and social risks in Burkina Faso and Guinea	Avocet's main assets are located in Burkina Faso and in Guinea, and the Company is therefore exposed to any adverse changes in the political and social situations in those countries.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

Risk	Comment	Business Impact	Mitigation
Other risks			
Portfolio risk of having a single operating asset	Since the sale of Avocet's South East Asian assets, the Company is reliant on a single revenue-generating asset (Inata). Any factors that affect production at Inata will consequently have a significant impact on Group results.	Moderate	**It is the Company's policy to pursue growth opportunities through organic means (in Guinea, as well as through expansion at Inata itself), as well as reviewing acquisition opportunities which can be shown to be value accretive.**
Litigation	Avocet is the subject of legal action initiated by its former partner in Indonesia, with regard to the sale of various Indonesian entities in 2011.	Moderate (with low probability)	**The District Court of Jakarta, Indonesia recently dismissed the case, accepting Avocet's claim that the Indonesian courts do not have jurisdiction over the dispute.** **PT LT has appealed this ruling, but the Company is confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.**
Licence administration	Avocet holds a number of exploration and mining licences. These licences normally include conditions for ongoing operation (eg minimum spend levels) and require periodic renewal. Renewals are not normally guaranteed.	Moderate	**Avocet maintains good relations with the appropriate authorities and management are responsible for ensuring conditions are adhered to and renewal applications submitted in good order.**

Remuneration report

This report is presented to shareholders by the Board and provides information on Directors' remuneration for the year ended 31 December 2011. A resolution will be put to shareholders at the Annual General Meeting on 3 May 2012, inviting them to consider and approve this report. This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008 and the UK Corporate Governance Code.

PERFORMANCE



The chart 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 1 January 2007 to 31 December 2011. 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.

REMUNERATION COMMITTEE

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 44.

The Chief Executive Officer attends meetings at the invitation of the Committee to provide guidance as appropriate on the impact of remuneration decisions and on the performance of senior executives; he does not attend when his own remuneration is discussed. The Company Secretary also attends. During the course of the year, the Committee was advised by Kepler Associates. Kepler Associates do not provide any other services or advice to the Company.

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.

REMUNERATION POLICY

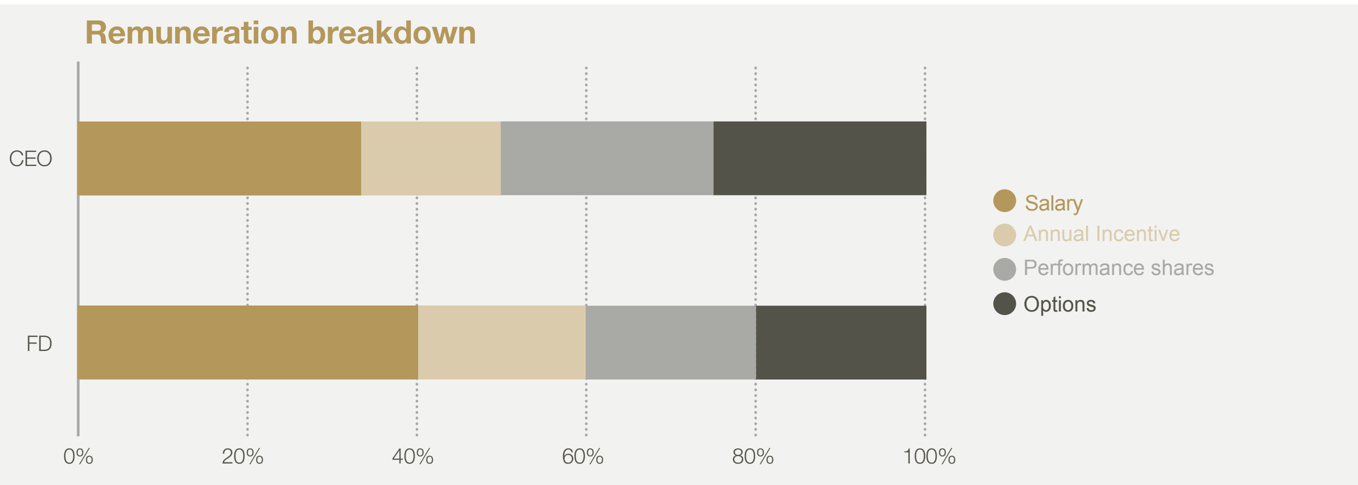
The Company operates within a competitive environment and its performance depends on the individual contributions of the Directors and employees. Executive remuneration packages are designed to attract, motivate and retain executives of the calibre necessary to manage the Company's operations and to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

In common with many companies at a similar stage of development, Avocet has a competitive approach to executive remuneration. The total remuneration for the Executive Directors and other senior executives consists of five main elements, as follows:

Element	Objective	Performance period	Performance conditions
Base Salary	Reflects competitive market, level, role and individual contribution	Not applicable	Normally reviewed annually taking into account pay for similar positions in similar companies, individual performance and the Company's overall approach to pay
Benefits (including pension contributions)	Reflects competitive market	Not applicable	Not applicable
Annual incentive (including deferral)	Motivates achievement of annual financial, operating and strategic goals, as well as individual performance goals	One year	Subject to achievement of targets against key performance indicators including EBITDA, gold production, reserves and resources and specific strategic milestones, as well as personal performance
Performance Share Plan	Drives long-term value creation and aligns executives' and shareholders' interests.	Three years	Subject to relative position of the Company's TSR versus a basket of comparable gold-mining companies
Share Option Plan	Options provide a more straightforward means of alignment that is appropriate also for use below the senior executive level.	Three years	Subject to the Remuneration Committee's satisfaction that underlying financial performance is at a sufficient level such that vesting is appropriate

During the year, the Committee proposed no change to the incentive schemes summarised above, that were reviewed and approved in the Company's last Annual General Meeting on 5 May 2011, and believes that the Company continues to offer remuneration arrangements which motivate and retain the executives who are critical to the success of the Company, and to align their interests with those of shareholders.

The chart below illustrates the mix between fixed and variable remuneration for the two Executive Directors for on-target performance. Target performance assumes target annual incentive and a fair value for long-term incentive awards.



Remuneration report
continued

COMPONENTS OF REMUNERATION
The elements that comprised the remuneration package for the Executive Directors during 2011 are set out below.

Salary and benefits
Executive Directors' basic 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 Group when setting base salaries for the Executive Directors. No increases are proposed for 2012. During 2011, the base salary levels were £300,000 for BA Richards, and £250,000 for AM Norris.

Benefits (including pension contributions)
The Company offers medical cover to all its key employees, as well as additional benefits (such as gym membership).

In addition, in 2011, the Remuneration Committee approved a Defined Contribution Pension Scheme to be implemented in 2012, with a minimum employer pension contribution for UK employees (including Executive Directors) of 3% of base salary, together with an opportunity for employees to contribute up to 6% of their salary, which would be matched by additional employer contributions giving a maximum total combined pension contribution of 15% of salary (with a maximum cost to the Company of 9% of the UK base salary cost).

Annual Incentive
The Executive Directors may earn an annual incentive of 50% of salary for target, up to a maximum of 75% of salary. Awards of up to 62.5% of salary are determined with reference to a scorecard of stretching corporate objectives aligned to the Company's business strategy. For 2011, this included EBITDA, gold production, reserves and resources and specific strategic milestones. The outcome against the scorecard is then adjusted up or down by between 0 and 20% based on performance against personal/strategic objectives.

The Company operates bonus deferral for Executive Directors. Under this plan, 50% of any annual incentive award in excess of £30,000 is mandatorily deferred into Avocet shares. These deferred shares may vest after a further one-year holding period, subject to continued employment. The remainder of any earned bonus is paid in cash after the year end.

Award opportunities to Executive Directors will remain unchanged for 2012 and the operation of the Annual Incentive will be broadly similar.

Long Term Incentive Plans
The long term incentive plans currently comprise:

(a) The Performance Share Plan (the PSP)
Performance share awards, being conditional awards granted as shares or nil-cost options, are awarded to key executives (including Executive Directors). Performance share awards will not vest unless the Company's TSR performance over the three year performance period is at least at the median of a comparator group comprising companies operating in the same sector, whereby the award will vest as follows:

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

Awards are made to eligible employees including Executive Directors on a discretionary basis.

The PSP was first introduced during the year, following approval by the Company's shareholders at the Annual General Meeting on 5 May 2011. It is the intention that awards be made annually, shortly after the release of the previous year's full year results, and that the performance periods be based on three calendar years.

No awards were made during 2011, as the scheme was introduced part way through the year. Awards for the year ended December 2011 will therefore be made shortly after the announcement of the Group's full year results, at the same time as the 2012 awards. The performance period for the 2011 awards will be 1 January 2011 to 31 December 2013, while the performance period for the 2012 awards will be 1 January 2012 to 31 December 2014. Under the rules of the PSP, shares do not vest for continuing employees under these schemes until three years after the grant of the awards, therefore any shares released under both of these awards will not be transferred to participants before February 2015.

(b) The Share Option Plan (the Option Plan)
The Option Plan was also introduced in 2011. 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. Options awards for the first cycle only will vest in three equal tranches over the three years from grant. The Remuneration Committee must be satisfied that underlying performance has been sufficient for the options to vest. Subsequent grants of options will cliff vest after three years, subject to performance.

For 2011, BA Richards was awarded 184,838 options with an exercise price of 219.33p (an option award with a fair value of 75% of salary) and the FD was awarded 100,000 options with an exercise price of 219.33p (an option award with a fair value of 37.5% of salary). The aggregate of awards under this plan to any individual within a single financial year may not exceed 200% of salary except in exceptional circumstances, subject to Remuneration Committee approval.

SERVICE CONTRACTS – EXECUTIVE DIRECTORS
Executive Directors currently have employment contracts which may be terminated by the Company or employee with twelve months of notice. No other payments are made for compensation for loss of office.

LETTERS OF APPOINTMENT – CHAIRMAN AND NON-EXECUTIVE DIRECTORS
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.

Chairman's fees
It is the Company's policy that the Chairman should be remunerated on a competitive basis and at a level which reflects his contribution to the Group, as assessed by the Board. Details of his fees can be found in the Total Remuneration of Directors below.

Non-executive Directors' fees
The Board as a whole, with the benefit of independent professional advice, determines Non-executive Directors' fees, although Non-executive Directors do not vote on any increases of their own fees. Fees are set to reflect the responsibilities and time spent by the Directors on the affairs of the Company. For 2011, the basic fee for Non-executive Directors was set at £40,000 with an additional £10,000 for the Chairman of the Audit Committee. Details of actual Non-executive Directors' fees received during the year can be found in the Total Remuneration of Directors Summary overleaf.

Remuneration report
continued

TOTAL REMUNERATION OF DIRECTORS
Information in the rest of the Remuneration Report has been subject to audit.

Summary

	Salary US$000		Benefits[1] US$000		Pension US$000		Cash bonus US$000		Share bonus US$000 (cash value)		Total $000	
Periods ended	Dec 2010	**Dec 2011**	Dec 2010	**Dec 2011**	Dec 2010	**Dec 2011**	Dec 2010	**Dec 2011**	Dec 2010	**Dec 2011**	Dec 2010	**Dec 2011**
Executive Directors												
BA Richards[2]	205	**482**	9	**15**	–	**–**	–	**698**	–	**591**	214	**1,786**
AM Norris	399	**375**	4	**7**	–	**–**	–	**602**	482	**509**	885	**1,493**
J Henry	325	**–**	–	**–**	9	**–**	–	**–**	892	**–**	1,226	**–**
Non-executive Directors												
RA Pilkington	58	**64**	–	**–**	–	**–**	–	**–**	–	**–**	58	**64**
MJ Donoghue	107	**93**	–	**–**	–	**–**	–	**–**	–	**–**	107	**93**
H Arnet	70	**64**	–	**–**	–	**–**	–	**–**	–	**–**	70	**64**
RP Edey[4]	62	**177**	–	**–**	–	**–**	–	**–**	191	**–**	253	**177**
BJ Rourke[4]	38	**80**	–	**–**	–	**–**	–	**–**	–	**–**	38	**80**
NG McNair Scott[5]	155	**–**	–	**–**	–	**–**	–	**–**	–	**–**	155	**–**
Sir Richard Brooke Bt.[6]	15	**–**	–	**–**	–	**–**	–	**–**	–	**–**	15	**–**
RS Robertson[6]	11	**–**	–	**–**	–	**–**	–	**–**	–	**–**	11	**–**
G Wylie[7]	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**
	1,445	**1,335**	13	**22**	9	**–**	–	**1,300**	1,565	**1,100**	3,032	**3,757**

(1) Benefits include medical allowances
(2) BA Richards was appointed Chief Executive Officer on 27 July 2010, having been Interim Chief Executive Officer since 1 June 2010
(3) J Henry resigned on 31 May 2010
(4) RP Edey and BJ Rourke were appointed to the Board on 8 July 2010; RP Edey was appointed as Chairman of the Board on 15 September 2010
(5) NG McNair Scott resigned on 15 September 2010
(6) Sir Richard Brooke Bt. and RS Robertson resigned on 16 March 2010
(7) G Wylie was appointed to the Board on 22 February 2012

Exceptional Bonus for Sale of South East Asian Assets

As a result of their contribution to the highly successful sale of the Company's South East Asian Assets for consideration of US$200 million, the following cash and share awards were made to senior management (including Executive Directors):

	Awarded during 2011		Target final award		Total award	
	Cash US$000	Shares	Cash US$000	Shares	Cash US$000	Shares
AM Norris	200	26,174	194	28,198	394	54,372
BA Richards	215	26,452	19	2,791	234	29,243
Other management	323	38,688	217	29,464	540	68,152
	738	**91,314**	**430**	**60,453**	**1,168**	**151,767**

The final award is linked to the final consideration received and the share price at the time of transfer (target final award is shown in the table above). The award of these exceptional bonuses will be taken into consideration when determining the full year 2011 cash bonus awards for Executive Directors, in particular the element of full year bonuses dependent on meeting strategic objectives (20%) which the Remuneration Committee deems to have been achieved and settled in full.

EMPLOYEE BENEFIT TRUST (EBT) AND UK SHARE INCENTIVE PLAN (SIP)

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, Deferred Bonus 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.

The SIP is a plan that allows UK tax residents to benefit from share awards under favourable taxation terms, subject to restrictions. Any awards made under this plan must be made under terms consistent with UK taxation requirements.

During the year ended 31 December 2011, the following restricted share allocations and releases were made under the EBT:

	EBT shares allocated at 31 December 2010	EBT shares allocated during the period	EBT shares released during the period	EBT shares allocated at 31 December 2011	Latest date on which shares vest
Executive Directors					
AM Norris	18,049	–	(18,049)	–	n/a
BA Richards	–	–	–	–	n/a
Non-executive Directors					
RA Pilkington	6,029	–	(6,029)	–	n/a
MJ Donoghue	6,029	–	(6,029)	–	n/a
H Arnet	–	–	–	–	n/a
RP Edey	91,500	–	–	91,500	15/09/13
BJ Rourke	–	–	–	–	n/a
G Wylie	–	–	–	–	–
Management and other staff					
Other staff	275,688	–	(221,866)	53,822	13/05/13
Total	**397,295**	**–**	**(251,973)**	**145,322**	

The EBT held 534,837 shares at 22 February 2012.

During the year ended 31 December 2011, the following restricted share allocations and releases were made under the SIP.

	SIP shares allocated at 31 December 2010	SIP shares allocated during the period	SIP shares released/ cancelled during the period	SIP shares allocated at 31 December 2011	Latest date on which shares vest
Executive Directors					
AM Norris	1,951	–	–	1,951	09/07/13
Management and other staff					
Other staff	12,235	–	(9,868)	2,367	13/05/15
Total	**14,186**	**–**	**(9,868)**	**4,318**	

The SIP held 1,901 shares at 22 February 2012.

Remuneration report
continued

SHARE OPTION SCHEMES

In 2011, the Company introduced a new scheme – the Share Option Plan. Prior to 2011, the Company awarded share options under an older scheme, originally introduced in 1999. All new awards are to be made under the newer scheme, however outstanding awards under the older scheme are still valid, 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 2010	Options exercised/ cancelled during the period	Options granted during the period	Options held at 31 December 2011	Exercise price	Date of grant	Date from which exercisable	Expiry date
AM Norris	500,000	–	–	500,000	103.25p	15/11/06	15/11/09	15/11/13
	130,488	–	–	130,488	153.75p	9/07/08	9/07/11	9/07/15
	19,512	–	–	19,512	153.75p	9/07/08	9/07/11	9/07/13
	250,000	–	–	250,000	81p	25/06/09	25/06/12	25/06/16
	250,000	–	–	250,000	105p	18/03/10	18/03/13	18/03/17
	–	–	100,000	100,000	219.33p	23/05/11	21/02/12[1]	21/02/18
	1,150,000	**–**	**100,000**	**1,250,000**				
BA Richards	250,000	–	–	250,000	90.75p	12/11/09	12/11/12	12/11/16
	500,000	–	–	500,000	124p	28/07/10	28/07/13	28/07/17
	–	–	184,838	184,838	219.33p	23/05/11	21/02/12[1]	21/02/18
	750,000	**–**	**184,838**	**934,838**				

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

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
17-May-09	75.00	20,083	17-May-12	17-May-14
17-May-09	75.00	4,917	17-May-12	17-May-16
25-Jun-09	81.00	1,295,000	25-Jun-12	25-Jun-16
14-Jul-05	82.00	78,659	14-Jul-08	14-Jul-12
12-Nov-09	90.75	850,000	12-Nov-12	12-Nov-16
15-Nov-06	103.25	787,894	15-Nov-09	15-Nov-13
18-Mar-10	105.00	1,075,000	18-Mar-13	18-Mar-17
28-Jul-10	124.00	500,000	28-Jul-13	28-Jul-17
09-Jul-08	153.75	19,512	09-Jul-11	10-Jul-13
09-Jul-08	153.75	430,488	09-Jul-11	10-Jul-15
23-May-11	219.33	657,838	21-Feb-12	21-Feb-18
27-Jul-11	225.00	30,263	27-Jul-12	25-Jul-18
02-Aug-11	233.00	15,000	01-Aug-12	31-Jul-18
12-Aug-11	235.50	10,000	11-Aug-12	10-Aug-18
15-Aug-11	229.75	10,000	14-Aug-12	13-Aug-18
		5,784,654		

SHARE PRICE MOVEMENTS DURING 2011

The mid-market closing price of the Company's shares at 31 December 2011 was £1.85 (31 December 2010: £2.37). The highest and lowest trading prices of the Company's shares during the year were £2.87 and £1.78 respectively.

DILUTION

Taking account of all shares newly issued as a consequence of incentive schemes over the ten-year period to 31 December 2011 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.

SUMS PAID BY THIRD PARTIES

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

INTERESTS OF DIRECTORS AND PERSONS DISCHARGING MANAGERIAL RESPONSIBILITY (PDMRS)

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

Name	Position
PA Flindell	Executive Vice President, Exploration
RQ Gray	Executive Vice President, Operations – West Africa
JEGM Wynn	Vice President, Finance and Company Secretary

The beneficial interests of Directors and PDMRs in the shares of the Company at 22 February 2012 are as follows:

	Shares owned			Restricted shares held in EBT/SIP			Share options
	Fully owned	Restricted	Total	EBT	SIP	Total	
BA Richards	702,939	69,363	772,302	–	–	–	934,838
AM Norris	430,783	57,802	488,585	–	1,951	1,951	1,250,000
RP Edey	–	–	–	91,500	–	91,500	–
RA Pilkington	222,763	–	222,763	–	–	–	–
MJ Donoghue	38,029	–	38,029	–	–	–	–
H Arnet	74,495	–	74,495	–	–	–	–
BJ Rourke	–	–	–	–	–	–	–
G Wylie	–	–	–	–	–	–	–
RQ Gray	521,109		521,109	–	–	–	300,000
PA Flindell	510,099	39,835	549,934	–	–	–	700,000
JEGM Wynn	30,368	–	30,368	31,346	2,367	33,713	140,000
	2,530,585	**167,000**	**2,697,585**	**122,846**	**4,318**	**127,164**	**3,324,838**

On behalf of the Board

RUSSELL EDEY
Chairman of the Remuneration Committee

22 February 2012

Financial statements

Financial statements

This section contains the Group and Company financial statements and notes to the financial statements. It includes:

- Independent auditor's report to the members of Avocet Mining PLC
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Notes to the financial statements
- Independent auditor's report to the members of Avocet Mining PLC (Company financial statements)
- Company balance sheet
- Notes to the Company financial statements
- Shareholder information.

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

We have audited the Group financial statements of Avocet Mining PLC for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:
- give a true and fair view of the state of the Group's affairs as at 31 December 2011 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 Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:
- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 41 to 49 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:
- Under the Companies Act 2006 we are required to report to you if, in our opinion:
  - certain disclosures of Directors' remuneration specified by law are not made; or
  - we have not received all the information and explanations we require for our audit; or
  - a Corporate Governance Statement has not been prepared by the company.
- Under the Listing Rules, we are required to review:
  - the Directors' statement, set out on page 46, in relation to going concern; and
  - the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
  - certain elements of the report to shareholders by the Board on Directors' remuneration.

OTHER MATTER

We have reported separately on the parent company financial statements of Avocet Mining PLC for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

CHARLES HUTTON-POTTS
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
London

22 February 2012

Consolidated income statement
For the year ended 31 December 2011

		Year ended 31 December 2011			Year ended 31 December 2010		
	Note	Continuing operations US$000	Discontinued operations US$000	Total US$000	Continuing operations US$000	Discontinued operations US$000	Total US$000
Revenue	4	**213,375**	**67,236**	**280,611**	132,779	121,814	254,593
Cost of sales	4	**(156,652)**	**(51,101)**	**(207,753)**	(95,135)	(105,533)	(200,668)
Gross profit		**56,723**	**16,135**	**72,858**	37,644	16,281	53,925
Administrative expenses		**(9,657)**	**–**	**(9,657)**	(7,040)	–	(7,040)
Exceptional administrative expenses – Main Board Listing	10	**(3,078)**	**–**	**(3,078)**	–	–	–
Share based payments	27	**(1,941)**	**–**	**(1,941)**	(8,625)	–	(8,625)
Profit from operations		**42,047**	**16,135**	**58,182**	21,979	16,281	38,260
Profit on disposal of investments	10	**8,990**	**2,600**	**11,590**	2,669	–	2,669
Profit on disposal of subsidiaries	5a,10	**–**	**89,955**	**89,955**	–	–	–
Restructure of hedge	10	**(39,757)**	**–**	**(39,757)**	–	–	–
Loss on disposal of property, plant and equipment	10	**–**	**–**	**–**	–	(151)	(151)
Finance items							
Exchange losses		**(116)**	**–**	**(116)**	(49)	–	(49)
Finance income	11	**125**	**–**	**125**	5	–	5
Finance expense	11	**(4,812)**	**–**	**(4,812)**	(4,766)	–	(4,766)
Net finance items – discontinued operations		**–**	**(26)**	**(26)**	–	(56)	(56)
Expenses of listing on Oslo Børs	10	**–**	**–**	**–**	(2,363)	–	(2,363)
Profit before taxation		**6,477**	**108,664**	**115,141**	17,475	16,074	33,549
Analysed as:							
Profit before taxation and exceptional items	9	**40,322**	**16,109**	**56,431**	17,169	16,225	33,394
Exceptional items	10	**(33,845)**	**92,555**	**58,710**	306	(151)	155
Profit before taxation		**6,477**	**108,664**	**115,141**	17,475	16,074	33,549
Taxation	12	**(7,297)**	**(2,723)**	**(10,020)**	(12,021)	(3,316)	(15,337)
(Loss)/profit for the year		**(820)**	**105,941**	**105,121**	5,454	12,758	18,212
Attributable to:							
Equity shareholders of the parent company		**(355)**	**103,774**	**103,419**	3,997	10,633	14,630
Non-controlling interest		**(465)**	**2,167**	**1,702**	1,457	2,125	3,582
		(820)	**105,941**	**105,121**	5,454	12,758	18,212
Earnings per share:							
Basic (loss)/earnings per share (cents per share)	13	**(0.18)**	**52.17**	**51.99**	2.04	5.43	7.47
Diluted (loss)/earnings per share (cents per share)	13	**(0.18)**	**52.17**	**51.99**	2.02	5.37	7.39
EBITDA[(1)]		**84,145**	**16,135**	**100,280**	54,597	31,675	86,272

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

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

Consolidated statement of comprehensive income
For the year ended 31 December 2011

		Year ended 31 December 2011			Year ended 31 December 2010		
	Note	Continuing operations US$000	Discontinued operations US$000	Total US$000	Continuing operations US$000	Discontinued operations US$000	Total US$000
(Loss)/profit for the year		**(820)**	**105,941**	**105,121**	5,454	12,758	18,212
Revaluation of other financial assets	17	**(3,388)**	**–**	**(3,388)**	12,629	–	12,629
Reclassification on disposal of other financial assets		**(9,725)**	**–**	**(9,725)**	2,240	–	2,240
Reclassification of foreign exchange translation reserve on disposal of subsidiaries	5a	**(627)**	**–**	**(627)**	–	–	–
Total comprehensive (expense)/income for the year		**(14,560)**	**105,941**	**91,381**	20,323	12,758	33,081
Attributable to:							
Equity holders of the parent		**(14,095)**	**103,774**	**89,679**	18,866	10,633	29,499
Non-controlling interest		**(465)**	**2,167**	**1,702**	1,457	2,125	3,582
		(14,560)	**105,941**	**91,381**	20,323	12,758	33,081

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

Consolidated statement of financial position
At 31 December 2011

	Note	**31 December 2011 US$000**	31 December 2010 US$000
Non-current assets			
Goodwill	14	**–**	–
Intangible assets	15	**42,390**	11,091
Property, plant and equipment	16	**247,954**	239,979
Other financial assets	17	**1,828**	20,293
Deferred tax assets	18	**–**	1,459
		292,172	272,822
Current assets			
Inventories	19	**40,515**	20,379
Trade and other receivables	20	**28,529**	16,157
Cash and cash equivalents	21	**105,236**	49,523
		174,280	86,059
Assets of disposal group classified as held for sale	4, 5	**2,085**	125,550
Current liabilities			
Trade and other payables	22	**25,544**	28,430
Other financial liabilities	23	**24,711**	24,000
		50,255	52,430
Liabilities included in disposal group held for sale	4, 5	**–**	45,432
Non-current liabilities			
Other financial liabilities	23	**8,018**	54,000
Deferred tax liabilities	18	**14,566**	9,593
Other liabilities	24	**5,143**	3,737
		27,727	67,330
Net assets		**390,555**	319,239
Equity			
Issued share capital	29	**16,247**	16,086
Share premium		**149,915**	144,571
Other reserves	30	**15,273**	30,632
Retained earnings		**208,129**	118,606
Total equity attributable to the parent		**389,564**	309,895
Non-controlling interest		**991**	9,344
Total equity		**390,555**	319,239

These financial statements were approved and signed on behalf of the Board of Directors on 22 February 2012.

RP Edey **AM Norris**

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

Avocet Mining PLC is registered in England No 3036214

Consolidated statement of changes in equity
For the year ended 31 December 2011

	Note	Share capital US$000	Share premium US$000	Other reserves US$000	Retained earnings US$000	Total attributable to the parent US$000	Non-controlling interest US$000	Total equity US$000
At 1 January 2010		**15,904**	**142,778**	**11,321**	**101,611**	**271,614**	**5,762**	**277,376**
Profit for the year		–	–	–	14,630	14,630	3,582	18,212
Revaluation of other financial assets		–	–	12,629	–	12,629	–	12,629
Reclassification on disposal of other financial assets		–	–	2,240	–	2,240	–	2,240
Total comprehensive income for the year		**–**	**–**	**14,869**	**14,630**	**29,499**	**3,582**	**33,081**
Share based payments		–	–	–	4,356	4,356	–	4,356
Issue of shares		182	1,793	–	–	1,975	–	1,975
Movement on investments in treasury and own shares		–	–	2,873	–	2,873	–	2,873
Loss on issue from treasury and own shares		–	–	–	(422)	(422)	–	(422)
Transfer between reserves		–	–	1,569	(1,569)	–	–	–
At 31 December 2010		**16,086**	**144,571**	**30,632**	**118,606**	**309,895**	**9,344**	**319,239**
Profit for the year		–	–	–	103,419	103,419	1,702	105,121
Revaluation of other financial assets	17	–	–	(3,388)	–	(3,388)	–	(3,388)
Reclassification on disposal of other financial assets		–	–	(9,725)	–	(9,725)	–	(9,725)
Reclassification of foreign exchange translation reserve on disposal of subsidiaries	5a	–	–	(627)	–	(627)	–	(627)
Total comprehensive income for the year		**–**	**–**	**(13,740)**	**103,419**	**89,679**	**1,702**	**91,381**
Share based payments		–	–	–	1,404	1,404	–	1,404
Interim dividend		–	–	–	(6,814)	(6,814)	–	(6,814)
Issue of shares – exercise of share options	29	35	–	–	–	35	–	35
Issue of shares – bonuses	29	75	3,177	–	(3,200)	52	–	52
Issue of shares into EBT	30	51	2,167	(2,218)	–	–	–	–
Purchase of treasury shares	30	–	–	(4,806)	–	(4,806)	–	(4,806)
Release of EBT and treasury shares	30	–	–	3,413	(664)	2,749	–	2,749
Net exercise of share options settled in cash		–	–	–	(2,630)	(2,630)	–	(2,630)
Non-controlling interest share of dividend from subsidiary		–	–	–	–	–	(2,000)	(2,000)
Disposal of subsidiaries	5b	–	–	–	–	–	(8,055)	(8,055)
Transfer acquisition reserve	30	–	–	1,992	(1,992)	–	–	–
At 31 December 2011		**16,247**	**149,915**	**15,273**	**208,129**	**389,564**	**991**	**390,555**

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

Consolidated cash flow statement
For the year ended 31 December 2011

	Note	Year ended 31 December 2011 Continuing operations US$000	Discontinued operations US$000	Total US$000	Year ended 31 December 2010 Continuing operations US$000	Discontinued operations US$000	Total US$000
Cash flows from operating activities							
(Loss)/profit for the year		**(820)**	**105,941**	**105,121**	5,454	12,758	18,212
Adjusted for:							
Depreciation of non-current assets	16	**39,020**	**–**	**39,020**	32,618	15,394	48,012
Share based payments		**1,941**	**–**	**1,941**	8,625	–	8,625
Provisions		**–**	**574**	**574**	–	972	972
Taxation in the income statement		**7,297**	**2,723**	**10,020**	12,021	3,316	15,337
Other non-operating items in the income statement	28	**37,433**	**(92,730)**	**(55,297)**	4,568	102	4,670
		84,871	**16,508**	**101,379**	63,286	32,542	95,828
Movements in working capital							
(Increase)/decrease in inventory		**(20,135)**	**341**	**(19,794)**	(11,495)	840	(10,655)
Increase in trade and other receivables		**(15,354)**	**(745)**	**(16,099)**	(14,007)	(699)	(14,706)
Decrease in trade and other payables		**(4,198)**	**(1,256)**	**(5,454)**	(2,248)	(885)	(3,133)
Net cash generated by operations		**45,184**	**14,848**	**60,032**	35,536	31,798	67,334
Interest received		**74**	**17**	**91**	5	100	105
Interest paid		**(2,969)**	**–**	**(2,969)**	(5,170)	(8)	(5,178)
Income tax (paid)/refunded		**(865)**	**(3,679)**	**(4,544)**	–	772	772
Net cash generated by operating activities		**41,424**	**11,186**	**52,610**	30,371	32,662	63,033
Cash flows from investing activities							
Payments for property, plant and equipment		**(47,680)**	**(881)**	**(48,561)**	(43,978)	(5,139)	(49,117)
Inata pre-commercial revenues capitalised	16	**–**	**–**	**–**	21,495	–	21,495
Inata pre-commercial costs capitalised	16	**–**	**–**	**–**	(14,296)	–	(14,296)
Deferred consideration paid		**–**	**(1,330)**	**(1,330)**	–	(2,167)	(2,167)
Exploration and evaluation expenses	15	**(31,874)**	**(2,995)**	**(34,869)**	(10,170)	(2,564)	(12,734)
Rehabilitation costs		**–**	**(393)**	**(393)**	–	(1,518)	(1,518)
Disposal of discontinued operations, net of cash disposed of	5c, 5d	**174,426**	**–**	**174,426**	–	–	–
Net cash received from disposal of investments	10	**16,501**	**–**	**16,501**	9,920	–	9,920
Net cash generated by/(used in) investing activities		**111,373**	**(5,599)**	**105,774**	(37,029)	(11,388)	(48,417)
Cash flows from financing activities							
Restructure of hedge	10	**(39,757)**	**–**	**(39,757)**	–	–	–
Expenses of listing on Oslo Børs	10	**–**	**–**	**–**	(2,363)	–	(2,363)
Proceeds from issue of equity shares		**58**	**–**	**58**	2,265	–	2,265
Loans repaid	23	**(49,000)**	**–**	**(49,000)**	(12,000)	–	(12,000)
Dividend to equity holders of the parent company		**(6,505)**	**–**	**(6,505)**	–	–	–
Non-controlling interest share of dividend from subsidiary		**–**	**(2,000)**	**(2,000)**	–	–	–
Purchase of treasury shares	30	**(2,910)**	**–**	**(2,910)**	–	–	–
Net exercise of share options settled in cash		**(2,471)**	**–**	**(2,471)**	–	–	–
Net cash flows from financing activities		**(100,585)**	**(2,000)**	**(102,585)**	(12,098)	–	(12,098)
Net cash movement		**52,212**	**3,587**	**55,799**	(18,756)	21,274	2,518
Intercompany transfers		**–**	**–**	**–**	21,134	(21,134)	–
Exchange gains/(losses)		**160**	**(246)**	**(86)**	(49)	(2)	(51)
Reclassification of cash not held for sale		**3,341**	**(3,341)**	**–**	17,731	(17,731)	–
Total increase/(decrease) in cash and cash equivalents		**55,713**	**–**	**55,713**	20,060	(17,593)	2,467
Cash and cash equivalents at start of the year		**49,523**	**–**	**49,523**	29,463	17,593	47,056
Cash and cash equivalents at end of year		**105,236**	**–**	**105,236**	49,523	–	49,523

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 2011

1. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The Group financial statements consolidate those of the Company and of its subsidiary undertakings; the Group financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union at 31 December 2011.

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

IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary in these financial statements as the 31 December 2010 statement of financial position is the same as previously published.

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

The parent company financial statements in notes 36 to 57 present information about the Company as a separate entity rather than about the Group, and have continued to be prepared under UK GAAP as permitted by the Companies Act 2006.

Accounting standards not yet in issue
At the date of authorisation of these financial statements, certain new accounting standards, and amendments to, or interpretations of, existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements are as follows (effective dates stated below are for accounting periods commencing on or after those dates):
- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

The Directors anticipate that all the above pronouncements, where relevant, will be adopted in the Group's financial statements for the year beginning 1 January 2012 and will have little impact on the Group's accounting policies or results.

Going concern
The Directors have reviewed future cash forecasts, with particular reference to the Company's debt servicing obligations and associated covenants as well as its capital investment plans at Inata, and have a reasonable expectation that the Group will have adequate resources to meet its commitments and to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

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.

Deferred exploration expenditure

The recoverability of exploration amounts 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 and operating costs 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.

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. Any impairment is based on estimates of future cash flows.

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.

Deferred tax

Estimates of future profitability are required when assessing whether a deferred tax asset may be recognised.

Mineral resources and mineral reserves

Quantification of mineral resources requires a judgement on the reasonable prospects for eventual economic extraction. Quantification of mineral reserves requires a judgement on whether mineral resources are economically mineable. These judgements are based on assessment of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors involved, in accordance with the Canadian National Instrument NI 43-101 and the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Institute of Geoscientists and Minerals Council of Australia ('JORC code'). These factors are a source of uncertainty and changes could result in an increase or decrease in mineral resources and mineral 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.

Inventory valuations

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

Restoration, rehabilitation and environmental provisions

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

Provisions and contingent liabilities

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

Acquisitions and disposals

Accounting for acquisitions requires an estimation of the fair value of assets acquired and consideration paid, including deferred consideration. These estimations are based on the condition and useful lives of assets, future gold production, and the projected cash flows generated. Projections of future gold production are a source of estimation uncertainty in calculating deferred consideration.

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

When the Group intends to sell a group of assets (a disposal group), and if sale within 12 months is judged to be highly probable, the assets and liabilities of the disposal group are classified as 'held for sale' and presented separately in the statement of financial position. The judgement as to whether the completion of a sale is considered to be highly probable is based on the circumstances and facts available at the time of classification. A disposal process is dependent on a variety of potential events that are outside of the control of the entity.

Capitalisation of pre-commercial mining costs and revenue

All costs and revenues at Inata between 1 January and 31 March 2010 related to the testing and development phase, prior to the commencement of commercial operations. Therefore, these costs and revenues have been capitalised as part of mining property, plant and equipment. From 1 April 2010, all revenues and operating expenses in respect of mining operations at Inata have been recognised in the income statement.

Notes to the financial statements continued
For the year ended 31 December 2011

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

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.

Forward contracts for sale of non-financial items – own use exemption

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

The original forward contract arrangement comprised a single contract containing a series of delivery obligations and corresponding rights to receive cash. As part of the restructure of the forward contracts, an element was settled for cash, however it is considered that this does not preclude the residual contract deliveries from being eligible for the own use exemption under IAS 39.5. It has been judged that the legal form of there being a single contract rather than the arrangement being structured as multiple contracts should not affect the accounting conclusion.

3. ACCOUNTING POLICIES

Consolidation

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

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

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

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include the impairment of 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 making economic decisions. The CODM is considered to be the Board of Directors and Executive Committee. The Group's operating segments are geographic by location of the Group's assets, as this is how they are reviewed for performance and resource allocation. The Group's current geographical segments are UK and West Africa. Malaysia and Indonesia have been represented as discontinued operations since 31 December 2010. 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.

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 reporting 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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are charged/credited to other comprehensive income and recognised within other reserves in equity.

Revenue

Revenue is the fair value of the amount receivable by the Group for goods supplied. Revenue is recognised when the risks and rewards of ownership pass to the purchaser, which occurs when confirmation of the sale is received from the purchaser. VAT and similar local taxes and trade discounts are excluded.

Goodwill and deferred consideration

Goodwill is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. Goodwill arising is capitalised and is subject to impairment testing on an annual basis or more frequently if circumstances indicated that the asset may have been impaired. For the purpose of impairment testing goodwill is allocated to cash generating units.

Intangible assets

All 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.

Property, plant and equipment

Mining and milling plant and equipment, consisting of buildings, machinery, vehicles and fixtures and fittings, are depreciated over the shorter of the estimated useful life of the asset or the life of the mine. Mining property for mines in production, including closure costs, are depreciated on a unit of production basis over the life of the mine. Residual values and useful lives are reviewed on an annual basis and changes are accounted for over the remaining lives.

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 goodwill, 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. If any such indication exists, the recoverable amount of the asset is estimated based on future cash flows, in order to determine the extent of impairment. Future cashflows are based on estimates of the life of mine reserves together with estimates of future gold prices and cash costs. Goodwill is assessed on the basis of separate cash generating units. Goodwill and 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. Impairments relating to goodwill are never reversed.

Inventories

Inventories comprise consumables, work in progress and finished goods. Consumables are valued at average cost. Consumables and finished goods are held at the lower of cost less a provision for obsolescence, and net realisable value. Work in progress consists of ore in stockpiles that is valued at the lower of average production cost and net realisable value. Net realisable value is the estimated selling price less any applicable selling expenses.

Notes to the financial statements continued
For the year ended 31 December 2011

3. ACCOUNTING POLICIES CONTINUED

Financial assets

Financial assets are classified into the following specific categories which determine the basis of their carrying value in the statement of financial position and how changes in their fair value are accounted for: at fair value through profit and loss, available for sale financial assets, and loans and receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the purpose for which the investment was acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

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

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

Derecognition 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.

Interest and other cash flows resulting from holding financial assets are recognised in profit and loss when received, regardless of how the related carrying amount of financial assets is measured.

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 bank loans and overdrafts 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.

At 30 June 2011, the Company had sold forward 299,401 ounces of gold. During July 2011, the Company bought back 58,432 ounces which reduced the hedged proportion of Inata's production. The remaining forward sales are deemed to be outside the scope of IAS 39 on the basis that they are for own use, and gold produced will be delivered into these contracts in future periods. Further information is provided in note 2.

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 as an expense unless they exceed 10% of the obligation. The amount exceeding this 10% corridor is charged or credited to the income statement. Actuarial gains and losses within 10% of the obligation are disclosed separately.

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 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.

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.

Notes to the financial statements continued
For the year ended 31 December 2011

3. ACCOUNTING POLICIES CONTINUED
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 estimated.

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 reallocated to share capital with any excess being recorded in share premium.

Non-current assets and liabilities classified as held for sale and discontinued operations
A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations; is part of a single co-ordinated 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 re-classification of prior year results, are presented separately in the income statement.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 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 2011		Continuing operations UK US$000	Continuing operations West Africa US$000	Continuing operations Total US$000	Discontinued operations Total US$000	Total US$000
INCOME STATEMENT						
Revenue		**–**	**213,375**	**213,375**	**67,236**	**280,611**
Cost of Sales		**2,364**	**(159,016)**	**(156,652)**	**(51,101)**	**(207,753)**
Cash production costs:						
– mining		–	(36,137)	(36,137)	(27,336)	(63,473)
– processing		–	(40,644)	(40,644)	(12,046)	(52,690)
– overheads		–	(23,232)	(23,232)	(4,842)	(28,074)
– royalties		–	(15,515)	(15,515)	(2,552)	(18,067)
		–	(115,528)	(115,528)	(46,776)	(162,304)
Changes in inventory		–	4,098	4,098	(44)	4,054
Expensed exploration and other cost of sales	(a)	2,498	(8,700)	(6,202)	(4,281)	(10,483)
Depreciation and amortisation	(b)	(134)	(38,886)	(39,020)	–	(39,020)
Gross profit		**2,364**	**54,359**	**56,723**	**16,135**	**72,858**
Administrative expenses and share based payments	(c)	(14,676)	–	(14,676)	–	(14,676)
(Loss)/profit from operations		**(12,312)**	**54,359**	**42,047**	**16,135**	**58,182**
Profit on disposal of investments		–	8,990	8,990	2,600	11,590
Profit on disposal of subsidiaries		–	–	–	89,955	89,955
Restructure of hedge		–	(39,757)	(39,757)	–	(39,757)
Net finance items		(614)	(4,189)	(4,803)	(26)	(4,829)
(Loss)/profit before taxation		**(12,926)**	**19,403**	**6,477**	**108,664**	**115,141**
Analysed as:						
(Loss)/profit before tax and exceptional items		(9,848)	50,170	40,322	16,109	56,431
Exceptional items		(3,078)	(30,767)	(33,845)	92,555	58,710
Taxation		(2,324)	(4,973)	(7,297)	(2,723)	(10,020)
(Loss)/profit for the year		**(15,250)**	**14,430**	**(820)**	**105,941**	**105,121**
Attributable to:						
Equity shareholders of parent company		(15,250)	14,895	(355)	103,774	103,419
Non-controlling interest		–	(465)	(465)	2,167	1,702
(Loss)/profit for the year		**(15,250)**	**14,430**	**(820)**	**105,941**	**105,121**
EBITDA	(d)	**(9,100)**	**93,245**	**84,145**	**16,135**	**100,280**

(a) Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised.
(b) Includes amounts in respect of the amortisation of closure provision at Inata.
(c) Includes US$3.1 million exceptional cost of listing on the London Stock Exchange.
(d) EBITDA represents earnings before exceptional items, finance items, tax, depreciation and amortisation.

Notes to the financial statements continued
For the year ended 31 December 2011

4. SEGMENTAL REPORTING CONTINUED

At 31 December 2011	Continuing operations UK US$000	Continuing operations West Africa US$000	Continuing operations Total US$000	Discontinued operations Total US$000	Total US$000
STATEMENT OF FINANCIAL POSITION					
Non-current assets	2,321	289,851	292,172	–	292,172
Inventories	–	40,515	40,515	–	40,515
Trade and other receivables	701	27,828	28,529	–	28,529
Assets held for sale	–	–	–	2,085	2,085
Cash and cash equivalents	75,754	29,482	105,236	–	105,236
Total assets	**78,776**	**387,676**	**466,452**	**2,085**	**468,537**
Current liabilities	(8,050)	(42,205)	(50,255)	–	(50,255)
Non-current liabilities	(430)	(27,297)	(27,727)	–	(27,727)
Total liabilities	**(8,480)**	**(69,502)**	**(77,982)**	**–**	**(77,982)**
Net assets	**70,296**	**318,174**	**388,470**	**2,085**	**390,555**

For the year ended 31 December 2011		Continuing operations UK US$000	Continuing operations West Africa US$000	Continuing operations Total US$000	Discontinued operations Total US$000	Total US$000
CASH FLOW STATEMENT						
(Loss)/profit for the year		(15,250)	14,430	(820)	105,941	105,121
Adjustments for non-cash and non-operating items	(e)	(716)	86,407	85,691	(89,433)	(3,742)
Movements in working capital		(2,367)	(37,320)	(39,687)	(1,660)	(41,347)
Net cash (used in)/generated by operations		**(18,333)**	**63,517**	**45,184**	**14,848**	**60,032**
Net interest (paid)/received		(536)	(2,359)	(2,895)	17	(2,878)
Net tax paid		(865)	–	(865)	(3,679)	(4,544)
Purchase of property, plant and equipment		(382)	(47,298)	(47,680)	(881)	(48,561)
Deferred exploration expenditure		–	(31,874)	(31,874)	(2,995)	(34,869)
Net proceeds from disposal of discontinued operations		174,426	–	174,426	–	174,426
Net cash received from disposal of investments		–	16,501	16,501	–	16,501
Restructure of hedge		(39,757)	–	(39,757)	–	(39,757)
Interim dividend		(6,505)	–	(6,505)	–	(6,505)
Loans repaid		(25,000)	(24,000)	(49,000)	–	(49,000)
Other cash movements	(f)	(37,837)	36,015	(1,822)	(7,310)	(9,132)
Total increase in cash and cash equivalents		**45,211**	**10,502**	**55,713**	**–**	**55,713**

(e) Includes depreciation and amortisation, share based payments, movement in provisions, taxation in the income statement and non-operating items in the income statement.
(f) Other cash movements include deferred consideration paid, cash flows from financing activities, and exchange losses.

For the year ended 31 December 2010		Continuing operations UK US$000	Continuing operations West Africa US$000	Continuing operations Total US$000	Discontinued operations Total US$000	Total US$000
INCOME STATEMENT						
Revenue		**–**	**132,779**	**132,779**	**121,814**	**254,593**
Cost of Sales		**503**	**(95,638)**	**(95,135)**	**(105,533)**	**(200,668)**
Cash production costs:						
– mining		–	(15,321)	(15,321)	(45,955)	(61,276)
– processing		–	(24,719)	(24,719)	(20,339)	(45,058)
– overheads		–	(15,274)	(15,274)	(9,210)	(24,484)
– royalties		–	(7,304)	(7,304)	(4,777)	(12,081)
		–	(62,618)	(62,618)	(80,281)	(142,899)
Changes in inventory		–	3,977	3,977	(1,962)	2,015
Expensed exploration and other cost of sales	(a)	627	(4,503)	(3,876)	(7,896)	(11,772)
Depreciation and amortisation	(b)	(124)	(32,494)	(32,618)	(15,394)	(48,012)
Gross profit		**503**	**37,141**	**37,644**	**16,281**	**53,925**
Administrative expenses and share based payments		(15,665)	–	(15,665)	–	(15,665)
(Loss)/profit from operations		**(15,162)**	**37,141**	**21,979**	**16,281**	**38,260**
(Loss)/profit on disposal of investments and PPE		(2,395)	5,064	2,669	(151)	2,518
Net finance items		(3,759)	(3,414)	(7,173)	(56)	(7,229)
(Loss)/profit before taxation		**(21,316)**	**38,791**	**17,475**	**16,074**	**33,549**
Analysed as:						
(Loss)/profit before tax and exceptional items		(16,558)	33,727	17,169	16,225	33,394
Exceptional items		(4,758)	5,064	306	(151)	155
Taxation		(2,428)	(9,593)	(12,021)	(3,316)	(15,337)
(Loss)/profit for the year		**(23,744)**	**29,198**	**5,454**	**12,758**	**18,212**
Attributable to:						
Equity shareholders of parent company		(23,744)	27,741	3,997	10,633	14,630
Non-controlling interest		–	1,457	1,457	2,125	3,582
(Loss)/profit for the year		**(23,744)**	**29,198**	**5,454**	**12,758**	**18,212**
EBITDA	(c)	**(15,038)**	**69,635**	**54,597**	**31,675**	**86,272**

(a) Expensed exploration and other cost of sales represents costs not directly related to production, including exploration expenditure not capitalised.
(b) Includes amounts in respect of the amortisation of closure provisions at Inata, Penjom and North Lanut.
(c) EBITDA represents earnings before exceptional items, finance items, tax, depreciation and amortisation.

Notes to the financial statements continued
For the year ended 31 December 2010

4. SEGMENTAL REPORTING CONTINUED

At 31 December 2010	Continuing operations UK US$000	Continuing operations West Africa US$000	Continuing operations Total US$000	Discontinued operations Total US$000	Total US$000
STATEMENT OF FINANCIAL POSITION					
Non-current assets	2,280	270,542	272,822	94,613	367,435
Inventories	–	20,379	20,379	21,541	41,920
Trade and other receivables	733	15,424	16,157	9,396	25,553
Cash and cash equivalents	12,812	18,980	31,792	17,731	49,523
Reclassification of cash not held for sale	17,731	–	17,731	(17,731)	–
Total assets	**33,556**	**325,325**	**358,881**	**125,550**	**484,431**
Current liabilities	(3,888)	(48,542)	(52,430)	(18,641)	(71,071)
Non-current liabilities	(25,430)	(41,900)	(67,330)	(26,791)	(94,121)
Total liabilities	**(29,318)**	**(90,442)**	**(119,760)**	**(45,432)**	**(165,192)**
Net assets	**4,238**	**234,883**	**239,121**	**80,118**	**319,239**

For the year ended 31 December 2010		Continuing operations UK US$000	Continuing operations West Africa US$000	Continuing operations Total US$000	Discontinued operations Total US$000	Total US$000
CASH FLOW STATEMENT						
(Loss)/profit for the year		(23,744)	29,198	5,454	12,758	18,212
Adjustments for non-cash and non-operating items	(d)	17,395	40,437	57,832	19,784	77,616
Movements in working capital		84	(27,834)	(27,750)	(744)	(28,494)
Net cash (used in)/generated by operations		**(6,265)**	**41,801**	**35,536**	**31,798**	**67,334**
Net interest (paid)/received		(1,162)	(4,003)	(5,165)	92	(5,073)
Net tax received		–	–	–	772	772
Purchase of property, plant and equipment		(65)	(36,714)	(36,779)	(5,139)	(41,918)
Deferred exploration expenditure		(299)	(9,871)	(10,170)	(2,564)	(12,734)
Loans repaid		–	(12,000)	(12,000)	–	(12,000)
Other cash movements	(e)	3,157	27,750	30,907	(24,821)	6,086
Reclassification of cash not held for sale		17,731	–	17,731	(17,731)	–
Total increase/(decrease) in cash		**13,097**	**6,963**	**20,060**	**(17,593)**	**2,467**

(d) Includes depreciation and amortisation, share based payments, movement in provisions, taxation in the income statement and non-operating items in the income statement.
(e) Other cash movements include cash flows from financing activities, deferred consideration payments, cash movements on purchase and disposal of investments, and exchange losses.

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

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

On 24 June 2011, Avocet completed the sale of its main South East Asian assets, namely its 100% interest in the Penjom gold mine in Malaysia and its 80% interest in PT Avocet Bolaang Mongondow (PT ABM), which owns the North Lanut mine and Bakan project in North Sulawesi, Indonesia, for proceeds of US$170 million. In the third quarter of 2011, Avocet announced that further sales had been concluded, namely PT Avocet Mining Services, Avocet Mining (Malaysia) OHQ Sdn. Bhd, its 75% interest in PT Gorontalo Sejahtera Mining, and its 60% in interest in PT Arafura Surya Alam. The combined gross proceeds for the disposals completed in the third quarter of 2011 were US$27 million. All of the sales completed in 2011 were originally announced on 24 December 2010.

In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, all of the assets and liabilities of the Indonesian and Malaysian operations, apart from cash, were treated as a disposal group from the date of the announcement of the sale on 24 December 2010, and were disclosed separately in the statement of financial position at 31 December 2010 and 31 March 2011, and the remaining entities at 30 June 2011 and 30 September 2011. As the transaction was on a cash free debt free basis, the cash held by entities held for sale was classified as continuing operations rather than discontinued operations. Prior to the reclassification, management reviewed the carrying values and recognition of assets and liabilities respectively, and no adjustments were required to measure assets and liabilities at the lower of carrying value or fair value less costs to sell. Since 24 December 2010, the date on which the criteria for being held for sale were met, no depreciation has been charged in the Group financial statements for the Malaysian and Indonesian assets, in accordance with IFRS.

The results of the disposal group are presented separately in the consolidated income statement and the segmental analysis, and comparative income statements are represented on this basis, as required by IFRS.

The profit on disposal of the entities sold during 2011 is presented below in note 5a.

Completion of one of the last two exploration assets occurred on 16 February 2012 for proceeds of US$2 million. Completion of the final exploration asset remains subject to local approvals. It is expected that completion of this disposal, along with the finalisation of working capital adjustments in respect of those entities already disposed of, will take place in Q1 or Q2 2012.

Disposal of discontinued operations to Golden Peaks Resources Limited

During the period, Avocet completed the sale of PT Arafura Mandiri Semangat (‘PT Arafura’) and PT Aura Celebes Mandiri (‘PT ACM’) to Reliance Resources Limited, a company owned by Golden Peaks Resources Limited (‘Golden Peaks’). Consideration was in the form of 7.9 million Golden Peaks shares. Golden Peaks is listed on the Toronto Stock Exchange. PT Arafura and PT ACM held non-core exploration projects in Indonesia. The carrying value of the assets was included in the balances of the disposal group held for sale at 31 December 2010. Further details of the profit on disposal are included in note 5d.

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

	31 December 2011 US$000
Consideration received	**197,000**
Company share of cash held in subsidiaries at completion	**15,192**
Working capital and other adjustments	**(6,529)**
Net consideration	**205,663**
Less transaction costs paid and accrued	**(16,739)**
Net assets disposed (b)	**(99,596)**
Foreign currency translation reserve recycled on disposal	**627**
Pre-tax profit on disposal of discontinued operations	**89,955**
Taxation[1]	**–**
Post-tax profit on disposal of discontinued operations	**89,955**

1 The Company anticipates that no UK tax will be payable on the disposal of its operations in South East Asia on the basis that the sale qualifies for the UK substantial shareholding exemption.

Notes to the financial statements continued
For the year ended 31 December 2011

5. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

b) Carrying amounts of assets and liabilities of discontinued operations sold in the period to J&Partners L.P.

	At date of disposal US$000
Assets	
Goodwill	13,555
Intangible assets	21,694
Property, plant and equipment	62,852
Deferred tax assets	1,977
Inventories	21,199
Trade and other receivables	9,512
Other assets held for sale	1,020
Cash	17,343
	149,152
Liabilities	
Trade and other payables	(13,381)
Tax liabilities	(3,108)
Deferred tax liabilities	(3,492)
Other liabilities	(21,520)
	(41,501)
Net assets	107,651
Non-controlling interest share of assets disposed	(8,055)
Net assets disposed	99,596

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

	31 December 2011 US$000
Disposal consideration	197,000
Advance payment in respect of estimated cash held by subsidiaries at completion	10,057
Transaction costs paid	(15,461)
Net cash received in the period	191,596
Actual cash held in subsidiaries sold	(17,343)
Net cash movement on disposal of subsidiaries	174,253

In addition to the cash free debt free purchase consideration of US$197 million, a further US$10.1 million was received in respect of cash balances in the disposed subsidiaries as estimated at the time of signing of the sale agreements in December 2010. Actual cash balances at that date, which are subject to review and finalisation as part of the completion accounts, are expected to be US$17.3 million, US$15.2 million of which is attributable to the Group. On agreement of the completion accounts, the Company will receive a further payment in respect of cash held at completion, and will also receive or pay amounts related to working capital, being the difference between estimates at 24 December 2010 and actual balances in the completion accounts.

d) Disposal of exploration assets to Golden Peaks Resources Limited

	31 December 2011 US$000
Consideration received	2,486
Net liabilities held for sale	114
Profit on disposal	2,600
Net cash received in the period	173

Consideration received was in the form of shares in Golden Peaks Resources Limited with a fair value of US$2.3 million, and cash of US$0.2 million.

6. PROFIT FOR THE PERIOD BEFORE TAX

	31 December 2011 US$000	31 December 2010 US$000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**39,020**	48,012
Operating lease charges	**418**	174
Audit services:		
– fees payable to the Company's auditor for the audit of the Company and Group accounts	**160**	173
Audit of associates of the Company, pursuant to legislation	**–**	75
Fees payable to the Company's auditor for other services:		
– interim review services	**19**	59
– tax services	**40**	20
– transaction services, principally relating to listing on London Stock Exchange	**476**	–

7. 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.

	31 December 2011 US$000	31 December 2010 US$000
Wages and salaries	**2,197**	2,187
Share based payments	**1,749**	7,195
Social security costs	**322**	359
Bonus	**1,386**	–
Pension costs – defined contribution plans	**–**	9
	5,654	9,750

The share based payment expense is in relation to share options and share based bonuses for key management personnel. Included in the expense for the year ended 31 December 2010 was US$2.4 million in relation to the 2009 bonus period, and US$4.7 million in relation to 2010. The share based bonuses reflect awards made in accordance with the Company's share bonus plan. The awards arose as a result of the Company's share price appreciation, relative to the FTSE Gold Mines Index, over two periods: 1 April 2009 to 31 March 2010 and 1 April 2010 to December 2010. Owing to the Company's change in year end, awards for both of these periods fell into the income statement of 2010, while the nine months ended 31 December 2009 did not include an annual remuneration period end, and no awards were made during this period.

8. TOTAL EMPLOYEE REMUNERATION (INCLUDING KEY MANAGEMENT PERSONNEL)

	31 December 2011 US$000	31 December 2010 US$000
Wages and salaries	**38,324**	37,043
Social security costs	**3,251**	3,084
Bonus	**4,510**	2,130
Share based payments[1]	**2,496**	8,472
Pension costs – defined contribution plans	**–**	1,147
	48,581	51,876
The average number of employees during the period was made up as follows:		
Directors	**7**	7
Management and administration	**99**	82
Mining, processing and exploration staff	**1,107**	1,532
	1,213	1,621

1 Included within share based payments are employee bonuses related to the disposal of the South East Asian assets, the expense for which is included within the profit on disposal of discontinued operations.

Notes to the financial statements continued

For the year ended 31 December 2011

9. PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS

Profit before taxation and exceptional items is calculated as follows:

	31 December 2011 US$000	31 December 2010 US$000
Profit from operations	**58,182**	38,260
Exceptional administrative expenses – continuing operations	**3,078**	–
Exchange losses – continuing operations	**(116)**	(49)
Net finance expense – continuing operations	**(4,687)**	(4,761)
Net finance items – discontinued operations	**(26)**	(56)
Profit before tax and exceptional items	**56,431**	33,394

10. EXCEPTIONAL ITEMS

	31 December 2011 US$000	31 December 2010 US$000
Profit/(loss) on disposal of other financial assets	**8,990**	(7,341)
Profit on disposal of non-core exploration licences	**2,600**	5,064
Profit on disposal of Merit Mining	**–**	1,808
Profit on redemption of debenture in Merit Mining	**–**	3,138
Profit on disposal of investments	**11,590**	2,669
Profit on disposal of subsidiaries	**89,955**	–
Restructure of hedge	**(39,757)**	–
Loss on disposal of property, plant and equipment	**–**	(151)
Expenses of listing on London Stock Exchange	**(3,078)**	–
Expenses of listing on Oslo Børs	**–**	(2,363)
Exceptional profit before taxation	**58,710**	155
Taxation	**6,957**	–
Exceptional profit after taxation	**65,667**	155
Non-controlling interest	**(3,280)**	–
Attributable to equity shareholders of the parent	**62,387**	155

Profit on disposal of investments

Profit/(loss) on disposal of other financial assets

During the year, Avocet disposed its entire holding of shares in Avion Gold Corp (‘Avion’) for cash consideration of US$16.5 million. The Avion shares were acquired as consideration for the disposal of the Houndé group of licences in 2010. The shares were recorded in the statement of financial position at fair value, with movements in fair value recognised in equity, in accordance with IAS 39. On the disposal of the shares, accumulated gains previously recognised in equity were transferred to the income statement and recognised in the profit on disposal.

Avocet disposed of all of the shares it held in Dynasty Gold Corp in June 2010, and completed the disposal of all of the shares it held in Monument Mining in November 2010. These financial assets had been accounted for as available for sale investments in accordance with IAS 39, and were recorded in the statement of financial position at fair value, with movements in fair value recognised in equity. On disposal of the shares, accumulated losses previously recognised in equity were transferred to the income statement and recognised in the loss on disposal.

Disposal of non-core exploration licences or entities

Avocet completed the sale of PT Arafura and PT ACM to Reliance Resources Limited, a company owned by Golden Peaks Resources Limited (‘Golden Peaks’). Consideration was in the form of 7.9 million shares in Golden Peaks, a company listed on the Toronto Stock Exchange, and US$0.2 million in cash. The shares are recognised at fair value. PT Arafura and PT ACM held non-core exploration projects in Indonesia, and the carrying value of the intangible assets were included in the balances of the disposal group held for sale at 31 December 2010. Further details are provided in note 5d.

In the comparative period Avocet completed the disposal of Houndé group of licences in exchange for 10,300,000 shares in Avion Gold Corporation (Avion). An exceptional gain on disposal of US$5.1 million was realised. The shares in Avion were held as an available for sale asset until their disposal in 2011.

Profit on disposal of subsidiaries
Profit on disposal of subsidiaries relates to the profit on disposal of the majority of Avocet's South East Asian assets. Further details of the profit on disposal are included in note 5a.

Restructure of hedge
On 27 July 2011, Avocet announced the restructure of the forward contracts for delivery of gold bullion ('the hedge'). The restructure consisted of eliminating 58,432 ounces under the forward contracts at a cost of US$39.8 million and extending the delivery profile of the remaining ounces by four years to June 2018. Further details are provided in note 25.

Disposal of Merit Mining Corporation and profit on redemption of debenture
On 13 November 2009, Avocet announced that it had entered into a conditional agreement with Infinity Gold Mining Inc. ('Infinity') to sell its entire interest in Merit Mining Corporation ('Merit'), a non-core subsidiary acquired as part of the Wega Mining takeover. Although the agreement represented a binding commitment by Infinity to acquire 100% of Avocet's interest, completion of the transaction was conditional on a number of future events and payments, which did not occur. At 31 December 2009, approximately US$1.0 million had been received, which was non-refundable in the event that the sale was not completed. Following the fair value review of all Wega Mining assets, the book value of these assets at acquisition had been adjusted to US$1.0 million, and the disposal therefore gave rise to no profit or loss.

During 2010, the agreement with Infinity lapsed due to completion conditions being unfulfilled. In November 2010, Avocet completed the disposal of its entire interest in Merit, to a different party, realising an exceptional gain on disposal of US$1.8 million.

During 2010 Merit repaid a debenture to Wega Mining AS, a wholly owned subsidiary of Avocet. At the time of the acquisition of the Wega group it was not considered likely that Merit would have the resources to settle the debenture. Following the investment of approximately C$16 million in Merit by Hong Kong Huakan Investment Co Ltd, the repayment was possible, and the gain of US$3.1 million has therefore been classified as exceptional.

Expenses of listing on the London Stock Exchange
In view of the Company's strategic developments, the Board took the decision to seek admission to trade on the London Stock Exchange Main Market, as the best platform to support the Company's growth. This admission was duly granted and trading on the London Stock Exchange commenced on 8 December 2011. As a non-recurring and significant item, the cost of this listing has been disclosed as exceptional.

Expenses of listing on Oslo Børs
On 16 June 2010 Avocet announced its successful listing on Oslo Børs. Costs of the listing were treated as exceptional costs in the period, within finance items as the listing was accompanied by a small equity raise. These included US$1.8 million of Stamp Duty Reserve Tax costs following the transfer of existing Avocet shareholders from the UK registration system to the Norwegian VPS share registration system.

11. FINANCE INCOME AND EXPENSE

	31 December 2011 US$000	31 December 2010 US$000
Finance income		
Bank interest received	**125**	5
Finance expense		
Bank interest paid	**3,158**	3,059
Other finance costs	**1,654**	1,707
	4,812	4,766

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For the year ended 31 December 2011

12. TAXATION

	31 December 2011 US$000	31 December 2010 US$000
Current tax:		
Current tax on profit for the year	**–**	–
Overseas tax	**4,219**	4,468
Deferred tax	**5,801**	10,869
Tax charge for the year	**10,020**	15,337

Factors affecting the tax charge for the year:

	31 December 2011 US$000	31 December 2010 US$000
Profit for the period before tax	**115,141**	33,549
Profit for the period multiplied by the UK standard rate of corporation tax 26.5% (2010: 28%)	**30,512**	9,394
Effects of:		
Disallowable expenses	**4,055**	4,585
Utilisation of unused tax losses	**(5,428)**	(4,298)
Difference in local tax rate	**39**	(2,489)
Gains not taxable	**(26,255)**	(1,418)
Withholding tax suffered on dividends from subsidiary	**865**	–
Adjustment in respect of prior periods	**431**	(1,306)
Deferred tax	**5,801**	10,869
Tax charge for the period	**10,020**	15,337

13. 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 2011 Shares	31 December 2010 Shares
Weighted average number of shares in issue for the year		
– number of shares with voting rights	**198,926,024**	195,802,466
– effect of share options in issue	**2,770,349**	2,231,799
– total used in calculation of diluted earnings per share	**201,696,373**	198,034,265

Potential ordinary shares are treated as dilutive, when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As such, potential ordinary shares for 2011 are antidilutive.

	31 December 2011 US$000	31 December 2010 US$000
Earnings per share from continuing operations		
(Loss)/profit for the year from continuing operations	**(820)**	5,454
Adjustments:		
Add/(less) non-controlling interest	**465**	(1,457)
(Loss)/profit for the year attributable to equity shareholders of the parent	**(355)**	3,997
(Loss)/earnings per share		
– basic (cents per share)	**(0.18)**	2.04
– diluted (cents per share)	**(0.18)**	2.02
Earnings per share from continuing operations before exceptional items		
(Loss)/profit for the year attributable to equity shareholders of the parent	**(355)**	3,997
Adjustments:		
Less exceptional profit on disposal	**(8,990)**	(2,669)
Add back restructure of hedge	**39,757**	–
Less tax benefit from restructure of hedge	**(6,957)**	–
Add back non-controlling interest on restructure of hedge	**3,280**	–
Add back expenses of listing on London Stock Exchange	**3,078**	–
Add back expenses of listing on Oslo Børs	**–**	2,363
Profit for the year attributable to equity shareholders of the parent from continuing operations before exceptional items	**29,813**	3,691
Earnings per share		
– basic (cents per share)	**14.99**	1.89
– diluted (cents per share)	**14.99**	1.86

	31 December 2011 US$000	31 December 2010 US$000
Earnings per share from discontinued operations		
Profit for the year from discontinued operations	**105,941**	12,758
Adjustments:		
Less non-controlling interest	**(2,167)**	(2,125)
Profit for the year attributable to equity shareholders of the parent	**103,774**	10,633
Earnings per share		
– basic (cents per share)	**52.17**	5.43
– diluted (cents per share)	**52.17**	5.37

Earnings per share from discontinued operations before exceptional items		
Profit for the year attributable to equity shareholders of the parent	**103,774**	10,633
Adjustments:		
Add back loss on disposal of property, plant and equipment	**–**	151
Less profit on disposal of subsidiaries	**(89,955)**	–
Less profit on disposal of investments	**(2,600)**	–
Profit for the period attributable to equity shareholders of the parent from discontinued operations before exceptional items	**11,219**	10,784
Earnings per share		
– basic (cents per share)	**5.64**	5.51
– diluted (cents per share)	**5.64**	5.45

Notes to the financial statements continued

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14. GOODWILL

	31 December 2011 US$000	31 December 2010 US$000
At 1 January	**–**	10,331
Additions	**–**	3,224
Transferred to disposal group	**–**	(13,555)
At 31 December	**–**	–

The goodwill related to Avocet's 80% interest in the Indonesian company PT Avocet Bolaang Mongondow, which holds the mine at North Lanut and the Bakan project. Additions to goodwill were associated with re-evaluation of deferred consideration payable in respect of Avocet's acquisition of its interest in PT Avocet Bolaang Mongondow.

The goodwill related to the disposal group held for sale (note 5) and therefore the carrying value at 31 December 2010 was included in the assets of the disposal group held for sale. Prior to the transfer to the disposal group, the recoverability of the goodwill was assessed by reference to the recoverable amount of PT Avocet Bolaang Mongondow and no impairment was required. During 2011, Avocet's interest in PT Avocet Bolaang Mongondow was sold. Refer to note 5 for further details.

15. INTANGIBLE ASSETS

	31 December 2011 US$000	31 December 2010 US$000
At 1 January	**11,091**	18,059
Additions	**31,874**	12,734
Disposals	**–**	(2,600)
Transferred to disposal group	**(575)**	(17,102)
At 31 December	**42,390**	11,091

During 2010 the Group disposed of the Houndé group of licences, which were acquired as part of the Wega Mining group in 2009. The fair value of the licences, as attributed on acquisition, was US$2.6 million. For further information, refer to note 10.

Intangible assets relating to the Company's South East Asian assets were transferred to the disposal group. Minimal exploration costs were incurred during the year ahead of the sale completion.

Year end balances are analysed as follows:

	31 December 2011 US$000	31 December 2010 US$000
Burkina Faso	**28,525**	8,404
Guinea	**13,655**	2,110
Mali	**210**	2
South East Asia	**–**	575
Total	**42,390**	11,091

16. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2011	Mining property and plant West Africa US$000	Office equipment UK US$000	Total US$000
Cost			
At 1 January 2011	272,227	570	272,797
Additions	45,207	382	45,589
Increase in closure provisions	1,406	–	1,406
At 31 December 2011	**318,840**	**952**	**319,792**
Depreciation			
At 1 January 2011	32,494	324	32,818
Charge for the year	38,886	134	39,020
At 31 December 2011	**71,380**	**458**	**71,838**
Net Book Value at 31 December 2011	**247,460**	**494**	**247,954**
Net Book Value at 31 December 2010	239,733	246	239,979

Year ended 31 December 2010	Mining property and plant South East Asia US$000	Mining property and plant West Africa US$000	Office equipment UK US$000	Total US$000
Cost				
At 1 January 2010	156,295	233,974	505	390,774
Additions	5,139	43,913	65	49,117
Closure provisions	7,010	1,539	–	8,549
Inata pre-commercial revenues	–	(21,495)	–	(21,495)
Inata pre-commercial costs	–	14,296	–	14,296
Disposals	(874)	–	–	(874)
Transfer to disposal group held for sale	(167,570)	–	–	(167,570)
At 31 December 2010	**–**	**272,227**	**570**	**272,797**
Depreciation				
At 1 January 2010	90,781	–	200	90,981
Charge for the year	15,394	32,494	124	48,012
Disposals	(584)	–	–	(584)
Transfer to disposal group held for sale	(105,591)	–	–	(105,591)
At 31 December 2010	**–**	**32,494**	**324**	**32,818**
Net Book Value at 31 December 2010	**–**	**239,733**	**246**	**239,979**
Net Book Value at 31 December 2009	65,514	233,974	305	299,793

All costs and revenues at Inata between 1 January and 31 March 2010 related to the testing and development phase, prior to the commencement of commercial operations. Therefore, these costs and revenues were capitalised as part of mining property, plant and equipment. From 1 April 2010, all revenues and operating expenses in respect of mining operations at Inata have been recognised in the income statement.

The transfer to disposal group assets held for sale represented the net book value of the assets which were subject to the agreement for sale of all of Avocet's South East Asian assets (note 5). The net book values for Malaysia and Indonesia, totalling US$62.0 million at 31 December 2010, were included in the balance of the disposal group held for sale at 31 December 2010, and were subsequently disposed of during 2011.

The addition in respect of closure provisions reflects increases during the year of anticipated closure liabilities at the Group's operations. On the recognition or increase of a provision, an addition is made to property, plant and equipment of the same amount. The cost of this addition is charged against profits on a unit of production basis over the life of the mine. The total charge to the income statement for continuing operations for the year ended 31 December 2011 in respect of mine closure provisions is US$0.4 million (2010: US$0.3 million for continuing operations) which is included in the Group's depreciation charge.

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For the year ended 31 December 2011

17. OTHER FINANCIAL ASSETS

	31 December 2011 US$000	31 December 2010 US$000
At 1 January	**20,293**	9,428
Additions	**2,313**	7,664
Disposals	**(17,390)**	(9,428)
Fair value adjustment	**(3,388)**	12,629
At 31 December	**1,828**	20,293

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

Additions during the year relate to shares in Golden Peaks Resources Limited, a company listed on the Toronto Stock Exchange. The shares were acquired as consideration for the disposal of two of the Group's assets in South East Asia. Further details are provided in notes 5d and 10.

Other financial assets disposed of during the year represented the Company's interest in Avion Gold Corporation (note 10). 10,300,000 Avion shares were acquired in the prior year as consideration for the disposal of the Houndé group of licences (note 10). This shareholding did not enable Avocet to exercise significant influence over the activities of Avion. Therefore, the shares were accounted for as an available for sale financial asset and were measured at fair value, with gains or losses on re-measurement recognised in equity.

Other financial assets disposed of during the prior year represented the Company's interests of 19% in Dynasty Gold Corporation and 15% in Monument Mining Limited, both companies listed on the TSX Venture Exchange in Canada. These investments were accounted for as other financial assets rather than equity accounted as associates, on the basis that the Company was not in a position to exercise significant influence over the activities of, and had no Board representation in, either company.

On disposal, accumulated losses previously recognised in equity were recognised in the income statement as an exceptional loss (note 10).

18. DEFERRED TAX

	31 December 2011 US$000	31 December 2010 US$000
Assets		
At 1 January	**1,459**	5,866
Income statement movement	**(1,459)**	(2,430)
Transferred to disposal group	**–**	(1,977)
At 31 December	**–**	1,459

The income statement expense in 2011 and 2010 reflects a reassessment of the extent to which deferred tax assets might be recoverable against future taxable profits in the UK, following the agreement to sell the Group's assets in South East Asia, and the substantial completion of that sale.

Amounts transferred to the disposal group in 2010 represented deferred tax assets in relation to the Penjom mine in Malaysia.

	31 December 2011 US$000	31 December 2010 US$000
Liabilities		
At 1 January	**9,593**	4,625
Movement in equity	**–**	652
Income statement movement	**4,973**	8,439
Transfer to disposal group	**–**	(4,123)
At 31 December	**14,566**	9,593

At 31 December 2011 the Group had deferred tax liabilities of US$14.6 million in relation to continuing operations. This liability relates to temporary differences on Inata mine development costs and property, plant, and equipment.

In 2010 deferred tax liabilities of US$4.1 million in relation to temporary differences on property, plant and equipment at Penjom were transferred to liabilities of the disposal group held for sale.

The movement in equity in 2010 related to deferred tax previously recognised in equity on the revaluation to fair value of investments held in Monument Mining and Dynasty Gold Corp (note 10). The investments were sold during 2010 and all historic revaluations, and deferred tax thereon, were reversed through equity and recognised in the income statement.

19. INVENTORIES

	31 December 2011 US$000	31 December 2010 US$000
Consumables	**27,612**	11,575
Work in progress	**12,707**	7,837
Finished goods	**196**	967
	40,515	20,379

Consumables represent stocks of mining supplies, reagents, lubricants and spare parts held on site. The remoteness of the Inata Gold Mine requires large balances of such supplies to be held in store.

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

20. TRADE AND OTHER RECEIVABLES

	31 December 2011 US$000	31 December 2010 US$000
Other receivables	**11,151**	10,357
VAT	**15,579**	4,303
Prepayments	**1,799**	1,497
	28,529	16,157

VAT recoverable largely reflects amounts that have been reclaimed in Burkina Faso. The increase in 2011 reflects the increase in mining and processing levels.

21. CASH AND CASH EQUIVALENTS

	31 December 2011 US$000	31 December 2010 US$000
Cash at bank and in hand	**105,236**	49,523
Cash and cash equivalents	**105,236**	49,523

Included in Cash at bank and in hand at 31 December 2011 is US$14.6 million of restricted cash (31 December 2010: US$12.8 million), representing a minimum account balance held in Macquarie Bank Limited, a condition of the Inata project finance facility, and US$0.6 million relating to amounts held on restricted deposit in Burkina Faso for the purposes of environmental rehabilitation work, as required by the terms of the Inata mining licence.

US$60.0 million (31 December 2010: US$ nil) of cash and cash equivalents is held on short term deposit, with a maturity of less than one month.

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22. CURRENT LIABILITIES

	31 December 2011 US$000	31 December 2010 US$000
Trade payables	**11,986**	7,510
Social security and other taxes	**240**	7
Other payables	**–**	181
Accrued expenses	**13,318**	20,732
	25,544	28,430

Included in accrued expenses at 31 December 2011 were US$0.4 million (31 December 2010: US$1.5 million) of share based payments that were expected to be cash settled. These payments, in respect of Executive Committee bonuses are expected to be paid within three months of the year end. 2010 bonuses were paid within three months of the year end.

23. OTHER FINANCIAL LIABILITIES

Current financial liabilities	31 December 2011 US$000	31 December 2010 US$000
Interest bearing debt	**24,000**	24,000
Finance lease liabilities	**711**	–
	24,711	24,000

Non–current financial liabilities	31 December 2011 US$000	31 December 2010 US$000
Interest bearing debt	**5,000**	54,000
Finance lease liabilities	**3,018**	–
	8,018	54,000

Interest bearing debt

The Group has interest–bearing debt of US$29 million (31 December 2010: US$78 million).

Inata project finance facility

The Company acquired, through its takeover of Wega Mining in 2009, a US$65 million project finance facility with Macquarie Bank Limited. Interest on the loan is calculated at market rates (LIBOR) plus a margin. The weighted average interest on the loan during the year was 5.4% (31 December 2010: 5.8%). Interest costs incurred during the period of construction of the Inata Gold Mine were capitalised as a construction cost. A total of US$1.5 million was capitalised in 2010. From 1 April 2010, when commercial mining operations commenced, no further interest costs were capitalised.

US$24 million (31 December 2010: US$12 million) of repayments were made during the year under the terms of the facility agreement. US$24 million is due during 2012, and this amount is presented within current liabilities, with the remainder due during 2013.

The facility is secured primarily on the Inata Gold Mine and various assets within the Wega Mining group of companies. There is no cross guarantee to the parent, nor to other Avocet companies.

Corporate revolving facility

In September 2009, the Company entered into a US$25 million corporate revolving facility with Standard Chartered Bank. The US$25 million drawn under the facility was repaid on 24 June 2011 following the substantial completion of the sale of the Company's South East Asian assets. The facility was secured on the Penjom assets.

Interest on the loan was calculated at cost of funds plus a margin. The weighted average interest on the loan during the period was 5.1% (2010: 4.9%).

Finance lease liability

In 2009, an agreement was entered by an Avocet subsidiary 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. The cost of the construction work would initially be borne by

Total Burkina SA, and then recovered from Inata 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 therefore have recognised the liability on the balance sheet and capitalised the cost of the fuel storage facility in Property, Plant and Equipment.

Gross finance lease liabilities – minimum lease payments	31 December 2011 US$000	31 December 2010 US$000
No later than 1 year	**761**	–
Later than one year and no later than 5 years	**3,212**	–
Later than 5 years	**970**	–
	4,943	–
Future finance charges on finance leases	**(1,214)**	–
Present value of lease liabilities	**3,729**	–

Present value of lease liabilities	31 December 2011 US$000	31 December 2010 US$000
No later than 1 year	**711**	–
Later than one year and no later than 5 years	**2,161**	–
Later than 5 years	**857**	–
	3,729	–

24. OTHER LIABILITIES

	Mine closure US$000	Post retirement benefits US$000	Total US$000
At 1 January 2011	3,307	430	3,737
New amounts provided during the year	1,406	–	1,406
At 31 December 2011	**4,713**	**430**	**5,143**

Mine closure provisions represent management's best estimate of the cost of mine closure at its operation in Burkina Faso. It is estimated that approximately 30% of the restoration costs in respect of Inata will be incurred throughout the operating life of the mine, and approximately 70% from 2024 onwards. In accordance with the Group accounting policy, the amounts and timing of cash flows are reviewed annually and reflect any changes to life of mine plans.

The provision for post retirement benefits represents the Directors' best estimate of costs following the closure of a US subsidiary no longer owned by the Group. The above amount represents a full provision for the liability, based on the most recent actuarial valuation at 1 January 2012. The main assumptions used by the actuary were as follows:

	31 December 2011	31 December 2010
Rate of increase for pensions in payment	**0.0%**	0.0%
Discount rate	**5.1%**	6.1%
Inflation	**3.0%**	3.0%

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

	US$000	US$000
Cash	**191**	146
Present value of scheme liabilities	**(445)**	(425)
Deficit in scheme	**(254)**	(279)
Rate of return	**0.01%**	(1.0%)

In 2010 the negative returns reflect payment of the pension trust fees and costs of the independent actuarial valuation from the pension trust fund.

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25. FINANCIAL INSTRUMENTS

Categories of financial instrument:

Categories	At 31 December 2011 Measured at fair value Available for sale US$000	At 31 December 2011 Measured at amortised cost Loans and receivables including cash and cash equivalents US$000	At 31 December 2010 Measured at fair value Available for sale US$000	At 31 December 2010 Measured at amortised cost Loans and receivables including cash and cash equivalents US$000
Financial assets				
Cash and cash equivalents	**–**	**105,236**	–	49,523
Other financial assets	**1,828**	**–**	20,293	–
	1,828	**105,236**	20,293	49,523
Financial liabilities				
Trade and other payables	**–**	**25,304**	–	28,242
Interest bearing borrowings	**–**	**29,000**	–	78,000
Finance lease liabilities	**–**	**3,729**	–	–
	–	**58,033**	–	106,242

	31 December 2011 US$000	31 December 2010 US$000
Results from financial assets and liabilities		
Other financial assets – fair value through other comprehensive income	**(3,388)**	12,629
Gain/(loss) on disposal of financial assets through income statement	**8,990**	(7,341)

Gold produced from the Inata Gold Mine during the year was sold both at spot and into the Company's hedge book. A total of 164,026 ounces of gold were sold, of which 88,157 ounces were sold at spot (at an average realised price of US$1,590 per ounce), while 75,869 ounces were delivered to meet forward contracts (at an average realised price of US$965 per ounce).

Had spot prices been 10% lower in the period, profit would have decreased by US$13.0 million (31 December 2010: US$9.7 million); had prices been 10% higher, profit would have increased by US$13.0 million (31 December 2010: US$9.7 million).

Following the substantial completion of the disposal of Avocet's South East Asian assets on 24 June 2011, the Group announced the restructuring and partial buy back of the forward contracts on 27 July 2011, with the result that the hedged proportion of production from its one remaining producing mine, Inata, was reduced from approximately 60% to approximately 20%. The restructure consisted of eliminating 58,432 ounces under the forward contracts at a cost of US$39.8 million and extending the delivery profile of the remaining ounces by four years to June 2018. At 31 December 2011 214,500 ounces remained, with physical deliveries contracted at 8,250 ounces per quarter until June 2018, at a forward price of US$950 per ounce. The first physical deliveries under the restructured hedge took place in July 2011.

At 31 December 2011 these forward contracts represented a mark–to–market liability of US$141.4 million based on a gold price of US$1,575 per ounce at that date. However, the forward contracts are considered to be outside of the scope of IAS 39, on the basis that they are for own use and gold produced will continue to be physically delivered to meet the contractual requirement in future periods, and therefore no value is reflected in the consolidated financial statements for the remaining contracts, as allowed by the exemption conferred by IAS 39.5. The restructuring of the contracts, as a response to the significant change in the Group's production profile following the disposal of the Penjom and North Lanut mines, has not changed the nature or purpose of the contracts, which continue to be held for own use, nor does it represent a practice of net settlement.

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:

	At 31 December 2011 US$000	At 31 December 2010 US$000
Cash and cash equivalents	**105,236**	49,523
Available for sale financial assets	**1,828**	20,293
	107,064	69,816

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. 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. At the balance sheet date the Group's financial liabilities were as follows:

	At 31 December 2011 US$000	At 31 December 2010 US$000
Trade payables	**11,986**	7,510
Other short term financial liabilities	**38,079**	44,732
Current financial liabilities	**50,065**	52,242
Non-current financial liabilities	**9,182**	54,000
	59,247	106,242

The above amount reflects 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 2011 US$000**	Weighted average interest rate %	At 31 December 2010 US$000
Cash and cash on hand	**0.03**	**45,234**	0.71	49,523
Short term deposits	**0.48**	**60,002**	–	–
Cash and cash equivalents	**0.15**	**105,236**	0.71	49,523
Interest–bearing debt	**5.27**	**(29,000)**	5.55	(78,000)
Net cash/(debt)		**76,236**		(28,477)

Interest rate risk arises from the Group's long term variable rate borrowings which expose the Group to cash flow interest rate risk. This risk is partially offset by cash held at variable rates.

An increase in interest rates of 100 basis points in the period would have resulted in additional interest costs of US$0.6 million in the year (31 December 2010: US$0.8 million).

Foreign currency risk

The Group's cash balances at 31 December 2011 and 31 December 2010 consisted of the following currency holdings:

	At 31 December 2011 US$000	At 31 December 2010 US$000
Sterling	**318**	844
US dollars	**101,900**	43,659
Other	**3,018**	5,020
	105,236	49,523

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25. FINANCIAL INSTRUMENTS CONTINUED
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 55% of total payments. The Burkina Faso CFA, which has a fixed exchange rate to the Euro, weakened by 5% against the US dollar in the year. It is estimated that without the weakening CFA profit would have been US$3.5 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 (ie as prices) or indirectly (ie derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The Group monitors capital on the basis of the debt: equity ratio, based on external debt divided by total equity, and on its ability to service its debt. The Group manages the capital structure 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.

The Group has complied with debt covenants in respect of maintaining certain debt to equity ratios.

	At 31 December 2011 US$000	At 31 December 2010 US$000
Loan finance	**29,000**	78,000
Total equity	**390,555**	319,239
Debt: equity	**0.07**	0.24

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

	31 December 2011		31 December 2010	
	Number	**WAEP (£)**	Number	WAEP (£)
Outstanding at the beginning of the period	**8,111,553**	**1.06**	8,395,553	1.01
Granted during the period	**728,101**	**2.20**	2,200,000	1.09
Exercised during the period	**(2,125,000)**	**0.96**	(2,297,415)	0.89
Cancelled or expired during the period	**(930,000)**	**0.74**	(186,585)	0.84
Outstanding at the period end	**5,784,654**	**1.17**	8,111,553	1.06
Exercisable at the period end	**1,316,553**	**1.19**	2,066,553	1.11

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 after 1 January 2011 have no market performance criteria and have been valued using the Black Scholes model. Further details of the Share Option Plan are provided in the Remuneration Report on page 56. 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
14/07/2005	3	14/07/2008	5	4.25%	0.82	48.57%	0.32	78,659
15/11/2006	3	15/11/2009	5	4.83%	1.03	53.57%	0.45	787,894
09/07/2008	3	09/07/2011	5	4.94%	1.54	45.08%	0.59	450,000
17/05/2009	3	17/05/2012	5	1.91%	0.75	49.97%	0.28	25,000
25/06/2009	3	25/06/2012	5	2.13%	0.81	50.16%	0.30	1,295,000
12/11/2009	3	12/11/2012	5	1.92%	0.91	51.22%	0.40	850,000
18/03/2010	3	18/03/2013	4	2.42%	1.05	55.86%	0.47	13,142
18/03/2010	3	18/03/2013	5	2.85%	1.05	52.30%	0.46	1,061,858
28/07/2010	3	28/07/2013	5	2.38%	1.24	52.74%	0.52	500,000
23/05/2011	0.75	21/02/2012	2.75	1.46%	2.19	53.98%	0.57	219,279
23/05/2011	1.75	21/02/2013	3.75	1.88%	2.19	53.98%	0.69	219,279
23/05/2011	2.75	21/02/2014	4.75	2.25%	2.19	53.98%	0.79	219,280
27/07/2011	1	27/07/2012	3	0.61%	2.25	53.83%	0.85	10,088
27/07/2011	2	27/07/2013	4	0.81%	2.25	53.83%	0.96	10,088
27/07/2011	3	27/07/2014	5	1.15%	2.25	53.83%	1.05	10,087
02/08/2011	1	02/08/2012	3	0.60%	2.33	53.19%	0.80	5,000
02/08/2011	2	02/08/2013	4	0.72%	2.33	53.19%	0.91	5,000
02/08/2011	3	02/08/2014	5	1.00%	2.33	53.19%	1.00	5,000
12/08/2011	1	12/08/2012	3	0.60%	2.36	53.61%	0.77	3,333
12/08/2011	2	12/08/2013	4	0.67%	2.36	53.61%	0.88	3,333
12/08/2011	3	12/08/2014	5	0.88%	2.36	53.61%	0.97	3,334
15/08/2011	1	15/08/2012	3	0.62%	2.30	53.73%	0.90	3,333
15/08/2011	2	15/08/2013	4	0.69%	2.30	53.73%	1.01	3,333
15/08/2011	3	15/08/2014	5	0.90%	2.30	53.73%	1.10	3,334

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

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

The Group recognised total expenses of US$1.9 million related to share based payment transactions during the year (US$8.6 million in the year ended 31 December 2010). Of the US$8.6 million recognised in 2010, US$1.5 million was cash settled.

28. CONSOLIDATED CASH FLOW STATEMENT

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

Exceptional non-operating items

	31 December 2011 US$000	31 December 2010 US$000
Profit on disposal of subsidiaries – discontinued operations	**(89,955)**	–
Profit on disposal of investments – continuing operations	**(8,990)**	(2,669)
Profit on disposal of investments – discontinued operations	**(2,600)**	–
Restructure of hedge – continuing operations	**39,757**	–
Expenses of listing on Oslo Børs – continuing operations	**–**	2,363
Exceptional non-operating items in the income statement	**(61,788)**	(306)

Notes to the financial statements continued
For the year ended 31 December 2011

28. CONSOLIDATED CASH FLOW STATEMENT CONTINUED
Other non-operating items in the income statement

	31 December 2011 US$000	31 December 2010 US$000
Loss on disposal of property, plant and equipment – discontinued operations	–	151
Exchange losses in operating activities – continuing operations	1,979	113
Finance income – continuing operations	(125)	(5)
Finance expense – continuing operations	4,812	4,766
Net finance items – discontinued operations	(175)	(49)
Other non-operating and non-cash items in the income statement	**6,491**	4,976
Total non-cash and non-operating items in the income statement	**(55,297)**	4,670

29. SHARE CAPITAL

	31 December 2011		31 December 2010	
	Number	US$000	Number	US$000
Authorised:				
Ordinary share of 5p	800,000,000	69,732	800,000,000	69,732
Allotted, called up and fully paid:				
Opening balance	197,546,710	16,086	195,121,253	15,904
Issued during the year	2,000,000	161	2,425,457	182
Closing balance	**199,546,710**	**16,247**	197,546,710	16,086

The Company issued a total of 2,000,000 shares during the year (2,425,457 during 2010). 930,114 shares were issued to satisfy Executive Committee bonuses, 435,412 to satisfy employee share option exercises, and 634,474 were issued into the Employee Benefit Trust. During 2010, 1,164,705 shares were issued as part of a retail offering on listing on the Oslo Børs. The remainder were issued to satisfy the exercise of share options.

30. OTHER RESERVES

	Merger reserve US$000	Acquisition reserve US$000	Investment in own and treasury shares US$000	Revaluation of other financial assets US$000	Foreign exchange US$000	Total US$000
At 31 December 2009	19,901	(1,992)	(3,244)	(3,810)	466	11,321
Transfer to retained earnings	–	–	–	1,569	–	1,569
Movement in year	–	–	2,873	14,869	–	17,742
At 31 December 2010	19,901	(1,992)	(371)	12,628	466	30,632
Movement in year	–	–	(3,611)	(13,113)	–	(16,724)
Reclassification on disposal of subsidiaries	–	–	–	–	(627)	(627)
Transfer to retained earnings	–	1,992	–	–	–	1,992
At 31 December 2011	**19,901**	**–**	**(3,982)**	**(485)**	**(161)**	**15,273**

In 2011, the Company allotted 634,474 new shares to the EBT, at a time when the value of those shares was £2.16. Over the course of the year, a total of 385,231 shares were released from the EBT for the purpose of satisfying employee share awards, at a weighted average cost of US$1.1 million.

At 31 December 2011, the Company held 536,738 Own Shares (of which 534,837 were held in the EBT and 1,901 were held in the Share Incentive Plan).

On 3 August 2011, the Company purchased 769,279 Avocet shares on the market at an average price of £2.31 per share. On 9 November 2011, the Company purchased a further 500,000 Avocet shares on the market at an average price of £2.37 per share. These shares were held as Treasury shares.

During 2011, the Company issued from Treasury shares a total of 116,315 shares for the satisfaction of employee share awards (share bonuses and the exercise of options), and a further 500,000 shares as a final settlement of the Company's obligations with regard to the Doup exploration project in Indonesia, which had been disposed as part of the sale of the South East Asian entities. The cost of these shares is included within transaction cost of disposal, as presented in note 5c, being the purchase price of £2.37 per share, as noted above. At 31 December 2011, the Company held 652,964 Treasury shares.

The acquisition reserve arose on an acquisition from the issuing of 14,000,000 ordinary shares of the Company on 12 November 2002 at the market price of 16p per share compared with the previous nominal value of 25p. The reserve was created following independent legal advice. The reserve was transferred to retained earnings in June 2011.

31. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2011 or 31 December 2010.

In April 2011, Avocet was informed that a law suit had been filed against it in the District Court of Jakarta, Indonesia by PT Lebong Tandai ('PT LT'), Avocet's former partner in a joint venture in Indonesia. The law suit relates to a challenge as to the legality of the sale of Avocet's South East Asian assets. PT LT asserts that it is entitled to acquire all of these assets pursuant to an agreement allegedly entered into between PT LT and Avocet in April 2010. In its law suit, PT LT has claimed damages totalling US$1.95 billion, comprising US$450 million loss in respect of an alleged on-sale by PT LT of part of the assets, US$500 million loss in respect of financing arrangements allegedly entered into by PT LT, and US$1 billion for loss of reputation. In November 2011, Avocet challenged the jurisdiction of the District Court to hear the law suit on the basis that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia. The District Court subsequently found in Avocet's favour and dismissed the case. PT LT has since lodged an appeal to the Indonesian High Court against the District Court's decision. Despite the appeal by PT LT, which may take several months, the Board of Avocet is encouraged that the District Court has ruled in Avocet's favour in the first instance. The Board also remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.

As any financial settlement is considered to be remote, this matter does not constitute a contingent liability, however the matter is disclosed in these financial statements to replicate statements already made by the Company.

32. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2011 or 31 December 2010.

33. EVENTS AFTER THE REPORTING PERIOD

On 16 February 2012 the sale of PT Sago Prima Pratoma was completed for proceeds of US$2 million. The assets of PT Sago Prima Pratoma were presented as assets held for sale in the 31 December 2011 statement of financial position.

34. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2011 between the Company and Group companies that were not wholly owned, in respect of management fees, technical services fees, technology and know–how fees, and interest on loans:

	Avocet Mining PLC		**Avocet Mining (Malaysia) OHQ Sdn Bhd**		**Wega Mining AS**	
Year ended 31 December 2011	**Charged in the year US$000**	**Balance at 31 December 2011 US$000**	**Charged in the year US$000**	**Balance at 31 December 2011 US$000**	**Charged in the year US$000**	**Balance at 31 December 2011 US$000**
Société des Mines de Bélahouro SA (90%)	**7,801**	**127,560**	**553**	**–**	**7,775**	**101,980**
PT Avocet Bolaang Mongondow (80%)	**1,025**	**n/a[1]**	**191**	**n/a[1]**	**–**	**n/a[1]**
PT Gorontalo Sejahtera Mining (75%)	**–**	**n/a[1]**	**29**	**n/a[1]**	**–**	**n/a[1]**

1 Avocet Mining (Malaysia) OHQ Sdn Bhd, PT Avocet Bolaang Mongondow and PT Gorontalo Sejahtera Mining were sold during 2011

	Avocet Mining PLC		Avocet Mining (Malaysia) OHQ Sdn Bhd		Wega Mining AS	
Year ended 31 December 2010	Charged in the year US$000	Balance at 31 December 2010 US$000	Charged in the year US$000	Balance at 31 December 2010 US$000	Charged in the year US$000	Balance at 31 December 2010 US$000
Société des Mines de Bélahouro SA (90%)	1,468	49,049	738	467	12,692	94,335
PT Avocet Bolaang Mongondow (80%)	2,209	1,351	363	116	–	–
PT Gorontalo Sejahtera Mining (75%)	–	1,853	27	10	–	–

Notes to the financial statements continued
For the year ended 31 December 2011

34. RELATED PARTY TRANSACTIONS CONTINUED
Information on remuneration of Key Management Personnel is set out in note 7.

Dividends received by Directors during the year in respect of shares held in the Company amounted to US$0.04 million.

35. UNAUDITED QUARTERLY INCOME STATEMENT
The following table presents an analysis of the 2011 results by quarter. This analysis has not been audited and does not form part of the statutory financial statements.

	Q1 2011 (Unaudited) US$000	Q2 2011 (Unaudited) US$000	Q3 2011 (Unaudited) US$000	Q4 2011 (Unaudited) US$000	**2011 (Audited) US$000**	2010 (Audited) US$000
Revenue						
Continuing operations	55,767	44,749	42,413	70,446	**213,375**	132,779
Discontinued operations	32,021	35,215	–	–	**67,236**	121,814
	87,788	79,964	42,413	70,446	**280,611**	254,593
Cost of sales						
Continuing operations	(39,288)	(34,200)	(32,567)	(50,597)	**(156,652)**	(95,135)
Discontinued operations	(24,430)	(25,732)	(939)	–	**(51,101)**	(105,533)
	(63,718)	(59,932)	(33,506)	(50,597)	**(207,753)**	(200,668)
Gross profit	24,070	20,032	8,907	19,849	**72,858**	53,925
Administrative expenses – continuing operations	(1,934)	(2,872)	(2,295)	(2,556)	**(9,657)**	(7,040)
Exceptional administrative expenses – continuing	–	–	–	(3,078)	**(3,078)**	–
Share based payments – continuing operations	(361)	(305)	(387)	(888)	**(1,941)**	(8,625)
Profit from operations	21,775	16,855	6,225	13,327	**58,182**	38,260
Profit on disposal of investments – continuing operations	–	8,990	–	–	**8,990**	2,669
Profit on disposal of investments – discontinued operations	–	–	2,427	173	**2,600**	–
Profit on disposal of discontinued operations	–	72,807	12,995	4,153	**89,955**	–
Restructure of hedge	–	–	(39,757)	–	**(39,757)**	–
Loss on disposal of property, plant and equipment – discontinued operations	–	–	–	–	**–**	(151)
Finance items – continuing operations						
Exchange gains/(losses)	62	(144)	24	(58)	**(116)**	(49)
Finance income	–	–	20	105	**125**	5
Finance expense	(1,676)	(1,356)	(991)	(789)	**(4,812)**	(4,766)
Expenses of listing on Oslo Børs	–	–	–	–	**–**	(2,363)
Net finance items – discontinued operations	160	(179)	(7)	–	**(26)**	(56)
Profit/(loss) before taxation	20,321	96,973	(19,064)	16,911	**115,141**	33,549
Analysed as:						
Profit before taxation and exceptional items	20,321	15,176	5,271	15,663	**56,431**	33,394
Exceptional items	–	81,797	(24,335)	1,248	**58,710**	155
Profit/(loss) before taxation	20,321	96,973	(19,064)	16,911	**115,141**	33,549
Taxation						
Continuing operations	(2,621)	(1,981)	7,323	(10,018)	**(7,297)**	(12,021)
Discontinued operations	(1,330)	(1,393)	–	–	**(2,723)**	(3,316)
	(3,951)	(3,374)	7,323	(10,018)	**(10,020)**	(15,337)
Profit/(loss) for the year						
Profit/(loss) from continuing operations	9,949	12,881	(26,217)	2,567	**(820)**	5,454
Profit from discontinued operations	6,421	80,718	14,476	4,326	**105,941**	12,758
Profit/(loss) for the year	16,370	93,599	(11,741)	6,893	**105,121**	18,212
EBITDA	32,994	26,083	14,013	27,190	**100,280**	86,272

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

We have audited the parent company financial statements of Avocet Mining PLC for the year ended 31 December 2011 which comprise the Company balance sheet, the significant accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:
- give a true and fair view of the state of the parent company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters, where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group financial statements of Avocet Mining PLC for the year ended 31 December 2011.

CHARLES HUTTON-POTTS

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
London

22 February 2012

Company balance sheet
At 31 December

	Note	At 31 December 2011 US$000	At 31 December 2010 (restated) US$000
Fixed assets			
Intangible assets	40	**1,704**	573
Tangible assets	41	**494**	246
Other financial assets	42	**1,828**	–
Investments	43	**109,018**	113,990
		113,044	114,809
Current assets			
Debtors due within one year	44	**178,142**	22,283
Debtors due after more than one year	44	**–**	89,334
Cash at bank and in hand		**75,574**	11,594
		253,716	123,211
Creditors: amounts falling due within one year	45	**(7,884)**	(13,788)
Net current assets		**245,832**	109,423
Total assets less current liabilities		**358,876**	224,232
Creditors: amounts falling due after more than one year	46	**–**	(25,000)
Provisions for liabilities	47	**–**	(4,507)
Net assets		**358,876**	194,725
Capital and reserves			
Called up share capital	48	**16,247**	16,086
Share premium account	49	**149,915**	144,571
Investment in own shares	50	**(1,508)**	(371)
Investment in treasury shares	50	**(2,474)**	–
Other reserves	51	**(485)**	–
Profit and loss account	52	**197,181**	34,439
Equity shareholders' funds		**358,876**	194,725

These financial statements were approved and signed on behalf of the Board of Directors on 22 February 2012.

RP Edey **AM Norris**

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

Avocet Mining PLC is registered in England No 3036214

Notes to the Company financial statements
For the year ended 31 December 2011

36. 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.

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

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

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

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

38. PRIOR YEAR ADJUSTMENT ON ADOPTION OF FRS 26
Previously, as a company listed on AIM, the Company was not required to adopt FRS 26 Financial Instruments: Recognition and Measurement (FRS 26). As a result of the Company listing on the Main Board of the London Stock Exchange, the adoption of FRS 26 is now required, with retrospective application. The adoption of FRS 26 has resulted in an adjustment to the prior year financial statements to reflect the measurement of investments in available for sale financial assets at fair value, with re-measurement to fair value being recognised in equity. Previously, such investments were recognised at cost less any provision for impairment. The effect of the prior year adjustment is to reduce opening shareholders' funds at 1 January 2010 by US$1.9 million. There is no change to shareholders' funds previously reported at 31 December 2010 as the investments were disposed during 2010. Note 53 of these financial statements presents the financial effect of the change in accounting policy. The Company accounting policy is now in line with the Group policy for Financial Instruments under IAS 39, as disclosed in the Group financial statements.

39. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION
The profit is stated after charging:

	31 December 2011 US$000	31 December 2010 US$000
Auditors' remuneration		
– audit – Company	**10**	10
Non-audit services		
– interim review services	**19**	–
– other services relating to taxation	**20**	38
– transaction services, principally relating to listing on London Stock Exchange	**476**	–
Depreciation of owned tangible fixed assets	**134**	124
Operating lease charges	**143**	174

Notes to the Company financial statements continued
For the year ended 31 December 2011

40. INTANGIBLE ASSETS

	Deferred exploration expenditure US$000
Cost	
At 1 January 2011	573
Additions	1,131
At 31 December 2011	**1,704**
Net book value at 31 December 2011	**1,704**
Net book value at 31 December 2010	573

The above assets represent deferred exploration expenditure in relation to assets in South East Asia, which are in the process of being disposed.

41. TANGIBLE FIXED ASSETS

	Office equipment US$000	Total US$000
Cost		
At 1 January 2011	447	447
Additions	382	382
At 31 December 2011	**829**	**829**
Depreciation		
At 1 January 2011	201	201
Charge for the year	134	134
At 31 December 2011	**335**	**335**
Net book value at 31 December 2011	**494**	**494**
Net book value at 31 December 2010	246	246

42. OTHER FINANCIAL ASSETS

	31 December 2011 US$000	31 December 2010 (restated) US$000
At 1 January	–	9,428
Additions	2,313	–
Disposals	–	(9,428)
Fair value adjustment	(485)	–
At 31 December	1,828	–

As explained in note 38, the accounting policy for investments in other financials assets has been changed as a result of the Company's listing on the London Stock Exchange. The change in accounting policy has required a prior year adjustment to restate the opening balance at 1 January 2010, the details of which are explained in note 38.

Additions in the year relate to the receipt of 7.9 million Golden Peak shares in consideration for the sale of two Indonesian subsidiaries, PT Arafura Mandiri Semangat ('PT Arafura') and PT Aura Celebes Mandiri ('PT ACM') to Reliance Resources Limited, a company owned by Golden Peaks Resources Limited ('Golden Peaks'). Golden Peaks is listed on the Toronto Stock Exchange. The investment has been classified as available for sale and is therefore measured at fair value, with movements in fair value being recognised in equity.

Other financial assets disposed of during the prior year represented the Company's interests of 19% in Dynasty Gold Corporation and 15% in Monument Mining Limited, both companies listed on the TSX Venture Exchange in Canada. These investments were accounted for as other financial assets rather than equity accounted as associates, on the basis that the Company was not in a position to exercise significant influence over the activities of, and had no Board representation in, either company.

43. INVESTMENTS

	Subsidiary undertakings US$000
Cost	
At 1 January 2011	113,990
Additions	157
Disposals	(5,129)
At 31 December 2011	**109,018**
Net book value at 31 December 2011	**109,018**
Net book value at 31 December 2010	113,990

Disposals in the year relate to the sale of Avocet's subsidiaries in South East Asia, namely PT Avocet Bolaang Mongondow, Avocet BV, PT Avocet Mining Services, and Avocet Mining (Malaysia) OHQ Sdn. Bhd. Further details of the transaction can be found in note 5 of the Avocet Mining PLC Group accounts.

The disposal generated a profit on disposal of US$169 million, the detail of which is provided below:

	Year ended 31 December 2011 US$000
Consideration received	**197,000**
Company share of cash held in subsidiaries at completion	**15,192**
Working capital and other adjustments	**(6,529)**
Net consideration	**205,663**
Less transaction costs	**(16,739)**
Cost of investment disposed of	**(5,129)**
Intercompany loans	**(14,708)**
Pre-tax provisional profit on disposal of discontinued operations	**169,087**
Taxation[1]	**–**
Post-tax provisional profit on disposal of discontinued operations	**169,087**

1 The Company anticipates that no UK tax will be payable on the disposal of its operations in South East Asia on the basis that the sale qualifies for the UK substantial shareholding exemption.

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	
	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%
Avocet Gold Limited*	*Gold exploration & mining*	*England and Wales*	*Ordinary*	*–*	*100%*
Specific Resources Sdn. Bhd. *	*Gold exploration & mining contractor*	*Malaysia*	*Ordinary*	*–*	*100%*
PT Avocet Bolaang Mongondow*	*Gold exploration & mining*	*Indonesia*	*Ordinary*	*80%*	*80%*

* These entities were sold during 2011.

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

Notes to the Company financial statements continued
For the year ended 31 December 2011

44. DEBTORS

	31 December 2011 US$000	31 December 2010 US$000
(a) Due within one year		
Amounts owed by Group undertakings	**177,103**	21,114
Other debtors	**916**	235
Prepayments	**123**	934
	178,142	22,283
(b) Due after more than one year		
Amounts owed by Group undertakings	**–**	87,211
Deferred tax	**–**	2,123
	–	89,334

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

	31 December 2011 US$000	31 December 2010 US$000
Other taxes and social security	**237**	4
Other creditors	**1,770**	181
Amounts due to Group undertakings	**–**	10,009
Accruals and deferred income	**5,877**	3,594
	7,884	13,788

46. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	31 December 2011 US$000	31 December 2010 US$000
Loan facility	**–**	25,000
	–	25,000

In September 2009, the Company entered into a US$25 million corporate revolving facility with Standard Chartered Bank. The facility was repaid in full on 24 June 2011 following the substantial completion of the sale of Company's South East Asian assets. The facility was secured on the Penjom assets.

Interest on the loan was calculated at cost of funds plus a margin.

47. PROVISIONS FOR LIABILITIES

	31 December 2011 US$000	31 December 2010 US$000
Deferred consideration		
Opening balance	**4,507**	3,450
Provisions made during the year	**–**	3,224
Utilised/released during the year	**(4,507)**	(2,167)
Closing balance	**–**	4,507

Deferred consideration was payable in respect of Avocet's 2002 acquisition of PT Avocet Bolaang Mongondow, based on projected net sale proceeds from future production. The Company's interest in PT Avocet Bolaang Mongondow was sold on 24 June 2011 and the associated deferred consideration liability was therefore released.

48. SHARE CAPITAL

	At 31 December 2011		31 December 2010	
	Number	**US$000**	Number	US$000
Authorised:				
Ordinary share of 5p	**800,000,000**	**69,732**	800,000,000	69,732
Allotted, called up and fully paid:				
Opening balance	**197,546,710**	**16,086**	195,121,253	15,904
Issued during the period	**2,000,000**	**161**	2,425,457	182
Closing balance	**199,546,710**	**16,247**	197,546,710	16,086

On 24 February 2011, the Company announced it was issuing a total of 2,000,000 new ordinary shares, for the satisfaction of employee share awards. Of these, 1,365,526 were allotted directly to employees (including Directors and senior managers), while 634,474 were allotted to the Employee Benefit Trust (EBT) for the purpose of satisfying future employee share awards .

In 2010, the Company issued a total of 2,425,457 shares. 1,164,705 shares were issued as part of a retail offering on listing on the Oslo Børs. The remainder were issued to satisfy the exercise of share options.

49. SHARE PREMIUM ACCOUNT

	Share premium US$000
At 1 January 2011	144,571
Arising during the year	5,344
At 31 December 2011	**149,915**

50. INVESTMENT IN OWN SHARES AND TREASURY SHARES

	Own shares US$000	Treasury shares US$000
At 1 January 2011	371	–
New shares issued into the EBT	2,218	–
Purchased from the market	–	4,806
Released during the period	(1,081)	(2,332)
At 31 December 2011	**1,508**	**2,474**

In 2011, the Company allotted 634,474 new shares to the EBT, at a time when the value of those shares was £2.16. Over the course of the year, a total of 385,231 shares were released from the EBT for the purpose of satisfying employee share awards, at a weighted average cost of US$1.1 million.

At 31 December 2011, the Company held 536,738 Own Shares (of which 534,837 were held in the EBT and 1,901 were held in the Share Incentive Plan).

On 3 August 2011, the Company purchased 769,279 Avocet shares on the market at an average price of £2.31 per share. On 9 November 2011, the Company purchased a further 500,000 Avocet shares on the market at an average price of £2.37 per share. These shares were held as Treasury shares.

During 2011, the Company issued from Treasury shares a total of 116,315 shares for the satisfaction of employee share awards (share bonuses and the exercise of options), and a further 500,000 shares as a final settlement of the Company's obligations with regard to the Doup exploration project in Indonesia, which had been disposed as part of the sale of the South East Asian entities.

At 31 December 2011, the Company held 652,964 Treasury shares.

Notes to the Company financial statements continued
For the year ended 31 December 2011

51. OTHER RESERVES

	Revaluation of other financial assets (Restated) US$000	Total (Restated) US$000
At 1 January 2011	–	–
Fair value adjustment	(485)	(485)
At 31 December 2011	**(485)**	**(485)**

Other reserves represent the revaluation to fair value of other financial assets. Refer to note 38 and note 42 for further information.

52. PROFIT AND LOSS ACCOUNT

	31 December 2011 US$000
At 1 January 2011	**34,439**
Retained profit for the year	**174,652**
Dividends	**(6,814)**
Share based payments	**(1,802)**
Net exercise of share options settled in cash	**(2,630)**
Loss on release of shares from treasury	**(664)**
At 31 December 2011	**197,181**

On 30 September 2011, the Company paid an interim dividend of 2.1 pence per share.

The Company has taken advantage of Section 408 of the Companies Act 2006 in electing not to publish its own profit and loss account.

53. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 December 2011 US$000	31 December 2010 US$000
Profit/(loss) for the financial period	**174,652**	(21,076)
New capital subscribed	**161**	182
Share premium arising on shares issued in the year	**5,344**	1,793
Dividend	**(6,814)**	–
(Increase)/reduction in investment in own shares	**(1,137)**	787
(Increase)/reduction in investment in treasury shares	**(2,474)**	2,086
Share based payments	**(1,802)**	4,356
Net exercise of share options settled in cash	**(2,630)**	–
Loss on release of shares from treasury	**(664)**	(422)
Reclassification on disposal of other financial assets	**–**	1,886
Fair value adjustment	**(485)**	–
Net change in equity shareholders' funds	**164,151**	(10,408)
Opening equity shareholders' funds	**194,725**	207,019
Prior year adjustment	**–**	(1,886)
Restated opening equity shareholders' funds	**–**	205,133
Closing equity shareholders' funds	**358,876**	194,725

54. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2011 or 31 December 2010.

In April 2011, Avocet was informed that a law suit had been filed against it in the District Court of Jakarta, Indonesia by PT Lebong Tandai ('PT LT'), Avocet's former partner in a joint venture in Indonesia. The law suit relates to a challenge as to the legality of the sale of Avocet's South East Asian assets. PT LT asserts that it is entitled to acquire all of these assets pursuant to an agreement allegedly entered into between PT LT and Avocet in April 2010. In its law suit, PT LT has claimed damages totalling US$1.95 billion, comprising US$450 million loss in respect of an alleged on-sale by PT LT of part of the assets, US$500 million loss in respect of financing arrangements allegedly entered into by PT LT, and US$1 billion for loss of reputation. In November 2011, Avocet challenged the jurisdiction of the District Court to hear the law suit on the basis that PT LT and Avocet were obligated under the terms of their joint venture to settle any dispute through arbitration. In addition, Avocet challenged the court's jurisdiction on the grounds that Avocet is not subject to the Indonesian courts as it has no presence in Indonesia. The District Court subsequently found in Avocet's favour and dismissed the case. PT LT has since lodged an appeal to the Indonesian High Court against the District Court's decision. Despite the appeal by PT LT, which may take several months, the Board of Avocet is encouraged that the District Court has ruled in Avocet's favour in the first instance. The Board also remains confident that all the actions taken in respect of the transaction have been in accordance with prevailing rules and regulations and there are no grounds for any such legal action.

As any financial settlement is considered to be remote, this matter does not constitute a contingent liability, however the matter is disclosed in these financial statements to replicate statements already made by the Company.

55. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2011 or 31 December 2010.

56. POST BALANCE SHEET EVENTS

On 16 February 2012 the sale of PT Sago Prima Pratoma was completed for proceeds of US$2 million. The assets of PT Sago Prima Pratoma were presented as assets held for sale in the 31 December 2011 balance sheet.

57. RELATED PARTY TRANSACTIONS

The table below sets out charges during the year and balances at 31 December 2011 between the Company and Group companies that were not wholly owned, in respect of management fees, technical services fees, technology and know-how fees, and interest on loans:

	Avocet Mining PLC		Avocet Mining (Malaysia) OHQ Sdn Bhd		Wega Mining AS	
Year ended 31 December 2011	**Charged in the year US$000**	**Balance at 31 December 2011 US$000**	**Charged in the year US$000**	**Balance at 31 December 2011 US$000**	**Charged in the year US$000**	**Balance at 31 December 2011 US$000**
Société des Mines de Bélahouro SA (90%)	**7,801**	**127,560**	**553**	**–**	**7,775**	**101,980**
PT Avocet Bolaang Mongondow (80%)	**1,025**	**n/a**	**191**	**n/a**	**–**	**n/a**
PT Gorontalo Sejahtera Mining (75%)	**–**	**n/a**	**29**	**n/a**	**–**	**n/a**

Avocet Mining (Malaysia) OHQ Sdn Bhd, PT Avocet Bolaang Mongondow and PT Gorontalo Sejahtera Mining were sold during 2011.

	Avocet Mining PLC		Avocet Mining (Malaysia) OHQ Sdn Bhd		Wega Mining AS	
Year ended 31 December 2010	Charged in the year US$000	Balance at 31 December 2010 US$000	Charged in the year US$000	Balance at 31 December 2010 US$000	Charged in the year US$000	Balance at 31 December 2010 US$000
Société des Mines de Bélahouro SA (90%)	1,468	49,049	738	467	12,692	94,335
PT Avocet Bolaang Mongondow (80%)	2,209	1,351	363	116	–	–
PT Gorontalo Sejahtera Mining (75%)	–	1,853	27	10	–	–

Information on remuneration of Key Management Personnel is set out in note 7 of the Group financial statements.

Dividends received by Directors during the year in respect of shares held in the Company amounted to US$0.04 million.

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 brokers and sponsors are J.P. Morgan Cazenove Limited.

Avocet Mining PLC has a web site (www.avocetmining.com) on which press releases and background information on the Company and some of its operations can be found.

The share price is quoted on a daily basis in the Financial Times. Shares may be bought or sold through a stockbroker who is a member of the London Stock Exchange, or through a stockbroker who is a member of the Oslo Børs.

Market makers in the shares of the Company are Collins Stewart Europe Limited, Fox-Davies Capital Ltd, Canaccord Genuity Limited, Investec Bank Plc, J.P. Morgan Securities Ltd, Liberum Capital Limited, BMO Capital Markets Limited, Peel Hunt LLP, Numis Securities Limited, Renaissance Capital Limited, RBC Europe Limited, Shore Capital Stockbrokers Limited, Westhouse Securities Limited and Winterflood Securities Ltd. On the Oslo Børs, Arctic Securities AS and SEB Enskilda AS are market makers and liquidity providers for the Company.

HISTORICAL SHARE PRICES:

Quarter Ended	High £	Low £
31 March 2011	2.53	2.09
30 June 2011	2.51	1.78
30 September 2011	2.87	1.99
31 December 2011	2.56	1.82

Closing price:	£
31 December 2011	1.85

Total number of shares in issue:	
31 December 2010	197,546,710
31 December 2011	**199,546,710**

UNSOLICITED MAIL:

Avocet Mining PLC is aware that some shareholders have had occasion to complain that outside organisations, for their own purposes, have used information obtained from the Company's share registers. Avocet Mining PLC, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee. If you are in the UK and wish to stop receiving unsolicited mail then you should register with The Mailing Preference Service by letter, telephone or through its website.

The Mailing Preference Service
DMA House
70 Margaret Street
London W1W 8SS
Complaints Department – 020 7291 3321
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WARNING TO SHAREHOLDER – BOILER ROOM SCAMS

In recent years, many companies have become aware that their shareholders or potential shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice, FSA advice for UK investors is to check that the brokers are properly authorised by the FSA before proceeding by visiting www.fsa.gov.uk/register/ and contacting the firm using the details on the register. To report the matter to the FSA, call +44 845 606 1234 or visit www.fsa.gov.uk/pages/consumerinformation.

Notes

Notes

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AM Norris – Finance Director

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MJ Donoghue
RP Edey – Chairman
RA Pilkington
BJ Rourke
G Wylie

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